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NATO

The Economics of an Alliance

by RONALD S. RITCHIE

*Published under the auspices of the
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—R. S. R.

CHAPTER ONE

INTRODUCTION

When bad men combine, the good must associate.

—Edmund Burke.

Since mid-1950, when the West was spurred into rearmament by the Korean War, the world has witnessed in the North Atlantic Treaty Organization a unique and large-scale experiment in the relations between nation states. This experiment has had an immediate and compelling political purpose—the urgent need to seize the chance for survival by creating for Western Europe and North America an effective rampart against the aggressive power of the Soviets.

Perhaps the surest evidence that NATO has achieved a measure of success in this limited purpose has been given by Russia itself. For more than four years the elimination of NATO military power in Europe and the obstruction of West German rearmament within a NATO framework have been the most persistently pursued objects of Soviet diplomacy and of Cominform strategy. The tactics used have been as varied and uninhibited as the purpose behind them has been consistent. They have included “peace campaigns,” sabotage on the docks in France and Italy, appeals to the German sentiment for reunification, attempts to sow dissension among France, the United Kingdom and the United States, a 1954 application for membership

in NATO, announcements of spectacular unilateral reductions in their own armed forces, and now "competitive co-existence." These gambits in the cold war have certainly been aimed at the actual military forces organized by NATO and particularly at the presence of American forces in Europe plus the plan for twelve German divisions. Their more fundamental target, however, pays an even higher compliment to the North Atlantic alliance. The real prize sought has been the destruction of the sense of common purpose which the NATO partners have shared, a degree of political unity which the Soviets themselves created in the first instance and which NATO collaboration has nourished with varying degrees of success.

On the other hand, some of the most significant evidence that NATO's success had been far from complete as yet, even in this limited field of creating a common defence force and of achieving the minimum political unity necessary for the purpose, is offered by the varied successes—and by the failures—which the Soviet has experienced in its campaign. The North Atlantic alliance was founded on fear and it has made its greatest strides when the common danger appeared most imminent. In its origins it can be said to have been a response by Western Europe and North America to the flagrant display of Soviet purpose in the rape of Czechoslovakia and the blockade of Berlin. Thereafter its principal concrete achievements appear to have owed most to the fears unleashed by Korea. Conversely, both the creation of an effective NATO deterrent force and the sense of common political purpose among its members have suffered whenever the Soviet threat has *appeared* less alarming and less immediate, whenever and wherever neutralism or a sense of hopeless futility have been fostered by anticipated horrors of nuclear warfare. As these words are written, the "new look" of the Soviet "collective leadership" may be in the process of undermining the sense of purpose which has actuated the West, creating such uncertainty and confusion as to provide NATO with the most crucial situation of this kind it has yet faced.

From the inception of the NATO idea there has been recognition by its most active proponents, including Canada's Prime Minister and her Secretary of State for External Affairs, that a shared defence effort might be insufficient to cement an enduring association. Some broader and more inspiring purposes, it has been felt, would be necessary to command the continued loyalty and support, in periods of apparently reduced external peril, of peoples whose circumstances are so widely divergent as, for instance, Danes and North Americans. Those who have striven for a broadening of the purposes of NATO and of its programme of action have not been entirely unconcerned with the reactions of the uncommitted and distrustful millions of Asia and Africa to a purely military alliance of Western powers. The basic motivation of those who have urged wider purposes and programmes for NATO and the building of a genuine Atlantic community have, however, been the aspiration, shared by multitudes of men of good will throughout the world, for an effective approach to reducing the distortions and conflicts which are the product of more or less unrestricted national sovereignties.

It was undoubtedly as a result of this complex of motives, combined with persistent Canadian sponsorship, that Article 2 appeared in the North Atlantic Treaty. Article 2 is a joint undertaking of the NATO partners to take steps to "eliminate conflict in their international economic policies" and to "encourage economic collaboration" between them. No commitment in the treaty has had more frequent and universal verbal support than this one, and no provision in the treaty has as yet had less concrete translation into action. At almost every meeting of the Council of Ministers continuing support for a broadened basis of international economic co-operation within the NATO framework has been reiterated as a basic objective of the community. At the Ottawa meeting of the Council in September, 1951, a special committee under the chairmanship of Canada's Lester Pearson was appointed to bring back recommendations for concrete programmes and agreements in this field. Very little in the way of

practicable proposals was forthcoming. In recent months and weeks the clamour at official and popular levels for a recasting of NATO objectives and programmes so as to broaden its base of international collaboration beyond the purely military level has attained new peaks. At least in part, this seems to have been a reaction to Soviet tactics of playing down the possibility of overt conflict and of announcing impressive reductions in its armed forces. Once again there is a great fear that NATO as a purely military organization, even though a defensive one, will, in the present state of world opinion, lose status with non-NATO peoples and find reduced loyalty within its own ranks. Accordingly, once again the Council of Ministers has appointed a special committee to study ways in which NATO might be broadened beyond defence into more acceptable fields of international action. Despite all the oratorical pressure on the subject from both large and small members of NATO, there is very little of a concrete nature that has been suggested. The really important question is whether, in light of the wide variety of specialized agencies now at work in the field of international economic collaboration, there is really any sector left open to NATO which does not involve serious duplication of effort. To this must be added the question of whether the North Atlantic community, as reflected in NATO, is in fact a suitable vehicle or a suitable area in any exclusive sense for programmes of international economic co-operation.

NATO has been successful in creating an integrated defence force in Europe, in the Mediterranean, and on the North Atlantic. To achieve this unprecedented degree of military collaboration in peacetime the fourteen NATO partners (excluding West Germany whose partnership is hardly effective as yet) have had to pioneer in the field of international economic and political collaboration on a scale and to a degree never previously witnessed by the world in peacetime relations between governments and nations. Military programmes and defence efforts have always involved political and economic decision and action—the impressing or recruiting of manpower, the diversion of materials, labour and productive

capacity to the production of weapons, supplies and transportation services, and the levying of appropriate taxes by direct or indirect means on current incomes and past saving. Today as never before a defence programme of any significant size in a democratic society has its obvious impact on almost every sector of the national economy and on almost every citizen. NATO's defence programme has accordingly made a series of complex economic demands upon each of its member nations and has involved for each a succession of political decisions, many of them somewhat painful.

For the members of the North Atlantic alliance the creation of an integrated defence force has meant joint agreement on the kind and level of forces required, on the form and size of contribution to be made by each partner to the common undertaking, and on such disturbing questions as the necessity or otherwise of basing strategy on the use of atomic and nuclear weapons. To create defence forces of minimum deterrent proportions at a tolerable cost in terms of standards of living and of economic growth, they have found it necessary to make joint assessments, on a continuing basis, of their resources in manpower, materials and productive capacity, of the impact of defence programmes on the balance-of-payments position of most member nations, and of the possibilities of economy through standardization of equipment and co-ordination in the field of raw materials. Technically speaking, no member of NATO has sacrificed any element of its national sovereignty by participating in this joint decision-making process and this co-ordinated programme of defence production and preparation. But in actual fact each member of NATO has voluntarily restricted the exercise of its national sovereignty to an extent which most of them would not previously have countenanced.

The approaches to the desired level of co-operation have at times been halting, they are still only partial, and there have been unfortunate reversions to the pattern of unilateral decisions without advance warning and consultation. However, genuine

progress has been made. The machinery of continuing mutual consultation has established improved understanding among the partners of their individual economic and related political problems. More significant perhaps than this is the acceptance by fifteen independent, sovereign nations of the principle that their defence programmes, including their manpower programmes and relevant fiscal policies, should be subjected each year to the intensive scrutiny of their fellow members and of an international civil service responsible to the group as a whole. It is perhaps not an unreasonable supposition that the history and the accomplishment of the NATO partners in this field of collaboration, centring on the achievement of their actual defence objectives, may well suggest how successfully the NATO alliance can maintain its momentum in any prolonged period of relative quiescence in the cold war. It may also suggest the degree to which the North Atlantic alliance is likely to be able to extend its objectives and accomplishments with success beyond the field of defence.

From its inception the dimensions, the form, and the timing of the NATO defence programme have been determined by estimates of economic capabilities and political acceptabilities. The North Atlantic Treaty was signed in 1949, less than two years after the proposal of Marshall Plan aid. The alliance came into existence, therefore, at a time when the nations of Western Europe were in the midst of the reconstruction of their productive capacity, and were faced with the difficult and persistent problems of correcting their badly distorted balance-of-payments positions, and of raising living standards to the minimum level compatible with political stability under democratic forms of government. It was eighteen months later before the NATO defence build-up began in earnest. While significant economic progress had been made by the countries of Western Europe in the interval, through a combination of their own efforts and of American aid, it was still a very real question whether their economies would support adequate participation in even minimum defence requirements for the alliance as a whole. Only a few months later serious

opinion in the United States was questioning whether that country itself had the resources and economic strength to carry the defence obligations it had assumed, plus the burden of foreign aid on the scale which seemed to be required for its European NATO partners.

The question of whether the members of NATO possess the basic economic strength necessary for their continuing struggle with the Soviet is equally critical today, although now the context is somewhat different. Today the West must satisfy itself on a broader question. Are the resources of materials and manpower of the Soviet Union and its satellites, are the rate of its economic expansion and the controlled character of its direction, such that North America and Western Europe will find themselves so outstripped in technical and productive capacity that the balance of economic power will turn against them and in favour of the Soviet? This question is an urgent one in terms of ultimate war potential, particularly in an age when survival may turn upon break-neck progress in developing guided missiles, complex electronic controls, and even earth satellites. Perhaps even more significance for the final outcome lies in the importance of relative economic strength, present and potential, for the battle of "competitive co-existence." The relative economic strength and future economic expansion of the Soviet versus the Western World may well determine which philosophy wins the war of ideas and whether Soviet Communism defeats Western democracy by peacefully winning support from, and ultimately domination over, the still uncommitted masses of Asia and Africa.

It is the aim of this work to examine these and related questions in terms of NATO's history and development to date and thereby to provide a basis for reasonable speculation about possible or desirable lines of action for the future. While the questions chosen for examination are to a large extent economic in character, their context and their implications are inevitably political. In all of these questions Canada and Canadians have a special interest. Throughout NATO's life Canada has been a leading proponent of the view that the Atlantic community should find

more than an effective military alliance through NATO. At the request of the NATO Council of Ministers her Secretary of State for External Affairs is now engaged on the most intensive survey yet of the possibilities of early action to this end. As a middle-sized power with a relatively recent history of evolution towards complete national sovereignty, she has had perhaps a keener concern than some of her NATO partners as to the impact of the Treaty Organization on that sovereignty. As a nation with rich resources, small population, and the second highest per capita income level in the world, NATO's burden-sharing exercises and the principle of military aid have had a special significance for her. For the same reasons she has special contributions to make to the present and potential strength of the Western world and thereby perhaps to the ultimate outcome of the struggle in which the NATO defence programme is only one element.

I

THE ROLE OF ECONOMIC STRENGTH

CHAPTER TWO

THE ECONOMIC BASE OF THE NATO ALLIANCE

"... Moral values will count most, but they must be supported by an ample materials base."

—Paley Report: *Resources for Freedom*, Washington, 1952.

More and more frequently the West is being warned by its own analysts, as well as by Russia's leaders, that it is losing the economic race. Soviet planners make it clear that their objective is to achieve by the mid-'sixties levels of productivity equivalent to those of the United States. Ex-premier Malenkov, in his new capacity as Minister of Power Stations, boasts that within a short time the Soviets will be able to make up the gap in hydro-electric power production between themselves and the United States. We are threatened with the implication of Russian claims that in 1955 they graduated more engineers than the United States and the United Kingdom combined, that in 1956 they will graduate twice as many engineers as the United States. In the light of the growing body of evidence on Soviet levels of production, on rates of economic expansion achieved in the Soviet Union, and on the quality of Soviet technological skills and scientific research, the West must take seriously the question: Is time on the side of the Soviets?

The West's monopoly of the atomic bomb was lost in 1949. Its hydrogen bomb lead was ended in 1953. In 1956 it lives under the threat of speedy development of the intercontinental

ballistic missile by the Soviets. A genuine threat to the economic supremacy of the West—once seemingly so assured—might well prove ultimately to be the greatest menace of all. For this reason it is imperative that the North Atlantic powers assess their economic strength and their economic policies in terms of their significance for both military strength and competitive vigour.

The pattern of NATO's defence programme was visualized in the early stages as a three- to four-year period of rapid and costly build-up to an acceptable level of forces in being, backed by large ready reserves, to be followed by a period of indefinite duration in which it would be necessary to carry only the reduced burden of maintaining the level of forces so achieved and of replacing obsolete equipment. Such was the premise upon which NATO's then fourteen members accepted the defence force objectives and their own individual commitments at the Lisbon Council meeting in February, 1952. By 1953 the NATO countries had raised their combined defence expenditures to almost four times the level of 1949. A realistic appraisal makes it evident that the Lisbon goals were abandoned almost as soon as they were accepted. Since 1953 almost every NATO member has reduced both its defence expenditure and its national forces. Now the consensus among the participating governments seems to be that the present size of their defence budgets represents about the limit of what can be tolerated short of immediately threatening action by the Soviets. Yet General Gruenther recently warned the United States Congress that not until the full West German contribution of 12 divisions and 1,380 aircraft is available in three or more years will NATO really be strong enough to defend Western Europe against Russia.

If these are the facts at a time when most of the countries of Western Europe, as well as the United Kingdom and North America, stand at new peaks of prosperity and economic strength, how must one rate NATO's future defence prospects against the military potential of its Communist opponents? Do the NATO countries in fact have sufficient economic strength to permit them

to create and maintain defensive forces of the minimum proportions adequate for the primary objectives of preventing Western Europe from being overrun and for minimizing the possibility of the Soviet launching all out war? Have they the economic strength to achieve and maintain this position while France, one of their principal members, first in Indo-China and now in North Africa, finds it necessary to divert resources and manpower pledged to NATO to prolonged and costly external military actions? Can its major members make their adequate contribution to the joint defence effort and still have sufficient strength to counter Soviet initiated or supported local actions in the Middle East or some other trouble spot on the periphery of the free world?

It is evident that the basic economic strength, actual and potential, of the NATO nations collectively is and will be a factor of decisive importance in the present world struggle. The concern cannot be simply with the strength of the West relative to the military preparedness effort which seems to be required, although that in itself is of vital importance. The more important phase of the struggle seems likely to take place in the economic and political sphere, with the outcome turning to an important degree upon the conclusions about the two systems reached by the peoples of the under-developed areas of Africa, the Middle East, and Asia. The threat to the rich and industrialized West of genuine competition in this sphere from Soviet Communism is a very recent one, but the newness of the idea makes it no less important a subject for assessment. This assessment must take account of population sizes, the productivity of labour forces, the size and security of available resources, economic growth patterns, and such quasi-political factors as the ability of governments to channel the use of capital, labour, and resources.

The North Atlantic Treaty Organization consists of two North American nations (the United States and Canada), eleven West European nations (Belgium, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the

United Kingdom, and West Germany), and two eastern Mediterranean nations (Greece and Turkey). Two of its members, Norway and Turkey, share common land frontiers with the USSR, while a third, the United States, has a common water boundary in the Bering Strait. The combined population of the fifteen NATO nations is of the order of 450 millions. Across the line of the Elbe, with their right flank protected by Greece and Turkey, they face the approximately 300 million peoples of the Soviet Union and its European satellites, whose integration into the Soviet military system is formalized by the Warsaw Pact of 1955.

The 450 million people of the NATO nations include the world's most productive and most highly skilled labour forces. International comparisons of labour productivity are difficult to arrive at with any degree of precision. A measurement of some value in assessing the general level of labour productivity in a modern industrialized or semi-industrialized economy is its per capita consumption of energy in the form of coal, petroleum, natural gas, and hydro-electric power. The validity of this test of relative productivity stems from the fact that increases in productivity normally depend to a major degree upon supplementing human energy by the application of increased amounts of mechanical energy.

Applied to the fifteen North Atlantic Treaty nations, this test indicates that in the United States and Canada NATO includes the two national labour forces whose per capita productivity far surpasses that of any other nation of the world. It includes, in addition, seven Western European countries (the United Kingdom, Norway, West Germany, Belgium, France, the Netherlands and Denmark—listed roughly in order of their indicated per capita productivity) whose productivity is well above that of most of the remaining nations of the world and well above the world average. Four members of the alliance suffer from low labour productivity and correspondingly low standards of living (Italy, Greece, Portugal and Turkey).

Measured by their *total* annual production of goods and services, the dominant position of the industrially advanced members of the North Atlantic Alliance in the world economy today is underlined still further. The United States and Canada alone probably account for forty per cent of the value of the world's annual output of goods and services. Within NATO, the United States and Canada together appear to produce annually close to two-thirds of the output of goods and services of the fifteen member nations combined. The seven industrialized West European nations referred to above account for most of the balance, although Italy, with her population of 47 millions, has a gross national product in excess of the individual Benelux and Scandinavian members even with her much lower per capita productivity.

Comparisons in these terms are today relatively unfavourable for the Soviet and its six East European satellites. A report prepared for the joint Congressional Committee on the Economic Report (U.S.) and released in early 1955 put the combined gross national product of Russia and her European satellites at less than one-quarter that of the United States, Canada, and free Europe. It estimated the gross national product of the Soviet Union itself at slightly less than one-third that of the United States. By the standard of per capita energy consumption, the less industrialized satellites (Hungary, Roumania, Bulgaria, and Albania) appear to have low average labour productivity, roughly comparable to Portugal, Greece and Turkey among the NATO nations. Czechoslovakia and Poland, the two more industrialized satellite nations, appear to rank with France, Denmark, and the Netherlands, while the Soviet Union itself is indicated to have a slightly lower per capita productivity than these, equivalent to perhaps one-quarter the United States level.

The national territories of the NATO nations extend from Alaska to the northern border of Mexico, from Europe's North Cape to the toe of Italy, and to points in Asia Minor south and east of the farthest end of the Black Sea. Within these territories

there are diversities of geography, climate and resources as great as those indicated above in national production, population and material well-being. A useful appraisal of their composite economic strength and weaknesses, present and potential, can be arrived at only in terms of regional analyses.

Western Europe is a key sector of the North Atlantic alliance and of the North Atlantic community in a strategic, a political, and an economic sense. A major military objective of NATO has been to provide an adequate defensive shield behind which the highly industrialized Western European nations could rebuild and extend their economic strength and their political stability. Here is one of the greatest pools of industrially skilled manpower in the world combined with a substantial complex of primary and secondary industrial plant capacity. Whether from the standpoint of defence objectives for the indefinite future or of decades of "competitive co-existence," the economic strength of Western Europe, its potential for growth and expansion, and also its weaknesses and its vulnerability to internal or external threatening influences, must be considered vital elements in the security of NATO and of the Western world as a whole.

In 1956 all of the Western European members of the alliance stand at new peaks of economic strength and prosperity. During the postwar period, production in every one of the West European countries concerned has been carried to new heights in a three-phase expansion: an immediate postwar phase ending in mid-1950, when the stimulus was war-induced shortages and reconstruction needs; the 1950-1951 period, when production was spurred by the sudden rise in defence requirements; and the last four and one-half years, when it has been the result of normal peacetime economic forces. During this last phase North America's Western European partners have expanded their total output of goods and services at a faster pace than Canada and the United States. In the industrial sector their achievement has been even more impressive. Against a rise in industrial production of between 12 and 13 per cent for Canada and the United States in the years 1952-1955,

Belgium and France showed gains of 17 per cent, the United Kingdom 18 per cent, Italy and the Netherlands 30 per cent, and West Germany 42 per cent. Although standards of living are still well below those in Canada and the United States, per capita production for the citizens of NATO's European nations appears to have risen on the average more than twice as fast in percentage terms as that of Canadians and Americans in the five years ending with 1955.

The economic strength of Western Europe lies in its manufacturing industries and in the skilled labour forces which man them. Within the manufacturing field the engineering industries are large and enjoying a rapid rate of growth, both in consumer durables and in capital equipment. Behind them stands a large and efficient steel industry, an essential element in the strength of almost any modern industrial state. Crude steel production in the United Kingdom and the six nations of the European Coal and Steel Community (ECSC) in 1955 exceeded 70 million metric tons. This was equivalent to more than one-quarter of the world's total production, equalled two-thirds of the 1955 output of the United States, and exceeded by 60 per cent the level of production reached by the Soviet Union. Steel production in Western Europe has approximately doubled in the postwar period, from a base, it should be noted, slightly smaller than its immediate prewar level.

Other major manufacturing industries which have expanded substantially since the War include chemicals, pulp and paper, aluminum, motor vehicles, ship building and petroleum refining. Except for the United Kingdom, which draws most of its supplies of aluminum ingots from Canada, Western Europe is largely self-sufficient in aluminum capacity, and has considerably more than doubled its output in the postwar period. In petroleum refining, the major Western European nations have moved today to a position of self-sufficiency with some export capacity from an early postwar position of almost complete dependence upon imported refined products. This achievement, during a period when their consumption of petroleum products has more than doubled, has

involved a huge investment programme, partly financed by U.S. aid, which has increased refining capacity almost six times.

Western Europe's industrial skills and plant capacity are not adequately backed up with indigenous raw material and energy resources. Its well established and rapidly expanding steel industry is partly dependent upon external sources of iron ore, particularly for the higher grades. United Kingdom ore, for instance, is of low quality and the United Kingdom steel industry relies upon imports for close to one-half of its total requirement. Scrap supplies are becoming progressively less adequate in the United Kingdom and the dependence upon foreign sources of high grade ores is therefore increasing. Traditional supply sources for the United Kingdom have been Sweden, Spain and North Africa, but Sierra Leone and Canada are now entering the picture. The ore reserves of the Lorraine, which supplies the local French industry and an important part of the Ruhr, are of relatively poor quality, too. The German steel industry also finds it necessary, therefore, to import higher quality ores from abroad, chiefly from Sweden, but now also from Canada.

Although the United Kingdom and Western Europe have been consistent net importers of coal throughout the postwar period, their position in coking coal for the steel industry is more assured than their position in ores. The most strenuous efforts of the National Coal Board have not prevented the United Kingdom from becoming a continuing net importer of coal, but its reserves of coking quality are adequate for continued expansion of the United Kingdom steel industry. The Lorraine steel industry of France has long been dependent on the Ruhr for the major part of its coal and coke supplies. This dependence continues but new techniques are reducing it by making the non-coking grades of the Saar-Lorraine fields usable. The coal industry in West Germany has been an important exception to the general record of expansion in that country and recently there have been significant imports of United States coal, although the traditional exports to the Lorraine steel industry have continued. Nevertheless, with

the careful methods of coal utilization now employed, the Ruhr's supplies of coke and coal should be largely adequate for many years.

Western Europe is also deficient in supplies of the increasingly important ferro-alloy metals. With the temperature demands now imposed by high speed cutting tools, by jet engines, gas turbines and rockets, the significance of such additive metals as chromium, nickel, tungsten, vanadium, cobalt, columbium, and molybdenum is growing rapidly. Except for molybdenum, vanadium, and nickel, the world's major deposits of these new metals are found outside North America and Europe. In the light metal field, on the other hand, Western Europe's substantial aluminum smelting capacity is well backed by large bauxite reserves in France, to a lesser extent by those in Italy and Greece, and in Yugoslavia (although it is more difficult to evaluate the latter supply source in a security sense).

Perhaps the most vulnerable sector of the economies of NATO's Western European members lies in the field of fuel and power requirements. The amazing industrial expansion of Western Europe in the postwar period, along with the rising standards of living now resulting from it, has called for almost unparalleled growth in energy consumption. The economies of the industrialized countries of Western Europe have long been tied to coal as their principal source of energy. In the United Kingdom, Belgium, France, Germany and the Saar large reserves have been available and high levels of production have been maintained over many years. Today production stands at approximately 475 million tons per year (almost all produced by the United Kingdom and the six members of the European Coal and Steel Community—ECSC). This is close to the level of annual output in the United States and exceeds by almost 50 per cent that of the USSR. But in the postwar years Western European coal production has remained almost static. As a result, Europe has become a net importer of American coal and for the United Kingdom the phrase "carrying coals to Newcastle" has long since lost its

meaning. A larger and larger number of mines in the United Kingdom, Belgium and elsewhere in Western Europe are becoming sub-marginal and therefore difficult to keep in operation. Seams are so narrow in many cases as to make mechanization difficult or impossible and rapid growth in other parts of the economy has made it difficult for coal mining to retain its own employees, let alone attract the necessary number of new recruits.

In contrast to coal production, the output of electrical energy in Western Europe has been almost tripled since the War. Much of this growth has come from the development of hydro-electric power potential. France, for instance, has completed an ambitious programme under the auspices of the Monnet Plan, much of it financed by United States aid. However, Europe's remaining sources of economically exploitable hydro-electric power are relatively small and most of them are located in the Scandinavian Peninsula, remote from the industrial centres of demand.

With static coal production and limits approaching to economically attractive hydro-electric power potential, Western Europe has been turning more and more to petroleum to meet the startling increases in its total energy requirements. Since 1946 the consumption of petroleum products in the United Kingdom and Western Europe has more than tripled. Unfortunately, Europe itself has only insignificant supplies, either proved or potential, of natural gas or crude oil. As a result, Western Europe now finds itself dependent in a vital industrial sense on the oil fields of the Middle East. Already it requires half of the greatly expanded Middle East total output. Even after allowing for the use of atomic energy, European demand for petroleum seems likely to require a doubling of today's total Middle East production of crude oil over the next fifteen to twenty years, quite apart from the probable huge growth in demand during the same period in the other areas of the Eastern Hemisphere which rely on Middle Eastern crude oil supplies. The critical nature of this new dependence of the people of Western Europe upon Middle Eastern energy supplies is illustrated by commitments made by the Central

Electricity Authority of the United Kingdom within the last year under which a large part of its generating facilities will for the next ten years be fueled by heavy bunker oil.

Here is one of NATO's exposed flanks, equally vulnerable whether the battle lines are drawn for hot war, cold war, or competitive co-existence. It is clear that the Soviets have the most powerful motives for keeping aflame the fires of fanatical Arab nationalism and of dynastic and other strife among the Arab nations. Even before the nationalization of the Suez Canal Company on July 27, 1956, Western European statesmen were all too well aware that they are as vulnerable to interruption of the Suez Canal tanker route or of the huge pipelines crossing Syria, Jordan, and Lebanon as they are to shut-down of the Persian Gulf oil fields. Whatever the merits of "Enosis," reasons for the reluctance of the United Kingdom Government to see its base in Cyprus go the way of the Suez Canal and Jordan are crystal clear.

In these circumstances it is not strange that almost all the countries of Western Europe are intensely and actively concerned with the possibilities of power from atomic energy. Research and development work has been undertaken by Belgium, Holland, Norway, Denmark, Italy, France, West Germany and the United Kingdom. The relatively high cost of conventional thermal generation of electric power gives atomic energy more immediate economic attractiveness in Western Europe than it yet has in North America. A ten-year investment programme announced in early 1955 for the United Kingdom will provide $1\frac{1}{2}$ to 2 million kw of capacity from twelve atomic power stations at an investment cost of £300 millions. Huge as it is, this programme will provide the equivalent of the power output from only 5 to 6 million tons of coal and will meet only about 5 per cent of the anticipated increased demand for electric power in the United Kingdom during the next twenty years. Although atomic power generation seems likely to make a significant contribution to Europe's rapidly rising energy needs, recent authoritative estimates suggest that it will provide less than 10 per cent of the total energy requirement

even twenty years from now. Thus continued industrial expansion and rising standards of living for the Western European members of NATO are to an uncomfortable degree dependent upon rapid expansion of crude oil imports from the troubled Middle East.

If it can be said that the economic strength of the countries of Western Europe has a decisive contribution to make to NATO's final success in the broadest sense, it can equally be said that without its North American members NATO could not have existed. Without the commitment of North American military power and North American economic resources to the defence of Western Europe, it has always been clear that with the exception of the United Kingdom the countries of Western Europe themselves would not (and almost certainly could not afford to) have undertaken to mount an effective defence against the Soviet threat to their own peoples and territories.

North American economic strength, expressed in Marshall Plan aid and in Canadian gifts and loans, was an essential element in the postwar reconstruction of European economies and standards of living. It has played its part since then in supporting a substantial manpower and equipment contribution to NATO's integrated forces in Europe. It has played an equally vital role through financial support for the military programmes of other NATO members. Perhaps its most important purely military product has been the financing of the development and production of nuclear weapons by the United States, together with the creation and maintenance of the Strategic Air Command which stands ready to deliver the hydrogen bomb whenever retaliation is called for. Thus it has provided perhaps the only really effective military deterrent the West has yet had to the realization of Soviet aims. In the battle of competitive co-existence North American resources and North American productivity must be considered among the most powerful economic and political assets available to NATO and the West.

The United States is the dominant economic power in the world today. Its economic strength is the result of a diversified and gigantic industrialization, supported by rich resources of raw materials and power, huge accumulations of capital, and the world's most highly productive working force. Whether in aircraft or motor vehicle production, in coal mining or crude oil production, in aluminum refining or in steel making, in electronics or in nuclear techniques, it leads the world. The ingot capacity of its steel industry is equivalent to 45 per cent of the world's 1955 production and stands some 40 per cent above its level at the end of World War II. Its primary aluminum capacity has been more than doubled since 1950 (partly in response to special inducements provided by the government as a result of the preparedness programme sparked by the invasion of Korea) and is now equivalent to close to one-half the world's annual level of production.

The huge United States economy is a prodigal user of raw materials and of power. Richly endowed as it was, and still is, with a wide range of agricultural, forest, mineral, and energy resources, the United States has now reached the position where a number of its important reserves have been depleted by prolonged, large-scale use, and where many others can no longer be expanded in pace with the growth of requirements. Thus its steel industry is turning increasingly to South America and to the huge new ore fields of Labrador and Ontario for much of its iron ore requirements. Although the United States is the world's largest producer of lead, zinc, and copper, its own demands far outrun its production and accordingly it faces a future of increasing dependence upon outside sources of supply. Except for molybdenum and vanadium, of which it possesses large reserves, the United States is deficient in most of the ferro-alloy metals, although it is able to look to Canada's vast nickel deposits, to its cobalt resources and to its newly developed supplies of columbium and chromium.

The people of the United States are by far the largest users per capita of energy in the world. Although coal was once dominant, its level of production has been approximately static

for more than three decades and petroleum and natural gas now meet more than 50 per cent of the total energy requirement. United States crude oil production is one-half the world's total but since 1948 it has been insufficient to meet full domestic requirements. Like Western Europe, the huge United States economy faces a growing dependence upon outside (although currently somewhat less vulnerable) supply sources for a significant part of the energy supplies without which it cannot expand and function effectively. This fact adds both strategic and economic importance to the postwar discoveries of crude oil in Western Canada and it seems certain that they will be increasingly drawn upon by the United States refining industry.

Today the Western Hemisphere is essentially self-sufficient in petroleum supplies, with the Caribbean area to a major extent, and Canada in a preliminary way, offsetting the deficiencies of United States domestic supplies. But with no more than one-third of the world's established oil reserves, with 70 per cent of the world's annual requirements, with the United States demand growing by huge amounts each year (even though at somewhat lesser percentage rates than areas like Western Europe), and with a probable huge growth in demand soon in Latin America, North America may, within a measurable time in the future, find that it is also dependent upon the Middle East for marginal supplies of crude oil.

Between 1929 and 1950 the amount of electrical energy used in the United States per man-hour of labour rose from 2.61 kwh to 6.29 kwh. This reflects a fact of which Soviet planners are apparently keenly conscious. They have indicated that they believe that much of the high productivity of American factory labour can be attributed to this high consumption of electrical energy per man employed. In the field of electrical energy generation the United States is having to turn increasingly to thermal power production as its readily available potential of undeveloped hydro-electric power becomes less and less. Today, with the St. Lawrence River potential (now in the process of

development) and the Columbia River potential (currently a subject of some disagreement with Canada) as almost the two sole remaining large sources of hydro-electric power available for development, the United States is facing definite limits upon the expansion possibilities of such large power consuming industries as aluminum refining. Here again, however, it has an alternative source of supply in Canada. In British Columbia, the Yukon, Labrador, and elsewhere are a number of large blocks of undeveloped potential, many of them accessible to tidewater, an important requirement for an international smelting industry.

Although its own coal consumption has shown little change since the 'twenties, the United States possesses the largest known reserves of coal in the world. Its annual production is equal to that of Western Europe and exceeds that of the Soviet bloc. Its supplies of coke and coal are large and more than adequate to cover indefinitely into the future the requirements of its huge steel industry.

The development of electrical power from atomic energy is a much less urgent question for NATO's two North American members than for its Western European members. Undeveloped hydro-electric power is still available and still cheap by comparison, at least in terms of present techniques of atomic generation. Within the next two decades, however, it seems reasonable to expect some part of the expanding requirement for energy to be met from this source. When the time comes both the United States and Canada have ample supplies of uranium available.

Canada is one of the wealthiest nations in the world. Although her population is small and her production of raw materials relatively large, she is among the most industrially advanced nations. The productivity of her labour force is second only to that of the United States. In a world which is making heavier and heavier drafts upon its available resources of raw materials and energy, her supplies of oil and iron, of lead and zinc, of asbestos, titanium, nickel, copper, cobalt, and columbium, the potential

of her undeveloped hydro-electric power sites, her rich endowment of forests, her uranium and a wide variety of other riches, established and newly discovered, are of increasing significance in both a strategic and an economic sense. Because of her economic strength and her location, she has a part to play in NATO, and in the Atlantic Community in the broadest sense, far beyond the role her limited population might suggest.

CHAPTER THREE

THE SOVIET ECONOMIC THREAT

" . . . The final victory in the historical competition between the two systems belongs to socialism as the higher, more progressive, social system."

—D. T. Shepilov at the Twentieth Congress of the Communist Party of the Soviet Union. February, 1956.

Although the USSR may have today a gross national product equivalent to only about one-third that of the United States, this represents a tremendous upward leap from the almost pre-industrial economy with which the Communists began to work after the Bolshevik Revolution less than forty years ago, a leap which has brought Russia to the position of being the major industrial power of Europe and Asia. At a level of 45 million tons in 1955, her primary steel production was only 65 per cent of that of NATO's European members combined and about 40 per cent of that of the United States. On the other hand, her present level of production is almost three times her prewar output. Planned production for 1960 is in excess of 60 million tons. Her production of hydro-electric power in 1955 at 170 billion kwh was less than one-third that of the United States. But this level of production was more than four times her immediate prewar output and represented close to a doubling of capacity since 1950. The sixth Five-Year Plan calls for the development of 320 billion kwh in 1960.

It is clearly with rates of growth in the Soviet economy that the West must be concerned and with the levels of production and

economic strength which seem likely to be achieved, allowing for the resources of energy, materials and manpower available. It is evident that state planning, backed by dictatorial powers, can channel the energies of a people into very rapid development of specific sectors of an economy, as the Russians have done over the past twenty-five years with heavy industry. Is it equally likely that this same approach, plus the ample resources of the USSR, will permit its rulers to surpass the West in over-all economic strength and productivity? Perhaps more relevant, will the power to control almost absolutely the allocation of resources give the rulers of the Soviets the degree of advantage they need for success in either military or political-economic competition with the West?

Measured by the extent and diversity of its material and energy resources, the Soviet Union is, at its present levels of consumption, perhaps the most self-sufficient nation economically in the world today. Its expanding steel industry is based upon ample reserves of both iron ore and coal. Its ore reserves include substantial quantities of both rich and lower grades. Much of the very large coal deposits, second only to those of the United States in quantity, is of good coking quality. Although about two-thirds of its iron ore reserves are in the European part of the Union, most of the coal reserves, and particularly those in near proximity to iron ore reserves, are located east of the Urals. Thus the incentive for minimizing transportation costs has provided some economic justification for a policy (which has also had political and strategic overtones) of concentrating more and more of the steel and metallurgical industries in the East. The Soviets also have reserves in varying quantities of most of the ferro-alloy metals necessary today for specialized steel production. As the world's long-time chief producer of manganese ore, Russia finds it economic to substitute manganese for more expensive hardening elements and to use it to counteract the high-sulphur content of coke in its blast furnace charges. Russia also has more than adequate reserves of the principal non-ferrous metals.

As suggested earlier, the USSR is currently a relatively small user of energy. Its principal reliance has been upon coal but in the postwar period there has been an intensified effort to develop both petroleum and electrical energy resources. Russia has a long history of petroleum production and possesses adequate reserves for substantial expansion beyond her current modest levels, which are equivalent to little more than 10 per cent of the present requirements of the United States. A large potential of undeveloped hydro-electric power exists, although much of it is in remote areas difficult of access. The fact that much of what is available is on sites on Siberian rivers, plus the additional fact that the cost of extracting coal from Siberian deposits is cheaper than in the European parts of the Union, provides still further incentive for the emphasis upon industrialization in the East. The Soviet planners forecast that within less than twenty years Siberia alone will produce electricity equal to half of the present output of the United States. The Soviets also apparently intend a major development in atomic power stations. Their sixth Five-Year Plan calls for the completion by 1960 of a capacity of between 2 and 2.5 million kw, more than the rather ambitious objective of the United Kingdom for a ten-year period.

The Achilles' heel of the Soviet economy is agriculture. In sharp contrast to the United States, Canada and their NATO partners in Western Europe, more than one-half the total population of the Soviet Union is still engaged in agriculture. In equally sharp contrast, the Soviets have been able to show practically no gains in agricultural productivity. As a result, their progress in industrial productivity, instead of being reinforced by improved agricultural productivity, as has been the case in the West, has been diluted by continuing inefficiency in agriculture. Where one farmer in the United States or Canada feeds eighteen people, his counterpart in the USSR feeds two and them not well. With a substantially increased urban population, the Soviets now find food supplies to be their most critical problem. It is for this reason that Krushchev has launched his spectacular and costly plan to

reclaim millions of acres of "virgin" lands in Kazakhstan and Siberia. This undertaking is bound to impose a heavy burden on the Soviet economy in manpower and in capital for farm equipment, transportation facilities, and minimum standards of accommodation. Climatic and soil conditions with which the new pioneers will have to contend are such that the possibilities of failure must be rated high, a danger illustrated by the apparently poor yields from the new lands in 1955.

The Soviets have more than normal problems of low productivity to overcome if they are to solve their critical agricultural problems. Much of the vast area of the USSR is not arable and large sections which can be cultivated are subject to short growing seasons, scanty rainfall, and a high degree of variability in both temperature and moisture conditions. Crop failures and erosion are chronic in many areas. To these very real and substantial physical and economic problems must be added certain political hazards. The heavy hand of a centralized bureaucracy often leads to expensive errors, such as pressing for a programme of corn growing in areas where temperature and moisture limits militate against success. In addition, the Kremlin is apparently prepared to pay a continuing heavy price in lost production for its persistent effort to extend its political control over the agricultural labour force by pressing the campaign to organize all agriculture into state farms.

The problem of raising Soviet food production to the point where it will provide an adequate and reasonably varied standard of food consumption for the present Soviet population must be considered a most formidable one for the Soviet authorities. Whether they can, in fact, succeed in this objective must be considered an open question. Their ability to provide for continued increases in population and in the ratio of urban workers to the whole must be considered doubtful. If they fail, agriculture may yet prove to be the ultimate brake upon the industrial and general economic strength of the Soviet Union under its present auspices.

A second critical centre of interest in Soviet economic planning today is the problem of industrial productivity. Until recently Soviet planners have been able to count on substantial additions to their industrial working force to help produce spectacular increases in the total output of industrial goods. During the first five Five-Year Plans the urban population of the Soviets rose by some 50 millions. During the fifth Five-Year Plan alone the cities added 17 millions to their population, of which 9 millions flowed in from the countryside. The industrial labour force has been augmented by millions of Soviet women as well as by peasants. Today both of these flows are considerably reduced. Many urban residents have even been urged to join the huge agricultural undertaking on Krushchev's "virgin" lands. The Soviet Union is about to enter too a period when the annual additions to the labour force will reflect the low birth rate of the war years and may well be as little as one-third recent levels. When all of these factors are considered, the action of the Soviets in releasing over 600,000 men from its armed forces in 1955 and proposing the additional release of 1,200,000 men in 1956 and 1957 may appear to have other very practical justifications besides its advantage of making it politically more difficult for the Western powers to maintain their defence forces at adequate levels.

The Soviet Union has made tremendous strides in raising the productivity of its industrial labour force. As the proportion of new workers becomes less and mechanization is increased, substantial further progress will undoubtedly be made. A major emphasis of the sixth Five-Year Plan is on methods of improving labour productivity. Not to be outdone by the West, the Soviets have even spoken of creating a Ministry of Automation. The basic shortage in the Soviet labour force is of skilled workers and those with technical training, the group for which a programme of modern industrial expansion creates an insatiable demand. To meet this need the Soviets have embarked on a programme of technical, engineering, and scientific education which appears to be more extensive in its scope than anything existing in North

America or Western Europe. By 1960 the Soviet authorities hope to have achieved a level of industrial productivity about equivalent to that now prevailing in Western Europe. If they do so, they will of course still be far behind the standards of Canada and the United States but it seems certain that the gap will be gradually narrowed. There need be nothing too discouraging for Western eyes in this picture, but the industrialized members of NATO must always remember that so long as they are in life and death competition with a planned economy guided by dedicated men they cannot afford periods of stagnation.

In an assessment of potential military power, the approach of comparing relative economic strengths can, of course, be most misleading. In both World War I and World War II Germany's economic power was only a fraction of the combined strength of the European-North American might arrayed against it. In each War, however, Germany, surrounded and largely unaided, seemed at one stage near to final victory. The USSR today has advantages over NATO similar to those Germany had against the Allies. Like Germany, it holds a central position which guarantees it purely internal (and relatively short) lines of communication. It has no oceans across which large forces must be maintained and supply lines defended. To counter its threats, actual and potential, its European and North American opponents must spread their strength around the world at tremendous cost so long as the reliance is on conventional weapons and forces. Like Germany too, the USSR has the authoritarian advantage of being able to turn whatever economic strength it can muster to maximum advantage in terms of its military and cold war objectives.

The dictatorial power of the Soviet rulers over the economy of the USSR undoubtedly gives them certain advantages over their Western counterparts who must win the support of their electorates for their policies. While the gross national product which the Soviet controls is relatively smaller than that of some of the industrialized members of NATO, the Kremlin has much more freedom of action than have Washington, London, or Paris

in allocating resources to the building up of military or industrial strength at the expense of standards of living. Soviet petroleum production is only about one-tenth that of the United States in per capita terms, but very little of the total need be "wasted" on private passenger cars. Soviet agriculture may be an inefficient user of manpower, but the use of labour in the service industries can be held at a low level as a partial offset. The same approach may be applied to the extension of aid and technical advice to under-developed countries wherever and whenever the Soviets consider it politic. Congressmen may express "selfish," nationalistic viewpoints in Washington which will be heard around the world. But neither the Moscow taxpayer nor his representative in the Supreme Soviet is likely to be heard in opposition to foreign aid programmes.

The Soviet Union is undoubtedly effecting a phenomenal growth in its economy, a process which it can doubtless continue for some time into the future. Its leaders are less restricted in choosing their fields of emphasis than are Western governments, although there is recent evidence that they too must pay some attention to consumer desires. On the other hand, they face some formidable impediments. Agriculture is a serious and long-term problem. Capital is an equally serious and long-term problem. The pressures upon current output for capital are enormous--capital for raising industrial productivity by further mechanization, capital for the planned expansion in steel, power, and petroleum, capital for the far-flung transportation system, capital for the limping agricultural industry, and capital for a vast housing programme which is badly in arrears. There is ample evidence too that the demands of nuclear weapons, guided missiles, and submarine construction are making their own heavy inroad on each year's national product. Unlike Canada, or even Western Europe, the Soviet Union, with its satellites, has elected to follow a policy of economic autarchy and therefore cannot borrow freely from abroad to finance the heavy demands of its desired expansion programme.

There is no peculiar magic in the Soviet system or in its resources, rich as they are, which gives the rulers of the Kremlin a clear economic advantage over the West in the long term. The nations of the North Atlantic Community have great economic strength collectively, this strength is growing, and there is ample scope for continued expansion. If there is a danger, it lies less in the means than in the vision and the will. The peoples of the Soviet have an economic discipline imposed upon them by the vision of their dictatorial rulers. The peoples of the West must themselves see clearly and must accept certain disciplines voluntarily. They must be prepared to sacrifice enough from their current standards of living to create and maintain adequate defensive strength for their own security, enough to provide capital to expand their industrial strength and their supply sources of raw materials and energy (many of them outside their own territories), and enough to make a continuing contribution by a variety of routes to raising the productivity and standards of living of the many millions in Africa and Asia upon whom their ultimate security may largely depend.

II

PROBLEMS AND ACCOMPLISHMENTS OF JOINT DEFENCE

CHAPTER FOUR

A BURDEN ASSUMED RELUCTANTLY

"They are resolved to unite their efforts for collective defence and for the preservation of peace and security."

—From the Preamble to the North Atlantic Treaty, signed April 4, 1949.

The decision of the Western democracies to commit themselves to rearmament came hard and was taken reluctantly. Final acceptance of the real attitudes and purposes of the Kremlin had been forced upon the Western world by the attempted sabotage of the Marshall Plan, by the Berlin blockade, and by the final elimination in early 1948 of all pretense of freedom in Eastern Europe, culminating in the coup d'état and destruction of the Socialist Party in Czechoslovakia. Even with this acceptance it was possible to argue that nothing should or could be done—that diverting resources needed for rebuilding the economies of Western Europe would make them more vulnerable to Communist penetration, that even the attempt to create an adequate defence force would intensify the danger of war by persuading the Soviet that its best interest lay in early action to forestall a Western build-up.

This political irresolution affected both sides of the Atlantic. In the United States the years 1947, 1948 and 1949 saw the American people working out, through the medium of a series of

great debates on the Marshall Plan, the Vandenberg Resolution, and the North Atlantic Pact itself, their reluctant recognition of the necessity for world leadership and their acceptance of the burdens which it imposed. The United States acted to defeat the Berlin blockade. It voted aid to Greece and to Turkey. Shocked by the Czechoslovakian coup, it introduced peacetime conscription, increased the authorized level of its armed forces, raised its defence budget and speedily approved and pushed forward the provision of Marshall Plan funds for the economic rehabilitation of Western Europe. On the other hand, the Administration was warned by Dr. Edwin Nourse, Chairman of the President's Council of Economic Advisers, that the economy could not stand defence expenditures much greater than \$15 billions without introducing economic controls and regimentation. While the Administration was, in the months preceding the signing of the North Atlantic Pact, coming to realize that economic aid for Europe would have to be protected by the provision of military aid as well, strong voices were being raised in Congress and elsewhere against the threat of lower living standards and inflation which might be involved. The Administration itself felt that it must have some assurance that the Western European nations were, through their Brussels Pact Organization and otherwise, prepared to demonstrate their intention of taking effective defence action themselves before it could risk committing the United States to concrete forms and amounts of military aid.

In Western Europe, too, political hesitations were reinforced by hard economic facts. War and occupation had left the ordinary citizen of many continental countries with little faith in his government and considerable doubt as to either the willingness or the ability of NATO or any other combination of forces to provide effective defences for his exposed position. "Neutralism" and "third force" views found a sympathetic reception in many quarters. In 1949 when the North Atlantic Treaty was signed, the United Kingdom, France, Italy, the Benelux countries, and West Germany were, with substantial American aid, attempting

to make good the deterioration and destruction of productive facilities resulting from years of war and occupation. New demands for rearmament expenditures threatened hopes for economic recovery and a long delayed improvement in living standards.

In March, 1948, France, Britain and the Benelux countries had bound themselves in a military alliance by the Brussels Pact. In succeeding months they were ostensibly engaged in a co-operative effort to build a common defence force in Western Europe. By early 1949 they had achieved little in terms of strength in being. Their projected defence expenditures at that time were only slightly higher individually than they had been in 1948 and their combined total was equivalent to only about one-fifth of the military expenditures of the United Kingdom alone during the last year of World War II.

The situation of France vividly illustrated many of the problems both of means and of will which had to be faced at this time. Its Communist party, the second largest of the Western world, had created economic havoc with its unsuccessful strike against Marshall Plan aid and was equally opposed to the preparation of military defences against Russia. Its problems of economic recovery, international payments imbalance, and fiscal instability were such that it was being allocated a major share of Marshall Plan funds. In the circumstances, its Government could not but feel that defence build-up requirements posed an inflationary prospect of such serious import for the political stability of the country that it could scarcely be risked. In any event, the Government was largely powerless, because the Assembly, reflecting popular despair of the feasibility of Western Europe being defended, was prepared to dole out defence funds only in dribs and drabs.

The results in terms of French military preparedness were depressing. Because of wartime damage to its productive facilities, current output of military equipment was slight. Production of even satisfactory prototypes of light tanks had only

just begun, while aircraft production was confined to transports and training craft, plus some Vampires produced under licence from the United Kingdom. Such military resources as were available were being drained away in the inconclusive Indo-China conflict. It was evident that only speedy American military shipments could equip the French forces in the short run.

Although it had a commitment to the Western Union defence programme and was sponsoring NATO, France in early 1949 was actively reducing the strength of its three services by about one-sixth to adjust their level to its inadequate supplies of military equipment. Its Defence Ministry was considering the possibility of an increase of up to 40 per cent in the level of the defence budget at such time as the mass production of a number of major items of military equipment became possible. This point was not expected to be reached until 1951 or 1952. Manpower objectives called for a reduction in the number of effectives in the three forces to 493,000, some 102,000 fewer than a year earlier and some 300,000 less than the strength of the British forces at the time. Thus the Commander-in-Chief, Western Union, could in 1949 count on only three French divisions immediately ready to go into action, obviously a totally inadequate contribution to any effective Western European defence force.

When the North Atlantic Pact was signed in Washington on April 4, 1949, it was more of a political than a military alliance. It took the invasion of South Korea in June of 1950 to galvanize the new alliance into an effective programme of action. The intervening fifteen months had been spent in somewhat leisurely deliberations on military objectives and the economic means for achieving them. In these first stages NATO's military planners were able to turn to their own use the results of the planning and staff work performed by the Western Union through its Fontainebleau headquarters military group during the first year of the Brussels Treaty. Little or no progress was made towards reconciling military needs and economic means. In May, 1950, the fourth session of the NATO Council meeting held in London

reflected both the state of public opinion in most member countries and the Council's own misgivings about the economic costs of creating adequate defences when it defined NATO's objectives as the "progressive build-up of the defence of the North Atlantic area." For the first time, however, there was emphatic reference to "joint forces."

The alarm kindled by the Communist aggression of June 25, 1950, on the far side of the world stung NATO into the beginnings of effective action. In September the Council took the decision in New York to establish at the earliest possible date an integrated force under centralized command adequate to deter aggression and to ensure the defence of Western Europe. It asked members of the organization to arrive at early decisions on the form and level of their contributions to this common defence effort. It recognized the need for participation of German manpower and the utilization of German resources.

By December, when the sixth session of the Council met at Brussels, arrangements had been completed for establishing integrated defence forces in Europe and the Council appointed General Eisenhower as NATO's first Supreme Commander. NATO'S Defence Production Board was charged with the responsibility of accelerating the production of military equipment and supplies and of furthering the mutual use of industrial capacities of member countries. The stage had at last been reached where NATO would begin to grapple effectively with the problem of bringing into being an international defence force supported by a co-ordinated programme for manpower and defence production.

In the report of his first year as Supreme Commander, General Eisenhower has outlined the position of the NATO powers when, on April 2, 1951, SHAPE (Supreme Headquarters Allied Powers in Europe) assumed operational control of the NATO forces allocated to the defence of Western Europe. Military action outside Europe was making burdensome manpower and expenditure demands on the major NATO powers, the United States in

Korea (with lesser participation by the United Kingdom, Canada, and others), Britain in Malaya, and France in the debilitating, long continued struggle in Indo-China (also supported by U.S. military aid in aircraft, tanks and heavy equipment). Public morale within NATO's European members was still in question and serious disagreement continued in the United States over the principle of committing further troops to Europe in peacetime.

In actual forces SHAPE commanded fewer than fifteen divisions adequately trained and equipped for war. To back them up there were less than 1,000 operational aircraft in all of Western Europe, many of them of obsolete types. Although national service programmes had built reserves of trained or partly trained men, supplies of equipment in Western Europe were inadequate to convert these trainees into effective reserve divisions. Some supplementary air power was available in the naval carrier strength of the United States Sixth Fleet stationed in the Mediterranean. Such strength as the NATO powers possessed in Western Europe was badly placed from a strategic and tactical point of view, being concentrated in the occupational zones of Germany and deployed for occupation purposes rather than for defence against attack from the East. Air fields were crowded into the front zones rather than well behind what would be the front lines. Supply lines ran parallel to the front, i.e. north to the German ports of Bremen and Hamburg, rather than to the rear through France.

NATO's 15 divisions were Western Europe's sole defence against some 30 Soviet divisions, with supporting aircraft squadrons, stationed in Eastern Europe, plus the 60 divisions and developing air forces of the satellite states, plus the para-military force of Communist East Germany. Farther back, but still in a position to threaten Western Europe, stood the rest of the 175 Soviet line divisions, one-third of them mechanized or armoured. The Soviet air force included 20,000 aircraft, its navy 20 cruisers and some 300 submarines. These huge military forces were backed by a vast and growing economy still largely harnessed to war.

The Soviet Union was allocating some 13 per cent of its annual production to military expenditures, most of the NATO powers no more than half of this ratio.

The immediate problems facing NATO and its Supreme Commander in Europe were military in character. They concerned organization of the available forces and of the international headquarters staff, the recruiting and training of the badly needed new additions to manpower, particularly for the land and air forces, the building of supply lines, depots and air fields, the speedy initiation of a balanced and co-ordinated defence production programme, and the planning of over-all strategy. The paramount need of the moment was for more trained troops in Western Europe. Only the United States and the United Kingdom possessed previously formed and disposable reserves. Each of them immediately deployed additional strength in West Germany. Time was necessary before any additional forces could be had. In every national force the training of additional manpower needed to be backed by the recruiting of more career service men, including technicians, leaders and specialists who would provide a hard core for formations of reservists. Vitally needed air reinforcements had to await the accomplishment of major programmes of air crew training, aircraft production, and air field construction.

Behind all of these immediate and concrete problems stood serious political and economic difficulties which had to be resolved. The pooling of military strength and productive resources required to implement the NATO concept of an integrated defence force was not new in itself. Each of the last two great wars had demonstrated that when national survival is at stake nations normally jealous of their sovereignties can co-operate quickly and effectively for a period with little or no question of whether the burden is being shared equitably or whether what is required of them is consistent with their national aspirations and ways of doing business. The NATO experiment, on the other hand, has required a commitment to co-operate over an indefinite period of

nominal peace in a common programme demanding significant sacrifices from fifteen sovereign nations, nations with widely varying manpower and material resources, major disparities in standards of living and degree of economic advancement, and markedly different cultural and political traditions.

The most pressing problem facing the NATO partners in the first half of 1951 was to arrive quickly at agreed, realistic, and mutually compatible military manpower and defence production objectives, backed up by the necessary plans for achieving them through co-ordinated action involving twelve national economies. (Greece, Turkey and Germany had not yet been admitted to membership.) No real progress had been made in this sphere up to that time. Both the military and the economic requirements had been the subject of continuing discussion and review by a variety of NATO committees and boards since 1949, and for a year earlier than that by the Brussels Pact powers. The military planners had made progress with their objectives, but the attempts to match these military objectives to economic resources and to fit the capabilities of each national economy to an over-all manpower and defence production goal had failed. The problem of establishing some equitable basis for sharing the total burden of the combined defence effort had scarcely been touched. Each nation had, to all intents and purposes, set its own pace of rearmament, usually an inadequate one. Many of the European members felt that they could take no steps to expand their armament production until they knew what American aid would be available as an offset. Others were unwilling to risk their balance-of-payments positions by making necessary purchases of equipment or raw materials from abroad until they were likewise reassured.

In October, 1950, immediately after the decision had been taken to appoint a Supreme Commander, a fresh attack on the problem was made. A new body, the Financial and Economic Board, was formed and, by means of a questionnaire to all member nations, it began the task of assessing the cost of rearmament in

terms of the economic resources and outlook of each member nation. This approach did not achieve concrete results. Countries like Britain, Canada, and the United States were thoroughly versed in the concepts and techniques required for analyzing their national economies. As a result of their wartime experiences, they had established the appropriate statistical machinery upon which to base such analyses. To some other member nations these concepts were far from familiar and the personnel to produce the data were not available. It soon became evident that the procedure under which the Financial and Economic Board (in reality a committee composed of representatives of each of the member governments) reviewed individual national submissions with the aim of blending them into an over-all programme was failing because of the absence of agreed standards and an agreed approach.

The lack of concrete progress on the score of defence production and financial programmes and on the reconciliation of defence objectives with national commitments became all too evident at the Ottawa session of the NATO Council in September, 1951. To solve this problem the Council appointed the Temporary Council Committee (TCC) and its executive members, the "Three Wise Men" (M. Jean Monnet of France, Sir Edwin Plowden of the United Kingdom, and Mr. Averell Harriman of the United States). The Committee was directed to produce for the Council a definitive reconciliation of military programmes with political-economic possibilities on the basis of a detailed, country-by-country survey. In the spring of 1951, by the implementation of its decision to establish integrated defence forces under a unified international command, NATO had taken its first major step beyond an old-style military alliance. In the fall of 1951, through the work of the "Three Wise Men," it began a comparable advance towards a revolutionary co-ordination of its joint defence objectives and of the national programmes to achieve them.

The work of the TCC set the pattern for much of NATO's subsequent accomplishment. In its searching individual reviews

of national capabilities, it brought the members of NATO to a realistic appraisal of their own responsibilities for contribution to the joint effort and introduced them to the procedure of justifying themselves to their fellow members. In its report, which was tabled in December, 1951, the TCC set the tone for much of NATO's later thinking. It emphasized that "a sound economic and social base" was necessary to support the burden of a larger defence effort. For this purpose there must be a "satisfactory rate of general economic expansion." It recommended that "measures be taken within each country to guard against inequities in sacrifice arising out of the defence effort and to strengthen the social structure." In support of these broad principles the TCC report dealt specifically with the problems of inadequate supplies of coal for Europe, shortages of steel, the need for an efficient distribution of international raw materials at stable prices, the critical balance-of-payments problems facing the European members, and the contribution towards its solution which could be made by United States off-shore procurement programmes and North American military expenditures abroad, as well as by the European Payments Union.

To ensure the orderly continuation of the work which it had begun so well the TCC made recommendations for fundamental changes in the administrative and planning structure of NATO. It proposed that a single international staff-secretariat be set up to serve a reorganized Council which would remain in permanent session with effective powers of decision. The Permanent Council, to which member states would appoint representatives of ministerial or comparable rank, would be presided over by a Secretary-General of the North Atlantic Treaty Organization who would be responsible for the organization and work of the staff-secretariat. Thus NATO would provide itself with an international civil service under unified direction and capable of conducting the "annual review" in such a way that the yearly agreement on military targets and the means for achieving them could be realistically completed, responsibility for achieving them

could be allocated and progress towards them could be continuously assessed.

The TCC report was presented on December 18, 1951. The reactions to it of member governments were reviewed by the Committee in January and the final report was submitted to, and approved by, the Lisbon conference of the Council in February, 1952. Included in the report as adopted were the military force goals for 1952 agreed to by member governments, together with tentative targets for the next two years. On April 4, 1952, NATO's third anniversary, the organization changes recommended by the TCC were implemented and Lord Ismay, who had been Secretary of State for Commonwealth Relations in the United Kingdom Government, assumed his duties as Vice-Chairman of the Council and Secretary-General of the North Atlantic Treaty Organization. The various committees and standing boards of NATO old style gave way to the beginnings of a new international Secretariat. The stage of NATO's history during which committees composed of national representatives attempted to create a co-ordinated international joint defence programme by simply adding together a dozen independent national proposals had been superseded.

CHAPTER FIVE

THE SIZE OF THE BURDEN

"We must be careful that we do not prove that free countries can only be defended at the cost of bankruptcy."

—First Annual Report. Supreme Allied Commander Europe.
SHAPE, Paris, April 2, 1952.

The first question which confronted NATO's planners was the size and form of the defence system needed to deter Soviet aggression. The threat to be met had to be balanced against the means and the will to provide an adequate deterrent. As has been suggested, the answers did not come readily. When answers were agreed upon at Lisbon early in 1952, they proved to be only temporarily appropriate. Because of changing political, economic, and military facts, this question must in reality be examined continuously. Today, for instance, the scope of the problem in a military sense has been altered by agreement on the use of tactical atomic weapons and by the implications of nuclear warfare. What this means for field organization requirements, manpower needs, and even the traditional division of the services is the subject of current debate. Similarly, NATO's goals and the efforts of its members to achieve them are subjected to stress and strain by changing domestic and international political considerations, not the least of these being the varying reactions among its members to the changing climate of the cold war. To grapple successfully with the necessity for working together on agreed

courses of action in a field where there are so many obstacles to agreement has required from NATO's sovereign members a unique degree of international collaboration. Their successes, their failures, and the obstacles to the achievement of their common goals seem likely to have some significance for NATO's chance of survival as an effective defence organization.

In 1951 the creation of an adequate defence force to deter Soviet aggression in Western Europe was the primary NATO objective. While the West had no hope of matching the Soviet's 175 divisions, it was determined to bring into being an integrated defence force of such dimensions as would, it was hoped, discourage Soviet aggression west of the Elbe and, in any event, so delay the progress of any Soviet attack that trained reserves available within thirty days could prevent the attack from being successful. Strategic, economic, and political considerations all dictated this objective. Strategically, the area west of the Rhine provides insufficient depth for adequate defence of Western Europe. Economically, the United Kingdom and its North American partners could not risk the industrial strength of West Germany, the Benelux countries and France being turned against them by Soviet conquest. Politically, it was evident that unless adequate defences could be created quickly the dangers of a complete collapse of morale in Western Europe were all too real. Balanced against this military requirement was the importance to the NATO cause of continued economic recovery for Western Europe. A proper reconciliation of the military and political-economic objectives had to be found.

The first answers came from the deliberations of the TCC's "Three Wise Men" and their searching review of each member nation's circumstances. Thanks to their proposals, NATO developed an approach to an economic general staff to continue their work. Since April, 1952, NATO has had, in the continuous reviews by Secretary-General's international staff and in the annual reviews by the Council, the machinery necessary for

continuous evaluation and co-ordination of its defence requirements and defence programmes. At Lisbon in February, 1952, NATO agreed on force goals for its joint defence system and on a rapid three-year build-up of an integrated defence programme to achieve them.

The Lisbon targets survived as real NATO objectives for little more than one year, and even the programme for 1952 was not completely achieved. Although NATO's Lisbon goals already represented compromises with the requirements visualized by its military authorities, many analysts at the time felt that they were too extravagant. They called for 50 combat-ready divisions and 4,000 operational aircraft by the end of 1952, 75 divisions and 6,500 planes by the end of 1953. In one respect at least they were unduly optimistic. They were premised on the early inclusion in the NATO forces of a large military contribution from Western Germany. Today, in mid-1956, more than four years later, Western German forces for NATO are still paper objectives. The intervening period has seen more than two years of French obstruction precede acceptance of the device of Western European Union and of admission of West Germany to NATO. Since then months of soul searching within West Germany itself have caused further delays. As this is written, Chancellor Adenauer's compromise conscription bill has just been ratified by the Bundestag over the determined opposition of the Socialists. An effective German contribution to the NATO defence system still seems at least three years away. Whether the Lisbon targets, apart from the German element, were in reality overly ambitious or whether NATO failed to match NATO's needs is another question.

When the Council met for its annual review in Paris in December, 1952, there were already growing fears that the Lisbon goals were not being achieved and that the momentum of rearmament was slowing down. The Council felt able to say, however, that the targets for 1952 had been essentially achieved. No decision was made on 1953 force goals, although it seemed unlikely that the earlier tentative targets could be achieved. For the

first of many times to come it was agreed in principle that more emphasis should be placed upon increasing the effectiveness of the forces of the alliance and of the necessary support units rather than upon the provision of a greater number of effectives, if the resources were not available for both.

In both Europe and the United States there was increasing opposition to the level of the defence burden and questioning of the soundness of the "critical year" philosophy which had actuated the deliberations upon which the Lisbon force goals were set. Taxes had risen sharply in 1951 and 1952 to meet the costs of the new defence expenditures and, in Europe particularly, there was real concern about the effect of a heavy defence burden upon continued economic recovery and expansion. Early in 1952 the Chairman of the Foreign Affairs Committee of the Norwegian Storting warned of adverse reactions on worker morale in Western Europe and the United Kingdom if too heavy a defence burden were assumed. The French Government obtained Assembly approval for its defence budget in April, 1952, only with the greatest of difficulties. Even with the most generous allowance for prospective American aid and a substantial cut in funds previously allotted to the Monnet development plan, the budgeted defence expenditures were insufficient to meet its NATO commitments. At the Paris meeting there was added uncertainty because of unresolved questions as to the probable course of action of the newly elected Eisenhower Administration.

These doubts and conflicting pressures came to a focus at the Council meeting of April, 1953. Here the doctrine of the "stretch out" or the "long pull" was officially accepted. Increasingly thereafter the high command of NATO found its pleas for greater strength in being met by promises of improved quality rather than of additional numbers. In conformity with the new doctrine the Council modified the "provisional" and the "planning" goals for the forces accepted at Lisbon for 1953 and 1954 respectively. The Lisbon goal for 1953 was reduced from 75 divisions and 6,500 aircraft to 60 divisions and 5,500 aircraft. The 1954 goal was

reduced from 96 divisions and 9,000 aircraft to 70 divisions and 7,000 aircraft. These new goals have never been achieved, partly because of continuing frustration on the score of a German contribution, partly because of changing assessments of the political-economic possibilities by member nations, and partly because the later adoption of atomic weapons as a part of the NATO strategy has introduced still unresolved questions on the size and type of the actual forces, both regular and reserve, needed.

The political and economic difficulties which NATO's member nations have faced in their attempt to realize the common defence objectives are vividly illustrated in the field of military manpower. NATO strategy for its joint defence system in Europe depended from the beginning upon the creation of sizeable, properly trained reserve forces which could be thrown into the struggle within a matter of days to bolster the limited forces which NATO could afford to keep in continuous service. This strategic requirement has never been adequately fulfilled. The over-all pattern has been to a discouraging degree one of cut backs in length of service and in numbers of men, growing inequality among member nations in their manpower policies, and inadequate reserves plus inadequately trained forces for the NATO High Command.

NATO's military experts have continued to urge the view that the complexities of modern weapons and warfare make two years' military service the desirable minimum for training purposes. In August, 1950, the United Kingdom led the way for her NATO partners by lengthening the period of national service from eighteen months to two years. Her example was soon followed by Belgium, although only after bitter debate and only because two years' service was the minimum which would permit her to fulfil her NATO manpower commitments. Subsequently both Belgium and the United Kingdom suggested that unless their European NATO partners extended their periods of compulsory service similarly they might find it necessary to reconsider their action. Although France, like Belgium, could anticipate meeting her manpower commitments only by introduction of a two-year

military service period, successive French governments refused to raise the level beyond eighteen months. In 1952 France informed her proposed partners in the European Defence Community (EDC) that she was unable to do so because of a shortage of officers for training and because of the added financial burden. Norway decided in 1951 that her twelve months' basic training requirement could not be extended because her facilities and manpower for training purposes were sufficient to handle only one year's class at a time.

Both Denmark's and Belgium's military service policies led to serious political problems. In 1951 Denmark raised her period of compulsory service first to twelve months and later to eighteen months, with the provision that the latter increase should not take effect until 1953. In November, 1952, the Government stated that the availability of billeting facilities, of equipment, and of an adequate number of officers and N.C.O.'s for instruction purposes must control the timing of the introduction of eighteen months' service. In light of these factors it announced a graduated schedule covering its three services. In early 1953, as the date for the first stages of eighteen months' service approached, there were public demonstrations in Denmark against its introduction. Following an election, in which one of the issues was acceptance or rejection of a NATO offer to augment the Danish air force with planes and foreign airmen who would be under Danish command, a new government came into power in September, 1953. The new Prime Minister, head of a minority government, informed NATO that the allied offer of air force support could not be accepted at that time, but assured Denmark's NATO partners that the commitment to introduce an eighteen months' period for military service would be adhered to, although perhaps it might be difficult to do so within the stipulated period. The period of military service continued to be a contentious issue in Denmark, as did most of its defence undertakings, and in the latter part of 1954 the Government was forced finally to reduce the service period to

sixteen months in order to obtain sufficient support in the Rigsdag for necessary economic measures.

In Belgium, too, the lengthened period of military service remained a hotly disputed subject, with the Socialists, who had opposed it from the beginning, continuing to voice strong objections. In 1952 the first class of conscripts affected by the extension of compulsory service to two years rioted at the end of eighteen months of service. Sympathy strikes among civilians followed. Because of the state of public opinion the government felt it necessary, after consulting its EDC allies, none of whom had a period of service longer than eighteen months, to compromise by cutting the period to twenty-one months. This it did without prior notification to or consultation with NATO as such.

By the beginning of 1954 there were only four NATO members with periods of compulsory service as long as twenty-four months, the United Kingdom, Greece, Turkey and the United States, and in the case of the latter a high degree of selectivity influenced the impact of the requirement. Of the remaining members, France had eighteen months, Italy sixteen months in practice, Holland twenty months, Norway and Luxembourg twelve months, Portugal approximately six months. Canada and Iceland have been the only members of NATO without compulsory military service of any kind. In mid-1954 Holland reduced its period of service by two months to bring it to eighteen months. The United Kingdom government has been under continuing internal pressure to bring its national service requirements into line with its continental neighbours by reducing its twenty-four months' service period.

From the standpoint of burden sharing, there has been obvious inequity between members arising out of the varying patterns of military service adopted. In a number of countries the service regulations imposed have not been adequate to train sufficient forces to honour their manpower obligations to NATO. The reserve forces available for NATO have fallen far short of what the original strategy for the defence of Western Europe

required. NATO's manpower deficiencies have not been limited to its reserves. Certain members have failed to live up fully to their commitments to supply units to the NATO European forces. Belgium, for instance, announced early in 1955 that her promised three divisions in NATO's forces in 1956 would be cut back to two because of her falling birth rate. The most important offender, however, has been France. Originally expected to contribute at least fourteen combat-ready divisions to the integrated NATO defence force, France has throughout the life of NATO been engaged in debilitating colonial wars. In Indo-China she lost the flower of her officer class and decimated her N.C.O.'s in a fruitless, eight-year struggle. Now in North Africa she is involved in an even more costly struggle without the support of United States financial aid. France has never been able to commit more than five divisions to the NATO High Command, and as this is written only two of these remain, the equivalent of three full divisions having been withdrawn from the NATO force for service in North Africa.

Maintenance of large peacetime forces has proved to be a difficult problem for the Western democracies. In most European countries the conditions of service are far from attractive and pay levels are traditionally and deliberately so low as to constitute a form of direct taxation upon those of military age. In times of economic expansion, with employment opportunities plentiful and incomes rising, military service, whether compulsory or in the regular forces, runs an increasingly poor second to the attractions of civilian life. Even in the United States and Canada, where the amenities of service life are considerably greater and pay levels princely by comparison with European standards, the armed services find it difficult to obtain and to keep sufficient recruits for the regular services. In the United Kingdom, the United States and Canada, successive attempts to solve the problem by raising pay levels have been largely unsuccessful in raising the enlistment and re-enlistment rates in the "permanent" forces. The difficulty is intensified by the requirement in today's armed

forces for highly trained specialists and skilled tradesmen, for the very same capacities and skills for which civilian industry and defence production have the greatest demand. In free competition with industry the services suffer and, having trained men to the requisite degree of skill, they often lose them to civilian employment. The services lose their investment in training and face a rate of turnover which is disruptingly high.

The problem tends to be complicated still further if domestic political pressure makes it difficult for periods of compulsory military service to be kept up to a reasonable minimum. In both the United States and the United Kingdom basic manpower requirements in recent years have been met only by supplementing regular force strength with the services of conscripts. During the first year of his military service, a conscript is of no value to the regular forces and his training absorbs a part of their more experienced officers and N.C.O.'s. If the training period is too short, the time and energy of the regular forces expended on the training programme may be largely wasted in inadequate training results, with no offsetting contribution to the regular forces from the reserve forces in training. In 1955 the United Kingdom government, following almost five years of continuous criticism of the National Service policy, attempted to meet this problem, not by reducing the period of service from twenty-four months, but by reducing the number of men called up each year. It thereby reduced the cost of the National Service programme in terms of training facilities and service pay. At the same time it improved the position of its regular forces by reducing the burden of their training duties while still ensuring that their numbers would be supplemented by National Service men finishing out their second year of service.

The pattern of total defence expenditures by the NATO powers is worth some examination. The United States, the United Kingdom, France and Canada account for 90 per cent of the combined expenditures since 1949, with the United States alone being responsible for two-thirds of the total. Defence

expenditures rose very rapidly in 1951, achieving a level of slightly more than \$55 billions in that year as compared to a pre-Korea level of approximately \$20 billions. In 1953 they reached their peak at just over \$65 billions, a level from which they have receded to the range of \$50 to \$55 billions per year in each of 1954, 1955 and 1956. The major drop was by the United States in 1954, but since 1953 almost every other NATO member has done no better than to maintain the absolute level of its defence expenditures or to cut it slightly.

In 1953 the NATO powers reached the peak of their defence expenditures both in absolute terms and in terms of the share of their resources allocated to defence. In that year the United States, whose contribution has been huge both in absolute and in relative terms, devoted almost 14 per cent of its gross national product to defence expenditures. The United Kingdom and France were then allocating nearly 10 per cent of their national products to defence expenditures, although, as with the United States, a significant part of the expenditure was non-NATO in character. Canada, the Netherlands, Greece and Turkey were spending in the range of 6 to 8 per cent of their national production on defence while the smaller NATO nations varied down to Denmark's $3\frac{1}{2}$ per cent.

Although the NATO powers as a whole expanded their defence programmes swiftly in the 1950-1953 period, the North American partners outdistanced the Western European members of the alliance. During these three years, the rise in defence expenditures relative to the national economies involved was twice as great for the North American partners as it was for the Western European partners collectively. In 1954, however, Western Europe more than sustained the percentage share of its output devoted to national defence while the North American share was falling, due chiefly to the drastic cuts in defence expenditures by the United States. The net result for NATO as a whole has been a falling back to approximately the 1952 level of defence expenditure. Since 1953, with stationary or slightly decreased defence

expenditures in absolute terms, the NATO nations have individually and collectively reduced the share of their national products devoted to defence.

The pattern of defence expenditures in financial terms, or even measured against national incomes, does not tell the whole story. Although the NATO powers in the period 1951-1954 inclusive achieved a substantial allocation of resources to the creation of their joint defence system, the evidence is that they did not reduce their standards of living in the process. Both Western Europe and North America achieved such a substantial rise in real production while they were expanding their defence output that standards of living actually rose while greatly increased defence programmes were being financed. By 1954 the real increase in production was such that government expenditure, including defence spending, was absorbing only about one-half of the improvement in total output achieved since 1950. The remainder was available for other purposes and per capita consumption actually increased 7 per cent during this period.

The major part of the very helpful increase in the gross output of goods and services of NATO's Western European and North American members was achieved in the period 1950-1953. During these three years total production of all goods and services rose by 15 per cent. The rise in North America was slightly greater, that in Western Europe slightly less. In 1954 Western Europe's combined national production showed a further growth of between 5 and 6 per cent but North American production declined, partly due to major cuts in United States military expenditures. The over-all result was an increase of only about 1 per cent for the year.

Rapid increases in government expenditures for defence and associated production purposes must undoubtedly be given some credit as a stimulus for this very helpful growth in the real output of the major NATO partners. In Europe particularly, defence spending brought idle plant capacity and unemployed or underemployed labour into productive undertakings. The growth in output was made possible by a combination of factors, including

a rise in the level of civilian employment and a significant growth in labour productivity. Civilian employment in the combined area of Western Europe, the United States and Canada grew by from 3 to 4 per cent during the period, despite a sharp increase in unemployment in North America in 1954. As a result of the growth in employment and the absorption of between 1 and 2 per cent of the labour force into the armed forces, the level of unemployment, high in certain European countries before the defence programme began, fell substantially.

The fact that a labour force only 4 per cent larger than in 1950 was able to produce 15 per cent more in real goods and services in 1954 points to a substantial rise in labour productivity. This rise in productivity made it possible for standards of living to rise, for substantial capital expenditures to continue their expansionary effect on the national economies concerned, and for rising defence expenditures to be carried concurrently.

This increase in labour productivity can be ascribed to three main factors. First, there has been a structural change in the economies of the Western European and North American countries involved. Labour has tended to shift into the industrial sectors of the economies, where the value added per man is greater, i.e., where labour productivity is greater. This shift is indicated by the 18 per cent rise in industrial production for the combined areas during the years 1950-1954 while all other production rose only 13 per cent. The more important factors, however, have been more complete use of existing industrial capacity (as, for instance, in Northern Italy) and the very substantial improvements in plant and equipment which continued both in North America and in Western Europe.

Although gains in productivity outstripped the demands of the defence effort in the major NATO countries even during the period of most rapid defence build-up, this does not mean that the programme was a painless one. In 1951 particularly, heavily increased taxation levels to finance the new rearmament programmes severely limited private consumption. For the combined

area per capita consumption by consumers in 1951 remained approximately equal to its 1950 level, but in some member countries, particularly in the Netherlands, Norway, the United Kingdom, Canada and the United States, there were actual declines in consumption. In 1952, 1953 and 1954 and subsequently, the burden of taxation has not increased and in many cases has lightened, with the result that the level of private consumption has risen rapidly, particularly in Western Europe.

In purely economic terms, therefore, the burden of the joint defence system upon NATO's member nations and peoples cannot be considered to have been an unbearable one. After the first stages of rearmament the sacrifices involved have taken the form of slower rises in standards of living than might otherwise have occurred rather than in actual reductions. Failure to adhere to military and defence production objectives originally agreed upon must, therefore, be ascribed to political considerations rather than to economic limitations.

The combination of missed or declining targets, reduced defence budgets, and weakening emphasis on military training suggest that NATO has, as was feared from the beginning, been struggling with the tendency of democratic governments and peoples to avoid hard choices except where the danger is not only real but apparent. By the end of NATO's first year its member nations had agreed that they must give their security equal priority with economic recovery and expansion. In the months following mid-1950, under the spur of fears induced by the Korean aggression, they put into motion a rapidly intensified drive for adequate defences, even at the expense to some degree of desirable economic advancement. Then, as the burden of defence became concrete, as defence expenditures and military obligations became clearly competitive with attractive possibilities for improved standards of living and rising economic strength, there came some lessening in the sense of urgency, a process which of course the Soviets have been willing to aid wherever possible.

This inclination of the NATO democracies to ease off on their joint defence effort has during the past two years been fortified by two important and unresolved questions. Each of these questions provides grounds for genuine reassessment of NATO's over-all task—each of them can be, and to some extent has been, the excuse for easy rationalization in favour of a reduced emphasis on defence. The first of these questions concerns the military implications of the now agreed reliance on atomic weapons and the nuclear deterrent. The second concerns the proper interpretation to be put on the Kremlin's "new look" and the proper course of action for the West in light of it.

A crucial reassessment of NATO's military requirements is now in process. The first atomic weapons to be included in NATO's arsenal were sent to its own troops in Europe by the United States in 1953. In December of that year the Council emphasized that it was unable to assess the significance of these weapons for manpower requirements at that time. At its meeting one year later, in December, 1954, the Council took the initial steps in revision of its strategic thinking on the assumption of NATO use of thermo-nuclear and atomic weapons. Since that time a complete reassessment of NATO's defence requirements, in economic as well as purely military terms, has had to be undertaken. At the last annual review meeting in December, 1955, the Council concluded that the necessary reappraisal of national defence establishments in light of the new weapons and the changed tactics they impose had been undertaken only by Canada, the United Kingdom and the United States. Plans were made for these three member nations to share their knowledge in the new fields with their fellow members of NATO. In February, 1956, the Standing Group (representatives of the Chiefs-of-Staff of the United States, the United Kingdom and France) met with representatives of all of the member nations to review the technical requirements of defence in today's setting. At its December meeting the Council had also expressed its determination that the NATO forces should be equipped with the most modern weapons,

with the United States, the United Kingdom and Canada providing assistance to this end. The United States and Britain will supply information and training to their partners in the use of guided missiles, which seem likely to supersede anti-aircraft artillery. The United States will finance and set up a pilot project for a new type of air raid warning system for NATO's European forces.

NATO is faced today with the necessity of finding a basis of agreement (involving in many cases significant political and economic decisions) on a number of vital defence questions on which its military authorities themselves appear far from united. NATO's Deputy Supreme Commander, Field Marshal Lord Montgomery, and a growing body of opinion in the United States have questioned the continued value of the traditional separation of land, sea and air forces. French military authorities disagree with their British and American colleagues on the most useful organization of field forces and on the proper role for armoured divisions. Fears of the imminent perfection of the intercontinental ballistic missile by the Soviets bring charges that the whole concept of a distant early warning line is already outmoded and that the huge investment of manpower, technical equipment and dollars already made by Canada and the United States in the Dewline is all a tragic waste. At the same time, alarming intelligence about the progress of the Soviets in the field of long-range jet bombers brings to light possible shortcomings in the strength of the United States Strategic Air Force. All of these questions are of major importance for NATO's military and defence production targets for the future.

It is to the field of manpower, however, that much of the current controversy is directed. The need for large conventional forces in future is being questioned on the assumption that all-out nuclear warfare will eliminate the possibility of decisive land actions. Equally, it is suggested that there will no longer be time or the need to marshal reserves and that further expenditures of manpower and resources in their training would be largely wasted. If this is true it would in a sense vindicate, or at least make

unimportant, the lapses of most NATO members in this field. Such questioning has already played an influential part in the conscription debates in the West German Bundestag and is having its effect on public opinion in all NATO nations. In the absence of evidence from experience, the ordinary citizen would seem well advised to give weight to the opinions of NATO's military leaders. From General Gruenther and Lord Montgomery to President Eisenhower, they have reiterated the need, even in terms of nuclear warfare, for continuance of the pattern of a relatively small, highly trained standing army backed up by a relatively large ready reserve.

While there has been an implication that reserve forces need not now be as large as might have been required earlier, an important new responsibility is now visualized for them by NATO's military authorities. If NATO's expressed determination to use the hydrogen bomb if necessary is to be the deterrent intended, the NATO nations must prepare their own survival plans against the eventuality of a thermo-nuclear attack, whether by manned bombers or by guided missiles. For the past two years NATO has placed special emphasis on civil defence programmes. In the context of the hydrogen bomb, civil defence may require much less in the way of first aid measures and much more in the way of thoroughly trained and disciplined units to re-establish communications and to maintain civil order. These are functions which President Eisenhower and others have suggested might be best performed by well-trained military reserve forces. The advent of atomic weapons may have redressed the balance of effective strength in Europe but it may be somewhat early for NATO to make the assumption, which some of its members seem to have done, by default at least, that the need for trained manpower and forces in being has been drastically and permanently reduced.

By their actions the NATO powers have implicitly admitted that they are unwilling to assume the sacrifices which would be involved in a programme of providing conventional forces large

enough to ensure adequate defence against any aggression from the Soviet bloc. Their original strategy called for a defensive holding force in Western Europe backed by the capacity of the United States to deliver the atomic bomb. With the advent of the H-bomb, the NATO partners, despite their fears and reservations, have accepted the nuclear deterrent as the basic element in their strategic conception. The choice has been between this acceptance and the undertaking of a greatly expanded build-up of the integrated defence forces. If NATO cannot defend itself without resorting to the hydrogen bomb, then it has no option but to accept the decision to use the nuclear deterrent if it is attacked even by conventional forces. The integrated forces of NATO in Europe have therefore tended to become chiefly a trigger mechanism to unleash nuclear retaliation in the event of Soviet aggression west of the Elbe. Priority in NATO's defence requirements in these circumstances must go to ensuring that the West maintains at least equality with the Soviet in its capacity for effective nuclear retaliation. It cannot afford, for instance, to lag behind in the development of the intercontinental ballistic missile. Equal emphasis must be given to improving early warning systems and to the possibilities of developing defences against nuclear attack. Despite the diversity of opinion on the implications of nuclear warfare for NATO's defence requirements, major proportions of NATO defence expenditures now appear to be channelled in these directions.

In the light of the rapidly changing military and strategic concepts, a reassessment of the financial side of NATO's future defence requirements becomes both more timely and more difficult. The early defence objectives were premised upon a "crash" programme calling for a very rapid rise in defence expenditures over a three-year period, with a presumption that thereafter the joint defence programme would be more or less on a care and maintenance basis for an indefinite period into the future. Although the original targets were not actually reached in 1953 in either manpower or equipment terms, there has been

general agreement by the NATO powers that the levels of defence expenditure achieved have been substantially all they could undertake. This has obviously been much more a political than an economic judgment. Since 1953 the burden of defence for most of the partners has declined slightly in financial terms and significantly in real economic terms. Future demands are somewhat uncertain, but there is considerable evidence that any objective appraisal of the needs would suggest a rising burden of defence rather than the decline which was implicit in the original conception. The rates of obsolescence of aircraft, weapons and equipment of all kinds are proving extremely high. The pace at which entirely new weapons and concepts of warfare are being developed demands costly programmes of research, development, testing and training on as large a scale as can be effectively manned. To the original requirement for effective protection in Western Europe has been added an extremely costly, and probably ever changing, requirement for creating and manning adequate systems of defence for North America against thermo-nuclear attacks from the Soviet Union. Convincing evidence is available that any lead which the United States Strategic Air Force may once have had has been lost or at least gravely threatened by Soviet progress in the same field. The areas in which the greatest efforts are now required are of a kind which suggest that the cost to NATO of adequate defences may well rise in terms both of defence production and of demands upon the limited supply of scientifically trained and technically skilled manpower. The fact that the United States Administration has found it necessary, in an election year, to seek increased appropriations for both its own military needs and for aid to its allies must be considered a recognition of the new urgency of defence undertakings.

NATO's defence programme to date and its creation of a joint defence system can be rated a success if judged purely on the pragmatic basis that Soviet aggression against Western Europe has been avoided. It seems not unreasonable to credit it also with some share in bringing about a change in the climate of

the cold war, even though the Kremlin's new look has undoubtedly been motivated in part by domestic political and economic pressures. These new Soviet tactics add their own uncertainty to those arising on other grounds as to the future requirements of NATO defence. There is nothing in the history of Soviet policy to suggest that maintaining NATO's deterrent forces and being prepared to resist peripheral struggles is any less necessary now than it has been ever since 1945. It would be tragic indeed if NATO's very successes should lead its members to delude themselves as to the continuing necessity of an effective defensive alliance.

CHAPTER SIX

MINIMIZING THE BURDEN

" . . . Dispersion of effort helps to maintain special skills and aptitudes, variety of design, and advance in research; but it is also very costly."

—From *Atlantic Alliance*, a study group report of the Royal Institute of International Affairs published in 1952.

From the beginning it has been evident that the NATO partners, and particularly the European members, could not afford an effective defence effort without a high degree of co-operation and co-ordination designed to minimize the total burden. On the purely military side this necessity was recognized by the decision to build, not balanced national forces, but balanced collective forces. On the economic side, the need was no less urgent but the problems have been more numerous and more complex.

If labour and plant were available in any member nation which could be mobilized for efficient production of military supplies or equipment, NATO could not afford to see it idle or under-employed just because the member nation could not finance a production programme to make use of it. If several members could equally well produce a particular kind of aircraft, motor vehicle, or naval vessel, but the cost would be less if only one or two of them produced it to meet the needs of all, this specialization should be arranged. If each nation's military organization would,

unless otherwise guided, select a slightly different type of equipment to meet one general need, then, in the interests of lowering production costs, of minimizing the problems of stocking and supplying replacements, and of simplifying training for troops designed to operate in the joint forces, some standardization should be sought. If important transportation and labour savings could be achieved by producing tanks in the United Kingdom rather than in North America, then joint planning should bring this about. Given the complexity of the defence needs, on one hand, and the complexity of the fifteen national economies, on the other, these were obviously not easy or short-term tasks. Political considerations have inevitably added to the dimensions of many of the problems involved.

Mutual aid has been inseparably linked with much of the co-ordination achieved by NATO in the use of its combined resources for defence production. Most of this mutual aid has been North American in origin, some of it has been direct in the form of supplies and equipment, much of it has been in the form of the so-called "off-shore" procurement contracts placed by the United States in Europe. In the first stages of the defence build-up, it was urgent that European forces which could be neither trained nor allocated to NATO's joint forces for lack of equipment should be armed as speedily as possible. To fill this gap the United States and Canada rushed available surplus equipment, most of it dating from the War, to their European allies. At the same time Western Europe had plant capacity and labour which could be turned to defence production. In Italy, more than half of the capacity of the great factories of the North was idle in 1950 and most of it could be converted to the production of military supplies for her partners. Surplus labour was available in abundance. France and Belgium had established munitions industries, the Netherlands had capacity to produce electrical equipment and shipping, and the United Kingdom had a wide range of aircraft, vehicle, tank and other military equipment industries, all of which could be expanded.

A complicating problem was the fact that most of Western Europe was suffering serious fiscal and balance-of-payments difficulties from which they were hoping gradually to extricate themselves through their own recovery efforts and Marshall Plan aid. Their balance-of-payments difficulties in late 1950 and early 1951 were seriously aggravated by the precipitous rise in the prices of international raw materials sparked by Korea. Thus, most of them were in no position to finance an adequate programme of defence production for their own needs without a serious threat to their very important recovery programmes and were completely unable to consider production for fellow members of NATO without adequate advance assurances of payment. Their ability to provide materials and components for their own defence production programmes was severely limited by dollar shortages and none of them could afford to import hard currency materials and equipment to be used in military production for their partners without being certain of offsetting dollar receipts. For the same reasons they could not afford to purchase North American equipment to meet their immediate needs.

In 1950, 1951 and 1952 these difficulties were met to a large extent by a combination of the United States and Canadian military equipment aid and the United States off-shore procurement orders already mentioned. The Truman Administration announced it intended to supply aid, including materials and equipment, so that European manpower and productive capacity could be turned to the needs of NATO. By the end of 1952 the United States had appropriated over \$9 billions for military aid to Europe, of which close to \$2 billions had been shipped. In 1951 off-shore procurement orders were placed in Western European countries to a total of more than \$700 millions, of which France received contracts totalling \$335 millions, Italy \$140 millions and the United Kingdom \$75 millions. In 1952 orders for a further \$1 billion were placed, of which France was allocated more than half.

United States off-shore procurement contracts have been placed in every NATO nation in Europe, with France, Britain, Italy, and the Benelux countries, because of their industrial capabilities, being the largest direct beneficiaries. Ammunition, aircraft, and ship construction have accounted for the largest shares of the total dollar value, with lesser amounts being directed to the production of radar and electronic equipment, vehicles, tanks and miscellaneous items such as repair contracts for automotive equipment and aircraft. Arrangements under which United States aircraft are serviced in Dutch repair depots instead of being ferried back to the United States illustrate both the logic and the savings involved.

The pooling of the productive resources of NATO's members, facilitated as it has been by American aid and off-shore procurement, has promoted desirable specialization in the over-all defence programme. It has also stimulated the establishment of a broadened armaments industry base in Western Europe, including such items as a modern aircraft industry in Italy, new munitions factories in France, and expanded capacity for tank and aircraft production in the United Kingdom. As early as June, 1951, there was official NATO consultation, at a conference presided over by General Vandenberg of the United States, aimed at promoting national specialization in aircraft production. This was followed up by United States off-shore procurement contracts which initiated production in the United Kingdom, in Italy (U.S. Sabres and spare parts), in Holland (British Hunters and parts for Curtiss Wright motors), and in France. In 1953 a long-term programme to be partly financed by United States aid, was agreed upon by NATO. Under this programme contracts were allocated to the United Kingdom, France, Italy, Belgium and the Netherlands. As one facet of this agreed over-all production programme, factories in the Netherlands are producing aircraft of British design fitted with engines manufactured in Belgium. Similar co-ordination of production programmes has been effected to some degree in other fields of military equipment. As early as 1953 the NATO Council

also initiated a programme for the co-ordination of ammunition production in European countries along similar lines. It had as one of its purposes the development of sources of supply as near as possible to operational areas.

Among the most successful of NATO's joint projects in the pooling of resources has been the provision of its so-called "infrastructure" facilities. This is the phrase used by NATO to describe common fixed installations, such as troop accommodations, air fields, jet fuel pipelines, port facilities, specialized training facilities, communications networks, and radar systems. This programme was one of NATO's earliest joint endeavours. Today it includes 166 NATO airfields, most of them in Western Europe, a network of more than 4,000 miles of jet fuel pipelines linked to both Channel and Mediterranean ports, some 30 naval base projects, an extensive telecommunications system, and a variety of other installations for common use. Joint expenditures to date run to more than \$2 billions. They have been financed by all members of NATO, largely on the basis of agreed allocations of the cost. At the April, 1953, Council meeting in Paris the following pattern of national contributions expressed as percentages of the total cost was accepted: the United States 42.86, France 13.75, Great Britain 11.45, Canada 7.13, Belgium 5.09, Italy 6.5, the Netherlands 4.07, Norway 2.54, Denmark 3.05, Turkey 2.03, Greece 1.01, Portugal 0.32, and Luxembourg 0.2. Certain occupation funds were also allocated to this purpose in West Germany.

An obvious field for achieving economies in the use of resources for joint defence and joint defence production is by standardization of equipment, components, and procedures. Standardization of equipment and components facilitates specialized production on longer runs with accompanying possibilities of lower costs. It also reduces the cost and complexity of stocking arrangements for replacements and spare parts. Nor can the added security involved in the greater possibilities for alternate sources of supply be overlooked. A variety of NATO practices and aims point in the direction of standardization of equipment and of techniques.

Production of equipment and supplies by one partner for the requirements of other NATO nations as well as of its own needs has played a part. The provision and use of common infrastructure facilities has been a factor. Common training techniques, desirable for proper working together within the joint forces, have affected procedures and added to the value of agreeing on standardized equipment.

Despite its advantages and the natural pressures arising out of a joint defence system, standardization has not made substantial progress. Most of the gains potentially available are yet to be realized. As early as December, 1949, Canada, the United Kingdom, and the United States agreed that they would aim at gradual progress towards standardizing their weapons, equipment, and training. Among the examples of concrete results in terms of this objective has been the agreement by the United States and the United Kingdom, after prolonged negotiation, on a common thread for certain bolts. This standard was subsequently incorporated in the production of British Centurian tanks with which almost all NATO members have been supplied. Another such example is the armour-piercing ammunition developed by Canada and accepted as standard by the United States and the United Kingdom. Canada of course, has since early in the defence programme been largely on United States equipment standards.

A major victory, of wider application, in the field of standardization was the agreement in December, 1953, on the adoption of a new .30 calibre rimless cartridge for small arms. This cartridge was accepted as their national standard by Belgium, France, Canada, the United Kingdom and the United States. Subsequently the United Kingdom and Canada have also adopted a modification of the Belgian FN .30 rifle after prolonged experimentation and debate. A great deal of time will be required before either the new ammunition or the new rifle fully replace existing stocks in the national forces concerned. The difficulties and road blocks inherent in the process of standardization of weapons and equipment were clearly shown in the confused and lengthy negotia-

tions on the subject of a light ground-attack fighter for the NATO forces. Originally at least three different models were in competition for acceptance as the standard, one British, one French and one Italian. Finally, in April, 1955, a compromise agreement was reached involving tentative approval for both the Italian and the French designed fighters, each of them using British engines.

On the whole, progress in the standardization of heavy equipment has been slow. Most of NATO's success in this field has been with simple, common, end-use items, such as storage batteries, and with techniques, such as a method of landing planes on aircraft carriers. Although standardization of almost everything, from forms of command and methods of training to fueling techniques and component parts, is obviously highly desirable in an integrated defence force and in its supporting supply and equipment production programme, it is a slow and difficult undertaking. National traditions, habits, and skills, as well as considerations of national prestige, constitute automatic brakes on progress. The story of the French bazooka which American military officials admired so much that they wanted to graft its improved features on an existing more cumbersome and more costly American model provides an apt illustration. Real costs of major magnitude are often also involved. Standardization, desirable as it may be, is likely in many cases to reach deep into a nation's industrial economy, affecting huge investments in existing plant and perhaps in labour skills. In some cases it also has a bearing on competitive positions in important markets, which may offer an element of artificial protection for the suppliers of one nation because of lack of standardization.

Substantial gains for NATO's military effort and defence production programme have been realized through standardization, through specialized production, and through a broad attempt to co-ordinate national programmes and the use of national resources. However, inertia, political pressures and the very size of the problem have ensured that only a small part of the possible has been achieved. Some of the difficulties and limitations to be

faced in any such attempt are evident in aspects of the military aid and off-shore procurement programmes, in the fields of manpower, strategic raw materials, and defence research and development. Still others are inherent in the near-monopoly control by the United States of nuclear and atomic weapons.

In the first stages of NATO's defence production effort, much of the joint production initiated was based on bilateral agreements between West European countries on one hand and the United States on the other, rather than on common NATO planning as such. This pattern has tended to persist, probably as an inevitable by-product of the overwhelming financial and defence production strength of the United States. Although direct United States aid in the form of military equipment was a vital necessity in 1950 and 1951 it contained the seeds of problems as well. The Norwegian navy, for instance, until this time completely equipped and operating according to British standards and procedures, found itself with mutual aid in the form of a United States destroyer whose equipment demanded new procedures and new sources of supplies and replacements. Other Western European NATO members received gifts of United States heavy equipment initially, on the understanding that they would be responsible for maintenance and replacement. This faced European armed forces with the alternative of continued reliance upon United States sources of supply, a position which France, for one, felt to be wholly unacceptable (for both security and balance-of-payments reasons), or of equipping themselves to produce according to American standards. Off-shore procurement orders, instead of being programmed by NATO, have sometimes been the object of a competitive scramble among European member nations. Because of checks held by the United States Congress, military aid and off-shore procurement funds have not always achieved their full potential benefits. France has led the attack on this situation, pointing out in 1952 and later its inability to programme defence production and investments for it on the basis of one-year allocations of aid.

A logical field for common agreement and planning to achieve economies in a joint defence effort of the magnitude of that undertaken by the NATO nations is in the allocation of raw materials. The need for common action in this field was effectively emphasized in 1950 and 1951 by the precipitous rise in price of most of the important internationally traded raw materials. Much of the upward pressure on prices in the months following the Korean aggression was generated by frantic purchasing by the United States strategic stockpiling authorities. The results, in terms of an outflow of dollars to soft currency areas, were helpful in some respects, but the advantages were more than offset for many countries of Western Europe by inflated costs which affected civilian economies as well as defence production programmes. No NATO machinery was set up to co-ordinate the allocation of supplies of such strategic materials among the NATO partners or to plan over-all purchases in the interest of avoiding exaggerated price reactions. Instead, a non-NATO conference held in Washington, in January, 1951, led to individual commodity committees being established composed of representatives of the major nations interested in each case. These committees acted largely as information co-ordinating groups, with no powers to allocate and no control over stockpiling policies. As immediate shortage situations moderated, the committees were disbanded.

In the field of manpower, political feasibility imposes definite limitations on courses of action which might be suggested by economic logic alone. In 1950 and 1951 one of NATO's most urgent needs was to strengthen the will of Western Europe to resist by reassuring its peoples that deterrent forces could be created quickly to offset the danger of early Soviet aggression and that the United Kingdom, the United States, and Canada were prepared to commit men, as well as money and materials, both immediately and over a long period. The United States and the United Kingdom immediately increased their ground forces in Western Germany and by early 1952 these included three British armoured divisions plus an infantry division and five American divisions

plus three armoured combat teams equivalent to a sixth. Canada committed a brigade in addition to her contribution of an air division. Subsequently, both the United States and the United Kingdom have given further assurances as to their long-term intentions in order to persuade France to accept the integration of West German forces into the NATO defence system. These assurances culminated in the British pledge of September, 1954, to keep four divisions and a tactical air force, or the equivalent, in Europe until 1998 or such earlier time as its Brussels Pact partners may approve. This pledge was the decisive point in the acceptance by France of the admission of Western Germany into Western European Union (WEU) and into NATO.

A logical case for the defence of Europe by forces manned from Western European nations can readily be made. The financial cost of maintaining such forces close to their home bases has been estimated to be less than one-tenth of the cost of maintaining North American forces of the same size in Western Europe. From the standpoint of the common effort, the cost of European manpower for NATO's forces is also relatively less than that of North American manpower on other important scores. Lower standards of pay, equipment and amenities reduce the apparent cost in dollars and cents. At the same time, the relatively lower productivity of the labour forces in Western Europe tends to reduce the real cost of manpower in Western European armed forces measured in terms of the production of defence and necessary civilian goods. Beyond all of these factors, there have existed in some European member nations, particularly Italy, large pools of chronically unemployed or under-employed who might have been considered a logical source for some of NATO's military manpower requirements. Logical as such an analysis may be, no nation can be expected to equate military manpower considerations with more purely economic considerations of cost and efficiency. Hence, the early and continued commitment of North American and United Kingdom manpower to Europe's defence forces has not only been necessary to create an adequate deterrent force quickly but has

politically been of such immense continuing value to the unity of purpose and of spirit within NATO that more purely economic considerations have little weight.

In two important phases of the NATO defence system, the United States Strategic Air Command, with its world-wide network of bases, and the whole field of atomic and nuclear weapons, a high degree of national specialization has obtained but it has been dictated by the unilateral decision of the major partner rather than by common planning and co-ordination. In a technical sense, the Strategic Air Command and the United States stock-pile of atomic and hydrogen bombs are not really part of the NATO defence system. On the other hand, they have been the ultimate deterrent upon which NATO's whole strategy has been implicitly based. NATO's forces in Western Europe serve chiefly as an assurance to Western Europe—and a warning to the Soviets—that any aggression west of the Elbe cannot be a limited aggression, and that it is, therefore, likely to trigger the use of the major deterrent. Both political and economic considerations have determined that this major deterrent, together with the means for delivering it, shall be an American responsibility. Not all of the NATO partners have been entirely happy with their forced abdication of responsibility and control in this critical field. Both the use of the hydrogen bomb and of atomic weapons in Western Europe have been the subject of intense debate, and fear. The United States has now introduced its Western European allies to tactical atomic weapons, even though it continues to be the sole producer of them and to control them tightly.

The United Kingdom, alone among the NATO partners of the United States, has found it expedient, on national grounds, to make substantial expenditures on research and development in nuclear weapons and to arm itself with bombers capable of delivering the hydrogen bomb. Whether this is sound in an economic sense from the over-all NATO standpoint can be questioned. The guiding motive would appear to be the politically important objective of

ensuring to the United Kingdom a voice in NATO councils commensurate with her strategic interests and her world-wide responsibilities in critical areas of tension or conflict.

The field of defence research and development provides a clear case today for seeking the advantages of a co-ordinated effort. There is little doubt that the hope of the West for survival and for a continuation of the present stalemate in the military sphere turns on the results of a research race between the Soviets and the major NATO powers (including Canada), a race to be the first to perfect missiles capable of delivering thermo-nuclear warheads with reasonable accuracy over long distances, and an equally crucial race to perfect a means of nullifying such weapons. The role of research is not, of course, confined to the field of guided missiles. It is an expensive, painstaking process calling for teamwork by the best scientific and technical brains nations like the United States, the United Kingdom and Canada can produce. We have the assurance that the Soviets are doing their utmost to outpace us in these fields. Here less than elsewhere can NATO afford wasteful duplication of effort. Both time and brain power are much too limited. Dr. O. M. Solandt, until recently Chairman of Canada's Defence Research Board, is the authority for the view that the approximately 2 per cent of Canada's defence budget allotted to research represents the limit of what can usefully be spent with the scientific and technically trained manpower available.

Too much centralization and streamlining of research and development effort undoubtedly increases the chance of important discoveries being missed. On the other hand, it is at least open to question whether NATO at this stage can afford overlapping national research and development programmes on the scale that has existed among Canada, the United States and the United Kingdom in the fields of guided missiles, supersonic aircraft, and aircraft engines. Critics have pointed out that production facilities, defence budgets, and scarce scientific, technological, and designing skills have all been seriously wasted in the profusion of prototypes and approved production models of various types of

aircraft produced in the three countries. Perhaps more progress could have been made at less cost if British skill in engine development had been combined with North American capabilities in fighter design to produce fewer types of aircraft designed to serve the same purposes, thus reducing duplication which can scarcely be afforded. In the field of guided missiles too, there appears to have been much duplication, with the attendant development of an unnecessary number of types, although co-operation in this field is understood to have been closer than in the field of aircraft design. In the United States there is even evidence of wasteful and unreasonable inter-service duplication on research and development effort. Fortunately there are some heartening signs of a trend towards more efficient use of the limited joint resources available for vital research and development. Among these is the recently announced agreement by the United Kingdom, the United States, and Canada on a co-operative programme to develop defences against the intercontinental ballistic missile.

The degree of combined military planning and common use of resources achieved by NATO is unprecedented in peacetime. The annual review and the separation achieved between defence production programmes and the responsibility for financing them have made an important contribution to this result. Yet it must be said that the degree of co-ordination achieved falls far short of the ultimate. Today, with defence expenditures being accepted somewhat more reluctantly, with new defence costs calling for a rising level of expenditures, and with the premium on the higher human skills required for vital research and development, co-ordination designed to reduce the demands on joint resources seems more than ever desirable.

CHAPTER SEVEN

SHARING THE BURDEN

" . . . by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack."

—From Article 3 of the North Atlantic Treaty.

Parallel with the need for the NATO nations to achieve the required defence objectives at minimum cost in terms of manpower, resources, standards of living, and economic expansion has been the equally pressing need to devise a basis for equitable allocation of the cost of the programme among the member nations. The urgency of this question was already foreshadowed in 1948 and 1949. At that time the Brussels Pact nations were making little real progress with their plans for a Western Union defence force, as much as anything because they had not been able to come to grips with the problem of mutual financing. In the early stages of NATO, too, the Western European members held back until they had some idea of the size and the form of the contribution they could expect from North America. The United States, on the other hand, expressed its reluctance to make concrete commitments until it had some assurance that Western Europe was prepared to produce a genuine programme. By 1950 France was emphasizing the urgent necessity for agreement that contributions by member nations should be in direct relation to their individual economic situation. As described earlier, it was not until the

TCC undertook its work in 1951 that NATO itself began to grapple effectively with the problem of burden sharing.

Initially there was much verbal exploration of the possibility of devising a formula which would measure equivalent levels of sacrifice, along the lines of the "fair shares" philosophy, for each of NATO's member nations. The problem of establishing any such formula to fit the widely varying circumstances of NATO's members, both in economic and political terms, was obviously formidable, to say the least. The disparities in income levels, productive capacity, and manpower resources were so wide as to make it difficult to conceive even of a suitable economic test of equivalence.

One reasonable line of attack was via the principle of the progressive income tax in domestic taxation. Applied to nations of different economic status, as it is within a country to persons of different economic income, this principle would imply an attempt to relate the financial burden to be assumed by each country on account of the common defence effort to its gross national product in such a way that the percentage of gross national product allocated to defence by the NATO members would rise along a scale from the poorest to the richest, measured in terms of per capita gross national product. On this basis the United States would be expected to allocate the largest share of its gross national product to the common defence effort, with Canada accepting the second highest burden in percentage terms, followed by the leading industrialized members in Western Europe, and with countries such as Italy, Portugal, Greece and Turkey contributing a much lesser share of their per capita national income. As will be suggested below this approach can be seriously questioned even in theory. In practical terms the difficulties of applying it, other than in a very broad way, are immense.

The first practical difficulty is that of achieving acceptable comparisons of national income or national product. The difficulty of achieving such comparisons and of measuring degrees

of sacrifice even between not too dissimilar economies was suggested by a study of the United States, Canadian and United Kingdom economies undertaken during the latter stages of World War II. More recently, pioneering work in this field has been undertaken and reported under the auspices of the Organization for European Economic Co-operation (OEEC).^{*} Based on an analysis of the relative gross national products of Italy, France, West Germany, the United Kingdom and the United States, it shows the inadequacies of a simple comparison of gross national products by the application of the relevant currency exchange rates. It emphasizes how dependent on *a priori* standards of judgment any conclusions about relative gross national products inevitably are.

An acceptable standard of comparison between the gross products of widely divergent national economies would, however, be only a first step towards calculating equivalent sacrifice. There might well be even greater differences of view among the nations concerned as to the appropriate degree of "progressiveness" in the scale of percentages for each country's defence contribution to NATO measured in terms of its gross national product. Does, for instance, Italy's defence expenditure of slightly more than 4 per cent of her gross national product compare fairly with the 12 per cent contribution by the United States, which has a per capita national product of from 4 to 6 times as great? How equitable is Canada's 7 per cent against more than 9 per cent for the United Kingdom and France, whose per capita national products are only about one-half as great?

Per capita production is, however, only one factor which must be taken into account in any attempt to assess fair levels of contribution to the combined defence programme. A further very real item which NATO has had to allow for is the burden on some of its members of defence expenditures outside the area of direct strategic concern to the NATO defence system. At the time of

^{*}Milton Gilbert and Irving B. Kravis. *An International Comparison of National Products*. OEEC. Paris, 1954.

the TCC appraisal of political-economic possibilities for the then twelve member states, the United States, the United Kingdom, and Canada all had armed forces engaged in the United Nation's Korean action, while various other members of NATO were making contributions to that peripheral war in some form. At the same time, the United States had large occupation forces in Japan, the United Kingdom was conducting a costly anti-Communist guerilla action in Malaya, and France was engaged in Indo-China in a similarly prolonged and costly struggle against a Communist attempt to capitalize on anti-colonialism. Almost before France was forced to withdraw from Indo-China she was involved in further nationalistic struggles in Morocco and Algeria, the latter proving at this point to be more costly even than Indo-China at its peak.

There is room for substantial difference of opinion on the extent to which many of these military expenditures and other defence obligations of some of the partners in various parts of the world should be credited against NATO obligations. Certainly some of these military expenditures are as valuable to the security of the free world as NATO divisions on the Elbe, while some NATO members would consider others to be, at the least, highly debatable. Whatever the collective judgment on them, each of them must have some weight in the final answer so long as the members of NATO retain their sovereignty and their governments are forced to answer to their own citizens on the size of their national defence expenditures.

Along with the question of the weight to be given to military expenditures outside the NATO area, there is an analogous question as to the weight, if any, to be given to certain non-military factors. For instance, the United States, Canada and Britain all contribute substantially to the economic aid of various under-developed countries, chiefly those in South and South East Asia, where such aid must be considered to play its part in the struggle against Communist expansion. Within NATO itself—Italy provides an obvious example—there are significant numbers of peoples

whose standard of existence is so inadequate that they represent in themselves a certain threat to NATO's security. This was alarmingly true in 1950 and 1951 when the Italian Communist party was the largest one outside the Iron Curtain and its ability to threaten the nation both politically and economically was substantially greater than it appears to be today. In such circumstances it is not difficult to argue that any domestic resources or external aid devoted to some improvement in the condition and prospects of such under-privileged segments of the NATO world should be considered as valuable a contribution to the general NATO cause as the equivalent in direct military support. The TCC in its original report urged member nations to act where necessary to redress economic distress and gross inequalities within their boundaries as a contribution to long-run capacity to combat Communism.

Canada's situation may illustrate another special circumstance. As has been seen, Canadian resources, now being developed on a large scale, are in many cases of immense strategic value to NATO as a whole. Canada has been inclined to argue that her direct contribution to NATO by way of military production, manpower, and aid, should be assessed after taking into account the very large share of her resources being allocated each year to her costly but valuable resource development programme.

Even if burden sharing could be neatly and conclusively tied to the standard of equivalent sacrifice, the measure of the adequacy of each country's contribution to the common defence effort might still be grossly incomplete. In their study of comparisons of national products, Gilbert and Kravis* have demonstrated that in both 1950 and 1952 the real value of the per capita defence expenditures of the United Kingdom, France and Italy were substantially greater relative to the United States than a purely financial appraisal based on exchange values of currency would suggest. A contributory factor to this result, which illustrates the point very well, is the relative cost of manpower. Among the

*Ibid.

European NATO partners payment to members of the armed forces both in cash and in kind tends to be much lower than in the United States and Canada, both absolutely and in relation to the prices of other domestically produced goods and services. In some cases these payments are so low as to constitute in reality an indirect tax upon those conscripted into military service. One result of this situation is that a given apparent percentage of the national product devoted to supporting military manpower in countries such as France, Italy and the United Kingdom produces relatively more in the form of an effective defence contribution than the same percentage spent on manpower by Canada and the United States. The value of a member nation's defence expenditures to the common programme may vary in yet another way from what would be suggested by a purely financial appraisal of the burden involved. The value of a given defence expenditure to the NATO defence system depends upon its contribution to the combat readiness of armed forces in being or in reserve. In these terms, the value of a given expenditure may well depend more upon its distribution between training facilities and major items of equipment than it does upon the size of the expenditure itself.

In actual practice NATO has long since discarded the idea of establishing the individual responsibilities of its member nations by one or more neat formulac. Instead, by means of its continuous annual reviews, it reaches by agreement and compromise a sharing of the burden which takes account of many factors, both political and economic. The pattern for this approach was set in the original report of the TCC, and in the special assessment which it made of Germany's position in early 1952. The factors which it took into account at that time were the total economic output of each country and its composition, the possibility for expanding that output, the real per capita income, the practical possibilities of diverting additional resources to defence, the balance-of-payments position, the fiscal position, and any special considerations having a bearing on the ability of each country to assume its proper share of the total burden.

At the time of its original report the TCC considered that only Portugal, the United Kingdom, and the United States were making military efforts proportionate to their potentialities. In its special report on Germany in February, 1952, it compared the United States, the United Kingdom, France and Germany and concluded that Germany's proposed contribution of DM 10.8 billions should be raised to DM 11.25 billions.

In a rough and ready way it can be seen that there has been some approximation to the principle of equivalent sacrifice among NATO's members. The United States, as the largest and most powerful member, has borne the greatest load—two-thirds of the total and a greater percentage of its national product than any other member. The other industrialized nations have, with exceptions of degree, fallen into a reasonable pattern below the level of the United States contribution. There have been important apparent discrepancies, such as Canada's allocation of a smaller share of national output than the United Kingdom or France, and Turkey's relatively high allocation in relation to its per capita national product. Canada's ability to resist accepting a relatively larger burden has undoubtedly been strengthened by its position as a source, rather than as a recipient, of military aid. On the other hand, almost all of her military expenditure has been devoted to NATO purposes, while with the United States, the United Kingdom, and France important parts of the defence expenditures have been directed to other than NATO purposes.

Normally the reviews of individual country contributions by the international staff, and subsequently by the Council, have been entirely in camera and the decisions reached for each country, whether by compromise or by full approval of its proposals, have not been announced or discussed publicly in any detail. There have, however, been occasional examples of NATO requests to particular members becoming public. In early 1952, for instance, Denmark was asked to raise the level of its contribution by 40 per cent. Denmark agreed to an increase of 20 per cent at that time. More recently, West Germany's share of the total burden

has again been a subject of some controversy, with the United Kingdom and the United States feeling strongly that the German financial contribution to the existing joint forces should not decline until the projected German forces reach the point of requiring equivalent defence expenditures.

The annual reviews have not resulted in any national government surrendering a part of its sovereignty or its ultimate right to decide the level of its defence budget and the form of its defence programme. The governments of the NATO countries have, however, become accustomed to a process under which their plans are subjected to intensive and informed international analysis. Their contribution to the common cause is compared by their partners with that of all other members of the alliance and they find themselves under very effective pressure to establish that they are carrying a proper share of the over-all defence cost, having regard to all of the relevant economic and political considerations.

The system has not worked perfectly. Almost every member has failed to meet its commitments on one or more occasions. Recent months have demonstrated that domestic political pressures have more and more bearing on the final result whenever Soviet tactics suggest that the threat is becoming less ominous. However, the approach has worked so far in a satisfactory enough manner for an effective NATO defence system to be created and maintained. At the same time, it has worked well enough that NATO loyalties do not appear to have been seriously jeopardized by important failures of responsibility among the members.

CHAPTER EIGHT

CANADA'S CONTRIBUTION

"We have, with many other countries of the world, come to realize that a policy of no commitments offers very little security."

—Paul Martin, Minister of National Health and Welfare.

Canada's role in NATO has been an influential one. As Secretary of State for External Affairs, Louis St. Laurent, now Prime Minister, in 1947 and 1948 took a leading part in enunciating the necessity for the free nations to establish a "collective security league," a regional security pact involving the alliance of the Brussels Pact powers with the United States and Canada. His advocacy of an Atlantic pact implied a significant departure from Canada's prewar policy of avoiding specific external commitments, particularly in Europe. Canada participated in the preliminary discussions in Washington in mid-1948 which eventually led to the signing of the North Atlantic Treaty in April, 1949. In the interval Canada took another significant lead in her persistent sponsorship of a broader objective for NATO than the purely military and defensive. The result was the famous Article 2 of the Treaty. Canada has continued to have a special association with this phase of NATO through the two special committees which the Council has set up to review possible avenues of action under the Article, the first in 1951, the second now at work, both of them under the chairmanship of her Secretary of State for External Affairs. During NATO's formative period Canada also took the initiative in pressing for a more effective working organization for

NATO, with recommendations that were largely accepted and put into effect.

In light of these contributions to NATO's concepts and organization, it is interesting to determine whether Canada has assumed an equal role of leadership in the eminently practical sphere of contributions to the joint defence effort. The answers which must be given are generally favourable, although not without qualification. In an assessment of them, it is important to recall that although she has exercised a significant leadership function, Canada is not a great power.

Canada's contributions to the NATO defence programme have throughout been guided by a number of clearly defined principles. These principles reflect the Government's view of Canada's special position and requirements as a rapidly developing supplier of essential resource materials, its views as to the types of contribution Canada is best fitted to make in light of its location, its resources, and its manpower situation, and its concern that Canada's policies should strengthen its influence and its healthy attitude of independence within the councils of NATO.

As a nation with a standard of living second only to the United States in the world as a whole, and substantially higher than that of any other NATO member, it might be expected that Canada could afford, and would be expected by its NATO partners to contribute, a relatively high proportion of its per capita national production to mutual defence purposes. In actual fact, Canada's defence expenditure, at a respectable seven per cent of gross national product, has been lower than those of the United Kingdom or France and no greater than Turkey's, although all three have significantly less margin over subsistence on which to draw. This performance reflects deliberate Canadian policy. It has been justified in part on the ground that Canada's programme of rapid development of its basic resources of minerals, energy, and forest products is vital, not just to its own future well-being, but also to the economic and strategic security of its NATO partners. To develop these resources at the rapid rate which has been established,

Canadians have found it necessary throughout most of the postwar period to allocate between 20 and 25 per cent of their national product each year to domestic investment. The argument has been that continuance of this programme precluded acceptance of too large a burden for defence.

From the standpoint of our allies it is possible to agree with the importance of this programme without entirely agreeing that the results of it should, from NATO's point of view, be weighed in the balance along with Canada's direct defence contribution. Presumably most of Canada's NATO partners would like to be in a position to increase their national wealth for the long-term by diverting defence expenditures to productive capital projects. Nor is the implied assumption that Canada's participation in the NATO defence programme could be increased only at the expense of reducing the size and speed of its resource development programme likely to be accepted without question. An important part of Canada's resource development capital has come from external sources and has aimed at long-term security and appreciation. The attractions of Canadian investment for such capital would seem to be affected to only a limited degree by reasonable increases in the defence burden unless they led to an oppressive corporation income tax which seemed likely to be perpetuated. Increased tax levies would almost certainly have some effects on the supply of domestic capital funds but it should not be beyond the limits of fiscal ingenuity for such effects to be minimized, particularly for savings devoted to resource development purposes, and for the main burden to be imposed on consumer spending. On the other hand, while per capita private consumption has risen in Canada, the rate of growth has been somewhat less than in most other NATO countries, including the United States.

This approach is at least open to being labelled by those who are disposed to be critical as a most convenient rationalization, compounded of considerations of national self-interest and political expediency, with just enough content of over-all interest to pass muster in a situation where none of the partners had surrendered

its ultimate right to decide the size of its own contribution. Whether the Canadian Government could have taken such a position and pushed it to any extent if it had been a senior partner in NATO like the United States, the United Kingdom, or France is questionable. On the other hand, virtually *all* of Canada's defence expenditure has clearly been on NATO account, whereas large parts of the defence budgets of its major NATO partners have not necessarily been of direct or even indirect value to NATO. On balance, Canada has been able to mount a respectable defence programme without having to demand really serious sacrifice of the Canadian people, either in terms of reduced standards of living or of personal sacrifice through the needs of military service.

It is apparent, too, that Canada's geographic position would have permitted her to lag seriously on the level of her contribution to the common defence programme without serious impairment of her security. It is extremely unlikely that Canadian territory would ever be threatened except as part of an all-out attack on the United States. Whether or not this proved to be the case, Canada could feel reasonably assured that any overt threat to her territory or people would be effectively answered by the United States in its own interest. Canada's level of participation in the NATO defence effort has therefore been less a matter of unavoidable necessity than one of recognition of her own broad interest in general world security.

A second principle has played a decisive part in shaping the form of the Canadian participation in the NATO defence programme. This has been the view that Canada's defence programme should be based upon minimum manpower requirements in both the military and the supporting defence production phases. This thesis runs parallel with the view described immediately above, but it is buttressed by additional arguments. Canada is chronically short of manpower, both because of its small population scattered over a large area and over large resources and because of the manpower demands of its phenomenal economic expansion, including its resource development programme. To meet this need

immigration, particularly from the United Kingdom and Western Europe, has been actively promoted. In a narrow economic and political sense it may have seemed somewhat incongruous to recruit manpower for the Canadian economy with one hand in Western Europe and to recruit manpower for military service in Western Europe with the other hand in Canada.

Canada's emphasis on minimum manpower requirements for its defence contribution to NATO is evident both in its military manpower and in its defence production programmes. Economy in manpower is evident in the contribution to NATO's joint forces in Europe. These consist of one 12-squadron air division of jet fighters and one infantry brigade. Both units are well equipped, well trained, and constitute the maximum effective striking power obtainable for the manpower committed. They have acquitted themselves well in NATO manoeuvres and because of their quality would seem to be both a valuable contribution to the NATO programme and a credit to their nation. Canada has also committed ships and manpower to the Atlantic Command, a field in which it has an obvious responsibility because of experience and strategic interest. As a part of its mutual aid, Canada has operated a NATO air training scheme under which close to 4,000 NATO airmen from other member nations have been trained for air crew duties. Here again is a phase where, by the use of a relatively small number of trained personnel, a large and significant contribution has been made to the general NATO interest and directly to the armed forces programmes of a number of its partners.

Although Canada's total manpower in the services is small in relation to most of her partners, the fact that she maintains significant regular armed forces today in a constant state of preparedness represents a marked departure from the prewar, peacetime pattern. The strength of the three services, at 116,000 officers and men (versus an official ceiling of 120,000) is approximately 2 per cent of her labour force. In addition to the overseas NATO units, there are three infantry brigades plus a mobile striking force and 17 regular Air Force squadrons in Canada. The latter include 9

fighter squadrons which, because of the growing importance of North American defence, are shortly to be raised to 12, all equipped with CF-100 jet interceptors. The Navy has 44 ships in commission, 35 in reserve, and 20 under construction. Canada's armed forces strength relative to her population or the size of her labour force is, of course, significantly smaller than those of either the United States or the United Kingdom even at their projected lower levels. Canada's military manpower programme is less than those of its NATO partners in one other important respect. Along with Iceland, Canada is the only member of NATO (neglecting Germany's temporary status) who has not had some form of compulsory service for the training of reserve forces. Her ability to contribute to the support of NATO's regular forces quickly in the event of Soviet aggression has, therefore, been strictly limited.

The defences of North America against thermo-nuclear attack are now beginning to obtain in the NATO Council the emphasis which they demand. Both political considerations referred to earlier and the need to counter effectively the Russian threat to Western Europe have delayed the allocation of a proper share of NATO resources to meeting the threat of Soviet long-range bombers and of intercontinental guided missiles to the industrial centres of the United States and Canada. Now that the need is recognized, it still seems unlikely that political considerations will permit Canada and the United States to divert to a North American NATO defence programme forces they now have committed in Europe. Nor does there appear to have been any suggestion as yet that the trans-Atlantic NATO partners should make manpower contributions to North American defences. Accordingly, Canada may be facing a situation in which proper discharge of its full responsibilities in both Europe and North America will increase military manpower requirements. Without compulsory service of any kind, Canada's armed forces find themselves in completely free competition with civilian employers for the engineering, electronic, and other scientific and technical skills which they increasingly require. Unless some new answers are found, Canada may find it

necessary to accept manning of the Dewline installations and other vital North American defence facilities by American personnel.

Canada's defence production programme has been designed to economize in both manpower and capital. It has been aimed at making the maximum contribution to the needs of NATO with the minimum economic disruption in terms of manpower and capital, both of which are at a premium in Canada's expanding economy. To accomplish this, the design has been to ensure that manpower and capital employed in the defence production programme should be allocated to high productivity uses and should obtain the fullest possible use. In a country as short of both manpower and capital as Canada is at the present time, such a course must be considered wise and it appears to have been effectively carried out. Canada's defence production programme has also been motivated by security considerations and by a view that, as far as possible, her defence production programme should be directed into fields consistent with the patterns and aspirations of a rapidly developing industrial economy with a skilled labour force of high productivity.

From this amalgam of objectives has come a consistent series of policies which have guided Canada's defence production programme for the past five years. A primary rule has been that Canada should undertake production of those items of military equipment and supplies for which it could obtain reasonably full use of facilities and economic runs by producing for Canadian requirements plus mutual aid plus sale to other NATO partners, chiefly the United States. This rule has led to Canadian production of Sabre jet fighter aircraft, ammunition and electronic equipment. Beyond this, Canada has been prepared to undertake production of items for which its own forces or the NATO command will require a local Canadian source of supply even where there could be no assurance of full use of facilities. An instance of this is the production of escort vessels required in the Atlantic and for which a high attrition rate has to be anticipated in the event of hostilities. Even though economic production runs cannot be guaranteed, it has also been necessary to undertake the develop-

ment and production of items of equipment and supply peculiar to Canada's own military needs. One of the best examples is the CF-100 long-range jet interceptor and its intended successor, the CF-105. For defence of its own northern territories Canada required a long-range, all-weather, night fighter, equipped with the heavy controls demanded by rocket fire power. The need was met by designing and producing in Canada the CF-100. To provide the necessary range and power for the CF-100's heavy equipment, fuel and weapons load, the Orenda engine was also designed and produced in Canada. The Orenda proved to be of such excellent performance that it was also installed in Sabre jets produced in Canada under licence and subsequently was produced for sale to the United States.

Where neither security of supply nor special Canadian needs have been significant determinants, the policy has been to purchase items which would not be required in sufficient volume to justify investment in facilities or to permit economic use of productive capacity. For items for which there is a repetitive demand or a considerable requirement for spare parts, the usual source of supply has been the United States. Important purchases have also been made in the United Kingdom. These have usually involved items of one-time production, e.g., an aircraft carrier, or items of equipment in which the United States has not produced a product of comparable quality or suitability, e.g., Centurion tanks.

Early in the defence programme the decision was taken to shift from British standards and designs, on which Canada had been largely dependent in two world wars, to United States standards. This shift in standards was dictated by the desire for dependence on a closer source of supply for parts and replacements, as well as by industrial common sense. The former practice had meant that Canadian engineers had to adapt British designs to North American engineering standards so that production could take place in Canada, a costly, time-consuming, and indefensible procedure. This shift to American standards was facilitated by the opportunity to dispose via mutual aid of existing equipment

equivalent to the requirements of five or six divisions. Canadian forces were then re-equipped on the new basis.

Canada's programme of mutual aid to her European NATO partners has been an important part of her contribution to the joint defence effort. During the past five years she has contributed in this way equipment and supplies which, with the cost of her training scheme for NATO airmen, have amounted to nearly \$1½ billion. Some 4,000 NATO airmen have been graduated under the Canadian training scheme, but this programme is scheduled to end in 1958 because by that time most NATO members will have their own arrangements for training airmen. Three-quarters of the value of Canada's mutual aid has been in the form of military equipment and supplies. Originally, the bulk of this equipment consisted of existing items dating from the War. Armament and ancillary equipment for one division each went to Belgium, Holland and Italy in 1950 and 1951. Later gifts included ammunition, field and anti-aircraft artillery, fighter aircraft, mine sweepers, and communications and electronic equipment. Belgium, Denmark, France, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Turkey, and the United Kingdom have all received Canadian mutual aid and a projected transfer of Canadian-produced Sabre jets to the new German air force has been commenced.

In the field of mutual aid, Canada's actions have likewise been dictated by specific principles. Her original contributions fitted in with her decision to replace existing British-style equipment for her forces with equipment of United States standards. Her subsequent contributions of equipment and supplies have been of items which were produced in Canada because her own forces' requirements, plus mutual aid, permitted an economic scale of production. Behind the whole programme has been a decision that Canada's mutual aid should almost invariably take the form of military equipment and supplies rather than of raw materials or "free" dollars. The TCC suggested in 1951 that part of Canada's mutual aid should be in the form of economic aid, probably con-

sisting of raw materials needed by her European partners. It is understood that Canada firmly opposed this proposal. In a broad economic sense the official rationalization for this refusal is rather difficult to accept. It is to the effect that Canada cannot afford to give away, in a period of nominal peace, the items upon which it mainly relies for its export income. This argument seems to imply that what governments have once received free, their people will be less willing to pay for in future.

Behind the official rationalization have been views which, while undoubtedly debatable from the standpoint of European partners seeking economic aid, have nevertheless much to commend them from a dispassionate viewpoint. It was obvious to the Canadian authorities, as it was to all concerned, that economic aid could not be a permanent arrangement, and it has in fact now been largely discontinued. To the extent that it was made available by the United States, it had the effect to some extent of permitting the receiving nations to delay coming to grips with some difficult economic and fiscal problems which had to be tackled sooner or later. At a time when Canada was beginning to borrow heavily from abroad to finance its resource development programme, there would have been a certain element of incongruity in making external non-military gifts which might have had their major result in making it easier for the United Kingdom to delay a genuine attack on the causes of its balance-of-payments difficulties or for France to defer its attempt to reform the ineffective tax structure which has been such a basic element in its continuing problem of inflation. In a concrete sense, too, the policy has been worth while because it undoubtedly has operated to permit an economic scale of production of particular types of military equipment in Canada in cases where there would have been no guarantee under an alternative approach to mutual aid that the demand for them would have been directed to Canadian production facilities.

The changing requirements of defence are affecting Canada's approach to defence production and may also affect manpower

requirements. As military equipment becomes more complicated and more specialized, its production must more and more be concentrated in plants which have little potential value in terms of a normal civilian-type economy. The intricate, electronically-controlled weapons of today and tomorrow are not mass production items. Already, too, Canada has found it necessary to put some defence production facilities on a stand-by basis. To sustain the expanded and efficient aircraft industry, sales to non-NATO countries of jet fighters have been arranged and financial guarantees to the companies may be necessary over the next few years.

Canada's defence programme inevitably requires a variety of arrangements and understandings with the United States. Most of Canada's manufactured products, particularly those of heavy industry, involve an important United States dollar cost, with the result that Canada is unable to undertake a major programme of defence production, either on its own behalf or on behalf of other NATO members, without giving serious consideration to its United States dollar position. Equally, in times of supply shortages or controls it must ensure that its position is protected with United States suppliers. The fact that Canada, early in her NATO defence programme, adopted American standards for its military equipment and supplies has made the American link even more important.

On October 26, 1950, the two countries signed a joint "Statement of Principles for Economic Co-operation." The principles contained in this statement were re-affirmed by the Eisenhower Administration after it took office in 1953. By these agreements the two countries bound themselves to view their defence problems from a continental rather than a national standpoint and to make effective use of their joint resources for defence and the creation of economic strength. As a result, there has been effective co-operation in the field of materials priorities at periods when these have been regulated in the United States. Equally important, there has been effective co-operation on continental defence (the continental warning systems being an excellent example) and on procurement

arrangements between the two countries. At first the "Buy American" Act placed great difficulties in the way of purchases by the United States armed forces in Canada. However, as a result of the "Statement of Principles" agreed to by the Administration, this difficulty was substantially overcome and the United States has placed orders in Canada for military equipment and supplies to approximately the same value as the orders placed by Canada in the United States—a vital factor from the standpoint of Canada's dollar position.

Canada has at all times been careful to protect its independent status vis-à-vis its mighty next door neighbour. Although the United States has been the source of a great deal of her military equipment, she has been able to maintain a certain independence even in the acquisition of American-type equipment. In the case of Sabre jet fighters, for instance, Canada began by purchasing both air frames and engines from the United States. Subsequently the air frames have been produced under licence in a Montreal plant and have been equipped with Canadian-produced and designed Orenda engines. These were so obviously superior to the original American engines that the United States Air Force began to purchase Orenda engines from Canada. To defend its sovereignty over Canadian soil, Canada has been prepared to make expenditures for defence installations that it might scarcely have contemplated except for the urgent interest of the United States. On the other hand, narrow considerations of Canadian sovereignty have never delayed major projects, such as the Dewline installations, which Canada by itself could not have afforded.

Canada's contribution to NATO militarily, economically and politically, has been a valuable one. Economically, the contribution has been large in terms of population, but, as has been suggested, it does not appear to have been relatively great if measured in terms of the degree of sacrifice involved, having regard to Canada's high per capita income. On the score of manpower, she has at least been open to criticism of her approach to providing

trained reserves, although this point appears to be of less importance for the future. The Canadian contribution has probably won approval as much for its quality and its political significance as for its actual size in terms of what Canada should be capable of in equity. Her position in NATO has undoubtedly been strengthened by the fact that, with the United States, Canada is one of the only two members of NATO who finance all of their own military needs and, in addition, supply extensive aid to their NATO partners.

Canada's participation in NATO has been marked in an over-all sense by three characteristics: a determination to play her full part without endangering her sovereignty, a desire to maintain and increase her influence as a leading middle power with a special relationship to the United Kingdom and the United States, and an emphasis upon ensuring that, so far as possible, the defence production programme should strengthen the Canadian economy and be appropriate to its stage of development. Canada's emphasis on exercising sovereignty maturely, rather than surrendering it, has undoubtedly played some part, although not a decisive one, in the fact that NATO has so far involved no delegation of sovereignty. There is some reason to believe that Canada's tendency to stand on her sovereignty may have slightly irritated certain other members at times. Certainly she rejected the TCC suggestion on raw materials aid out of hand and is rumoured to have given short shrift to one or more suggestions later that the scale of her contribution should be raised slightly. She has shown a tendency too to hide behind the necessity of Parliamentary approval for her defence expenditure proposals to a greater extent than other NATO members who might have taken similar stands. This emphasis on sovereignty seems almost certain to have its influence on the likely recommendations of the second Pearson committee on possible extensions of NATO's scope.

III

TOWARDS AN ATLANTIC COMMUNITY

CHAPTER NINE

CO-OPERATION FOR DEFENCE

"May [sovereignty] not be diminished by an infinite multiplication of acts of co-operation which create the habit of confidence and concession?"

—*The Economist*. April 29, 1950.

In the modern state a defence effort of any magnitude has a direct and tangible impact on every aspect of the national economy, including many of a highly political tone. Its financial cost influences the level of taxation, of budget surplus or deficit, of standards of living, of wages and salaries, of prices, and of balance-of-payments pressures, both upward and downward, on the international exchange value of the national currency. Its real costs show up in urgent demands for new types of production and productive facilities, in altered patterns of need for raw materials, both domestic and imported, for power, for transportation, and for labour, in demands for manpower and for new skills in both defence production and the armed forces. In time of peace the size and scope of the defence programme and its effects upon any part of the economy or of the electorate are much more likely points of domestic political controversy than would be the case during a war for survival.

Accordingly, when the NATO nations allied themselves in a joint defence system in a time of nominal peace, they thereby took a decision to submit many of the most cherished facets of the

exercise of their national sovereignty to continuing international scrutiny. This experiment in international co-operation, first among twelve nations, then among fourteen, and now among fifteen, has been going on for more than seven years. Its accomplishments and its failures, the attitudes brought to it and the attitudes it has produced, the range of co-operation required and the obstacles which have been encountered may all suggest something of the possibilities, or lack of them, for effective international co-operation for the Atlantic community in a broader field in the future.

In 1949 there was in both Europe and North America ample evidence that finding a practicable route through or around the mine field of national sovereignties was not a task which would be accomplished easily or quickly. The five-power Brussels Pact was a forerunner of the Atlantic Treaty, both in its conception and in the results of its efforts which were turned over to the NATO planners. It aimed at and, in a tentative fashion, began to achieve, a degree of co-operation and of close association among its members greater than that normally considered possible in peacetime. But in terms of genuine progress towards integration, military or economic, it had made very little ground by April 4, 1949. National governments still retained their separate authorities over their national defence policies and their armed forces. The defence budgets of the five member nations, accordingly, bore little direct relationship to each other. No real co-ordination of the armament production programmes of the member nations of Western Union was achieved and no effective attack was made upon those balance of payments problems which would have seriously hampered the ability of some of the five to purchase defence equipment and supplies from their partners. Although a beginning at joint training of forces and joint planning of strategy was made, Western Union's Commander-in-Chief, Lord Montgomery, had no clearly defined authority over the forces which he was to command. On paper final authority lay with the foreign ministers of the five powers, but in actual fact it lay with the five

national parliaments meeting separately. In both the French and the Belgian chambers there was clear evidence that national sovereignty would be surrendered only grudgingly even in military matters.

On the western side of the Atlantic, the reluctance of many in the United States to see national sovereignty infringed was expressed equally forthrightly. During the debate on ratification of the North Atlantic Treaty the reluctance of Congress to risk any encroachment on its constitutional right to declare war and to control the use made of the nation's military forces was forcefully stated. Both Senator Taft, leading the Republican opposition, and Senator George, for the Democrats, voiced their fears that Article 5 might encourage the President to authorize the use of armed forces without consulting Congress.

In the first year of its life the North Atlantic Treaty Organization made only slight progress towards even an integrated defence force. In May, 1950, the Council urged upon its members the necessity for maximizing the military results of their efforts by concentration upon the creation of balanced collective forces rather than of balanced national forces. This was carried a step further in September at New York with the decision to create an integrated NATO force under centralized command, a step which was implemented in early 1951 with the appointment of General Eisenhower as the first Supreme Commander in Europe. Thus was initiated a revolutionary step in the degree of peacetime co-operation among fully independent and separate national states. This decision in itself forced other decisions to be made and other forms of co-operation to be adopted so that the new integrated defence system could be established and supported by adequate manpower and equipment. The integration of the armed forces of the NATO nations was not, of course, intended to be all-embracing. It was intended to include only those forces, including trained reserves, committed to the joint defence system in Europe, in the Mediterranean and on the North Atlantic. The large forces required by a number of members such as the United

Kingdom, France and the United States for military obligations outside the sphere of NATO were unaffected by NATO military integration even though account was taken of them in allocating the mutual defence burden among NATO members.

The degree of military co-operation achieved on a continuing basis among NATO's members must be ranked as a significant accomplishment in the field of international relations. However, even within its intended confines, it has not always been as complete as many within NATO have wished. A jointly financed, owned and operated complex of supply lines, air fields and communications facilities supports NATO's land and air forces in Western Europe, but NATO has been able to secure neither common standards of training or recruiting nor desired strength in trained reserves from its member nations. In the manpower field, domestic economic and political considerations have outweighed both commitments and feelings of shared responsibility. In the case of France, its withdrawal of the major part of its actual force contributions to the NATO defence system in order to bolster its North African position appears to have been preceded by little more than formal notification to NATO of its intentions.

A critical and significant lag in the agreed-upon integration of NATO's actual forces has persisted in the field of air strength. This lag can probably not be disassociated from the fact that air power has a particularly vital significance for national survival in the context of modern warfare and defence. The single most important element in NATO's defensive strength has, at least until this time, undoubtedly been the United States Strategic Air Force and its ability to deliver the hydrogen bomb to the heart of the Soviet. Although NATO's defence forces would be meaningless without this deterrent in the background, there has been no sharing by the United States of its responsibility or control of this key military power. Nor is it likely that NATO will have any greater control over, or responsibility for, the comparable force which Britain is creating on a somewhat lesser scale. In Western Europe, however, the Council decided at its December, 1955,

meeting that NATO air defence should become the responsibility of the Supreme Commander, instead of the national authorities, by giving him the right to co-ordinate it more closely. There has been speculation that the appointment of General Norstad, General Gruenther's Air Deputy since 1953, to succeed him as Supreme Commander should facilitate the integration of NATO's air defences.

Despite these gaps in the over-all picture it is clear that a substantial degree of military integration has been achieved by NATO in circumstances where the difficulties have been at least as great as they would be in many other sectors of international relations. An integrated defence force has been created and, despite differences of language, tradition, training and equipment, has learned to operate effectively under unified command. Military planning and strategy have been evolved on a NATO basis, with the major responsibility and authority being delegated to the Standing Group made up of representatives of the British, French and United States Chiefs-of-Staffs. Recently the Standing Group experimented with a meeting in which it took into its confidence military and civilian representatives of all NATO's member nations by reviewing with them the technical requirements of defence in terms of atomic and nuclear warfare and by outlining for them the over-all strategic plan. Although it retains its monopoly in atomic weapons, the United States has provided training to NATO forces in the use of these weapons and the United States and Great Britain now propose to provide training for their allies in the use of guided missiles.

Outside of its directly military phases the most striking evidence of concrete progress by NATO in the field of improved international co-operation is found in NATO's annual reviews of objectives and of the co-ordinated programmes for their achievement. An essential part of this process is the international staff of NATO functioning under the direction of its Secretary-General. The process of annual reviews is a continuous one which builds up to the annual stock taking in December by the Council (normally

composed of Foreign and Defence Ministers at this meeting). At this Council session the proposed contribution of each member nation to the over-all objectives is submitted for approval. This step has been preceded by an intensive assessment by the international staff of the member nation's proposals and of its governing political and economic circumstances. The process includes an oral examination by the international staff and representatives of other members of each member's proposed contributions and of the justifications for the adequacy of these proposals as presented by the member's representatives.

Although there is nothing in this procedure which limits any member's ultimate right of decision about the size of its manpower contribution or of its defence expenditures or about the form of its defence programme, yet it must be considered an important development when the Defence and Finance ministers of such a varied array of sovereign states will voluntarily submit their defence programmes, and thereby a major share of their national budgets, to a process of international review, criticism and suggestion prior to presenting them to their own legislatures and peoples. Probably in many cases privately, and certainly in a few cases publicly, member nations have been urged as a result of this process to alter the scale of their proposed contributions to the common defence system. Without the approach which this process provides, a unified defence programme and an integrated defence force could scarcely be maintained. The willingness of member nations to participate in the process reflects an acknowledgement of shared responsibility as well as a step forward in political maturity.

The achievements of NATO in international burden sharing have already been suggested in some detail. Like the Marshall Plan and its accompanying developments in European co-operation, they represent a positive step forward in the progressive evolution of relations between sovereign states. Despite the fact that the experiment in burden sharing has been primarily directed to the field of defence, the achievement has been a broader one, involving

an acceptance of responsibility towards a common purpose by all of the member nations involved. Because the needs of effective defensive strength have necessarily been seen in sweeping terms, the burden sharing exercise has gone far beyond defence in the narrow sense and has been directed, at least in part, to the progressive strengthening of the economies of all of the member nations.

However, it would be unwise to paint the results in too glowing tones. As has been seen, the acceptance of national responsibilities for the common objectives has not been complete or unvarying. In the field of military aid and off-shore procurement there appears to have been much more of unilateral decision by the donor countries than there has been of contribution to a common pool out of which allocations would be made by NATO itself. The unwillingness of the United States Congress to surrender its powers to the executive has undoubtedly been the basic obstacle here. This unilateral approach to an important aspect of burden sharing has had a number of undesirable results. It has led to gifts of obsolete equipment, a process which was undoubtedly justifiable in the first stages of Western Europe's rearmament when surplus North American equipment was all that was immediately available. In the case of the United States, military aid has frequently been intermixed with domestic policies for disposing of agricultural surpluses, support for the United States shipping industry, and a variety of special political causes. In 1953 Congress injected into the military aid programme a provision empowering the recipients of military aid to make partial payment in their own inconvertible currencies and to use the equivalent dollars for the purchase of American surplus agricultural products. This and other surplus disposal projects of the United States have, of course, had serious consequences for fellow members of NATO such as Denmark, Holland, and Canada whose economies rely to an important extent on agricultural exports. Much of the United States military and economic aid programme has also been complicated by requirements for transportation in

American bottoms. Aid to Greece has been almost exclusively an American responsibility and because the United States grant was originally tied to the size of Greece's active armed forces, Greece was in 1953 attempting to maintain ten field divisions at a time when the Deputy Supreme Commander of NATO felt that her position and her contribution to the common defence needs would be better served by a programme of maintaining six field divisions properly equipped and backed by six reserve divisions maintained at a high pitch of efficiency. Another facet of this unilateral approach to burden sharing by NATO's aid-giving members can perhaps be found in the United States' pattern of aid to France prior to the final defeat of the European Defence Community. France undoubtedly received the lion's share of American aid for a time because of the importance in United States' eyes of persuading her to accept a form of German military participation in NATO.

Despite such minor flaws and imperfections, the way in which NATO's member states have jointly agreed upon and jointly accepted the responsibility for achieving their common objectives and programmes does represent a real advance in international co-operation and in international understanding. Through continuing consultation and review of each other's economic and political problems has come fuller awareness and an improved willingness to accept a system of equal rights with unequal obligations. So long as the majority of its members continue to persuade each other of their willingness to pull their own weight, so far as their individual circumstances permit, and so long as there can be a reasonable degree of agreement among the members as to the needs to be met, these gains and that spirit should be maintained.

In terms of creating a co-ordinated defence programme designed to make the most efficient use of the resources of all of its members, NATO has also made substantial strides in international collaboration, once again with qualifications. As has been seen, NATO's defence production programme and United States off-shore procurement contracts have been allocated to take advantage

of the plant capacities, skills and available reserves of labour even though local financing and local requirements alone would not have brought them into effective use. A degree of specialization in production has been achieved through common planning, with resulting vital economies. Although progress has been slow, some advances have been made in standardization, with resulting military, transportation, inventory, and production cost advantages.

Some real progress has been made, but there is room for further substantial improvement in the co-ordination of defence production programmes and of economic activities ancillary to them. Economy in defence production has undoubtedly suffered because long run financial commitments could not always be given but the continuing practice of unilateral and national decisions on military and economic aid programmes has precluded much improvement. The history of the cancellation by the United States in 1954 of Italian contracts for the production of munitions and shipping on grounds of the high proportion of Communists in the labour forces of the factories concerned illustrates one kind of hazard which has been involved. National interest, real or imagined, has been a consistent obstacle to desirable standardization of weapons and other equipment, in some cases promoting wasteful duplication in production facilities and in others unnecessary cost or reduced efficiency in the end-products. In the field of international raw materials NATO collaboration has been little more than superficial. The international commodity groups set up in Washington turned out to have a largely informational function. So long as the United States is unwilling to subject its stock-piling programme to international review and control and so long as that programme itself continues to be guided by the fears and special pressures of the moment upon Congress, little more could be accomplished.

One of the really valuable by-products of the joint defence effort will almost certainly prove to be the influence of the experience it has provided for many thousands of individual citizens of the NATO member nations. At SHAPE and the other NATO

command headquarters, in the joint forces and in their manoeuvres, in the international staff and in the Council and its committees, in the NATO Defence College and in Canada's NATO air training schools, persons of widely varying background and outlook have worked together in a new, purposive international setting. In the process, they have gained an understanding of each other's nations and peoples and a practical experience in working together towards common objectives. These people and these experiences represent in themselves a positive gain for the maturity of the relations between nations.

Out of joint defence there has come to be an increasing emphasis on foreign policy within NATO. It is, of course, a truism that military strength and defence programmes, or their lack, are in themselves an important arm of a nation's policy in the field of external affairs. In that sense, NATO itself must be considered as a basic element in the foreign policy of each of its fifteen members. The council of NATO was originally made up of the foreign ministers of its member nations and from the beginning an essential part of the process of agreeing upon force goals was necessarily a mutual evaluation of Soviet policies and intentions.

It soon became evident, too, that NATO could not disassociate itself from some of the foreign policy stands of its members outside of NATO's primary sphere of interest. One of the first formal evidences of this was the Council's resolution of December, 1952, supporting France's position in Indo-China and labelling it as "in fullest harmony with the aims and ideals of the Atlantic Community." This resolution undoubtedly was received as confirmation by many Asiatics of their *a priori* view of NATO as an "imperialist alliance." Even within NATO's own ranks, notably in Denmark and Norway, it raised serious protest. In the Norwegian Storting fears were expressed that the mixing of colonial policy with NATO might weaken the latter. In Denmark, the foreign minister, Mr. Kraft, who had been chairman of the NATO Council's session at which the resolution was passed, was forced to express his regret to the Rigsdag for his part in the Council's action.

Since that time NATO has been faced with even more troublesome differences of views among its members in foreign policy. In Cyprus, three of its members, Britain, Greece and Turkey, are jointly involved in an explosive issue which has seriously strained the new forms of co-operation which were being developed between Greece and Turkey. For a time Greece cancelled its participation in joint NATO military manoeuvres which involved British forces. Like the Commonwealth with its Kashmir, NATO appears as yet to have found no machinery or approach for mediating such disputes among its own membership, even though their dangers for its continued unity and strength are fully recognized. Here, as elsewhere in NATO, there has been a tendency to avoid frank speaking.

The politics of the cold war has, however, been the chief ground upon which the need has been argued for NATO coming to grips with the problem of working out continuously an agreed foreign policy. To quote Dr. Adenauer, Chancellor of the German Federal Republic, "It is nonsense to believe one can have a common military policy without also having a common basic foreign policy." The smaller NATO members have shown increasing restiveness at any suggestion that policy towards the Soviets should be exclusively determined by the Big Three NATO powers, the United States, the United Kingdom, and France. In 1953, before the Bermuda Conference of the Big Three, Holland made the point that other countries should be consulted through NATO or otherwise, to the extent that their interests were affected. Subsequently, presumably as one form of recognition of the need for closer consultation among the NATO membership, Lord Ismay was invited to the Bermuda Conference. In April, 1954, the Council adopted a resolution on political consultation. It asked each member nation to bring to the attention of the Council any questions of international relations which might be of concern to other members and directed the permanent representatives of the Council to select specific topics for discussion at subsequent meetings.

The prospect of a meeting "at the Summit" in 1955, and its final realization at Geneva in July, gave rise to further important discussions among NATO members on the ground rules which should apply on foreign policy negotiations on subjects of common concern to the NATO membership. At the May meeting of Council M. Spaak of Belgium expressed the view that the three great powers, in their negotiations with the Soviet, should consider themselves in some sense responsible to the NATO membership and that the Council itself should become the political council of the free world, to which the great powers should feel obliged to explain their policies. In deference to these views a special meeting of the Council was called immediately prior to the Geneva meeting of the Big Four. At this meeting the smaller powers were assured that no vital decisions would be taken by the Big Three without informing and consulting with them. From the standpoint of national sovereignty, it is significant that Mr. Pearson, on behalf of Canada, rejected any idea of a mandate for the Big Three from the other Atlantic nations, stating that he would regard any such concept as constitutionally undesirable.

Following the Geneva meeting the permanent Council representatives met to hear a report from the British, French and United States representatives. In the regular meeting of Council at the end of 1955 political discussions overshadowed the military and economic, ranging over the whole field of relations with the Soviet, not only in Europe but in the Middle East and in South Asia. The Council registered its approval for the approaches taken by the Big Three at the Geneva Conference of Foreign Ministers and stressed the value of continuing consultation within NATO on a number of the important issues involved, such as German reunification and the situation in Berlin. The year 1955 thus produced substantial evidence of progress, or at least of a common desire to make progress, towards a more unified foreign policy among the NATO nations.

However, the evidence of recent events is that NATO is far from achieving even a significant measure of agreement in the

assessments by its member nations of Soviet aims and intentions. It is currently faced with Iceland's proposed defection from its military defence system and the opinion of M. Pineau, French Foreign Minister, that the West should let its guard down and demand less in the way of changed behaviour from the Soviets. Opposite views to those of M. Pineau have been expressed more or less concurrently by Dr. Adenauer and Secretary of State Dulles and are probably more nearly representative of those of most of the other members of NATO. In this particular field of foreign policy a reasonable degree of unanimity would seem to be almost a condition of NATO's continued existence.

There have obviously been many imperfections in the pattern of military, political and economic collaboration which the fifteen sovereign and independent members of NATO have sought to achieve jointly. Despite the imperfections, the accomplishments in all three fields have been unprecedented. They constitute a significant step in the progressive evolution towards maturity in international relations. In NATO its members have created in peacetime a functioning system of joint defence involving an integrated force under unified command. By mutual consultation and mutual acceptance of responsibility they have worked out and implemented agreements and compromises on objectives, on financing, and on defence production programmes. They have taken account of each other's internal and external political and economic burdens and have learned to subject themselves to the processes of review, criticism and suggestion.

Much progress has been made since the months in 1952 when relations between France and the United States were strained for some time by frank speaking on the part of United States officials about certain military production plans proposed by the French and about the generally unsatisfactory position of France's fiscal policy. Today such reviews and, if necessary, criticisms are institutionalized in the annual stocktaking process and, via NATO's international staff, have been taken out of a bilateral context.

The NATO experiment has worked—in many cases not as originally hoped either in scope or in degree—but it has worked to the point where each of its members has such a large investment in the joint accomplishment that it would be very difficult for most of them to sacrifice it. One of the most important features of its working has been the fact that NATO has involved no relinquishing of sovereignty by its members. Instead, NATO's members have learned to exercise their sovereignty with considerable attention to the opinions of their partners and with a genuine sense of shared responsibility and of the need for continuing mutual consultation. There have been many qualifications and exceptions, as has been seen. Their number and importance have tended to increase in proportion to the apparent remoteness of the problem from the central objective of a common defence system. They have increased too the less imminent the threat of Soviet aggression has appeared to be to some of those concerned. This tendency for co-operation to weaken in favour of more narrowly conceived national interests or local political pressures at times and in fields where external threats seem more remote must be emphasized. It is a factor with which any attempt to broaden the scope of international co-operation within the Atlantic community must contend.

CHAPTER TEN

BROADER PROSPECTS

"There is among us a profound and heartfelt aspiration for the establishment, not of a universal state, but of some form of world order . . . which will secure the blessings of a world state without its deadly curse."

—Arnold Toynbee, *A Study of History*.

THE North Atlantic Treaty and its real accomplishments to date have been essentially the response of fifteen nations to an external threat to their territories, their political faiths, their economic well-being, and their national survival. Its programme has been defence and defence support. Its creation has been an integrated defence system backed up by machinery and co-operative procedures necessary for co-ordinated economic and political effort to support it. From the beginning, however, there has been a widespread and tenaciously held view that NATO should be something more than a military alliance, something more even than a military alliance new style with all of its requirement for a degree of political and economic collaboration never before attempted among sovereign states. There has been a foreboding that defence needs alone would not be a sufficiently binding force to actuate continuing unity of purpose and programme. Allied with this fear has been the apparent urge to give NATO broader and more idealistic purposes, to win for it emotional acceptance, and perhaps support, from the many millions in Asia and Africa who consider themselves committed to neither the West nor the Communists.

More important perhaps than either of these factors has been the genuine desire of all of the member nations to work towards improved international understanding and co-operation, to protect individual liberties, and to improve the economic, social and cultural well-being of the peoples of the world.

In the Treaty itself this amalgam of aspirations, hopes and fears found its focus in the Preamble and in the now famous Article 2 which reads as follows:

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

Article 2 reflects the feeling shared by many members that progress towards improved political and economic well-being must have at least equal priority with the guarantees of security against aggression which the Treaty was intended to provide. Its wording reflects also the very real difficulty which the members of NATO faced in attempting to define the lines of progress in these fields which they could visualize under NATO auspices, a difficulty which has not been resolved during the past seven years of recurring interest in finding ways to implement the intent of the Article. The Article and its purposes have a special significance for Canada because of the credit generally given to Mr. Lester Pearson for its inclusion in the Treaty.

When the Treaty was signed the urgent need was to achieve security by creating an effective defence system. In the months following Korea, when NATO began to make concrete progress, the need seemed greater still. The vital requirement was to activate a programme which would give defence at least equal priority with the needs of economic recovery, to which both European energies and Marshall Plan aid were then being directed.

Economic well-being was not forgotten in the process. As has been seen, its importance was stressed in the report of the "Three Wise Men" and has been a primary consideration in all of NATO's subsequent burden sharing exercises and in its decisions on over-all force goals.

The framers of Article 2 had something more positive than this in mind. Before the crucial Ottawa meeting of the Council in September, 1951, Mr. Pearson urged more definite action towards implementing the purposes of the Article. At this meeting, which also saw the appointment of the Temporary Council Committee, the Council appointed a committee of five, Belgium, Canada, Italy, Norway, and the Netherlands, with Mr. Pearson as chairman, to consider the further strengthening of the North Atlantic Community "without duplicating the work of other international organizations which promote the same objectives." This committee of five was asked to consider and make recommendations to the Council on the following subjects: (a) co-ordination and frequent consultation on foreign policy, having particular regard to steps designed to promote peace; (b) closer economic, financial and social co-operation, in order to promote and to ensure conditions of economic stability and well-being, both during and after the present period of the defence effort, within the North Atlantic Treaty Organization or through other agencies; (c) collaboration in the fields of culture and public information. The work of the Committee of Five was destined to have a less immediate, or at any rate, a less positive effect on the shape of NATO than that of the "Three Wise Men" and the TCC which were undertaking their assignments concurrently.

The Pearson Committee made an exhaustive review of methods by which the Atlantic community could be strengthened and through which the purposes expressed in Article 2 could be realized. An interim report was made to the December meeting of the Council and a final report was made to the Lisbon meeting, at which the momentous recommendations of the TCC were also given Council approval.

The lack of immediate and impressive results from the work of the Pearson Committee reflected no failure of the Committee's considerations or of Council acceptance of its findings. The Committee did not see the field as one where large scale programmes with concrete objectives could be instituted. It emphasized that the building of cohesive relationships among the countries of the North Atlantic community would necessarily be a slow process and pointed to the development from collective defence of a sense of community and of habits of collaboration in fields other than defence. It urged the importance of liberalizing and expanding trade both within and beyond the Atlantic community. It suggested arrangements for the movement of surplus labour within Western Europe as one kind of joint action which would both facilitate the defence programme and aid in the developing of a community spirit. Significantly, the committee did not recommend new institutional relationships of the kind so earnestly promoted by proponents of European integration and others. It did place special emphasis on the desirability of increased consultation on foreign policy among member governments.

The Council adopted the report of the Committee at Lisbon, including its recommendation that future work in this field should become the responsibility of the Council itself and of the secretariat which it had been agreed should be set up. In a formal sense there was little concrete action in this sphere by NATO for four years thereafter, apart from frequent expressions by the Council of its continued interest in the possibilities of some progress in the field. In May, 1956, the Council officially reopened the subject with its appointment of a second Pearson Committee to assess the prospects for broadening and deepening the Atlantic community relationship and the functions of NATO.

Outside the formal NATO organization there have been throughout the past four years much discussion and a number of organizational attempts aimed at giving NATO a broader function and at creating a genuine North Atlantic community. In April, 1953, over 140 citizens of the United States, the United Kingdom,

France and Canada, including two former Under-Secretaries of State for the United States, signed an open letter urging improved economic co-ordination and co-operation to facilitate the defence programme and the creation of a NATO consultative assembly of representatives of the NATO peoples to implement Article 2 of the Treaty. The letter also called for "a central agency to co-ordinate allied policy in all vital areas where imperialist Communist aggression threatens peace, including Europe, the Middle East and the Far East." In September of the same year, the Second International NATO Study Conference, meeting at Copenhagen, proposed an information plan designed to bridge differences of opinion in the United States and Europe, a federation of private groups supporting NATO in member countries, an advisory council on labour questions, and an advisory North Atlantic parliament to keep council delegates in touch with trends in their own countries.

In June, 1954, a new Canadian lead was given, with the announcement by Senator Wishart Robertson of a decision by a group of 40 Canadian members of parliament to form the Canadian NATO Parliamentary Association to improve liaison among members of the legislatures of NATO's member nations. This proposal took concrete form in a meeting of almost 200 parliamentarians from the NATO countries held in Paris in July, 1955. The group heard reports by Lord Ismay, General Gruenther, and representatives of the OEEC and other European organizations. In their own discussions they called for more effective implementation of Article 2 and for the extension to the economic, social, and cultural fields of the approaches which had been used to advantage in the political and military fields. Although it was agreed that the meeting should be repeated annually, with the Speakers of the individual parliaments asked to designate representatives, there has as yet been no definition of the continuing purpose to be served by such an organization or of what formal or informal relationships it might develop with NATO as it now exists. However, a new and more ambitious session of the NATO parliamentarians has been planned for November, 1956, in Paris.

In December, 1954, still another public demonstration in support of a more tightly knit Atlantic Community had been staged. Some 169 leading citizens of NATO countries drew up a "Declaration of Atlantic Unity" which was formally presented to Lord Ismay as Secretary-General by Mr. Roy Thompson, a Canadian publisher. This statement called upon NATO's Council to redeem its pledges regarding Article 2 and specifically urged co-ordinated trade policies, lower tariffs, and reductions in trade restrictions. It called for an advisory Atlantic Assembly and a labour-management council to be concerned with living standards.

In January, 1955, an international Atlantic Treaty Association came into being, the required number of national Atlantic Treaty Associations having ratified a constitution signed at a conference at the Hague in June, 1954. The first international conference of the new body was held in Paris in June, 1955, at which time it strongly endorsed the principle of regular meetings among NATO parliamentarians. The branches of the ATA in the various NATO countries have, as one of their principal functions, improving popular understanding of NATO's work and laying a proper foundation for broadening of its functions.

Lack of popular interest and support has not, therefore, been responsible for the apparently slow progress of NATO towards realization of the vaguely expressed objectives of Article 2 of the Treaty. The appointment of NATO's new study committee is in some ways less a reflection of discontent with progress made to date than it is of a growing feeling that the new look assumed by the Kremlin and the present uncertain status of the cold war place a greater premium than ever before upon a new look for NATO. There is realization of a need for a new element of cohesiveness to offset the declining attractions of defence and the decreasing sense of unity within NATO's membership. Mr. Pearson's two associates in the new Committee are Hr. Halvard Lange of Norway and Dr. Gaetano Martino of Italy. Hr. Lange has long been an opponent of supra-national governments but a strong proponent of political co-operation and consultation. Since the Committee

begin its work, Mr. Pearson has publicly stated his belief that any federal association for the members of the North Atlantic Community must be considered at best as a very distant possibility. With increasing urgency in recent months, governmental spokesmen among the NATO countries have been urging views which echo the strongly expressed opinions of Germany's Adenauer, who feels that NATO's most important and immediate problem is to evolve machinery for a unified foreign policy and for the speedy settling of disputes among NATO's own members.

There appears to be a strong presumption, therefore, that out of the Committee's studies will come proposals for a new emphasis upon, and improved procedures for, joint assessment of foreign policy and joint decisions on diplomatic action. There seem also to be grounds for an equally reasonable presumption that few startling concrete suggestions will be made for a broadened programme of economic action under exclusive NATO auspices. If this should prove to be the case, it might be considered to indicate an awareness on the part of the Committee of narrowly national views among NATO's members which could put insuperable obstacles in the way of substantial progress towards closer economic ties. It might, on the other hand, reflect rather a conviction that progress in this field is likely to be most effective when supported by a minimum of institutionalism or a view that NATO and the North Atlantic community are not the proper vehicles. A brief review of the varied and extensive postwar movements for the integration of Western Europe may be helpful background for assessment of the possibilities.

Throughout the postwar period Western Europe has been a hothouse of ideas for internationalism, with organizations, conferences, and blueprints for varying degrees of European political unity and European economic integration blossoming in profusion, usually to wither quickly and to give way to new visions. Their spokesmen have ranged from cranks and visionaries to international statesmen of the calibre of Bevin, Churchill, DeGasperi, Adenauer, Spaak, Schuman, and Monnet. The impetus has come from

the shock which war and occupation had given to faith in nationalism and governments, from postwar economic weaknesses and the problems of reconstruction, from examples of successful international collaboration in the immediate postwar period such as the European coal organization, and from the experience in co-operation which the Marshall Plan furnished for many European countries. Behind the bewildering variety of plans and proposals there has often been conflict on objectives and even greater disagreement on means. The battle has raged between the federalists and the functionalists, between the supporters of supra-national authorities and proponents of inter-governmental agreements and co-operation. Out of the continuing debate and conference, out of those schemes which have attained functioning existence as well as those which never achieved life, a measure of genuine progress has been made. More will undoubtedly still be achieved. Today, as a result of all that has been thought and tried, there is no less of idealism but much more of realism and of modesty in objectives in the further steps which are being considered.

The forces behind the European integration movement have been varied. One of the important stimuli has been American pressure. Faced with the need for a revitalized and soundly based Western European economy, it was only natural for Americans to look to their own experience with a continent-wide, single market and jump to the facile conclusion that Western Europe's political and economic salvation depended upon an early sweeping away of the illogical array of national boundaries which were choking off any possibility of reasonable specialization of effort or of efficient use of resources. Holding this belief, the United States felt justified in using its economic aid programme as a weapon to push Western Europe towards integration. That this view was not confined to the Administration was made quite evident in Congressional debates and by the fact that in the 1948 Presidential campaign Governor Dewey stressed his intention of following such a course. Mr. Paul Hoffman, the first Administrator of the European Recovery Programme, was a particularly ardent

exponent of this approach. He was in an influential position to urge his view that economic integration was not only a necessary precedent to increasing political unity in Western Europe, but that it was a necessary short-term remedy for Europe's economic difficulty. Later on the United States took a position which suggested that economic integration should even precede military unification and co-operation. It seems clear that the United States obsession with economic integration as the nostrum for all of Europe's ills played an important part in its pressure for the implementation of the Schuman Plan and, later, of the European Defence Community.

Much of the American thinking has been directed towards the customs union approach to Europe's problems. This American thinking undoubtedly influenced such abortive proposals as that for the Franco-Italian customs union. The two countries signed a pact in March, 1949, calling for common tariffs at the end of one year, with a complete economic union within six years. Before the end of the first year the whole idea had collapsed because of the protests of wine, olive and vegetable growers and other groups in the two countries who felt that their interests would be adversely affected. The American enthusiasm for this particular form of economic integration seems often to have given far too little weight to the fact that the introduction of a customs union into a situation where national barriers have, over a long period, established whole areas, industries, and major groups of the labour force in activities which cannot be sustained without the protections which built them means an extremely painful, and probably a protracted, period of adjustment. While Western Europe undoubtedly would gain in the long run from establishing a single market, in the short run the pain and cost to many of those affected is likely to seem much greater than any conceivable advantages. As Western Europe's productivity and prosperity have grown during the past three years, there has been more of a tendency for integration to assume its proper perspective as a desirable long-run objective, to be approached continuously by a variety of routes wherever the

opportunity offers, and not as a sweeping change to be introduced by fiat.

The major drive for unification and integration has come from Western Europe itself. Both positive and negative motives have had their influence. Some proponents of European unification and integration have been interested in establishing Western Europe as a strong and separate entity capable of holding itself aloof from the struggle between the West and the Soviets and acting as a "third force." It was in these terms that Adenauer first welcomed the Schuman Plan for integration of Europe's coal and steel industries. In the case of important sectors of French opinion, integration has been seen as a protection against German resurgence. In the initiation of the Schuman Plan, in its support for the European Defence Community, and subsequently for today's Western European Union, there has been evident a French hope that Germany could be bound by certain agreed rules of conduct and that at the same time an effective counter-weight to her economic, political and military strength could be provided, particularly if the United Kingdom could be induced to participate.

The postwar years have demonstrated, however, that there is in Europe a widespread enthusiasm, based upon conviction, for greater unity, both political and economic. This enthusiasm influences important segments of opinion in every country from Italy on the south to Norway and Sweden on the north. Probably only the Low Countries, and especially the Netherlands, can be said to be fully united on the subject. They have been the most consistent advocates of practical steps towards the final objective of full integration, and in 1952 the Dutch even appointed a second Minister to their Department of Foreign Affairs whose duty it has been to concentrate on European affairs and problems of integration. They have pioneered in the field with their customs union, Benelux, and more recently have been the prime movers in the studies by the six Coal and Steel Community countries of concrete steps which they might take to extending the "one market" approach to wider segments of their economies. The convictions

held so firmly in the Low Countries are based squarely upon a realistic view of their own position in both military and economic terms. It is all too evident to them that in today's world they are completely vulnerable in both fields to outside pressures and that their only security, as well as their best chance of well-being, lies in a rational and co-operative use of Western Europe's resources for both military and economic strength.

There is less unanimity of opinion in other Western European nations, even though many of them have strong and vocal sections of public opinion and public leadership favouring European integration. France has provided much of the formal sponsorship for particular integration proposals such as the Schuman Plan and the European Defence Community, but in France European integration is a divisive issue. Europe's Socialist parties have, from time to time, made it clear that they would support integration programmes for Europe only in a Socialist context. For this reason, sixteen of them boycotted a meeting of the European Movement held at the Hague in May, 1948. During the period in which the Labour Government was in power in the United Kingdom, Dr. Dalton was a leading exponent of the view that if integration came it must be a Socialist integration and that in no event could integration be allowed to take precedence over the domestic objectives of the Labour Party.

The position of Britain has throughout been a particularly difficult, as well as a controversial, one. Like her neighbours on the Continent, she has had to view all proposals for closer economic ties with Western Europe in terms not only of their advantages but also of their domestic costs, political and economic. Beyond this, however, she has had to consider a broader perspective which includes her trade and other relations with the Scandinavian countries and with the Americas, her obligations as the banker for the sterling area, and her special economic and political ties with the Commonwealth. Officially, stress has frequently been placed on the Commonwealth link as an especially difficult obstacle to any exclusive commitments to Europe. There has undoubtedly been

substance to these reservations. On the other hand, there has been almost certainly a natural reluctance on the part of the United Kingdom to surrender its own economic and political freedom of action to a group including important members whose economic capacities and policies have not always inspired confidence either internally or externally. Now that the possibilities of a more successful experiment in a Western European trade grouping seem to have a somewhat better chance of realization, the United Kingdom must weigh the costs of such commitments against the dangers of being excluded. It is possible that the Commonwealth tie may not after all be such a bar to action, particularly if Commonwealth preferences in the United Kingdom food market are not threatened.

Europe now has a number of functioning organs of political and economic integration and co-operation. The senior programme in point of time is Benelux, the name given to the customs union which Belgium, the Netherlands and Luxemburg in 1944 covenanted to undertake according to an agreed timetable calling for tariff barriers to end on January 1, 1948, for excise and sales tax unification by the end of that year, and for complete economic union at some more distant and unspecified date. Tariff barriers were removed on schedule, but balance-of-payments and related economic disparities kept quantitative trade controls in effect between the partners after that time. The date for unification of indirect taxes passed without action and by this time the Benelux partners were realizing that a customs union must ultimately involve a common currency, a common fiscal policy and probably similar wage and welfare patterns. Early in 1949 a state of pre-union was agreed upon to permit conflicting subsidy policies and other barriers to a common market to be attacked. Final introduction of the single market was to be postponed until July, 1950, but this date, too, passed without definite action.

The Benelux partners have persisted in their efforts to achieve economic union and have made slow, but fitful progress. Their earlier difficulties arose out of the divergent economic policies of

Belgium and the Netherlands, the former having freed its economy of most controls while the latter was attempting to meet its postwar problems by regulation of prices, wages and foreign exchange. The Netherlands was at that time in serious balance-of-payments straits and Belgium was naturally unwilling to accept the accumulation of inconvertible guilders with which introduction of a common market would have faced her. Trade in agricultural products has proved a more persistent stumbling block. Belgium has found it politically almost impossible to allow her higher-cost agricultural industry to be completely disrupted by an unrestricted inflow of lower-cost, partially subsidized Dutch products. A major obstacle to economic union has been the wide disparity between wage and price levels generally within the two countries. Thus the common market has had to be qualified by permission for certain protective devices to be invoked, at least temporarily. Waterways and agreement over traffic routes and rates on them have proved a knotty and continuing problem, with national interests of the partners pulling in opposite directions.

Many compromises have been agreed upon during the past six years and progress towards a single market, and eventually a single economy, has been made. The Benelux partners now negotiate jointly in their trade dealings with other nations. They have co-operated closely in defence matters. They have negotiated complicated agreements on social welfare benefits. They have agreed upon establishing an inter-parliamentary consultative Benelux Council. In June of 1956 they agreed also upon establishing a common labour market. Despite these strenuous efforts, by September, 1954, the tenth anniversary of the Benelux agreement, only about 15 per cent of the trade of the Benelux partners was with each other. The Benelux experiment supports the view that nations wishing for an effective customs union must actually be prepared in the long run to accept a tight political union. Despite their difficulties, or perhaps because of them, the Benelux countries are the most consistent supporters of the integration principle for Western Europe.

In terms of seniority, The Organization for European Economic Co-operation (OEEC) is the second organ of European postwar international collaboration. It was established in April, 1948, essentially in response to the need for a central planning group to work on the allocation of Marshall Plan aid, to provide its members with a means of assessing their common economic problems, and of co-operating so far as possible in their solution. OEEC includes all of the European members of NATO plus Switzerland, Austria, Ireland and Sweden, with the United States and Canada as associate members. Although OEEC has in the past accomplished a great deal of very useful work, its functions have always been advisory and its programmes have been undertaken on the basis of inter-government agreement rather than by delegation of national sovereignty. Apart from the very valuable work its international secretariat has performed by way of economic education, comment, criticism, and proposal for its member governments, one of the most valuable contributions of OEEC has been the part it has played in the achievement of trade and payments liberalization among its members. In the payments field OEEC has been responsible for the European Payments Union (EPU) which, since its establishment in 1950, has helped its members to arrive at a position of almost free convertibility among their currencies. In terms of trade liberalization, OEEC had by the end of 1955 succeeded in having all quantitative restrictions removed from 85.8 per cent of all private trade among its member countries. Here, as elsewhere, agriculture continued to be the sector of the European national economies most resistant to the removal of protection. A similar programme was in progress on the removal of restrictions applying to items in the invisible balance of payments of its members and some effort was being directed towards the liberalization of quantitative controls on trade with the dollar area. OEEC has had little or no influence on tariff levels affecting its members' trade and its activities have, therefore, had a more limited influence in improving the allocation

of productive resources, including labour, within Western Europe, than had been hoped for.

The field of interest of OEEC is as wide as the economies of its members, but with their increasing prosperity and improved balance of payments positions its influence and range of active programmes seem likely to diminish. Where OEEC once influenced and was party to a great many basic economic decisions affecting European countries, most of these decisions today are being made elsewhere. A variety of committee and study activities continue to exist within OEEC but most of them seem unlikely to produce practical results of any magnitude.

As a forum for the exchange of ideas and mutual education, and as a source of sound economic and statistical analysis, OEEC's work should continue to be of value, even though its functions remain purely advisory. One of its more interesting undertakings recently has been the study of the need and proper form of organization for co-operative development and control of non-military atomic energy projects in Western Europe. With the likelihood that atomic energy will be extremely important to the future economic welfare of Western Europe as a source of power, there are obvious advantages, in research cost and in financing of atomic power production facilities, to the pooling of national efforts by the countries of Western Europe.

At certain stages it probably would have been possible to make OEEC a vehicle of Western European economic integration, but this possibility has throughout been effectively precluded by the membership of such countries as Sweden, Denmark, Switzerland and the United Kingdom who made evident from the earliest beginnings their unwillingness to participate in OEEC should its purposes be broadened to that extent.

During the postwar period the Scandinavian countries have devoted a great deal of attention to the question of closer mutual association and co-operation. For this purpose they meet frequently as the Nordic Council and, by agreement, have taken a number of concrete steps, particularly in fields involving the

position of their respective nationals in other countries of the group and in the integration of their respective labour markets. In 1948 they set up working groups to study the feasibility of tariff preferences for each other or of a full customs union. This and subsequent studies eventually led in 1955 to proposals for the reduction of tariffs by 45 per cent immediately, with a further reduction by 25 per cent over a reasonable time. This was designed as a step towards a common market for Norway, Sweden and Denmark. However, early in 1956 the proposal was shelved, to the disappointment of Sweden and Denmark, because of Norwegian fears of Swedish competition and jealousy of her own independence. Typical of the difficulties of establishing a common market, it became evident during the discussions that unless special action were taken Norwegian industries might suffer because of more favourable write-off and reserve provisions allowed by Swedish and Danish tax laws.

The Council of Europe is another body through which some of Western Europe's desire for a wider loyalty and a broader integration than that represented by its numerous national governments has been expressed. Like OEEC, the Council of Europe has no effective powers. It is probably a fair judgment to say that it can point to much less in the way of concrete accomplishment than can OEEC. The Council was formed in 1949 and now includes fifteen members, among them all of NATO's European members except Portugal, which does not qualify because it does not completely subscribe to political liberty, freedom, and the rule of law. The Council of Europe was essentially the child of the European Movement which had aimed at political and economic unification for Europe with some degree of supra-national government. Largely because of the stands taken in the formative days by the United Kingdom and the Scandinavian countries, the Council of Europe adopted the procedure of inter-government agreement rather than the principle of a supra-national authority. Because of the neutralist position of some of its members and because of the existence of NATO, it was agreed that problems of defence should

be excluded from its province. Similarly, in the early stages disagreement between Left and Right within the Assembly of the Council led to its economic recommendations and functions being allocated to OEEC.

The Council of Europe has become largely a forum in which much of Western Europe's idealistic urge to greater unity has been dissipated vocally. Organizationally, the Council consists of a Committee of Ministers representative of member governments and a Consultative Assembly whose members are drawn from national parliaments but who act in a purely personal capacity. The debates of the Consultative Assembly have undoubtedly played a part in developing European public opinion and may have influenced the development of such ideas as the European Coal and Steel Community. In practical terms, the work of the Council has been limited to a variety of proposed conventions in the fields of human rights and social welfare.

Perhaps the most interesting and the most significant experiment in European integration since the War has been the European Coal and Steel Community (ECSC) which was established in 1952. The Community's six members are France, West Germany, Italy, and the three Benelux countries, with the United Kingdom having associate status. One in every ten workers in the six member countries is employed in the coal or steel industries. The Six account for almost all of Western Europe's coal, iron and steel production, apart from the United Kingdom. The purpose of the Community is to establish a single market and thus to substitute control by the price mechanism and freedom of trade for the nationalistic and cartel-oriented control which have been so well entrenched in Europe's coal and steel industries.

Organizationally the Community consists of a High Authority, a Court, a Council of Ministers and a Consultative Assembly, with the High Authority having supra-national authority over the coal and steel industries of the member nations. The evidence of the past four years is that the High Authority's powers are not as free of the influence of national governments as had been intended

originally, but they are, nonetheless, real and important. ECSC has made clear cut progress towards a number of its objectives. By eliminating double pricing, quantitative restrictions, and all customs duties affecting the movement of coal and steel within the Community, it has been able to establish a common market for coal, coke, iron ore, scrap and steel, although it has experienced more difficulty in establishing a truly competitive single market. It has been able to use its borrowing powers and its influence to aid in raising the efficiency of mines and mills. At the same time it has eased the problem of readjustment during the transition period for a number of marginal and sub-marginal operations. Belgian and Italian coal mines are being aided by subsidies from more efficient producers in other parts of the Community for a transitional period of five years. It has aided in the resettlement of Italian workers laid off permanently from sub-marginal operations.

On the other hand, the High Authority of the Community has found itself so far unable to eliminate effectively the cartel philosophy and arrangements which had been so well established. The single selling agency for Ruhr coal finally gave way to six allegedly independent selling agencies rather than to a really free market. Ruhr coal prices are uncontrolled for the first time in over fifty years, but steel prices within the Community continue to be regulated. There are complaints from outside the Community that its steel industry acts as a cartel and fixes exorbitant prices on export sales. The High Authority apparently has no power to prevent central handling of export sales. During 1955 there were lengthy discussions in GATT (General Agreements on Tariffs and Trade), which had granted a waiver to the Community's members in November, 1952, permitting them to eliminate tariffs among themselves on coal and steel products without having to extend the same benefits to other members of GATT. The general consensus within GATT appeared to be that, while the members of the Community had not infringed the terms of the waiver in a technical sense, their action on export sales had been contrary to

the spirit of both the waiver and the Schuman Plan treaty itself, it having been originally expected that the benefits of the common market would not be exclusively for the member nations.

The High Authority of the Community has increasingly found itself involved in problems which are a direct result of the fact that the Community, as it exists today, represents a sector approach to European integration. It has become increasingly clear that a basic industry, such as coal or steel, cannot be planned or administered in isolation from the remainder of the economies of the countries affected. Policies of national governments and of other industries have infringed upon the policies and objectives of the Community at every turn. High social security charges in Belgium and France handicap the already high-cost Belgian coal mines and the French steel industry relative to Germany. Labour unions in Belgium have effectively resisted the closing down of sub-marginal coal mines and have put pressure on the Belgian Government to implement reductions in the work week which affect the competitive position of the Belgian industry. When Belgium sought to make a shorter work week uniform among the Six, France and Italy agreed but the Netherlands and Germany objected because of the disrupting effects they foresaw on their general wage levels. The West German Government, in the interests of its own concern with domestic price levels, at first resisted the removal of price ceilings from Ruhr coal and finally consented only after giving its coal industry preferential treatment on social security charges in exchange for a commitment that prices would not rise. To prevent certain of its coal mines from closing, Belgium took similar action in 1956.

Some of the most important discriminations of a nationalistic order have existed in the structure of freight rates which, in general, were so arranged by Germany as to put the steel mills of Luxembourg, the Liège area, and France's Lorraine at an important disadvantage on both coal costs and the movement of steel to market. The High Authority has been able to make some progress towards reducing or eliminating such discriminations but in so doing it has

entered upon a broad field where its authority is limited. It is pertinent that one of the most contentious transportation problems, the question of the Moselle Canal, could not apparently be solved within ECSC, but was agreed upon as one element in Franco-German bargaining on the Saar. More and more, attainment of the Community's essential objectives involves actions which have an impact on the national economy or the national policies of its members far beyond the coal and steel industries as such. In the circumstances it is perhaps not surprising that the High Authority has found it increasingly necessary to subordinate itself to the Council of Ministers, a situation which had not been originally contemplated by the thoroughgoing exponents of supra-national integration who planned and developed the concept of the Community.

It seems evident from the above analysis that the Community must go forward by broadening its scope or must be content with the attainment of something less than its original objectives. This is not an alarming prospect to most of the proponents of the Community as it has always been viewed by many as simply the first step in a more extensive integration programme. In early 1953 the Council of Ministers approved in principle a Dutch proposal that a Tariff Community be established after a reasonable time. Later the Community studied the terms of a draft treaty upon which "Little Europe" might be built. The Dutch have continued to press for a political community which would require some merging of economic interest and some sacrifice of sovereignty. At a special conference of the Six held at Messina in mid-1955, as a result of initiatives taken by the Benelux countries, there was agreement in principle that the time was ripe for a new stage in the extension of European unity and on the ultimate desirability of uniting Western Europe in a common market. Over the intervening months a number of special studies have been under way. Most attention has been given to a proposal for establishing atomic energy as a new sector in the Community under a programme to be called EURATOM. Like the Coal and Steel Community itself,

EURATOM has been proposed as a supra-national authority going much beyond anything considered by OEEC in its tentative proposals referred to earlier.

Some conclusions of general applicability can be drawn from Europe's experience with the integration concept in the postwar period and from general economic and political principles. A most important one, borne out by both the Benelux and the ECSC experiments, is the difficulty of economic integration on a sector basis. Important industries cannot be dealt with separately from the social and economic structures of the countries within which they exist. It is much easier to remove tariffs and quantitative restrictions on trade than it is to persuade governments, labour unions, and industrialists to live with the consequences after the event. Unless nations are prepared to adopt common fiscal policies, a common market for labour as well as products, common standards of social welfare, and free convertibility of their respective currencies, they make it almost impossible for genuine integration to be achieved, quite apart from the difficulties of the very painful adjustment period when resources must be weeded out of existing uneconomic industries and occupations. In fact, it is difficult to visualize economic integration of the degree which some Europeans have contemplated, and which many Americans have contemplated on their behalf, without full political union as well.

An important further fact is that a number of Western European states, including the United Kingdom and Norway, quite properly hold the view that their interests require them to look at least as much beyond Europe as to Europe. For this reason they have been, and are, reluctant to commit themselves too deeply to anything which appears to be exclusively a form of integration within Europe. They prefer to look to an Atlantic community (plus, in the case of the United Kingdom, the Commonwealth) because it more logically fits their needs. On the other hand, these nations are too important to Western Europe for other Western European nations to ignore in their own integration

plans, although the Six did reluctantly decide to undertake the Schuman plan without the participation of the United Kingdom.

A third important fact is that there is no united opinion within Western Europe and among its governments on the question of surrender of sovereignty to a supra-national authority whether within a form of federation or via the sector approach which ECSC exemplifies. The evidence is that in many cases the willingness to consider a surrender of sovereignty is stronger when economic difficulties are great and confidence is low. In the modern world, the most cherished responsibilities and authorities of national sovereignty tend to be in the economic field. Here the interests of the electorate as a whole and of a wide variety of special interests and pressure groups are intimately concerned. With full employment and welfare policies holding the place they do on the political and economic stage today, it is not surprising that, like the socialists of some four to five years ago, both governments and their electorates are reluctant to surrender any segment of their control over fiscal, monetary, employment and welfare questions to an external authority. This has been made painfully obvious in both ECSC and Benelux as well as in a number of customs union and other integration schemes which foundered before they were properly launched.

The history of the postwar years does not demonstrate that economic integration is either undesirable for Western Europe or impossible. It certainly does suggest that the road towards it bristles with both real and psychological obstacles. There is ample evidence too that the gains to be realized will usually be at least partially offset for a considerable time by painful readjustments which will be resisted strenuously by the organized groups affected. Most such groups are likely to have significant influence in a democracy. To the extent that international co-operation within Western Europe brings progress, even if only slowly, towards a more rational and efficient use of labour and capital by eliminating distortion-producing national barriers and protective arrangements,

it must be considered a desirable objective and in the interests of NATO as a whole. On the other hand, both the Western European members and the North American members of NATO have an interest in ensuring that integration does not merely widen the field of cartel arrangements or producer controls. It is still far from certain that ECSC has completely eliminated this danger in the fields of coal and steel while the "Green Pool", as it was originally planned for European agriculture, would almost certainly have been a creature of the producers. If there are broad conclusions to be drawn from the record, they are perhaps that there should be no doctrinaire approach to Western European integration—that its benefits should be sought by a variety of practical routes involving both functional and area approaches. In many ways a completely new field such as atomic energy offers natural advantages for the pooling of resources because of the lack of previous national interests.

Although the aspiration of many Europeans for a unified market is certainly an objective consistent with the purposes of Article 2 of the North Atlantic Treaty, the wording of the Article offers little guidance in itself to concrete lines of action. In this respect it probably reflects the uncertainty as to specific programmes of action which the whole of NATO's history suggests must have existed at the time the Treaty was signed.

In whatever direction one looks in the field of economic collaboration, apart from that directly related to the joint defence programme, one finds either that the Atlantic Community seems not to be the proper base or that other and probably more appropriate organizations for the purpose already exist. It is evident that the day is long distant when any significant number of the members would be prepared to consider a federation for the present NATO membership with some delegation of existing sovereignty to a central government. For almost all members some other grouping, such as Western Europe or a lesser entity, would be more desirable and more feasible both economically and

politically. Many of the members, Canada being one, are probably completely unprepared at this time to consider any step toward a federation of any kind.

The desirability of aiming at an exclusive preference area for the Atlantic community as a whole seems equally open to question. So long as the free nations adhere to presently accepted principles in tariff and trade negotiations, NATO appears to be a less satisfactory vehicle for agreement and negotiation than the existing GATT, or any successor to it which may eventually pass muster with the United States Congress. While full convertibility of sterling and the national currencies of the other European members of NATO must continue to be an important objective, here again NATO seems not to be the proper vehicle for formal action. The contribution made through EPU towards near convertibility among its members already links the currencies of NATO's European members to other European countries and to world-wide trade through the sterling area and through colonial and dependent territories linked with European currencies. Whether the International Monetary Fund ever becomes a significant influence in the field of international exchange and exchange rates, it seems evident that NATO, as such, provides an altogether inadequate base for desirable action in the monetary field.

France has recently proposed that NATO take some initiative in the field of aid to under-developed areas through an approach to the United Nations. There are, however, cogent arguments against any attempt to establish NATO as a vehicle for channeling or administering aid to the under-developed areas of the world. Both the Colombo plan as it now exists and the United Nations programmes are as efficient and useful as any NATO based programme could be and are much less politically objectionable. The problem today is not one of a shortage of avenues or organizations for improved international collaboration. It is rather one of developing the will and the understanding to permit those which exist to operate more effectively and more fruitfully. A NATO

initiative might help but a continuing NATO function in this field seems undesirable.

Perhaps it is not too far-fetched to speculate that the role of NATO and its contribution beyond the field of joint defence may ultimately be similar to that of the Commonwealth. Like the Commonwealth, it is a free association of sovereign and independent states who largely share a common concern for the freedom, the rights and the well-being of the individual, in general placing a greater emphasis upon these than upon the powers and prerogatives of the state. The range of common interest, and certainly of understanding, among the partners has almost certainly been deepened and broadened by the habits of continuing consultation developed out of the common defence undertakings. Because defence programmes today have such an all-embracing significance both politically and economically, the consultation processes have necessarily been broad-based. In due course, if not already, they should have contributed to more useful and effective collaboration by the member nations outside of the confines of NATO itself. Although NATO itself has not, as yet, shown any signs of becoming an instrument of supra-national authority, its members have learned to some degree a habit of exercising their individual national sovereignties with some concern both for the views of their partners and of the common interest. Such habits, as well as the fruits of mutual consultation and understanding, should improve the quality of participation by NATO members in broader fields of international collaboration. If this is a result, it is an important gain because NATO includes almost all of the significant powers of the Western world. During the period of close NATO collaboration almost all of NATO's economically advanced members have moved from policies of easy money to an increased reliance on orthodox monetary and fiscal disciplines. While there is absolutely no evidence that the existence of NATO and of its consultative processes in any way influenced the extent of this trend, it is at least interesting to speculate whether it would have gone as far or been as widespread had the organs of continuing

consultation within NATO, with the opportunities thus provided for mutual education, not existed.

As has been indicated, there is a growing feeling among the majority of NATO's members that one direction in which the objectives of Article 2 must be sought is in the field of foreign policy. This need has been recognized almost from the beginning and was emphasized in the report of the first Pearson committee. However, the realities of world power have continued to place the major burden of responsibility for negotiations with the Soviet on NATO's three senior partners. Yet the whole purpose of NATO is directly involved in any such negotiations. It is for this reason, as well as for reasons of their own prestige, that the smaller members of NATO have begun to press so hard for an agreed approach to negotiations and relations with the Communist world. They are not prepared to delegate their own interests in these questions in blank cheque form to their three senior partners. They are less and less willing to permit one partner, the United States, to dictate the terms of their economic relationships with Iron Curtain countries. The United States, the United Kingdom, and France have demonstrated their willingness to consult with their NATO partners on the broad questions of policy to be followed towards the Soviets but the smaller powers will not be satisfied until such consultation is less in the nature of a briefing and more in the nature of an actual threshing out of policies. The recent evidence too is that in the era of "competitive co-existence" it may be difficult to arrive at a common NATO view in this broad field. If this is so, the need for consultation is underlined, although at all costs a stalemate arising out of a failure to agree must be avoided.

The common concern of NATO members in the field of foreign policy goes beyond the primary question of relations with the Soviet. Every NATO member, as well as NATO's standing in the uncommitted parts of the world, is significantly affected by the policy of France in Algeria, by the policy, or lack of it, of the United States in the Middle East, by Portugal's stand in the dis-

pute with India over Goa, and now by the stands of the United Kingdom, France, and the United States on Suez. The welfare of all NATO members and the unity of NATO itself are even more directly affected by disputes among NATO members. The dispute over Cyprus among Greece, Turkey and Britain, leading as it did to a temporary withdrawal of Greek forces from NATO exercises and to a continuing deterioration of relations between Turkey and Greece, provides a particularly unfortunate illustration. Even the political implications of national economic policies are of wide significance for NATO itself and for NATO's standing in the world. NATO unity has not been improved by the effects in Denmark of the United States' programme for disposing of surplus agricultural products or by the recent decision of the United Kingdom to impose a 10 per cent duty on Danish bacon.

Up to this point, NATO, like the Commonwealth, has been very chary of irritating its members by facing sensitive issues. It may prove to be the case that this cautious approach will in the long run be more destructive of genuine NATO unity than a carefully cultivated habit of full and frank discussion of all major questions of joint interest, whether they concern the central purpose of resistance to Soviet aggression, whether they involve relations among the members themselves, or whether they are significant because of the reaction of millions of people in Asia and Africa whom it is important that NATO and NATO members should not antagonize unnecessarily.

It may well be that the most fruitful field in which NATO can make direct and immediate progress towards broadening its functions is, after all, the one upon which its whole joint defence programme depends for survival. Without continuing consultation on foreign policy, there can be neither continuing unity nor continuing agreement on joint defence.

CHAPTER ELEVEN

CONCLUSION

"This Treaty, though born of fear and frustration, must, however, lead to positive social, economic and political achievements if it is to live."

—Lester B. Pearson at the signing of the North Atlantic Treaty,
April 4, 1949.

In the eighth year of its existence the North Atlantic Alliance is in the midst of the most serious test of its viability yet encountered. It may truly be called a time of crisis for NATO. This testing time is not the result of an increase in the external threat but rather the product of an apparent diminution of that threat. Not unexpectedly, the successes achieved by the alliance have tended to dissolve rather than to strengthen its cohesiveness. At the same time, the technological changes in military requirements and strategy associated with development of nuclear warfare potentials have thrown into question the need for the kind of defensive strength whose creation has been NATO's chief concrete accomplishment. Added to these pressures, NATO's failure to achieve adequate progress as yet in fundamental fields of political co-operation and agreement, especially its failure to develop common assessments, attitudes, and programmes governing the external relations and policies of its members, has suddenly assumed overwhelming importance.

In its first seven years NATO has made impressive progress. It has, in fact, achieved its immediate goal of holding the bound-

aries of Communist imperialism at the Elbe. Behind the NATO shield, Western Europe has rebuilt its economies, increased its material strength and well-being, and maintained and buttressed its political freedoms. The fear upon which NATO and its defence programme were built has been dissipated, perhaps more thoroughly than the threat which gave rise to it. Today the requirement is for a new balance of military strength, not for less, for a new kind of competition with Communism—in the economic and international political field—not for relaxation and the rewards of accomplishment. The new context, political, military, and economic, makes demands upon NATO which its history to date does not suggest it is yet well equipped to meet. There is grave danger that the weaknesses which have been apparent in the NATO grouping may be more critical in the new setting.

High on the list of NATO's liabilities in terms of forging either an enduring defensive alliance or a more closely knit community stand the colonial commitments of its chief European members. As in the case of Malaya, Cyprus, Kenya, Indo-China, and Algeria, such commitments are likely at any time to constitute a serious military and economic drain upon the very partners who should be among the chief contributors to NATO's own strength. They provide convenient areas for Russian intrigue to strike indirectly at NATO's military power, at its unity, and at its relations with the uncommitted peoples of the world. Almost inescapably they involve NATO as a whole, including those members who may not be sympathetic, in issues which can affect world opinion adversely to NATO's long-term interest. In certain cases, of which Cyprus and Suez are all too unhappy examples, they may lead to direct conflict between NATO partners. In the new setting to which NATO must now adjust its purposes and its programmes, these colonial commitments are likely to be hampering influences.

The political instability of certain members, chronically aggravated in some cases by inefficient and inequitable fiscal systems, represents yet another hazard for NATO. There is

ample evidence that a political stalemate can occur in a country such as France at most inconvenient times for vital NATO decisions or programmes. Nor can the size of the Communist vote in France and Italy be entirely overlooked even now, despite the apparent decline in the Party's fortunes. General support for NATO is far from assured even among the non-Communist parties in many European member countries. The current position in Iceland, the platform of Denmark's Radical Party, the probable results of a victory for the Social Democrats in West Germany in the coming federal election, all illustrate the uncertainties which must be taken into account.

A third handicap to NATO's prospects for greater unity and closer association lies in the conflicting economic policies of many of its members. The protectionism of France stands in opposition to the lower tariff aims of the Benelux countries, the greater emphasis in North America upon private, competitive enterprise and the allocation of resources by market forces in contrast to the inclination of many of the European partners towards state ownership and *dirigisme*. The United States' policies for disposal of its surplus agricultural production conflict with the vital export interests of Denmark, Holland, and Canada. Such differences tend to weaken the sense of unity and mutual interest which it is essential that NATO should maintain and strengthen. They are obstacles to closer economic co-operation and to steps toward economic integration.

Faced with these fundamental difficulties, it is not hard to understand why NATO has as yet made little real progress towards closer organic association or why some of its major members have felt the risks of any commitment in this direction to be too great. It is one thing for a country like Canada to undertake a substantial contribution to a common defence programme of the NATO group. It would be another, and a much more debatable, step for it to bind its own fortunes and its political and economic future to a group whose military, economic, and political strength might at any time be dissipated in colonial struggles which Canada could in no way

control, to a group whose powers of decision or action at a most critical point in time might be nullified by the political instability of major partners, to a group which as yet shows little signs of moving toward common national approaches to mutual economic problems. It is for reasons such as these that a federal approach for NATO must be considered still remote and that Europe's continuing approaches to economic and political integration, much as they are to be commended, seem likely to be only slowly realized.

Yet it is all too obvious that NATO must advance if it is to survive. The most vital, and in many ways the most logical, direction for immediate advance appears to lie in co-ordination of foreign policy. The answers to NATO's most pressing problems today (apart from the purely technological questions posed by nuclear warfare developments) must come from closer and more genuine collaboration among its members in working out agreed views and policies to guide their relations with the Soviet world, with the uncommitted parts of the free world, and with each other. Improved co-ordination among the NATO membership in the field of foreign policy has the advantage that it requires no formal machinery other than that existing now through the Council. Nor does it require any surrender of sovereignty. Much of the field of foreign relations with which NATO members are concerned extends beyond NATO proper, with the result that NATO is often not the proper body for action—the Suez Canal dispute with Egypt being a present example. Yet within NATO, its members can work out agreed viewpoints which take account of the interests of all of them, thus achieving a foundation for increased understanding and unity within NATO and more consistent, and perhaps wiser, policies to guide them individually in the United Nations and elsewhere.

As has been suggested earlier, NATO seems to be a less appropriate body for most concrete plans of economic co-operation, outside of defence, than other bodies which are already available. In this field too, however, the development of habits and channels of mutual consultation and of a continuing concern for the interests

and attitudes of other NATO members should yield valuable dividends to NATO and to the world as a whole. As in the case of the Commonwealth, the value of the NATO association for its members need not lie only in what they accomplish for their mutual advantage *within* the group. The common thinking and co-ordination of effort which is achieved in other organs and spheres of international co-operation may be of even greater final benefit.

One of NATO's internal problems has been its remoteness from public opinion in many member nations. The NATO machinery has worked through representatives of governments rather than of peoples and its positive decisions and programmes have tended to be initiated by governments rather than by the informed convictions of electorates. The dangers of this situation in terms even of support for an adequate defence programme alone are already evident. The opportunities for Soviet propaganda and what the Prime Minister of Norway has called "the charm approach" to breed uncertainty and disunity are greater the less informed and alert public opinion is. If NATO is to broaden its horizons, even with no delegation of national sovereignties, it becomes still more desirable that the improved understanding required among the NATO partners should extend to the popular level. For this reason, there may be a real place in the formal NATO organization for a parliament of NATO which would be more directly representative of the peoples of NATO than of their governments. Such a parliament could in the present stage of NATO association have no real powers delegated to it, but its discussions might come to serve a valuable function as a focus for a developing community opinion and understanding more enduring and more vital than the temporary policies and attitudes of individual governments. Consideration of this suggestion must not ignore the dangers and frustrations inherent in a group which has the power to talk but not to act, nor the fact that in Western Europe there are already three such assemblies, one each associated with the Council of Europe, the European Coal and Steel Community, and the relatively new Western European Union.

Equally as urgent as the need for increased understanding, collaboration, and unity among NATO members in foreign policy is the need for strengthening the co-ordinated NATO defence effort. Even though, to quote Mr. Pearson, the military situation has reached "a deadlock of mutual deterrence through the certainty of mutual destruction," there can be no ignoring the fact that this stalemate will be only temporary unless the West bends every effort to maintain technical parity with the Soviets. Far from being able to slacken in its defence effort, the NATO alliance must recognize that the demands of defence have been altered in shape to some extent but have not been lessened in size, that security is as much at stake today as it was in 1948 or in 1950. The NATO members must acknowledge that, successful as their common defence effort has been, it has displayed glaring weaknesses which have made it difficult for the partnership to achieve as much as it should. In the fiscal sphere, there is little doubt that the inadequacies and inequities of the tax systems of France and Italy have had a decisive influence on the size of NATO defence programmes. So long as a major partner such as France cannot finance a defence effort of the required dimensions without persistent inflation, the alliance as a whole must remain weaker than it should be.

The capacity of the alliance to support an effective defence programme has been seriously weakened also by the failure to achieve more than a small fraction of the economies in defence production and supply which could be realized by genuine integration of national programmes and efforts and by standardization. The gains which have been made are, in reality, small beside the tremendous waste from overlapping and duplication which has persisted. If this waste were significantly reduced, the combined burden of any necessary level of defence achievement could be appreciably reduced. A solution to this problem is more urgent now than ever. The demands of the defence programme today for technical and research skills and facilities have become so large that the most economic use of time and of personnel may be vital to survival. The financial costs of new weapons and of new

techniques of defence and retaliation have risen so astronomically that, even if there were no scarcity of research and technical abilities, NATO could no longer afford the senseless luxury of the profusion of models and prototypes to which the major NATO nations have clung up till now because of pressures originating in national pride, domestic industrial interests, and the tight professionalism of the services (which, in the United States at least, has led to extravagant duplication of effort within a single country). NATO has achieved an integrated defence force in Western Europe. Its future security demands greater integration in defence production programmes and in scientific, technological, and research projects than any it has yet achieved.

NATO's future must today be rated as somewhat uncertain. It calls for re-thinking of purposes and re-assessment of needs by all members, both individually and collectively. Two questions are paramount. Can the partners agree upon the necessary evolution and extension of their mutual defence programmes to meet the changing requirements of Soviet and Western capacities for nuclear warfare, and the continuing need for readiness to counter lesser and more scattered threats of force? Can they underpin such agreement and commitments with the minimum degree of unity and the necessary degree of compromise required in broader fields of policy, particularly in their foreign policies? Unless a positive answer can be given to each of these questions, NATO's very real accomplishments up to this point may well prove to have been only delaying actions. If fairly satisfactory solutions to these two problems are forthcoming, then the NATO alliance will have reasonable prospects for broadening its accomplishments in a political and economic sense. The West will also have been given the continued security and room for manoeuvre which are necessary if it is to succeed over the years in communicating effectively to the uncommitted peoples of the world the most important product of Western civilization—its emphasis on the significance and the value of the individual.

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