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Washington, D.C.

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MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY

1949–1950



Prepared by the Staff of
THE INTERNATIONAL STUDIES GROUP OF
THE BROOKINGS INSTITUTION
WASHINGTON, D.C.

1949

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Set up and printed
Published September 1949

Printed in the United States of America
George Banta Publishing Company
Menasha, Wisconsin

FOREWORD

In 1946 the Brookings Institution inaugurated a broad program of research and education in the field of international relations, focused on the current foreign policies of the United States. The general approach is the analysis and interpretation of the major problems that arise in connection with these policies. The program is a development of the Institution's earlier efforts in the international field and is based on a continuing policy of selecting for investigation and study problems that have a direct bearing on the national interests of the United States.

In undertaking the program, the Institution has two main objectives: to aid in the development of an informed and responsible American public opinion on foreign policy; and to contribute to a more realistic training of the increasing number of American specialists in international relations that are required today in the government, in business, and in other agencies operating abroad. The Institution hopes to play a part in meeting these objectives by providing in its publications a type of analysis of major problems in international affairs that is not usually found in specialized textbooks and general treatises on the subject, and by arranging conferences designed to stimulate discussion based on this type of analysis.

For the purpose of carrying out the program, the Institution has organized a part of its staff into an International Studies Group, composed of specialists in various fields of international relations in general and of United States foreign policy in particular. The Group is directed by Leo Pasvolsky. Other senior staff members and research associates are: Joseph W. Ballantine, William Adams Brown, Jr., Robert W. Hartley, Charles J. Moore, Redvers Opie, Ruth B. Russell, A. Mason Harlow, Don R. Harris, and Clarence E. Thurber. The Group also includes the following research and administrative assistants: Edna M. Birkel, Irene J. Buchner, Constance G. Coblenz, Suzanne Green, Peggy O. Harris, Doreen S. Jones, Janice R. Linehan, Clinton W. Longwill, Jeannette E. Muther, Mary C. Rigby, and Marie J. Thresher.

The Group is engaged in a series of investigations on major developments in the international field. It prepares an annual survey of the major problems of United States foreign policy, of which the present volume is the third, and a monthly summary of current developments

in United States foreign policy. It also conducts annual seminars and other conferences for teachers of international relations.

The scope of the program is made possible by special grants of funds from the Carnegie Corporation of New York and the Rockefeller Foundation, which supplement the Institution's own resources available for this purpose. Grateful acknowledgment is made of the assistance generously given by these foundations.

HAROLD G. MOULTON
President

DIRECTOR'S PREFACE

THE ANNUAL SURVEYS of major problems of United States foreign policy, of which this is the third, are designed to serve a twofold purpose: to illustrate a technique for the study of the foreign relations of the United States closely approximating that used by government officials in the formulation of foreign policies; and to furnish working materials as an aid to the reader in acquiring a knowledge of the nature of the policy-making process. It is hoped that the surveys may be useful in the teaching of international relations and, more particularly, in the training of competent American specialists in foreign affairs. It is also hoped that they may contribute to the achievement of a better understanding by the general public of the foreign policy of the United States which is necessary for a more effective participation by the American people in the conduct of the nation's foreign relations.

The complexity of the international problems that the United States must face, the development within the government of new facilities for research and analysis, and the necessity of staffing an increasing number of agencies dealing with foreign policy problems have all created in this country a demand for greater numbers of specialists in international relations. Since such specialists must come primarily from the colleges and universities of the country, it is clear that if students are given some training in the policy-making process while they are perfecting their general and specialized knowledge they will be more adequately prepared for participation in the conduct of foreign relations. The primary responsibility for the training rests, of course, with the members of the college and university faculties who must themselves be aware of the nature of the policy-making process.

Teachers who have served in the government have had an opportunity to familiarize themselves with the process, but there are a great many who have not had this experience. It is highly important, therefore, to develop some forms of continuing collaboration between the teachers and the government officials and other practitioners dealing with foreign affairs. It is also important that materials should be available for studying the problems of foreign policy in a manner similar to that used by the government in dealing with current issues of foreign relations. A knowledge of the policy-making process is necessory for teachers of international relations whether they offer courses to students who intend to make foreign affairs their vocation or to those

who do not, but who, as responsible citizens, must nevertheless be concerned with the foreign relations of their country.

In order to provide one means of contact between the teachers and the practitioners of international relations, the Institution has arranged a continuing program of annual two-week seminars on problems of United States foreign policy and of occasional briefer conferences on the teaching of international relations. Seminars have been held so far at Dartmouth College in 1947; at Stanford University in 1948; and at Lake Forest College in 1949. Briefer conferences have been held as joint enterprises with Princeton, Duke, and Harvard Universities, respectively. The participants in each case included teachers of various phases of international relations, government officials, officers of the armed services, and businessmen, labor leaders, and others from private life professionally concerned with international affairs.

The variety of background and experience of the participants provided them with an opportunity for constructive and fruitful discussions of current problems of American foreign relations. The meetings also served as a test of the feasibility of reproducing, outside the government, the type of discussion that takes place within the government in the formulation of foreign policies. This type of discussion is the essence of the technique for the study and teaching of international relations the use of which the Institution is endeavoring to stimulate.

The discussions at the seminars and other conferences are conducted largely on the basis of "problem papers" prepared by the staff of the International Studies Group of the Institution. These papers, revised in the light of the discussions at the meetings, are then included—together with other relevant materials—in the annual surveys, of which the present volume is the current edition. These survey volumes are intended to serve as guides to the study of international relations in general and of United States foreign policy in particular. The surveys are not textbooks in the usual sense of the term, although they are being widely used as such. They are designed mainly to help to focus on the essentials of the policy-making process knowledge that has been or is being acquired from other sources.

While the materials presented in these volumes are primarily intended for school use, they have also proved to be useful outside the classroom. Many adult study and discussion groups have derived from them ideas or methods for stimulating a greater awareness of the policy-making process and of the problems of foreign relations, which is essential to a better public understanding of the complexities of policy-making and therefore to an improvement of the standards of public judgment on government decisions.

The technique employed in this volume, as was the case with the previous ones, is based on what may be termed the "problem approach." This consists primarily in placing the users of it in the position of government officials who must keep in mind the entire field of international relations in discharging their responsibilities in the solution of specific problems. For this reason, the volume opens in Part One with a brief description of the world scene in the summer of 1949 and an analysis of the position of the United States in world affairs.

Part Two comprises a review of the main problems of foreign policy facing the United States in the summer of 1949. The nature of these problems, the basis of selecting them, and the manner of treating them are described in the Introduction to that Part of the volume.

The concluding part consists of three "problem papers" on subjects selected for more detailed treatment than was possible in the case of the large number of problems discussed in Part Two. The character of the papers and the type of treatment given to the problems are indicated in the Introduction to Part Three. In planning the volume, it was our intention to include one other problem paper, dealing with United States military assistance to other countries. Unfortunately, at the time that the volume went to press, adequate information on the subject was still unavailable, and it became necessary to postpone the completion of the paper. As soon as the information is available, a problem paper on this subject will be published in the form of a pamphlet.

In order to facilitate the use of this survey a certain amount of bibliographical material has been included. Particular emphasis is placed on official documents that constitute the primary sources in studying the current foreign policies of the United States.

It should be noted that the volume deals primarily with United States foreign policy. Hence the subject matter and the bibliographical material are focused largely on American action and on the American viewpoint. The policies, actions, and viewpoints of other countries are brought into the discussion only to the extent that they condition American policy and action.

The materials contained in the volume were prepared as of July 1, 1949, and the problems are treated as they confronted the government of the United States on that date. As time goes on, however, the relative importance of the problems in Part Two and the issues they present may change, and new issues or combinations of issues may arise. There are also bound to be occasions on which some of the more basic considerations of policy treated in Part One undergo modifications in the light of changing world events. In utilizing these materials in university teaching or in other study or discussion groups, periodical revision in

the light of events may be necessary. This would call for a fresh application of the technique exemplified in the volume.

Many other methods of using the volume will doubtless suggest themselves in the course of experience. Whatever the method adopted, however, and whether the book is used in institutions of higher learning or in study or discussion groups, much of its value will depend on the extent to which it enables those who use it to place themselves in the position of responsible government officials who are actually dealing with matters of foreign policy. Only by so doing is it possible to acquire an understanding of the policy-making process involved in the conduct of foreign relations.

The volume is the joint product of the staff of the International Studies Group, the composition of which is indicated in the Foreword immediately preceding this Preface, and the various members of which contributed to the preparation of the material in their respective fields of specialization. The maps and charts were drawn by Louise Bebb, and the manuscript was prepared for the printer by A. Evelyn Breck, both of the Institution's staff. Many valuable suggestions for the improvement of the material and its presentation were received from participants in the seminars and conferences, for all of which I take this opportunity to express the gratitude of those who were concerned with the preparation of the volume.

The annual survey will continue to be supplemented, as heretofore, by a monthly summary of events, entitled *Current Developments in United States Foreign Policy.*

LEO PASVOLSKY
Director
International Studies Group

Washington, D.C.
July 1, 1949

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PART ONE

THE PRESENT POSITION OF THE UNITED STATES IN WORLD AFFAIRS

I. THE COURSE OF EVENTS SINCE THE WAR

THE DOMINANT feature of the world picture in midsummer 1949 is still the rift between the United States and the other western democracies on the one hand, and the Soviet Union and its communist satellites on the other. For almost four years disharmony among the powers has frustrated all attempts to lay the solid foundations of a peaceful world order. The origin of the rift is in the international behavior of the Soviet Union, whose leaders began, even before the war ended, to shift the course of their foreign policy from wartime co-operation to truculent obstruction. As this change in the Soviet attitude came to be more clearly perceived in the years that followed, and especially as it was translated into concrete action inconsistent with the jointly declared aims of the wartime allies, it produced mounting resentment and eventually counteraction in the Western world. The state of tension in international relations resulting from these developments is so great that the complex of events has come to be known as the "cold war."

In recent months, although there has been an increase of tension in some directions, there has also been some easing of it in others. The major powers stand today at the crossroads of decisions that will determine the fate of mankind for a long time to come. To place in proper perspective the recent developments that have brought the world to such a fateful pass, it is necessary to describe the efforts made during the war by the principal allies to establish a framework of unity that was to govern their postwar relations; and to review the course of events since the war.

A. WARTIME EFFORTS TO ACHIEVE POSTWAR UNITY

The terrible consequences of disunity among the major powers was fully brought home during the war. Experience leading up to the war had shown that the absence of unity among the peace-seeking nations was a mortal danger in a world in which some great powers took the way of the aggressor. Unity of purpose and action, in so far as it was achieved during the war, was forced upon the principal allies by the overwhelming necessity of rejecting the Axis bid for world domination. The unity was never complete. The Soviet Union was, at best, an uneasy and cantankerous ally, more suspicious of the Western powers than they were of it. The mutual suspicions that had

been engendered in the interwar years, first in the period of Russian isolation when the whole world was horror-struck at the excesses of the Bolshevik regime, and then in the period when Nazi Germany introduced new complications into the relations between East and West, were never fully allayed. The Soviet Union questioned Anglo-American motives for delaying the opening of the second front, and military collaboration never reached the point of revealing anything significant of Soviet weapons and plans.

The Western allies, in their efforts to dispel the clouds of suspicion, took a generous view of Russian susceptibilities in the hope that the war-born unity, reinforced by the terrible lessons of prewar disunity, might be made the foundation on which to construct the framework of postwar collaboration among the powers. No opportunity was lost to kindle Soviet interest in the new political and economic machinery that was envisaged for international action to establish and maintain the peace and to promote economic well-being. No efforts were spared to convince the Soviet leaders that only international co-operation could ensure security for their country and well-being for their people.

The Western powers took the initiative in establishing the new framework, and all overtures were made by them to the Soviet Union. In return they received from the Soviet Union only the bare minimum of evidence on which to judge the warmth and sincerity of its response. Nevertheless, the Soviet Union joined with the United States and Great Britain in repeated expressions of their desire and determination to preserve their unity of action in the postwar period and in the planning and establishment of arrangements and institutions necessary for that purpose.

Beginning with the Atlantic Charter in 1941 and the Declaration by United Nations in 1942, the major nations joined in a series of declarations and agreements. These contained pledges of three types: to refrain from making a separate peace, to adopt certain rules of international behavior, and to construct an organization for the maintenance of peace and security.

The pledge to make no separate peace referred mainly to Germany because the Soviet Union did not declare war on Japan until immediately before the latter surrendered. The mutual suspicions between the Soviet Union and the Western powers centered on Germany. Each feared that the other would make a separate peace and even that Germany might sooner or later be aligned on one side or another in a new war among members of the anti-Axis coalition.

This pledge was therefore of immense significance to the wartime unity among the powers; and if it could be extended to include unity in the postwar treatment of Germany, it would have the effect of neutralizing Germany so far as great power relations were concerned. It was in fact the first expression of the need for unanimity in agreement among the powers.

The other two pledges were first discussed at the formal meeting of the three principal allies in Moscow in the autumn of 1943. Hopes for the outcome of this meeting had been raised by the announcement in May 1943 of the dissolution of the Comintern, which the United States government had been urging the Soviet government to abolish since 1933 when diplomatic relations between the two countries were established. At the time of the dissolution Secretary Hull issued the following statement: "The dissolution of the Communist International is welcome news. The elimination of that organization from international life and the cessation of the type of activity in which that organization has in the past engaged is certain to promote a greater degree of trust among the United Nations and to contribute very greatly to the wholehearted co-operation necessary for the winning of the war and for successful postwar undertakings." As he wrote later, what the action "portended, neither Mr. Roosevelt nor I could definitely say. . . . It was at least a gesture of friendship in the direction of the Western Allies, and the President and I were prepared to hail it in that sense." It was in this mood that Mr. Hull journeyed to Moscow to meet with the Foreign Ministers of Great Britain and the Soviet Union.

At the end of the conference in October, the three powers were joined by China in the Moscow Declaration, which proclaimed that they were "conscious of their responsibility to secure the liberation of themselves and the people allied with them from the menace of aggression . . . [and] that their united action, pledged for the prosecution of the war against their respective enemies, [would] be continued for the organization and maintenance of peace and security." They undertook to act together in a number of problems of transition from war to peace, and recognized "the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for the maintenance of international peace and security."

During the conference the United States, Britain, and the Soviet Union made arrangements for tripartite consultations to be con-

tinued among their representatives in the respective capitals through existing diplomatic channels. They also arranged for the first meeting of heads of government at Teheran.

In a declaration issued at the Teheran Conference a month later, the three powers expressed their determination to continue to work together in the conviction that agreement among them would win an enduring peace. They recognized the "supreme responsibility" resting on them and on all the United Nations to make a peace that would "command the good will of the overwhelming mass of the peoples of the world and banish the scourge and terror of war for many generations." They looked forward with "confidence to the day when all peoples of the world may live free lives, untouched by tyranny, and according to their varying desires and their own consciences."

These noble resolves were repeated during the Crimea Conference at Yalta in February 1945, when the three powers reaffirmed their "determination to maintain and strengthen in the peace to come that unity of purpose and of action which has made victory possible and certain for the United Nations in this war," and which they accepted as a "sacred obligation" owed to their own and to all other peoples. They resolved to establish the United Nations Organization as early as possible. In a special Declaration on Liberated Europe they proclaimed their "mutual agreement to concert during the temporary period of instability in liberated Europe the policies of their three governments in assisting the peoples liberated from the domination of Nazi Germany and the peoples of the former Axis satellite states of Europe to solve by democratic means their pressing political and economic problems." And, finally, they created permanent machinery for regular consultations among the foreign secretaries of the three governments. This machinery remained in being after the Potsdam Conference later in the year had created the Council of Foreign Ministers to serve as a more formal body for consultation among all five of the major powers; and it was used in December 1945 for the Moscow meeting of the three foreign secretaries.

The Big Three, joined by China, began during the war to build the formal structure of a new organization for the maintenance of peace and security. They agreed on its basic principles and general framework at the Dumbarton Oaks conference in 1944, and although there were some vital points at which agreement was not reached, progress was deemed to be sufficient for all four powers to sponsor a conference at San Francisco to draft the Charter of the United Nations.

Before the conference met there were danger signals from Moscow, one of which, the announcement that Foreign Minister Molotov would not attend the conference, cast doubt on the earnestness of the Soviet interest in international co-operation. During the conference itself relations among the major powers were strained by the brutal unilateral dealings of the Soviet Union with members of the Polish government that was struggling into being, and by the encouragement to Tito in his efforts to present the Western allies with a *fait accompli* by establishing Yugoslavia in Trieste and the Venezia Giulia.

Despite these difficulties, however, the major powers were able to compose their differences to the extent of agreeing on a Charter. This document, in addition to elaborating the machinery for international collaboration in the political, economic, and social fields, laid down a number of fundamental rules of international behavior that all nations were to accept as treaty obligations. The major powers, in common with the other members of the Organization, agreed to "settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered, . . . [and to] . . . refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the Purposes of the United Nations." The maintenance of international peace and security was foremost among these purposes. To that end the members undertook: ". . . to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace."

The San Francisco Conference, in adopting the principle of unanimity among the major nations, which subsequent events have made universally known as the right of veto, again expressed the fundamental importance of great power unity. It was recognized that, in existing world conditions, differences among the great powers were inevitable and that "power politics," in the sense of efforts to resolve the differences, were unescapable. It was even recognized that action outside of the United Nations might be necessary for this purpose. The belief was held, however, that the principle of unanimity would put the great powers under pressure to resolve their differences within the United Nations system unless its machinery was to cease to function. It was for this reason that other signatories agreed to accord to the five major nations privileged voting rights and permanent representa-

tion in the Security Council. The major nations claimed these exclusive privileges on the ground that the principal and special responsibility for the maintenance of peace and security rested with them and that each must therefore have the veto as a means of safeguarding its vital interests. In a formal statement at the San Francisco Conference they solemnly undertook to exercise their privileges with moderation and self-restraint.

This framework of collaboration was developed on the assumption that the recognition by the great powers of an underlying community of interest in the preservation of peace would provide a unifying force to replace their common purpose of defeating the enemy. It was assumed by all countries that the actions of the great powers would largely determine the future course of events, not only in regard to the all-important issue of war or peace, but to the rehabilitation of the war-devastated areas, to the re-establishment of the liberated countries and eventually of the ex-enemy states as independent nations, and to the construction of a sound system of international economic relations.

B. EMERGENCE OF THE RIFT

It was not long after the cessation of hostilities that grave doubts began to arise in the minds of the Western democracies concerning the intention of the Soviet Union to honor the commitments of international behavior solemnly accepted by it during the war. Tests of Soviet integrity were not long in coming, and within a relatively brief period of time the accumulation of evidence was overwhelming that the Soviet Union could not be relied on to keep its pledges

Soon after the surrender of Germany, difficulties between the Soviet Union and the Western allies began to appear in connection with the peace settlements to be made with the defeated nations and with carrying out the pledges made at Yalta in the Declaration on Liberated Europe. In interpreting the latter, the Soviet Union took the position that the countries of Eastern Europe lay entirely within its sphere of influence and control. Despite the protests of the United States and Great Britain, it rapidly converted these countries into vassal states, governed by groups in every respect subservient to itself. The same technique as in the former Axis satellites, was employed in eastern Germany, which had been brought under Soviet control by the terms of the Potsdam agreement.

Against this unpromising background, negotiations were begun late in 1945 on peace treaties with Italy and the former satellites. They lasted for over a year and were conducted in an atmosphere of bitter

controversy. Although the resulting treaties were completed and eventually ratified, they left many serious problems unresolved, and they have led to a number of controversies in applying them.

For a year after the conclusion of the Italian and satellite treaties, the United States, France, Great Britain, and the Soviet Union made several attempts to move forward in the Council of Foreign Ministers with the negotiation of treaties for Germany and Austria. All these efforts were frustrated by the intransigence of the Soviet Union, and the negotiations came to an abrupt end in December 1947, when the Council of Foreign Ministers, meeting in London, found itself completely deadlocked. Similarly, no progress at all was made in the many attempts to find a basis of accommodation with the Soviet Union on the procedure for negotiating a peace settlement for Japan or on the establishment of an independent, united Korea.

The Soviet Union displayed the same truculently non-co-operative attitude toward the United Nations system. It refused to participate in any of the specialized agencies, except the World Health Organization, from which it subsequently withdrew. In the United Nations itself, from the time that the Soviet representative in the Security Council first exercised the veto privilege in February 1946—in connection with the Syria-Lebanon case, which could not possibly be regarded as touching the vital interests of his country—the Soviet Union has employed every means of obstructing the work of the Organization

The year 1947 marked a turning point in the postwar situation. In the light of the foregoing developments, the Western nations began to act on the growing conviction that they were face to face with a new danger of aggressive expansion, emanating this time from Moscow. By 1947, the Soviet Union had tightened its grip on the countries of Eastern Europe; it had made open threats against Greece, Turkey, and other middle eastern countries, and it had intensified, throughout the world, both its communist propaganda and the activities of local communist parties under its control. In these and other ways it had contributed greatly to the growth of fear and uncertainty the world over, which severely handicapped economic reconstruction and the establishment of conditions of political and social stability.

It was in connection with the communist threat in Greece and Turkey early in 1947 that the Western nations first served notice on the Soviet Union that they were not prepared to remain inactive indefinitely. The first move came from the United States. In proclaiming the Truman Doctrine and in implementing it through American aid to Greece and Turkey, the United States made known its determina-

tion to oppose the spread of communist aggression. The means to be employed for the purpose were to be economic, designed primarily to assist the countries threatened by communism at home or from abroad to overcome the conditions of economic distress, social unrest, and political instability that were operating as a breeding ground for communist propaganda. The next move, which followed within a few months, was the announcement of the Marshall plan for a broad and comprehensive effort by the United States to assist European economic recovery on the basis of self-help and mutual assistance among the countries concerned.

The Marshall plan was offered to all the countries of Europe as a means of assisting economic recovery in general. When, however, the Soviet Union refused to participate—and prevented its satellites from participating—with the western European countries in devising means for the joint implementation of the plan, economic co-operation became in effect a powerful instrument in the battle against communist expansion. Sixteen European countries outside the Soviet orbit established a Committee for European Economic Cooperation as a continuing agency of collaborative effort for economic recovery, for its own sake and as a means of strengthening the position of these nations against the danger of communist aggression. This danger became even more apparent when, in October 1947, the Communist Information Bureau or Cominform was established with the avowed purpose of mobilizing communist forces for disrupting the efforts to implement the Marshall plan.

While the thinking that lay behind the action of the United States still ran in terms of the economic means for combating communist aggression, the European countries, under the leadership of Great Britain and France, began to turn their attention to political and military collaboration as well. Threatened by the steady encroachment of Soviet power in Europe and harassed by the lag in economic recovery resulting from the sense of insecurity that prevailed, some of the western European states began drawing together into a regional security system.

The establishment of the Cominform had been an ominous warning, although world opinion had not been universally willing to interpret it as equivalent to reviving the activities of the Comintern. But any tendency to give the Soviet Union the benefit of the doubt was shown to be baseless in February 1948, when the communist coup was engineered in Czechoslovakia by the Moscow-trained fifth column, protected by Soviet troops on the frontier. Western Europe could hesitate

no longer. Negotiations already in progress between Great Britain, France, and the three Benelux nations for a treaty that would bind them to assist one another in resisting armed attack in Europe were brought to a speedy conclusion and the Brussels treaty was signed in March 1948. Again under French and British leadership, this pact became the nucleus of the scheme for political integration that is being planned under the Council of Europe.

These military and political moves were the result of European initiative, but they were undertaken with the strong encouragement of the United States. In the end, they paved the way for a broader regional security arrangement for collective self-defense in the form of a voluntary association of the United States, Canada, the five Brussels treaty powers, four other European countries, and Iceland, under the recently negotiated North Atlantic Treaty.

C. THE STRUGGLE OVER GERMANY

All these developments were stimulated by the circumstances that had led up to and followed the breakdown of four-nation negotiations on Germany. The formal break occurred in London at the Council of Foreign Ministers in December 1947, over the nature of the peace settlement. By that time, the United States, Great Britain, and France had reached the conclusion that the Soviet Union was not willing to proceed with a treaty except on its own terms, which would have meant subjecting Germany to Russian hegemony and were therefore unacceptable. Hence, the Western allies undertook the negotiations among themselves for the unification of their three zones that led eventually to the creation of a western German state

The Western powers stated that they were neither closing the door on four-power negotiations nor taking steps in western Germany that were incompatible with fulfilling their obligations under the Potsdam agreement to create economic and political unity in Germany as a whole. But they made it equally clear that, in the meantime, they did not intend to be stopped by Soviet obstruction from taking whatever action they deemed necessary to carry out their responsibilities in the part of Germany under their control. And in fact, they proceeded to make a series of preliminary agreements, with which Belgium, Holland, and Luxembourg became associated, relating to the political and economic future of Germany. In conjunction with the German leaders in the West, an Occupation Statute and a Basic Law or Provisional Constitution were written for a new German Federal Republic of the West, which could, in one way or another, be brought into the western

European arrangements for improving the means of self-defense against the Soviet threat.

The Soviet response to these activities was the further tightening of its hold on its satellites as exemplified in the Czech coup; the development of plans for the creation of an eastern German state to be used in conjunction with propaganda for a unified Germany; and an attempt to expel the other three powers from Berlin. The blockade of the American, British, and French zones of the city of Berlin, in violation of the rights of the Western allies under agreements for the surrender and occupation of Germany, was the most striking of the Soviet responses.

For almost a year, the Berlin blockade was the outstanding symbol of the rift between the communist and anti-communist worlds. Several fruitless attempts to bring about its removal were made by direct negotiations and through the Security Council of the United Nations. Although ostensibly they failed for more technical reasons, it became increasingly clear that the real reason was that as the price of the removal of the blockade the Western allies were expected to desist in their efforts to create a western German state and to resume four-power negotiations for Germany as a whole. This the United States, Great Britain, and France refused to do. Instead, they broke the Soviet blockade of Berlin by instituting the air lift and introduced a blockade of their own that virtually stopped trade and communications between western and eastern Germany.

The astonishing success of the air lift gave heart to anti-communist Europe and provided the Western nations with the necessary time to work out among themselves detailed plans for the future of Germany, centering around the re-establishment of a government in the Western zone. These efforts culminated in the three-power agreement, reached in Washington in April 1949, for German economic rehabilitation and for the creation of the German Federal Republic.

In the spring of 1949 the Berlin blockade was formally lifted. The initiative came from the Soviet Union, which now demanded as the *quid pro quo,* apart from the lifting of the counterblockade of the Eastern zone, only the reconvening of the Council of Foreign Ministers. The Council met in Paris in May, and it discussed the Berlin situation, the unification of Germany, and the peace treaty for Austria. The results of the discussion were meager, except in the case of Austria, the agreement on which is expected to prepare the way for an early completion of the draft treaty by the deputies of the foreign ministers. But at least by lifting the blockade of Berlin, with its constant threat

of incidents, the meeting has removed for the time being a serious element of tension and opened the door to future discussions among the four powers.

Although the problem of Germany is less acute than it was, it is still the greatest single issue in the relations among the major nations. In the background lie possibilities that neither side can ignore. So long as the Soviet Union persists on its present course, the danger cannot be ignored of a communist Germany combining with the Soviet Union to constitute one of the worst menaces the United States and the other Western democracies have ever known. On the other hand, to Russian eyes a democratic Germany restored to its full power and allied with the Western democracies would at best in a peaceful world constitute a most powerful magnet attracting countries to the West and away from the East; while if the Soviet leaders continue to accept their own thesis that war with the capitalist West is inevitable, they would be confronted by a far more powerful opponent than they feared in Nazi Germany. In the meantime the future of Germany must be determined in relation to the regional arrangements for collective self-defense that have become an essential part of the immediate basis of international security.

D. UNITED NATIONS AND REGIONAL ARRANGEMENTS

The idea of regional arrangements is not new. It was present in the discussions that ended in the adoption of the United Nations Charter, and the compatibility of regional arrangements with the United Nations system is explicitly provided for in the Charter. Nevertheless, the new importance of the idea as reflected in the recent application of it in the North Atlantic pact is unquestionably the result, not only of the Soviet threat, but also of growing dissatisfaction with the operation of the United Nations Organization.

The United Nations has made some progress in the solution of economic and social problems, and it has contributed substantially toward a settlement of the situations in Palestine and Indonesia and of the Pakistani-Indian dispute over Kashmir. On the other hand, it has so far failed in its efforts to solve the problems of Greece or of Korea. Moreover, deadlocks persist in the attempts begun three years ago to agree on plans for the international control of atomic energy, for the regulation of conventional armaments, and for the armed forces to be placed at the disposal of the Organization.

These difficulties are mainly the result of the frequent misuse of the veto in the Security Council by the Soviet Union and of its refusal

to participate in the work of some of the organs and agencies. By these means, the Soviet Union has consistently hampered the efforts of the United States and the other major nations to work out solutions to many of the difficult problems that the Organization has faced. At the same time, the United States, confronted by Soviet obstructionism in the work on the peace settlements outside the United Nations, has frequently added to the difficulties of the Organization by taking the lead in calling upon it to deal with the kinds of situations that are beyond its capacity to handle satisfactorily and for which its machinery was never designed.

The disappointments with the outcome of the operations of the United Nations have fostered a widespread and growing tendency to blame the Organization for failing to bring about conditions of peace and stability. The Organization is being criticized for its lack of power to deal with the many urgent matters requiring attention. Proposals for some form of world government that would be able to enforce the peace are being examined with renewed interest, especially in the United States. Some of these proposals look to the scrapping of the United Nations system and a fresh start; others look to appropriate amendments of the United Nations Charter to accomplish the necessary changes in the functioning of the Organization. Many of the proposals contemplate some degree of international federation or union of the present national states that would involve more drastic limitations on national sovereignty than is the case under the United Nations.

The mounting pressure for the adoption of some such proposal is forcing the governments of the United States and of other member states to re-evaluate the structure and functioning of the United Nations under existing conditions. Modification of the voting procedures in the Security Council is being urged in order to eliminate many of the objectionable features of the veto. Plans are also being considered for greater use of the General Assembly in the peaceful settlement of disputes and in dealing with the types of international situations with which the Security Council now is, or in the future may find itself, powerless to deal because of the tactics of the Soviet Union.

The pressure persists despite a growing realization that no new machinery or revision of procedures in the existing international organization can provide a substitute for substantial agreement among the major nations. So long as there is no such agreement, groups of nations feel compelled to seek collective security in regional systems because the single world-wide system, contemplated by the United Nations Charter and by the Four-Nation Declaration at Moscow in

1943, does not in fact exist. Some proponents of the regional idea even argue that it may in the end provide a foundation on which an enduring and effective world-wide system of collective security can be constructed. For the time being, however, the regional systems are made necessary by, and strikingly reflect, the cleavage between the communist and the non-communist nations.

There are in existence today several regional systems. The Soviet orbit, though based on bilateral treaties, is in effect a regional system. The others are those based on the Western security pacts. But there is a highly significant difference between the Soviet orbit and the defensive regional systems in the West. The Soviet Union took the initiative in welding together a group of countries in defiance of their individual will, which was broken by Soviet might, and in converting them into instruments of its own aggressive designs. The regional systems based on the Brussels, the North Atlantic, and the Rio treaties, on the other hand, originated in the free choice of sovereign states, the only compulsion upon them being the desire of self-preservation under the threat of aggression. The broad outlines of similar defensive arrangements are emerging in the Middle East and the Far East.

The final outcome of this progressive organization of the world into two groups of potentially hostile regional systems is impossible to foresee. By bringing the split between the Soviet Union and the democratic states into the open, it creates new political strains, especially in countries on the periphery of the Soviet bloc. These strains were felt in the collapse of the negotiations early this year among Norway, Denmark, and Sweden for a separate pact of mutual defense. They are in evidence in Finland and Iran, which have been subject to increasing Soviet pressure. If China falls completely under Soviet domination, it may be expected that the strains will be more prominent in India, Burma, Malaya, Siam, and Indo-China. On the other hand, by demonstrating the will and the ability of the Western world successfully to resist Soviet aggression in whatever form it appears, the organization of regional defense may play an important role in convincing the Soviet leaders that the only prudent course in their international behavior is to return to the policy of observing the pledges that they exchanged with their major allies during the war, and especially in the process of creating the United Nations.

E. ECONOMIC AND POLITICAL INSTABILITY

Although the disintegration of unity among the major nations has been most dramatically revealed in their struggle over Germany, in the deadlocks in the United Nations, and in the organization of the

regional security arrangements, hardly any phase of national or international life has escaped its consequences. In many instances its influence has been direct. In others, it has acted more indirectly to intensify difficulties arising from factors that would have been operating even if all the great powers had behaved in accordance with their pledges. This is especially so as regards the vast task of achieving economic recovery and political stability.

Co-operation among the countries of Western Europe, based on American economic aid, has yielded substantial returns both in economic recovery and in political stability. In both fields progress has been especially striking in France and Italy, which were threatened with economic collapse and violent civil strife, as a result of the militant activities of their communist parties, inspired and controlled from Moscow. Economic recovery was also striking in Great Britain, although by the summer of 1949 it was again having difficulties that were reflected in a drain of dollars and gold. Similar difficulties have also begun to appear in the balance of payments of continental European countries, because economic recovery has not as yet reached the point of re-establishing a normal trading system either among European countries themselves or with the rest of the world. Moreover, the factor of political instability and uncertainty continues to exert a powerful influence on economic recovery.

Economic difficulties appear to be even greater in Eastern than in Western Europe. Although accurate data are not available, there is some evidence that communist attempts to reorganize eastern European economies in conformity with the political and economic objectives of the Soviet Union have been far from successful. The defection of Yugoslavia is a visible sympton of the difficulties that are being encountered, but indications of some economic unrest are appearing in practically all countries under the communist yoke. The ruthless introduction of drastic measures of reorganization in agriculture and of nationalization in industry and commerce, has seriously hampered efforts to increase output and expand trade in the satellite states. The establishment in Moscow in January 1949 of a Soviet-controlled Council for Economic Mutual Assistance, although for propagandist purposes it was declared open to the participation of other countries of Europe, was in effect the official recognition of the problems caused by lagging recovery in Eastern Europe.

Trade between Eastern and Western Europe is being further contracted by the political division of Europe. Soviet attempts through the Cominform to impede the European Recovery Program and the

fear in general of Soviet aggression have made the Western powers—and especially the United States—reluctant to enter into trading arrangements with the eastern European countries. Some trade still goes on and the Economic Commission for Europe provides a common meeting ground where efforts to extend it further by reconciling the views of Eastern and Western Europe can still be made. But political differences inevitably obtrude themselves.

Germany still presents the central economic problem in the recovery of Europe as a whole. Before the second world war it was a major workshop and market for Europe. Until German industry and trade revive, there can be little hope for permanent European recovery. Furthermore, it is now accepted as fundamental—although the war had been over for two years before it was generally realized—that economic recovery in Europe is prerequisite to recovery throughout the world.

Latin America has not yet recovered from the economic dislocations induced by the war. Foreign exchange resources, especially dollars, that accumulated during the war have been depleted, and there is now a drive to cut down imports pending the recovery of exports, especially exports to Europe. Economic disorder, including uncontrolled inflation, presses on the already low standard of life in most countries; and while the remedy lies in part in internal reforms, current problems cannot be considered entirely apart from the problems of future economic development. A veritable wave of revolutions and and political disorders in Central and South America in the past year has been an additional cause of economic instability.

Similar conditions prevail in the Far East, but here the political upheavals have been more violent and prolonged than in Latin America, and the economic effects have therefore been far more serious. Economic recovery cannot proceed in Burma while it is being wracked by the Karen rebellion. The plantations of Malaya and the Netherlands Indies cannot be fully worked nor the rich resources of this area developed while guerrilla warfare rages. The partition of India almost prostrated the interlocking industry and trade of the two new states, although some progress has been made in restoring their natural ties. Whether Japan will resume its prewar role as the workshop of the Far East has been left in doubt by allied indecision on the future of Japanese industry.

Recent events in China have served to intensify the difficulties in the Far East and to introduce a new element of tension into the world picture. The spectacular success of the Chinese communists in the civil war raises the prospect that China may be transformed from an ally

of the Western world into a member of the Soviet orbit. If this occurred, communist influence would receive a new impetus throughout the vast reaches of the western Pacific, with the consequences of increasing political and economic instability.

Insistent demands for a more rapid pace of industralization have been heard from all underdeveloped countries in Latin America, in the Middle East, and in Asia and the Far East. The United Nations has established Economic Commissions for Latin America and for Asia and the Far East, which have provided rallying points for these demands; and it appears likely that the Economic Commission for the Middle East, which is now being organized, will serve a similar purpose. Economic aid has been sought from the United States for building new capacity to produce capital and consumer goods, and there has been much talk of "Marshall plans" for Latin America and the Far East. Partly in order to meet these requests, President Truman proposed, as a "fourth point" in his inaugural address in January 1949, a "bold new program" for making American scientific knowledge and industrial techniques available for the improvement and growth of underdeveloped areas. Whether or not this program can be made to fill the need for which it was conceived remains to be seen. Detailed plans for implementing the program have still to be formulated.

The new program under Point IV is to be in addition to the existing United States program for promoting multilateral trade. But, although the United States has taken the lead in negotiating the postwar arrangements that have been devised for the expansion of world trade, it has not yet ratified the Charter of the International Trade Organization, which was completed at the Havana Conference in the spring of 1948. Moreover, favorable action by the Congress in renewing the Reciprocal Trade Agreements Act has been delayed, thus creating uneasiness regarding the permanency of the General Agreement on Tariffs and Trade, which went into effect more than a year ago.

Doubts regarding the practicability of working out world-wide, multilateral trading arrangements, as well as more temporary forces arising from current economic difficulties, have been sources of economic instability, and have encouraged the growth of regional trading arrangements. The Benelux pattern of a customs union is being followed in Scandinavia, in northern South America and in the projected Franco-Italian economic plan. These developments reflect a more general economic trend toward regionalism in international economic relations. Economic regionalism is sometimes advocated as a means of affording nations protection against the shocks of depression, espe-

cially against depressions originating outside the region. But it is also frequently associated with the goal of self-sufficiency and thus introduces an element of both economic and political instability.

The economic situation in the summer of 1949 is greatly influenced by fears of another depression, especially of a depression in the United States. Postwar shortages of consumers goods in North America and in Western Europe are diminishing, and expanding production in agriculture may soon lead to the problem of surpluses. The greater availability of agricultural and other consumer goods is easing the inflationary situation in many countries, but far-reaching adjustments in production and in fiscal and monetary policies are also becoming necessary, and new difficulties are developing in the balance-of-payments positions of several countries. To put it briefly, the end of the postwar boom may be in sight, and if the leveling off in prices and industrial production in the United States should deteriorate into a serious depression, the repercussions would be world-wide. The prospect of such a depression materializing is an important weapon in the Soviet propagandist armory, which is used on every occasion to undermine the support in other countries for the political and economic objectives of United States policy. Internal economic policy in the United States is, therefore, an important element in the world picture.

II. BASES OF UNITED STATES ACTION

THE MAINTENANCE of the peace and security and the promotion of the well-being of the nation have constituted the fundamental responsibility of the government of the United States in the conduct of foreign relations ever since the Republic was founded. Until recently the foreign policies that have been followed in the discharge of this responsibility rested primarily on the fortunate and detached geographic position of the country. Located between two oceans, and with friendly nations to the north and south, the United States was able to attain its present position of world power while remaining in a state of relative isolation. It depended heavily on marine transport in its foreign trade and on sea power as its first line of defense. Its geographic position enabled it in two world wars to rely on others for its initial strategic protection and to keep it almost immune from attack on the homeland. Vast natural resources made it less dependent on the rest of the world than most other nations.

The events of the second world war, especially the development of air power, forced the American people to realize that the United States is no longer immune from attack. Moreover, the war and the subsequent developments have also forced them to realize that any serious controversy or disturbance anywhere in the world inevitably concerns the United States from the viewpoint of its own peace and security. These changes have profoundly affected the attitude of the American people toward world affairs. They have come to understand that political isolation from Europe and Asia is no longer possible. They have accepted the fact that the immense power and influence of their country involve it in responsibilities of world leadership, which it must exercise in its own best interest.

This changed attitude of the American people is shown clearly in the present bases of United States action in world affairs. These comprise the general and specific objectives of United States foreign policy, viewed in the light of the policies and action of other nations, of the relative power position of the United States, and of certain domestic factors that condition the ability of the United States to attain its objectives in a world dominated—as was shown in the preceding section—by the relations among the major nations.

A. OBJECTIVES OF UNITED STATES FOREIGN POLICY

Action by the government of the United States in the conduct of the Nation's foreign relations takes place within a framework of broad aims of policy and principles of international behavior. Some of the aims and principles are traditional; others are relatively new. Some have been formulated and declared, while some are apparent only from official actions. All of them, however, reflect the present beliefs of the American people regarding the kind of world they want to live in and the conditions that are most likely to assure their security and well-being. It is within this frame of reference that the specific policies that govern the current action of the United States in world affairs are determined.

BROAD AIMS AND BASIC PRINCIPLES

The broadest aim of United States foreign policy is the maintenance of enduring peace, provided that the peace is based on justice and is achieved through the orderly accommodation of differences among nations. In pursuit of this aim, American policy and action have been directed toward the attainment of a peaceful world order, the establishment and preservation of democratic institutions throughout the world, and the promotion, through international co-operation, of a thriving and expanding world economy.

In the American view, a peaceful world order can be attained only if all nations accept the principles of mutual respect, equal treatment, adherence to the pledged word, and nonintervention in the affairs of other nations. Before the second world war, the prevailing American view did not regard an international organization as necessary to the maintenance of peace. What was envisaged was a world in which each nation followed these principles of conduct in its relations with other nations, while retaining for itself in all other respects almost complete freedom of action. Hence the United States directed its foreign policy toward the maintenance of friendly relations in general, and only occasionally resorted to group action with other nations. It relied for its national security on distance, neutrality, and national strength, fortified as need arose by the strength of other nations whose interests ran parallel with its own; and on the acceptance by all nations of the principles of international behavior that it believed to be necessary to a peaceful world order.

An overwhelming majority of the American people were convinced by the second world war that a peaceful world order was possible only

if it was based on a world organization of states; and the United States government therefore became the leading advocate of an organized system of international relations. This change in view introduced into American political thinking the concepts of international interdependence and of balanced national strengths in a world system of collective security. It was not firmly grasped from the beginning, however, that the new concepts implied the maintenance of adequate national strength in peacetime, both as a contribution to the effectiveness of collective action and as an ultimate safeguard in the event that the latter was ineffective. Nor was it sufficiently recognized that only as the collective system becomes a reality, will the way be open to the reduction of national armaments by mutual agreement.

The right of nations to govern themselves has been a traditional principle in United States policy, and the universal acceptance of it has been for a long time an aim of American action in foreign affairs. This broad statement of principle embraces three more specific precepts: to recognize the sovereign equality of all nations and to respect their territorial integrity and political independence; to assure to the peoples of independent nations opportunities for self-government based on free elections; and to grant self-government or independence to peoples of dependent areas who are qualified to govern themselves.

To its belief in democratic traditions and in the value of free governments, the United States adds the belief that individuals should enjoy the civil liberties, freedom to travel, to communicate freely with other peoples, and to engage in peaceful pursuits at home and abroad. These principles are inherent in the idea of world order, but they are also based on a belief in the essential worth and dignity of the individual and in the values to be derived from the interchange of ideas and cultures. They are principles difficult to apply, for they rest on a political tradition that is far from universal. The United States nevertheless continues to promulgate them as the essential foundation of a free and peaceful world.

In recent years one of the broad aims of United States foreign policy has been to foster economic co-operation among nations and to remove the economic causes of international friction. An expanding and relatively stable world economy that provides for all nations nondiscriminatory access to supplies and markets, to transportation facilities and to investment opportunities, has come to be regarded as one of the bases of peace. In pursuit of this aim the United States has lent economic assistance to promote the recovery of countries willing to co-operate, and it is now encouraging economic development to the same end.

These aims and principles indicate the direction of United States policy. The application or realization of them depends on circumstances of time and place, on the course of world events, and on the attitudes that prevail in the internal political system. Some objectives remain relatively constant because the forces that determine them are relatively constant, while others change from time to time.

SPECIFIC POLICY OBJECTIVES

The implementation of American aims in world affairs requires the formulation of specific policies, attuned to more specific objectives. Thus, the experience of the second world war soon made it evident to the United States that stability in Europe and in the Far East was essential to its own peace and security. More gradually it has become evident that the same is true in varying degrees of all other regions. It was also finally realized that the achievement of stability would be most difficult, or even impossible, if a single power dominated any important region by the threat or use of force. Full American participation in an organized world system was accepted as the most effective way of achieving and maintaining stability and security, not only in Europe and in the Far East but in the world as a whole.

In its postwar policy, the United States sought the realization of two sets of specific objectives. the creation of the United Nations system for concerted international action in the interest of world peace and security and of social and economic progress; and the reestablishment of free governments in the liberated and former enemy states, accompanied by the reduction of Germany and Japan to positions that would make it impossible for either to seek a dominant position in Europe or Asia. It took the lead during the war in attempting to establish a basis for postwar co-operation in achieving these objectives.

The objectives of United States policy within the United Nations system are twofold. The first and more general is to promote national and world security by a system of multilateral security commitments. But in striving for this objective, the United States is careful to preserve ultimate freedom of action for itself, through the veto power. It also reserves explicitly the right of self-defense and the right to make supplementary regional security arrangements. The second and narrower objective, though no less essential to peace and security, is to encourage collaboration among the major nations. The latter is necessary to maintain the underlying conditions of a peaceful world order and to prevent the emergence of a dominating power in Europe or Asia sufficiently strong to challenge the forces making for stability.

In joining the United Nations system the United States assumed that the conditions necessary to peace and stability could be established in the first instance by collaboration among the great powers outside the United Nations; and that once established the conditions could be maintained by the same kind of collaboration within the United Nations system and outside of it in keeping with the provisions of the Charter. These assumptions implied the absence of basic disagreement among the major powers and the acceptance of a self-denying ordinance of noninterference in the affairs of smaller states.

From 1945 onward, however, the actions of the Soviet Union have run counter to these assumptions, and as Soviet aggressiveness and intransigence have increased, United States policy has stiffened. Until early in 1947 the United States was still struggling to believe that the Soviet Union would honor its wartime pledges to co-operate with the other major powers in restoring political and economic peace. The proclamation of the Truman Doctrine, and its implementation in the Greek-Turkish aid program, was the first open admission that the belief was unfounded and that the Soviet Union would not honor its pledges unless forced to do so. When the Soviet Union persisted in obstructing the German peace settlement, the United States took the next step of sponsoring a European recovery program, which Russia was invited to join but which it decided to boycott.

By late in 1947, the conduct of the Soviet Union was raising grave doubts in the minds of all the Western democracies regarding its real intentions. It had consistently refused to participate in the generous offer of the United States for the international control of atomic energy. It had rejected the proposals of the United States for a forty-year quadripartite pact as a guarantee against new threats of German and Japanese militarism. The Soviet attitude on the future role of Germany caused a deadlock in the negotiations on the German settlement, and the United States took the lead in breaking off the negotiations. Thereafter, events took the course described above, in which from the point of view of United States policy the Brussels Treaty was a milestone. The United States promised assistance to the treaty powers by appropriate means; it began itself to rearm; and it reached a culminating point in the development of its policy by negotiating the North Atlantic Treaty.

Thus, by 1949 the United States was compelled to seek additional means of security. President Truman summed up the new American position in the "four points" of his inaugural address in January 1949: (1) "unfaltering support" to the United Nations and renewed efforts to

"strengthen their authority and increase their effectiveness"; (2) the continuation of American programs for world economic recovery; (3) the strengthening of the "freedom-loving nations against the dangers of aggression" by means of regional agreements that will provide "unmistakable proof of the joint determination of the free countries to resist armed attack," and by military aid; and (4) the undertaking of a "bold new program" for making the benefits of American "scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."

This program indicates that the United States is still committed to a world-wide system of collective security, but that it has been compelled for the present also to look elsewhere for its security. It has been forced to assist in the creation of a power system of the type that in the past it rightly or wrongly either avoided or opposed. The United States has not ceased to support the United Nations Organization, which it still believes to be the most satisfactory means of promoting peace and security, provided that unity among the major powers exists, but it has shifted the emphasis to such means of action as national measures, regional systems, and other special arrangements that operate outside the United Nations Organization but are permitted under the Charter. These are the means that are available to the United States in containing the Soviet Union.

In the peace settlements after the war, the United States sought to re-establish Europe on approximately the prewar pattern, with the exception that Germany was to be disarmed and rendered impotent as a future aggressor. Free governments freely elected became an objective of policy on the assumption that by this means a Europe free from domination by any one power would emerge. In the last four years the United States has added to these general objectives the particular objective of encouraging the creation of a strong western European group as a bulwark against Soviet aggression. In the process a significant change has taken place in its policy toward Germany, for both economic and strategic reasons. The crucial importance of Germany in European recovery caused the United States to enter into the three-power agreement of April 1949 for re-establishing Germany as a going concern. This change would probably have been forced on the major powers even if there had been no other sources of disagreement among them. In view of the attitude of the United States toward western European military and economic co-operation, it would appear that the objective of the United States is not only a strong Germany but also a still stronger Britain and France.

It is here that certain inconsistencies in United States policy begin to be evident. The European recovery program, the United States policy in Germany, and the North Atlantic Treaty with its policy of containment of the Soviet Union leave no doubt of American intentions to assist Western Europe in establishing a bulwark against Soviet power. Yet the reluctance of Congress to adopt the complete program of economic assistance and of military aid for Western Europe, without which this region could not for some time be expected successfully to oppose Soviet power, leaves Europe in serious doubt of the ultimate intentions of the United States. Given the present fears in the United States of Soviet intentions, however, it seems probable that economic and even military support to Europe will be accepted as American objectives if the Soviet threat looms larger or fails to diminish. But Europe cannot ignore the possibility that the measure of aid forthcoming from the United States may not be adequate to the jointly pursued aims, and this may adversely affect the continuity and firmness of action in the western European countries.

This is one aspect of a more serious problem. Despite the great transformation in American foreign policy during and since the second world war, isolationism is still deeply rooted, and it is capable of asserting influence on congressional action. Although the United States seems fully aroused to the dangers of the Soviet threat, there is still a strong tendency in some quarters to believe that the danger is not material until it reaches the Western Hemisphere.

In the past the most serious "blind spot" of American policy has been Europe, and it is there that American intentions are least trusted. Isolationism never cut off the United States from Latin America nor from the Far East as it did from Europe. Although the European recovery program and the North Atlantic Treaty represent a marked change in the attitude of the United States, and although American policy has lately become centered in Europe, there is still the possibility that the attitude of the United States may change. The recovery program and the treaty have been supported as bulwarks against communism. A release of the tension between the United States and the Soviet Union might cause a resurgence of the American demand to let Europe "stew in its own juice," and a relaxation of efforts greater than was justified by the actual improvement in the political climate. Tradition dies hard; and in Europe there is an undercurrent of feeling that the United States may give up before the game is won, with a consequent weakening of the political elements in Europe that derive their strength from relying on co-operation with the United States. The

propaganda machine of the Soviet Union loses no opportunity to encourage this kind of disillusionment. Soviet policy would be quick to capitalize on it if it occurred.

The United States became actively involved in the political and economic affairs of the Mediterranean and the Middle East through its participation with Great Britain in the control of the area during the second world war. The interests acquired during the war came to be recognized as of immense importance to the United States, and the area is now more vital than ever in the European and the world power position. The petroleum resources of the area are of great importance with reference not only to the power conflict with the Soviet Union but also to the economic recovery of Europe. The maintenance of political stability in the area, an objective held by the United States in common with Great Britain, would therefore contribute much to American aims in Europe, and to the security of the lines of communication through the Mediterranean and Red Sea and the Persian Gulf. In the furtherance of this objective, the two nations have together striven to guard against Soviet intrusion into the area by resisting Soviet pressure on the periphery and by refusing to permit the Soviet Union to obtain internal control over such countries as Iran, Turkey, Greece, and Italy. The greater burden of responsibility for implementing this policy, however, has recently fallen on the United States.

Stability in the Middle East depends also on the establishment of harmonious relations among the Arab states and between them and Israel. In making its contribution to a solution of this problem, the United States has been confronted with difficulties arising from its policy of giving strong support to the independent Jewish state. This policy has also been a source of difficulty in United States relations with Great Britain. A joint Anglo-American policy to improve conditions in the Arab states is emerging as a possible approach to the problem.

The objectives of the United States in the Western Hemisphere have been largely concerned with developing collective security arrangements and improving economic conditions throughout the region, as well as with promoting its own economic interests. In 1938 collective security concepts began to be embodied in the inter-American system, and these were expanded and formalized in the Rio Treaty of 1947 and the Bogotá agreements of 1948. The new regional arrangement conjoined the collective concept of the United Nations Charter with the already emerging concept of a multilateral Monroe Doctrine. In this

new arrangement, the objectives of the United States are to keep the peace in the Western Hemisphere and to provide for quick concerted action to protect the hemisphere against outside attack.

Latin America is an economically underdeveloped region, and the countries of Latin America are now more than ever interested in the assistance of the United States for economic development. For the time being, however, the United States regards Europe as having first claim on its assistance, because European strategic problems are more urgent and its economic problems more central to world recovery than those of Latin America. The problem of assistance to Latin America arose at Rio and at Bogotá, however, and it is to be further examined at the forthcoming inter-American economic conference at Buenos Aires.

The marked disparity between economic and political conditions in the Far East and in the West has caused the United States to lay great stress on the promotion of well-being in the far eastern countries. It has recognized that the realization of American security and economic objectives depends, to a greater extent perhaps than in any other part of the world, on raising economic and political standards in these countries. Although this objective was adopted largely because it serves the long-term interest of the United States in political and economic stability, it was also prompted in part by altruism, and it has helped to secure the good-will of the peoples of Asia.

The ultimate solution of the problem of stability in East Asia is being sought by the United States in the development of China, Korea, Japan, and the Philippines into states capable of maintaining their own integrity and of contributing to the peace and progress of the area as a whole. Farther south, in Indonesia, the United States has tried to use its influence to bring about a settlement that will be at once fair to the Netherlands and satisfy native aspirations for independence. The rapid increase in the internal power of the Chinese communists has thrown nearly everything into the melting pot, but pending an accommodation with the Soviet Union, the interests of the United States require that it should do everything possible to maintain its power in the region, in pursuit of its policy of containment. The objective of a free and independent Korea cannot be realized unless the Soviet Union joins with the United States in keeping the pledge they jointly made. American sympathies with the aspirations of the dependent peoples of Indo-China and Indonesia are tempered by the risks to stability that attend rapid and ill-prepared changes; by the desire to retain the support of the colonial powers in the main struggle

for American objectives; and in the case of Indo-China by the communist tinge of the insurgent regime.

The United States must rely largely on its own strategic position to safeguard its security interests in the Far East until American power can be supplemented by the collective power of peacefully disposed far eastern countries. At present the power of the United States is based on its control of the former Japanese mandated islands under a strategic trusteeship, its occupation of the Japanese islands south of the thirtieth parallel, and its predominant position in the occupation of Japan.

The objective of improving economic welfare commanded special attention after the war because of the appalling conditions that existed in many parts of the world. A healthy world economy was accepted by the United States as indispensable to the maintenance of peace. Within this broad aim there are three specific objectives: to promote economic recovery and development; to build a multilateral, nondiscriminatory world trading system; and to realize certain basic human rights. The pursuit of all three objectives has been begun on a wide front, the first by unilateral and multilateral action outside the United Nations and the other two by action within the United Nations system.

The United States has recently elaborated on the first of these objectives by the promise of technical assistance to underdeveloped areas—"Point IV" in President Truman's program of January 1949. It has also acquired a strong security aspect but without loss to its importance for the long-run economic aims as a whole. At the present time, however, the United States appears more concerned with recovery than with the development aspect of this objective. In fact, it has had to make a choice in view of the number of claimants relative to the resources available, as the discussion arising out of the "Point IV" program clearly shows.

The development of a multilateral world trading system is the final aim of the United States in its struggle for the reduction or elimination of trade barriers between nations. The arrangements that are to govern the world trading system have been embodied in the Charter of the International Trade Organization. The first real test of United States intentions is about to be made, when this instrument comes up for approval by Congress. If it is approved, it will still remain to be seen whether the domestic factors conditioning United States policy will permit the fulfillment of the obligations undertaken. All these economic objectives commit the United States to participate in

world affairs on an unprecedented scale. Because of the present disordered state of the world economy, the realization of them is more dependent on United States action than is true in the case of other objectives.

B. FOREIGN POLICY OBJECTIVES OF GREAT BRITAIN AND THE SOVIET UNION

Of the purely external factors conditioning action by the United States in pursuit of its foreign policy objectives, the most important are the objectives and actions of other countries, especially the other major powers. These affect the implementation of United States policy and may even deflect it. For this reason an account is given below of some of the salient features of the foreign policy objectives and action of the other two of the Big Three.

During and since the end of the second world war, the United States has found itself going further in the direction of active collaboration with Great Britain than at any time in history. This has been true notwithstanding differences that have arisen in the immediate objectives of economic policy. Collaboration between the two countries was important in preparing the way for the North Atlantic Treaty. It stems from a similarity in fundamental principles and basic objectives, which therefore gives these two countries a mutuality of interest throughout the world. On the other hand, as is clear from the preceding sections, both the United States and Great Britain find themselves sharply at odds with the Soviet Union.

BRITISH POLICY AND ACTION

The objectives of British postwar policy when stated in the most general terms do not differ perceptibly from those of the United States. This is seen very clearly in the United Nations, in the creation of which Great Britain participated fully with the United States and in the operations of which the two countries despite some differences between them have stood solidly together.

Great Britain claims that peace has been its aim since 1815 and that its success in achieving it up to 1914 was recognized in the phrase *Pax Britannica*. One of its intermediate objectives has been to maintain a balance of power in Europe, on the assumption that to prevent a single power from dominating the Continent was one of the essential guarantees of peace. Historically, Great Britain has been under no temptation to dominate Europe, and its detachment has sometimes verged on a policy of isolation. The only significant change in the

framework of present British policy by comparison with the past lies in recognizing that the balance-of-power concept now applies to the world as a whole and not to Europe alone. This change has increased the importance of the United States in British eyes and has made Anglo-American co-operation in Europe, or wherever the global interests of the two countries meet, one of the foremost objectives of British policy.

It is evident that Europe must remain central in the world balance of power, especially if the split between East and West is such that an alignment of powers in Europe is inevitable. British policy reflects the belief that this has happened, and, however reluctantly the conclusion was reached, the concept of western European union is now a dominant factor in British foreign policy. It found its first expression in the western European pact signed at Brussels, and more recently in plans for the Council of Europe. From the military standpoint the new arrangements may prove to be no more than the extension of traditional British policy toward the Low Countries and France. Mutual arrangements for the use of European military facilities have already been concluded and United States military support as a concomitant of the North Atlantic Treaty may be given in some form. The possibilities of economic union are being tested by the recovery program, but the obstacles here are considerable. The obstacles to political union are also considerable as the preliminary negotiations for the Council of Europe have demonstrated. In both cases, Britain must face possible conflicts with Commonwealth responsibilities. Present British policy appears to be to strengthen its military ties with France and other signatories of the North Atlantic Treaty and to view political and economic union with reserve.

British policy has Imperial as well as European strands and they both require that no hostile foreign power shall dominate the Mediterranean and the Middle East. In pursuit of this aim, Britain is engaged in a policy of co-operating with the Arab peoples to maintain their integrity as individual states and to build up a system that will include responsibility not only for mutual defense but also for economic and social improvement. It has sought to negotiate treaties of mutual defense with Iraq, Transjordan, and Saudi Arabia as a part of this policy. The success or failure of the British policy of friendship with the Arabs affects immediately the British position in the vast area from the Black Sea and Gibraltar on the north to the Arabian Sea and the Gulf of Guinea on the south; and more remotely it affects the exercise of British power in any direction extending from this area.

The policy of supporting the Arabs in Palestine, however, raised very delicate problems with the United States, especially in view of the failure to co-ordinate British and American policy. The two countries have common interests in the Mediterranean and the Middle East that go far beyond oil to strategic interests in general. Britain alone is unable to resist Soviet pressure in the area, and it has begun to think in terms of joint responsibility with the United States.

No reason exists for Great Britain and the United States to experience difficulties in arriving at common decisions in the military field in the Middle East. The defensive arrangements already made or contemplated by Britain with the Arab states are subject to the obligations of the United Nations Charter; and whatever measures may be worked out with the United States would also have to come under the Charter. In the case both of military aid and of long-term social and economic improvement, the British view appears to be that the best chance for a successful joint policy is to combine a flow of American capital with British diplomatic and administrative machinery in the Middle East.

The new emphasis of British policy in the Middle East on economic, political, and social reform is an important element in maintaining the security of the region. Rising nationalism and disruptive ideological forces have combined to threaten stability, and British policy is based on the necessity of fundamental reform if stability is to be maintained. The difficulties in pursuing this objective lie in the fact that the reforms can be accomplished only gradually, while short-term action is necessary for dealing with social and political unrest. This raises the problem of disturbing vested interests and of deciding how far Britain (or the United States) can go without interfering unduly in the internal affairs of these countries.

Two courses have been pursued: the first is to support the United Nations Economic and Social Council and its associated groups in long-term efforts to develop the area; and the second is to support specific plans for immediate economic and social improvement. The success of both is crucial to the maintenance of stability. If the energies released by the growing political and social consciousness of the middle eastern peoples cannot be directed into evolutionary processes of reform, they may erupt into revolution with possibly disastrous consequences for British and other vital interests.

The rapid march of events in India, Burma, and the rest of South Asia since the first world war has changed the basis of the relations between Great Britain and the countries of this area. British policy has

been to yield to nationalist aspirations and yet to rely on the new states viewing their interests as requiring relations with Britain similar to those maintained during the period of dependency. This policy seems to have borne fruit even in the difficult cases of India and Pakistan. Because its own interest lies in achieving stability in the area, Britain seems to be willing to continue some of its old commitments on the assumption that a basis of continuing co-operation will be found for protecting common interests. The success of British policy in this area would strengthen the position of Britain in Europe and in the Far East and thus contribute to the preservation of peace throughout the world.

There appears to be little change in the prewar objectives of British policy in the Far East, which were to maintain satisfactory conditions for trade and to protect existing British interests, especially in China. A new element has been introduced in the increasingly active part being played by Australia and New Zealand in far eastern affairs. Britain apparently welcomes their increased participation but is also willing to let the United States play the most active role in restraining the Soviet Union in this area.

In Latin America, British policy has developed within the framework of the Monroe Doctrine. Although the political and strategic interests of Britain have declined as United States influence has increased, British possessions in the Western Hemisphere have continued to have an importance that cannot be overlooked. It is evident that Britain has no intention of relinquishing its territorial rights, as can be seen from its firm stand in the Honduras boundary dispute and over the title to the Falkland and South Shetland Islands, although it has offered to submit its case to the International Court of Justice. The greatest interests of Great Britain in Latin America are economic; and its policy continues to be to protect its substantial remaining investments and to maintain friendly relations with countries on which it is dependent for food and raw materials.

The formulation of British economic policy since the war has been mainly a struggle between the adherents of multilateralism and bilateralism in trading relations, although domestic agricultural policy has had a significant effect of its own. The struggle has been complicated by economic relations within the Commonwealth, by the special problem of the sterling area, and by fears of economic instability in the United States. The struggle within Britain has assumed additional importance because in one of its phases it was a struggle for and against co-operation with the United States. Although Great Britain

has been reluctant to go as far or as fast as the United States government would like in the direction of restoring freer multilateral trading relations, the multilateralists have for the time being won in principle.

Policy-making has been confused by the failure to distinguish between long-run objectives in which the arguments for the American policy of greater freedom in international economic relations are basically accepted, and the short-term measures that are forced on some countries in the transition from war to peace. The weakened economic condition of Britain has made the temporary deflection from the long-run objectives especially important in its case. Because of this, it was all the more necessary that Britain should have established clearly its intention ultimately to follow the path leading to the long-run objectives that are in its own best interest. The failure to do this introduced confusion into British and American understanding of the purposes of the sterling area and of the justification for its continued existence; it encouraged Britain to believe that it could retain its freedom of action in internal economic and social policy without regard to its international accounts; and, perhaps most important of all, it contributed to the British obsession with the problem of unemployment, which, together with its fear that depression would recur in the United States, has been a great obstacle to formulating a joint British-American foreign economic policy.

There are still uncertainties regarding the direction that British economic policy will take in the future, especially in view of the rising domestic discussion over the further nationalization of industries and the social welfare policies of the Labor government. The attitude of the United States may have considerable influence in shaping British policy in this and other respects. If differences arise on these questions between the United States and Great Britain, however, it is improbable that they will be enduring causes of dissension. In the main, British policy is likely to be in support of, rather than in opposition to, American policy in the international economic sphere The danger is that an economic recession in either country might lead to domestic demands for temporary deflections from agreed objectives of long-run policy.

SOVIET POLICY AND ACTION

It is difficult for the United States and the other major nations to be sure that they understand the basic objectives of Soviet foreign policy. Sometimes these objectives can hardly be discerned at all. This is in strong contrast with British objectives, an understanding of which, even when disagreement is present, comes fairly readily to the United

States. The explanation is no doubt to be found, at least in part, in the almost complete absence of free intercourse with the Soviet Union. For information about Soviet policy it is necessary to rely on formal official statements by a government that often chooses to be enigmatic, or on less formal but still quasi-official statements in a government-controlled press, which are not always enlightening on what lies behind the more formal statements. Consequently, it is true of the Soviet Union in a special sense that its objectives must be judged by its actions.

This, however, introduces an additional difficulty into international relations. The broad objectives of any country lead it to formulate policies and to take action of the most diverse kinds. Yet, despite the diversity, the specific policies and actions fall into a comprehensible pattern provided that the general principles and broad objectives to which they relate are understood. On the other hand, if surmises must be made about these broad objectives from the observation of individual actions, there is an obvious danger of reading into them too much or too little, or of misreading them altogether.

Since the end of the second world war, the Soviet Union appears to have intensified and clarified attitudes and objectives of long standing in its political evolution. It has insisted more rigidly than at any time since the twenties on the fundamental differences between its regime and purposes, and the regimes and purposes of the leading states of the capitalist world. It has discarded the distinction, approved in wartime, between fascism and capitalist democracy. It has stressed its belief that capitalism is rapidly disintegrating, and it has banned the notion that a temporary stabilization of postwar capitalism is possible. In the cultural field it has become openly intolerant, to a degree greater than ever before, of foreign commentaries on Soviet life or literature and has described practically all manifestations of Western culture as "decadent." Access to the Soviet Union and communication with Soviet citizens are even more difficult than in the period of the purges.

The foreign policies pursued by the Soviet leaders have undergone many changes since the establishment of the communist regime in Russia thirty-two years ago. At the outset, they were based on a belief in the imminence of a world revolution without which, in the view of many Soviet leaders, the regime in Russia could not maintain itself in power, and for the consummation of which sovietized Russia was to serve as the spearhead and directive influence. As the prospects of revolution elsewhere in the world receded, and as the communist

regime consolidated its position in Russia, the Soviet leaders began to pursue a dual course. On the one hand, they proceeded to build up the power of the Soviet Union through a series of five-year plans. As one of the means to this end, they began to establish relatively normal relations with other countries, from which they sought the economic aid necessary for the reconstruction and development of Russia. On the other hand, while announcing their new belief that socialism was possible in one country, they never abandoned their conviction that a world communist revolution was inevitable. Nor did they cease to regard themselves as the spearhead and directive influence of the revolution, and to act accordingly through the Comintern and in other ways. Throughout this period, which lasted until the rise of Naziism in Germany, the situation in the Soviet Union was characterized by repeated internal dissensions among the ruling group, by ruthless purges, and by zig-zag tactics in dealing with other countries.

A basic shift in Soviet foreign policy occurred in the early thirties, when the rise of Hitler to power, together with the menacing gestures of Japan in the Far East, raised the possibility of fascist aggression against the Soviet Union. The latter then became a strong advocate of collective security and joined the League of Nations, although at the same time it merely retarded, rather than abandoned, its revolutionary activities in other countries, and its ruthless internal policy continued unabated.

When collective security failed with the Munich agreement of 1938, the policy shifted again, this time to that of bargaining with Germany and Japan. In the Soviet view, the Nazi-Soviet neutrality pact of 1939, and later the Soviet-Japanese neutrality pact of 1941, not only turned fascist aggression away from the Soviet Union but also paved the way for a long and exhausting war among the non-communist states that would almost inevitably produce social upheavals conducive to the spread of communism. The German attack in 1941, however, proved these calculations to be illusory, and the Soviet Union perforce joined the coalition of anti-Axis powers in self-defense, just as it had joined the League in 1934. Furthermore, the Soviet Union abolished the Comintern and participated in planning for a peaceful postwar world.

With the approaching defeat of Germany early in 1945, Soviet policy shifted back to the active spreading of communism and the extension of Russian power. It is still difficult to assess the extent to which by this time the spread of communism or the expansion of the Russian state had become the guiding consideration. In practice, the two have been used to re-inforce each other.

The change in Soviet policy was displayed by the ruthless manner of bringing the eastern European states under communist domination, and by the overt threats against Greece, Turkey, Iran, and China. It was also shown by the uncompromising Soviet position in the negotiations on the peace treaties; by its behavior in the occupation and control of Germany, Austria, Japan, and Korea; and by the constant use of the veto in the United Nations. By prolonging political and economic chaos, the Soviet Union expected to create conditions favorable to the attainment of its objectives. In 1947 it revived the Comintern in the shape of the Cominform in order to combat the efforts of the Western powers to improve political and economic conditions in Europe.

Outside its own borders, the approval of the Soviet authorities is reserved for manifestations of "popular democracy" in satellite countries that bring their own regimes and systems of control closer to those of the Soviet Union. Among colonial peoples struggling for independence, special praise is reserved for leaders who have had Moscow training, others, who may appear equally anti-imperialist to non-Soviet observers, are treated as "compromisers" and "betrayers." In the principal countries of Western Europe praise is reserved for the communist parties or, in the absence of communist parties of significance, for leaders who express approval of Soviet foreign policy in phrases that echo the Soviet propagandists. In the light of these facts, it must be assumed that the Soviet government is trying to propagate a "monolithic" conception of world politics, based on a one-sided picture of the actions and motives of governments outside its control.

The Soviet government and the Communist party are engaged in consolidating their control over their satellites. With the establishment of communist control in Czechoslovakia, only Finland among the satellites has retained, in fact as well as in form, the basis of interparty rivalry and multiparty government. The military agreement with Finland completed a series of defense arrangements. While the Soviet Union has not gone to the length of proposing to monopolize the foreign trade of its satellites, its own economic interests are clearly to be given first consideration in these countries. Trade with the Soviet Union, and the internal economic policies of developing the heavy industries and of increasing military production, are being pursued with little regard to the effect on the domestic standards of living.

The Soviet attitude in the negotiations for a German peace settlement have shown clearly that its policy is to dominate Germany as

it dominates its present satellites. Here the stakes are so great that the Western powers have had to accept the *de facto* partition of Germany and the split between East and West rather than risk compromising their interests. The German problem may or may not be the key to Soviet relations with the other great powers, but it affects nearly all aspects of Soviet policy, and unless Soviet policy on Germany changes, there is little prospect of a settlement in Europe.

In the Far East the Soviet government has energetically pursued its policy of strengthening a one-party regime in northern Korea, of encouraging it to refuse to co-operate with the United Nations and with the Korean authorities in the south, and of holding out the promise of Korean unity under the aegis of the communists. In China the Soviet government has watched, without any outward show of interference, the communist forces consolidating their hold on all of China. In Japan it has expressed continuing concern over the policies of the American authorities, and has continued to insist on its veto power in the drafting of the peace treaty with Japan.

Elsewhere in the world the Soviet Union has shown varying degrees of activity. In India, Burma, and Palestine it watched with satisfaction the British withdrawal. Recently, it has been remarkably quiet concerning its demands on Iran and Turkey. Communist influence has been further weakened in the smaller European countries, despite their obvious fears of the Soviet Union. In France and Italy the anti-communist middle-of-the-road governments were able to strengthen themselves, helped partly by the open association of the communist parties with the Cominform and partly by the communist rejection of American economic assistance. But the communists retain control of many of the principal positions in the labor movement in both countries.

Communist strength outside the Soviet sphere rests on a variety of factors, differing from country to country. These include the desire of some groups to create state ownership of the means of production by the most direct route; contempt for a former ruling group that had in many respects abdicated its leadership; traditional grievances against landlords, clericals, and class barriers; and the simple desire to become the ruling element in the state. The role of the "cold putsch" is of great and central importance. The Soviet government does not rely on "spontaneity," on "hot" revolutions; for displacing the present rulers it looks to the systematic taking over of the levers of power, coupled with the legend of inevitability that attaches to its historical predictions. The "cold putsch," backed by Soviet might, seems invincible until it is met with opposing forces of equal or greater strength.

While continuing to rely mainly on its own strength, with its satellites to act as buffers, the Soviet Union has shown no desire to withdraw from the United Nations. With the veto to safeguard it from action against its interests, it has made effective use of this unprecedented sounding-board to promote its longer-range views. Being steadily in a minority is no new experience, and may not be objectionable from the point of view of the Soviet Union so long as it can make the whole world feel the impact of its aims through the United Nations.

Most of the policies that the Soviet government has so far pursued had their parallels in Imperial Russia. In fact, it might be argued that the basis of Soviet foreign policy during the past fifteen years has been that of a national state eager to protect what it already holds and always ready to seize the prizes that eluded the Tsars for centuries. Soviet territorial ambitions in the Baltic states, eastern Europe, and the Balkans, the Black Sea area, especially the Dardanelles, Iran, Mongolia, and Manchuria would then be seen as efforts to gratify Russian national sentiment. A variant on this explanation is that considerations of national security demand that states on the Soviet borders should have regimes that are not basically antagonistic to Moscow. This would provide a series of buffer states against the traditional enemies of Russia—Germany in Europe, Great Britain in the Middle East, and Japan in the Far East.

But Imperial Russia never achieved, even in 1815, a position of potential domination over the Continent comparable with that of the Soviet Union today. The policies of Tsarist Russia had perforce been adjusted to achieving its aims piecemeal, always restrained by a concert or balance of great powers in Europe. Imperial Russia did not possess in Pan-Slavism an instrument even for combining neighboring Slav peoples, much less one such as communism has provided for projecting its programs far beyond its frontiers. Soviet leaders pride themselves on attaining the territorial ends of Tsarist Russia, while their allegedly universal ideology is used as an excuse for projecting their aims far beyond the ambitions of Tsardom.

The present Soviet leaders have always insisted that the protection and building of the power of the first communist state was the duty of every communist in the world. That this might also mean the protection and building of a Russian national state seems to have eluded non-Russian communists. The Soviet Union has never been hesitant in sacrificing the communist parties abroad to Russian national interests by withdrawing its support from them whenever that was the realistic thing to do.

At the close of the second world war, the communist parties installed in power in Eastern Europe were the means of making territorial changes favorable to Russia, and of establishing regimes friendly to a sovietized Russia and protective of its security interests. Russian-controlled communist parties in Greece, Iran, and China were used in attempts to overthrow the existing governments and to replace them with Soviet puppets. In the rest of the world, the communist parties were again directed to take a militant communist line in order to gain adherents and build up their strength. They could be used as apologists abroad for Russian demands in the peace settlement, and to create confusion and discord in the Western democracies. Hence the latter would be compelled to waste their energy in fighting communism at home instead of using it in opposing Soviet demands abroad.

The Soviet Union is engaged in a great effort to reconstruct its war-devastated economy by 1950, when it intends to proceed further with the building of a modern industrial economy capable of meeting all its technical and military requirements from its own resources. It does not rely in any major respect on foreign techniques or technicians, although it undoubtedly uses its access to foreign technical achievements to take short-cuts in its own development, and it is ready to exploit any parts of the economy of Eastern Europe that can be geared into its own economy. In the main, however, the process continues of developing the Soviet economy by the hard work and hard living of the Soviet peoples.

Although Russian trade with the satellites has increased, there is no overt tendency to assimilate them completely to the Soviet economy. There is still less tendency to rely on assistance from other countries or from international organizations. It is even doubtful whether the Soviet leaders were influenced during or after the war by the thought that outside assistance could be secured only on the basis of conciliatory international conduct. On the contrary, there is every indication that the Soviet Union has based its economic future on a policy of self-sufficiency and isolation from the world economy. This is in keeping with Marxist theory, according to which it is characteristic of a capitalist economy that it cannot develop without enlarging its foreign outlets, while a communist economy must export only to the extent necessary to pay for imports, which in prewar years the Soviet Union had already reduced to a bare minimum.

The Soviet leaders acknowledge that a policy of self-sufficiency has its shortcomings, but they claim that these diminish progressively

as the unit practicing the policy increases in size. Economic penetration by the Soviet Union of the national economies of the satellite countries and their planned adjustment to the needs of the Soviet economy offer some indications of the future course of policy. The incorporation of the rich Silesian coal basin and of the Rumanian oil fields in the Soviet economic system is expected to facilitate the achievement of self-sufficiency of the Soviet Union in its western fringe.

On the other hand, recent developments in the West may have convinced the Soviet leaders that the period of Soviet expansion, especially in Europe and the Middle East, has come to an end. There is even some evidence that the Soviet leaders are not too sure that they can hold what they have already acquired. The defection of Yugoslavia may well prove to be a turning point. It may become the symbol of a conflict of loyalties as between the dogma of communism, the national interests of the Russian state, and the national interests of each of the present satellites.

C. RELATIVE POWER POSITION OF THE UNITED STATES

The formulation and the execution of the foreign policies of the United States are conditioned by its national power in relation to the power of other nations, especially the major nations. While the objectives and policies of the latter are purely external factors affecting United States policy, their power positions in relation to that of the United States constitute a mixture of external and internal conditioning factors.

The national power of the United States, which is the sum total of the economic, military, and moral resources of the nation, determines its political influence, in the broadest sense of the term, in world affairs. The relative power position cannot be overlooked in setting the most general objectives of policy, but it plays a decisive part in determining the ability of the United States to carry out its policies in pursuit of the objectives.

ECONOMIC AND MILITARY POWER

With its enormous industrial capacity, its vast natural wealth, and its large body of highly trained man power, the United States has no equal in economic resources, which are an essential element in national power. By mobilizing its economic resources during the war, the United States was able to create the greatest military establishment that the world has ever seen and at the same time to act as the "arsenal of democracy" in the sense of extending material assistance to its allies in the struggle against the Axis.

The United States was the only major nation to emerge from the war with its economic resources not only intact but on the whole increased owing to the expansion of much of its physical facilities for production. As soon as the war ended, the productive capacity of the nation was turned to civilian uses and national production soon rose to an all-time high. American economic resources that had sustained the "arsenal of democracy" during the war were now available for the processes of reconstruction. This favorable position has given the United States much greater freedom to maneuver diplomatically than would otherwise have been the case. It has enabled the nation to exert considerable influence in support of objectives other than the purely economic.

In contrast to maintaining and even increasing its economic strength, the United States permitted its wartime military strength to decline abruptly soon after the end of hostilities At the same time, except for the Soviet Union, the other principal victors in the war, weakened by their war effort, were compelled to bring their current strength down to somewhere near their own reduced capacity to maintain it. The Soviet Union, on the other hand, retained much of its wartime military strength. The result of these changes, was that a striking disparity of national military strengths occurred in favor of the Soviet Union at the time when the major nations were just beginning to put into effect the arrangements made during the war for their joint assumption of responsibility for the maintenance of international peace and security.

The disparity of military strengths would have been of less consequence if it had occurred without disunity among the major powers But some Russian purposes that entered into its failure to disarm further were also the cause of dissension among the allies. In the absence of unity the disparity in armed strength was a great source of danger to world peace.

It was almost two years, however, before the full significance of this situation was driven home, and in the meantime, the Soviet Union seized the opportunity to make a determined bid for domination in Europe and in Asia. This was based in the main on its preponderance of military strength and its relatively favorable military position, but the ideological conflict between communism and democracy was also used, both as a propagandist cloak to hide its real aims and as a weapon in the struggle.

When the extent of disunity was first being realized, there was a tendency, especially in the United States, to think of the causes and the consequences in terms of two countries only. The "polariza-

tion of power," with the Soviet Union and the United States as the two poles, became a stock phrase. This concept was encouraged in some countries in Western Europe, which were misled into believing that an ideological conflict between the Soviet Union and the United States was the main source of disunity. Great popularity attached in this period to the picture of France and Great Britain as possible mediators between the American and Soviet extremes. The idea suited Russian purposes, for it kept alive a divisive influence among the Western powers. Once the true nature of the situation was recognized, however, the United States and the western European nations began to think and to act in terms of the desperately urgent need to restore an equilibrium of power in Europe, and in the world as a whole, as an effective counterpoise and deterrent to Soviet expansion.

The first and by far the most important step to be taken in restoring a world equilibrium of power is to reconstitute the current military strength of the United States. This process has now been going on for more than two years. Today, the United States has a greater naval strength, except possibly in submarines, than the Soviet Union, and it is believed to be superior in the quality of equipment for its ground and air forces. In the numerical strength of these branches, however, it is believed to be inferior to the Soviet Union. Moreover, another source of inferiority of the United States is the distance of American forces from the Soviet Union in contrast to the strategic disposition of the Soviet ground and air forces near the critical areas of Europe and Asia. On the other hand, American inferiority may be offset to some extent if, as is believed to be the case, the United States has the exclusive possession of the atomic bomb.

While the United States and the Soviet Union may be regarded as the two strongest nations, they are far from being the sole repositories of national power. There are many other nations with resources and capacities, the disposition of which are of decisive importance in determining the relative power positions of the two giants. Although economically weaker than before the war, Great Britain has today more men under arms than ever before in peacetime. If it can be considered as the nucleus of a Commonwealth that includes India and Pakistan, it should be ranked high as a source of power. In spite of its current military and political weakness, France is still the most significant military power on the continent of Europe next to the Soviet Union, although much inferior to the latter. Both of these major nations are now formally allied with the United States through the North Atlantic Treaty.

Of the smaller nations, Belgium, Luxembourg, the Netherlands,

Italy, Denmark, Norway, Portugal, Iceland, and Canada are similarly allied with the United States through the North Atlantic Treaty. Australia and New Zealand have strong Commonwealth ties with Great Britain, and while the position of India and the Union of South Africa may be less certain, an alignment with the Soviet Union is hardly conceivable. Greece and Turkey are virtually under the protection of the United States by reason of the Truman Doctrine, and American military aid is being given to Iran. Moreover, the United States has the equivalent of a mutual assistance pact with Argentina, Brazil, Mexico, and the smaller Latin American countries through the Rio Treaty.

Of the five major nations recognized as such at the end of the war, China alone is a doubtful quantity in the alignment of nations. If as a result of the present civil strife, China should become a communist state, it would have to be considered as a part of the Soviet constellation, or at best as unfriendly to the United States and the Western democracies. At present, the Soviet Union has only Poland, Czechoslovakia, Hungary, Rumania, and Yugoslavia as its allies, and the firmness of even their allegiance must remain in doubt while Titoism is rampant in Yugoslavia. Finland is struggling to maintain some measure of independence, but it must count for the time being as part of the Soviet orbit.

Of the medium-sized nations, only Sweden and Spain are not yet formally allied with either side. The sympathies of these two countries for the non-communist group are evident, however, and only coolness by the Western nations has kept Spain out of their camp.

There still remain the major former enemies, Germany and Japan, which continue to be important potential sources of power, capable in the future of affecting the relative power position of the United States. Japan is now under the control of the United States occupation forces, one of the main tasks of which has been to strengthen the internal forces of democracy. Control of Germany is the great prize in Europe, and the United States, Britain, and France are determined not to permit the two thirds of the country now occupied by them to come under Soviet or communist domination.

Thus the non-communist bloc of states that is now forming is a formidable array of men and resources, the potential economic and military power of which is much greater than that of the communist bloc. In view of the state of tension prevailing today and of the current military strength of the Soviet Union, however, the reconstitution of some measure of current military strength in at least some of the

countries now allied with the United States is of the utmost importance. This is the second important step in restoring an equilibrium of power, and economic and military aid from the United States is essential to enable it to be taken. The willingness of the United States to bear the burden of assistance to its allies is an important factor in determining its own relative power position. A policy of gathering and strengthening allies is a means of diminishing the prospects of war at a cost much less than the cost of war itself, and of making victory more certain if after all war proves to be unavoidable.

THE MORAL FACTORS

Important though military strength may be, as can be seen from the consequences of the present disparity of strengths, it is far from being the sole component in determining the relative power position of a country. Moral factors must also be taken into account in measuring the power position and hence the ability of a country to exert political influence.

American foreign policy has always carried a strong flavor of moral conviction regarding the benefits of the democratic way of life. In advocating the cause of personal liberty, political freedom, and equality of economic and social opportunity the United States increases its prestige among like-minded nations and thus adds to its own over-all power. But in supporting its views in dealings with other nations, it has to contend with the tactics of the Soviet Union in condemning, with a cynical disregard for truth, existing democratic institutions and in blaming them for all the economic and social misfortunes of peoples with low standards of living. Among such peoples the Soviet Union may gain in power and prestige by appearing as the champion of a new form of society in which it alleges these misfortunes no longer exist; or at least it may infect a sufficient body of opinion to create social unrest and political instability, which are powerful aides of the communist fifth column.

The Western powers therefore cannot afford to take the Soviet propagandist effort lightly. They must be prepared to bear the cost not only of countering communist propaganda and fifth column activities, but of more positive action in explaining the moral values in the Western philosophy to the whole world. The strength of the moral position of the United States in world affairs depends on its ability to demonstrate convincingly that personal liberty, political freedom, and equality of opportunity are likely to contribute more to human welfare than the tenets of the totalitarian or authoritarian

systems that deny these fundamental rights. It depends also on demonstrating that the democratic tradition is capable of development and of orderly adaptation to changes in social values and is therefore a force making for progress. Success in this ideological struggle is essential to the exercise of political influence by the United States in countries where authoritarian regimes have not yet been established and to the strengthening of the belief in democracy in countries where they are already entrenched.

Another aspect of the moral factor in national strength is equally important. The United States has now accepted an idea that it had consistently rejected throughout its history—the desirability of peacetime alliances with like-minded nations when faced with danger to its own and world security. The conscious basis of this profound change in attitude is the determination of the American people to oppose the spread of communism and to meet the military threat of Russian expansion. But the new departure also carries the United States a step farther in realizing the conception of its role in world affairs that it accepted when it took the lead in creating the United Nations system. This may make the change more enduring than its conscious originating cause.

The new conception is derived from the moral conviction that the preservation of international peace and security, based on justice and good will, is the greatest common interest that binds all nations together, and that it must be the common and joint responsibility of all nations, irrespective of their size and strength. By steadfastly adhering to this conception, and by giving proof of its determination to make its full contribution to realizing it, the United States can exercise a great moral influence in the world. This may well prove to be a decisive factor in convincing the Soviet Union of the wisdom, in its own best interests, of returning to the rules of international behavior that it solemnly accepted when it ratified the Charter of the United Nations. In so far as the example of the United States inspires other nations to adhere fully to this conception, it will greatly enhance its own security and its ability to play an increasingly important role in the establishment of a peaceful world order.

D. THE INFLUENCE OF DOMESTIC FACTORS

In addition to the purely external and the mixed external and internal factors that condition the action of the United States in foreign affairs there are also purely domestic factors of which account must be taken. The internal system contains elements of both strength

and weakness from the point of view of formulating and implementing American foreign policies and of determining the role that the United States plays in world affairs.

An important influence is exercised by the diverse racial, national, and cultural groups within the United States. Common bonds of nationality, race, religion, and culture form a basis for organized minority pressures in the interest of a particular course of action in foreign relations. Pressure groups may cause the United States to assume a certain position in foreign affairs even at the cost of inconsistency with other policy objectives; or to refrain from taking a position that might arouse opposition.

Another conditioning factor is introduced by the difficulty of getting the public to understand that foreign policy is continually subject to the processes of change. Although policies represent the crystallization of national interest at a given time, they evolve in response to changing events and forces, and they require restatement and reevaluation as they are applied in specific cases. When a change is required, particularly in major policies or in those that have become surrounded with an aura of tradition, public opinion may not respond as rapidly as the circumstances require. On the other hand, public opinion may perversely react very rapidly to a new complex of circumstances and demand immediately a policy that it will not support in the long run. There is thus a gap between governmental decision and public support that often gives rise to uncertainty abroad and causes reluctance on the part of foreign governments to give full support to American actions

Quite apart from the effects of the forces indicated above, there are two factors that persistently condition the formulation and execution of foreign policy in the United States, no matter what the content of the policy may be. These are the operations of the internal political system and the governmental mechanism for the formulation and execution of policy, including its relation to international organizations in which the United States participates.

The nature of the American two-party system is such that it is not always possible to distinguish significant doctrinal differences, particularly on foreign issues. In the past, foreign policies have often been the subject of partisan differences; but except on economic issues, which may be an important reservation, there is little choice between the two parties today. The prospect of continuity in policy is now much greater in the United States than it has been for some time. The so-called "bipartisan approach," although a temporary

expedient, may indicate basic party agreement on most foreign issues.

Certain other features of the American political system, however, make foreign policy formulation and execution difficult at times, such as in a presidential election year. At these times, domestic political activity is intensified and great maneuvering for political advantage takes place. In Congress this means closer attention to domestic minutiae and a general reluctance to act on highly controversial matters. Among the public at large it means a concentration on domestic issues and personalities and relatively less attention to foreign relations, except as they may become involved in campaign issues. For the President it means greater emphasis on the partisan aspects of his office to the detriment of his functions as the acknowledged spokesman of the nation in foreign affairs. The result may be a kind of national paralysis at a time when swift and decisive action would best serve the national interest. It is at such times that special-interest groups assume an importance out of all proportion to the influence they normally exert on political processes. Public opinion and political influence become strongly localized in an election period. The system for electing the President makes electoral victory in a few large states a matter of crucial importance, and promotes considerable pandering to special groups whose influence may be decisive.

Another handicap under which the United States must operate is the fact that the governmental mechanism leaves final authority in policy determination on many questions diffused and uncertain. The constitutional structure divides responsibility and authority for the conduct of foreign relations to an extent that hampers the efficient handling of foreign policy problems. Moreover, the executive branch has developed in a way that multiplies the possibilities for confusion and uncertainty in the policy-making process. Only some of its main features are considered here.[1]

The President has much of the responsibility and authority for policy formulation; but in certain specific matters Congress has final authority. Congressional authority is increasing, at least at present, as United States foreign policies come to depend more and more on appropriations of funds and to touch on matters where congressional legislative authority is clear. The President, however, is the sole channel of contact with foreign nations, and Congress for the most part exerts its authority after the President has taken some

[1] This subject is treated in detail in a pamphlet entitled *Governmental Mechanism for the Conduct of United States Foreign Relations,* to be published shortly by the Brookings Institution.

position. But Congress may also act independently, either to give the President a wider authority or to restrict the area in which he may make policy decisions.

The sole responsibility of the President in the executive branch and the nature of his office in relation to the American governmental scheme do not make for close co-ordination within this vast establishment. Policy decisions may be made by the President himself or by units in the executive branch without the knowledge or advice of all who have a legitimate interest in the decisions. To avoid confusion, a co-ordinating structure has been developed, but this is now expanding to the point of possibly defeating its own purpose. The relations of the President and the whole executive branch with Congress are vital in the formulation and execution of foreign policy; but they rest on constitutional arrangements that make them dependent at any given time on the extent of party unity within the government and the personal standing of the President with Congress.

The foregoing factors make the formulation of consistent foreign policies difficult and subsequent action uncertain. This situation leads friendly nations to discount to some extent American power and influence in foreign relations, and it gives unfriendly nations an important potential advantage in negotiations.

The entrance of the United States into the United Nations system introduced a new element into the policy-making process, and one that restricts the limits within which national policy can operate. There is nothing new in the idea of restrictions on national policy, for they have been imposed by treaties, by traditional policies, and by the limitations of national power in any given situation. The new element is the broad commitment to a set of internationally accepted principles and to a method of operation for formulating international policy with other nations. The effect is to carry the policy-making process one step above the national level. On occasion this may profoundly affect national policy determination by introducing into the process elements arising from international negotiation thus placing a greater responsibility on the national policy-making authorities. It is also much more difficult to change a policy that is formulated through an international organization than one formulated at the purely national level.

Apart from influences on common action in formal international organization, foreign governments may also affect in other ways the domestic factors that condition action by the government of the United States in the pursuit of its own policy. This happens, for

example, when they abandon policies that have been of significant value in creating world conditions favorable from the American point of view. The United States government must then re-evaluate its own policies in the light of the new situation to see if its interests require a new policy. Actions or statements of other governments may also indirectly affect American policies through their effects on American public opinion. A striking illustration is the resumption by the Soviet Union of its prewar role as the spearhead of a world communist revolution.

The freedom of action of the American government may also be curtailed by its own previous actions and commitments. Sometimes changed conditions point to a change in policy that requires the reversal of or release from previous commitments. In such circumstances the obstacles to change are likely to be especially great, with consequent delays before the government is free to take action in a new direction.

One such obstacle to rapid change arises from the fact that often in attempting to gain public support for its programs the government indulges in overstatement, promising too much from certain measures. The result is an excess of public enthusiasm, followed by disillusionment when performance fails to equal promise and difficulties continue despite the policies that had been expected to eliminate them. This sometimes causes a loss of public support and magnifies the difficulties of the government in exercising American influence in international relations.

On the other hand, the opposite tendency sometimes creates difficulties. When the government understates problems until they reach the point of urgency, or fails to state at all problems that should be seen approaching, the failure to build advance support by developing adequate congressional and public appreciation of the difficulties involved may cause unnecessary delay in obtaining action in the application of policies. This occurred, for example, in connection with the various requests by the executive branch for support of its policies of financial aid to European countries. At the same time, even when all essential facts are fully and forcefully presented by the government, native American skepticism and the well-known reluctance to face unpleasant or disturbing facts often prevent people from believing what they read or hear. The result has frequently been failure to appreciate the broad significance of a foreign policy that had evolved from the steady march of international events.

All these factors constitute important limitations on the ability

of the government of the United States to act effectively in foreign affairs. On occasion they impede the attainment of basic objectives. Perhaps their greatest danger, however, lies in the fact that they may mislead aggressive foreign powers to assume that the United States, with all its actual and potential power, will not take decisive counteraction even under the greatest provocation. This grave error was made by Germany during the first world war and by both Germany and Japan during the second world war. It is of the utmost significance to the position of the United States in world affairs to make unmistakably clear to the outside world that the fundamental principles and objectives of American foreign policy command the support of the nation, no matter how imperfectly they may on occasion be applied.

One of the most significant advantages that the United States enjoys in international relations is political stability and a constant devotion to democratic principles at home. Although divisions of opinion resulting from normal political activities abound, there is no substantial disagreement on the fundamentals on which the democratic system is based. The widespread and enduring faith of the American people in the democratic ideal provides a solid foundation for policy decisions and offers the best hope of developing internally an increasing awareness of the role of the United States in world affairs.

PART TWO

REVIEW OF THE MAJOR PROBLEMS

INTRODUCTION

THE DAY-TO-DAY conduct of foreign relations involves dealing with a continuous stream of problems great and small that confront the government of the United States in its relations with other governments, either directly or within international organizations. Decisions on these problems must conform to the fundamental principles that guide the formulation of the broad aims and the specific objectives of American foreign policy, and they must be taken in the light of all the factors that condition American action in world affairs. These principles and factors were described and analyzed in Part I of this volume. Part II contains a review of the major problems of foreign policy that face the United States in the summer of 1949.

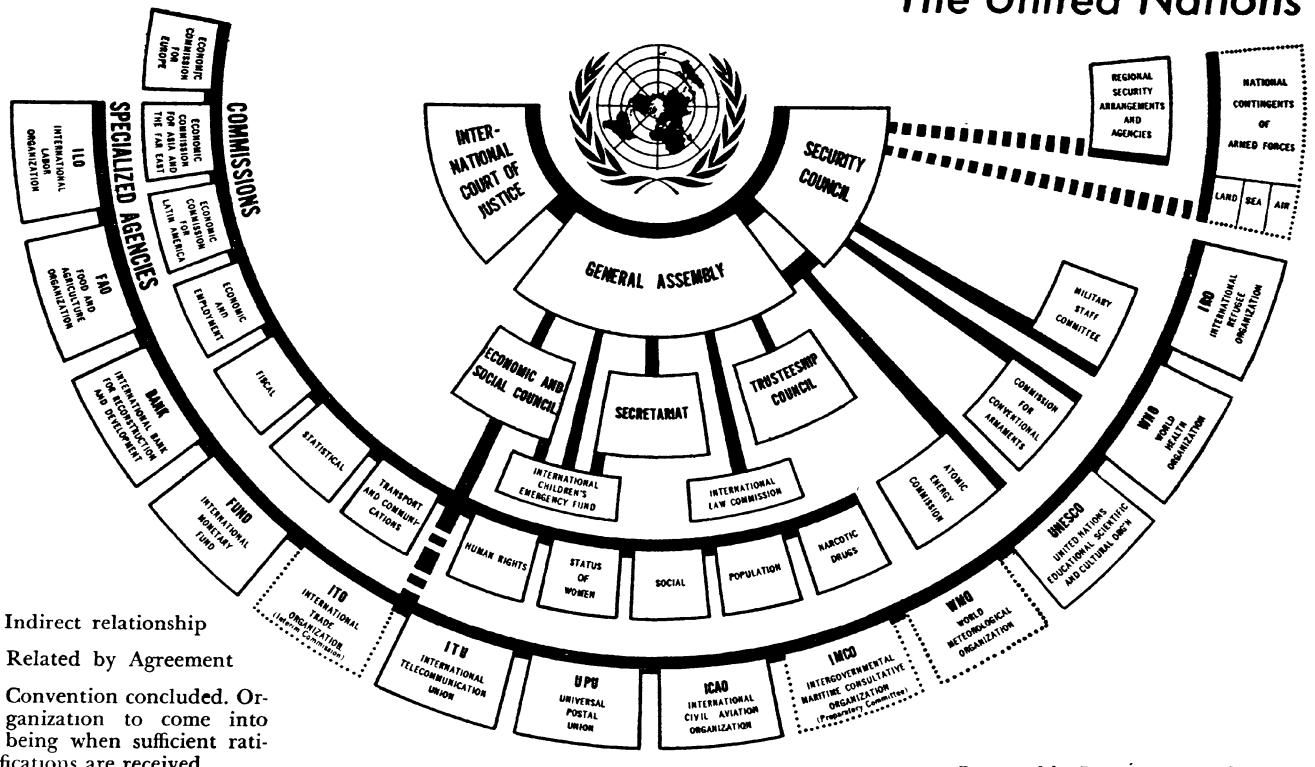
These problems still arise in part from the aftermath of the war and the formidable tasks of reconstruction. But they arise even more from the attempt to develop an organized international system for the maintenance of peace and security, in the face of disunity among the major powers. The problems vary greatly in scope, in importance, and in urgency. They have been chosen for review because they are already the subject of important action by the United States or seem likely to require action in the near future. They are representative of the main fields of international activity in which the government has to operate today and are distributed among the eight broad categories that correspond roughly to these fields: the United Nations system; Europe; the Mediterranean and the Middle East; East and Southeast Asia; the Western Hemisphere; economic relations; human rights and freedoms; and national military power.

No country or region is treated in all its aspects as one broad problem. Only the aspect or aspects that appear to be most significant at this time for the United States are treated as separate problems in one or another of the main fields. This is the way in which problems usually arise within the government. Nor are general problems such as Soviet-American relations as a whole discussed systematically in Part II; they were considered in Part I and are introduced here only as they affect specific problems.

A brief indication is given of the nature of each individual problem, and its importance to the United States; of some of the more important events in the development of it, and where necessary, its relation to other problems; and finally what appear to be the significant issues for

December 31, 1948

The United Nations



■ ■ ■ Indirect relationship

■ ■ ■ Related by Agreement

..... Convention concluded. Organization to come into being when sufficient ratifications are received

Prepared by Department of State

by their united action that other nations do likewise. It also depends on the willingness of the major nations to avail themselves fully of the processes of peaceful adjustment that the United Nations system provides by working together in a spirit of co-operation and mutual accommodation, both inside and outside the Organization. This continues to be the central problem of the United Nations system.

A. MAINTENANCE OF PEACE AND SECURITY

The international system of collective security established by the Charter of the United Nations contains three essential components: the obligations and procedures prescribed for the pacific settlement of disputes between states; the power given to the Organization to take enforcement action, including the use of armed force, in order to restore or maintain international peace and security; and the responsibility of the Organization for formulating plans for the regulation of armaments.

The success of the system depends primarily on the peaceful adjustment and settlement of international disputes. In Article 33 of the Charter, member states undertook to take the initiative in using the methods of peaceful settlement available to them—such as conciliation, arbitration, and judicial settlement—before referring a dispute to the United Nations. The Organization itself, acting through either the Security Council or the General Assembly, was given the function of promoting adjustment or settlement by making recommendations to the parties. While these recommendations are neither binding on member nations nor enforceable by the Organization, the basic assumption was that they would carry decisive weight if they were backed by all the major nations, not themselves parties to the dispute. This was one reason why the so-called veto provision was applied to the procedures of pacific settlement in the Security Council.

The authority and power of the Organization to remove threats to the peace and to suppress breaches of the peace is vested in the Security Council. For these purposes, the Council is empowered under Articles 41 and 42 of the Charter to take drastic measures, including the use of armed force. But since none of the major powers has shown any willingness to allow its armed forces to be used without its consent, decisions of the Security Council to take enforcement action are governed by the veto provision. In practice, this means that the Security Council cannot use its police powers against any of the five permanent members and that it can act against other nations only if these five are in agreement. The effectiveness of the enforcement powers of the United Nations, therefore, rests wholly on the assumption that the major

nations are willing to act together, especially the United States, Great Britain, and the Soviet Union, the nations in which actual power is concentrated.

The regulation of armaments under the United Nations collective security system was conceived as an objective to be attained after a wider and permanent basis for international collaboration in maintaining peace and security has been established. In other words, a general reduction in the burden of national armaments is only to be expected after the major powers have demonstrated their ability to cooperate in keeping the peace. Under Article 11 of the Charter, the General Assembly has the authority to make recommendations to member states and to the Security Council regarding the principles that should govern disarmament and the regulation of armaments. But under Article 26 only the Security Council, in which each major power has a veto, has the authority to formulate, with the assistance of the Military Staff Committee, plans for the "establishment of a system for the regulation of armaments" for submission to member states. The term "regulation" rather than "reduction" or "limitation" was used in recognition of the fact that armaments are used both in ensuring national security and in contributing to collective action. The word "regulation" was also intended to indicate that consideration should be given not only to an upper limit for armaments but also to a lower limit below which national military strength, especially of the major powers, could not be allowed to fall without jeopardizing international peace and security.

Attempts to realize the collective security system that is a prerequisite to the regulation of armaments have so far been unsuccessful, largely because of the serious political differences that have developed inside and outside the United Nations among the major powers. This general failure, which has been reflected in the many failures to settle specific disputes, has given rise to a search for security on new lines. As indicated in Part I, proposals have been made on the one hand, for some form of world government, to be achieved either by scrapping the existing organization and making a fresh start or by drastically amending the United Nations Charter. On the other hand, proposals have been made for adapting the existing system to changed conditions by modifying the veto, by making greater use of the General Assembly in maintaining peace and security, by putting more emphasis on the use of peaceful methods of settlement, and especially by developing regional arrangements.

Differences among the major powers have also resulted in failure to

reach agreement on the other component parts of the security system. No agreement has been reached on the international control of atomic energy, or on an approach to the regulation of conventional armaments. Nor has it been possible to agree on the strength and organization of the armed forces that should be made available to the Security Council if it is to move quickly in enforcement action as contemplated by the Charter.

It has even been impossible to reach agreement on establishing a United Nations guard force, which Russian obstructionism has made into an issue more troublesome than the circumstances warrant. By the summer of 1948 it was clear that the protection and technical services furnished to the many United Nations missions in the field, dependent as they were on temporary arrangements negotiated between the Secretariat and the host government, were not satisfactory. Since June 1948 the Secretary-General has been trying to win the approval of the General Assembly for his proposal to create a permanent group of United Nations personnel who would be able to provide missions with transportation and communications services and could undertake the observation and supervision of peaceful settlements. The United States has favored this proposal in its various forms, but the Soviet Union has denounced it throughout as "a contribution to the practical implementation of the expansionist policy of some powers" aimed at "using the United Nations for their own selfish purposes." The latest form of the recommendation is now being debated in a special fourteen-nation committee, which is to report on it at the fourth regular session of the General Assembly.

The struggle to reach agreement in building the system of collective security presents the United States with problems of crucial importance that require major policy decisions, and these problems are set forth below. The United States also faces, within as well as without the United Nations system, major problems that arise from disputes in particular countries, such as Greece, Palestine, Korea, and Indonesia. These are dealt with in Part II under the relevant geographic areas.

SECURITY COUNCIL VETO[1]

The problem of the veto—that is, of the voting procedure in the Security Council—is very much alive because of the widespread feeling that the privileged position given the five major nations by the veto has been misused, especially by the Soviet Union, to obstruct the work of

[1] This problem was treated comprehensively in a Problem Paper contained in the 1948-49 edition of *Major Problems of United States Foreign Policy.*

the Council. The requirement for unanimous concurrence by the five permanent members—the United States, Great Britain, The Soviet Union, China, and France—in all Security Council decisions of a substantive as distinguished from a procedural character is a basic feature of the organized system of collective security established under the Charter. It is contained in Article 27, which established the Council's voting procedures. Although there are several specific exceptions, the only general exception to this rule of five-power unanimity is in the pacific settlement of disputes, where the provision that all parties to a dispute must abstain from voting applies to the permanent members equally with other members of the Security Council. The veto applies to amendments of the Charter and therefore conditions all proposals for revising the veto provisions.

The nature and extent of the right of veto that should be given to the major powers in the new organization was one of the main problems in the drafting of the Charter of the United Nations. It arose because an attempt was being made to create an international organization for maintaining peace and security in which, for the first time, substantive questions were to be decided by a majority vote, in contrast to the unanimity required in the League of Nations.

At the San Fransico Conference, the smaller nations strongly opposed the veto provisions. As a result of this pressure, the major powers agreed to add Article 51 to the Charter in order to allay the fear that a single power, by vetoing enforcement action proposed by the Security Council, might legally render the other members of the Organization powerless to stop aggression. Under this article the member states have reserved the right to take measures of individual or collective self-defense against armed attack until the security Council has acted in the matter. Beyond this, however, the major powers would go no further than to promise not to use the veto power "wilfully to obstruct the operation of the Council."

Since the establishment of the United Nations, the general deterioration in relations between the Soviet Union and the Western powers, which was reflected in the Soviet use of the veto in the Security Council has led to increasing demands for the abolition or drastic modification of the veto. In 1947 the United States announced that it had come to the conclusion that "a liberalization of the voting procedure" was necessary. This view received widespread support, and the matter was referred to the Interim Committee for report to the General Assembly.

The United States submitted to the Interim Committee a list of

thirty-one categories of Security Council decisions on which it proposed that the veto should be eliminated, including decisions on pacific settlement under Chapter VI and approval of applications for membership. The Interim Committee submitted a detailed report recommending that certain decisions should be considered procedural, and therefore not subject to veto, and that certain others, even if substantive, should also be decided by the vote of any seven members of the Council. At the Paris session of the General Assembly in the autumn of 1948, the United States, Great Britain, France, and China submitted a resolution based on the Committee's report, calling on the members of the Security Council to agree among themselves that certain decisions were procedural and also to eliminate the use of the veto in certain substantive questions, including the admission of new members and the pacific settlement of disputes. This resolution was passed by the General Assembly in April 1949. No action has been taken, and it seems unlikely that the Security Council can make progress in removing the veto on substantive questions while the Soviet Union is opposed to any modification of the voting procedure.

Current proposals for the modification or abolition of the veto cover mainly four aspects of Security Council action: the admission of new members; the pacific settlement of international disputes; the determination of violations of accepted obligations; and enforcement action. In determining its policy, the United States must carefully weigh the advantage of eliminating the veto, which consists of getting rid of the power of any one permanent member to obstruct formal action, against the disadvantage of losing its own right of veto in cases when a majority of the Council favor action contrary to vital American interests. The United States must also consider the possible effects on the United Nations of modifying the veto if the only practicable method of doing so would result in the withdrawal of the Soviet Union.

The United States has already agreed that the veto should be eliminated in connection with the admission of new members and the pacific settlement procedures, but the policy of the United States in the other two aspects of Council action is still to be determined. By Article 39 of the Charter the determination of the existence of threats to the peace or breaches of the peace—which may be followed by enforcement action—is vested in the Security Council. The United States must decide whether actively to support, or at least to accept, an alteration of the veto power in this respect.

The veto also operates in enforcement action to be taken under

Articles 41 and 42 of the Charter. In present circumstances there is no assurance that a major nation—particularly the United States or the Soviet Union—could be coerced without the mobilization, and possibly the use, of the full military potential of the other major nations. Hence, a system of collective security, operating without the veto provision in enforcement action, would require that each permanent member of the Security Council be willing to make its armed forces and resources available to the Council, a commitment not now contained in the Charter. The crucial question for the United States in considering the elimination of the veto in this aspect of Security Council action, therefore, is whether it should commit itself in advance to the employment of its entire military potential in enforcing decisions in which it does not concur.

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THE FUTURE OF THE LITTLE ASSEMBLY

The creation of the Interim Committee of the General Assembly, popularly known as the Little Assembly, is symptomatic of the increased emphasis that has been placed on the responsibilities of the General Assembly in the field of peace and security. This new emphasis was chiefly the result of the misuse of the veto by the Soviet Union and the consequent failure of the Security Council to function effectively.

The Little Assembly, established in the autumn of 1947 to assist the Assembly in carrying out its functions, could do nothing itself to remedy the basic situation, particularly since the Soviet Union refused to participate in its activities. And it has introduced the new problem of effective functioning in relation to other parts of the United Nations system.

The General Assembly is empowered by Article 11 of the Charter to "consider the general principles of co-operation in the maintenance of international peace and security, including the principles governing disarmament and the regulation of armaments. . . ." Under Article 35, a member may bring an actual dispute or a situation likely to lead to international friction to the attention of either the General Assembly or the Security Council; and under Articles 11 and 14 the Assembly may recommend "measures for the peaceful adjustment" of such questions "to the state or states concerned or to the Security Council or to both." The Council, under Article 24, however, is vested with "primary responsibility for the maintenance of peace and security," and the Assembly is prohibited by Article 12 from making any recommendation regarding a dispute or situation that is being dealt with by the Security Council, unless the Council requests it to do so. The adoption of recommendations on peace and security matters in the General Assembly cannot be blocked by a single-nation veto, since only a two-thirds majority is required. A recommendation by the General Assembly has moral authority derived from the fact that at least two-thirds of the members present and voting are behind it. On the other hand, a recommendation by the Security Council derives its authority and prestige from the fact that it must be supported by all the permanent members not themselves parties to the dispute.

Although the creation of a standing committee to assist the General Assembly in carrying out its responsibilities in matters of peace and security was suggested as early as the autum of 1945, the idea did not receive much support until September 1947. By that time member states were anxiously seeking means to circumvent the deadlocks in the Security Council, where the voting procedure had permitted the Soviet Union to block the will of the majority in so many important matters. It was largely for this reason that widespread support was given to Secretary of State Marshall's suggestion that the creation of a standing committee of the Assembly would "strengthen the machinery for peaceful settlement and place the responsibility for such settlement broadly upon all the Members of the United Nations."

In November the Assembly established an Interim Committee, composed of representatives of all members of the United Nations, to consider and report on specific matters in the field of peace and security that were referred to it by the Assembly or that might be subsequently proposed for the agenda of the Assembly by member states or by the Security Council. The Committee was empowered to conduct investigations and to inform the Secretary-General if, in connection with any matter under its consideration, it was deemed desirable to call a special session of the Assembly. Finally, it was instructed to report to the next regular session of the Assembly on the advisability of establishing the Interim Committee on a permanent basis, and to make recommendations regarding changes in its duties.

The General Assembly specifically provided that "in discharging its duties the Interim Committee shall at all times take into account the responsibilities of the Security Council under the Charter for the maintenance of international peace and security," and that it "shall not consider any matters of which the Security Council is seized." Notwithstanding this language, the Soviet Union and the other five eastern European members contended that the creation of the Interim Committee was designed to by-pass the Security Council and was therefore a violation of the Charter. They have refused to participate in the Committee, but their places on the Committee have been kept open.

In accordance with the instructions of the Assembly, the Committee made a study of its own terms of reference, and it submitted a report to the 1948 session of the Assembly recommending that the Interim Committee be continued for another year with substantially the same terms of reference. This was approved by the Assembly, over the protests of the Soviet bloc.

The United States has expressed the view that it would be desirable after another experimental year to establish a permanent committee of the General Assembly on the same basis as the present Interim Committee. The problem is to determine what the relations of such a committee should be to the other organs of the United Nations and particularly to the Security Council. The provision that the Committee shall not infringe on the Council's responsibilities still leaves it necessary to decide whether cases not already before the Council should be referred to the Council or to the Committee. Recommendations by the Committee may bring to bear the overwhelming majority opinion of the Organization, even without the participation of the Soviet bloc, and without ultimate sanctions, which only the Security Council has the

right to enforce. Among the possible means of limiting the reference of questions to the Committee is the proposal that it should consider only cases in which a majority decision of the Security Council has been blocked by the use of the veto.

Finally, there is an aspect of the problem that may eventually become the most crucial. The United States must consider whether the expansion of the powers and the very success of the deliberations of the Committee might not end in what it most seeks to avoid, the irrevocable splitting of the United Nations into two opposing blocs.

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PROCEDURES FOR PEACEFUL SETTLEMENT

The increasing interest of the General Assembly in peace and security matters is demonstrated by the attention it has been giving to the problem of improving procedures for the peaceful settlement of disputes outside the Security Council, as well as by its recommendations for modification of the veto and by the creation of the Little Assembly. The problem of peaceful settlement is closely connected with that of the Little Assembly, but it is treated separately here because it also has broader aspects While the provision of machinery for the peaceful settlement of disputes has been considered to be one of the important permanent functions of the United Nations from the beginning, it has become a critical problem only as the result of Soviet obstructionism in the Security Council. If the Assembly can devise means of settling difficulties by conciliation or arbitration before they reach the point of submission to the Council, where the Soviet Union might exploit them for political purposes or use the veto to obstruct a settlement, not only would the basic purposes of the United Nations be served, but relations with the Soviet government might be saved from exacerbation by futile Council disagreements.

At its 1947 session the General Assembly instructed its Interim Committee to consider methods to be adopted in fulfilling the Assembly's responsibilities under Article 11 concerning the "general principles of

co-operation in the maintenance of international peace and security," and under Article 13 concerning "the promotion of international co-operation in the political field." The Interim Committee made a detailed study of many specific proposals for methods of pacific settlement of disputes and recommended four of them for approval by the Assembly. These were considered by an Assembly committee during the 1948 session. The Soviet Union and its satellites voiced strong opposition to all the proposed methods of pacific settlement on the grounds that they were the work of the "illegal" Interim Committee and that they constituted an additional effort to weaken the Security Council.

At the second part of its third session in the spring of 1949 the Assembly approved, over the opposition of the Soviet bloc, three of the proposals made by the Interim Committee. The first was the revival of the 1928 General Act for the Pacific Settlement of International Disputes, which provides for conciliation, arbitration, and judicial settlement. The act is now open for voluntary accession by states that are parties to the Statute of the International Court of Justice and by Switzerland. Functions under the act that were formerly entrusted to the League of Nations are now transferred to the United Nations. The second proposal adopted was a recommendation to the Security Council that, prior to the discussion of a dispute by the Council, conciliation should be attempted by the President of the Council or another Council representative agreed on by both parties to the dispute. The third proposal adopted was for the creation of a panel of experts, drawn from all member states of the United Nations, who would be available to perform functions of inquiry and conciliation when called on by the parties to a dispute.

The fourth proposal made by the Interim Committee was to change the rules of procedure of the Assembly to enable its president, or persons appointed by him, to attempt to conciliate any dispute submitted to the Assembly before it was open to debate. This was referred back to the Interim Committee for further study. The Committee is also continuing with broadened terms of reference, to consider further procedures for conciliation and the promotion of political co-operation.

The particular issues in this problem concern the determination of the best means for settling disputes peacefully and preventing them from developing into serious conflicts. United States policies on the numerous proposals made for this purpose have to be determined regardless of the state of relations with the Soviet Union. The more general issue of promoting the fullest use of the procedures when they have been chosen finally by the majority of the United Nations, would

presumably be relatively simple to settle under conditions of effective international co-operation. Given the present Soviet attitude, however, there is little likelihood of gaining the consent of the members of the Soviet bloc either to the choice of peaceful procedures or to the use of them when chosen over their protests. Outside of this group of states, however, the extended use of improved methods of peaceful settlement is promising.

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THE PLACE OF REGIONAL ARRANGEMENTS IN THE UNITED NATIONS SYSTEM

The recent development of regional arrangements raises the problem of their relationship to each other and to the United Nations Organization, and of their long-term effect on world-wide collective security. Growing doubts of the effectiveness of the United Nations in maintaining international peace and security, largely owing to the obstructive tactics of the Soviet Union, especially in blocking action by the use of the veto, have led other members of the Organization to turn to regional security systems from which the Soviet Union can be excluded. This is the origin of the problem in general. The issues pertaining to particular regional organizations are treated in later sections of Part II that deal with the area concerned.

The United Nations Charter contains provisions for several types of action by regional agencies. These were included primarily to allow for peaceful co-operation and enforcement action on a regional basis by such agencies as the inter-American system; for action against the renewal of German aggression under bilateral treaties concluded by the Soviet Union with France, Great Britain, Poland, and Czechoslovakia; and for collective self-defense even if it is not on a full international scale. Article 52 gives broad powers to regional agencies for the pacific settlement of local disputes, and provides that members of the United Nations shall make every effort to settle such disputes through regional agencies before referring them to the Security Council.

Enforcement action by regional agencies is strictly limited. No such action is to be taken without authorization by the Security Council except in two cases. Under Article 53 regional action may be taken against renewed aggression by the Axis states and their satellites, "until such time as the Organization may, on request of the Governments concerned, be charged with the responsibility for preventing further aggression by such a state." Under Article 51 regional action may be taken in the exercise of collective self-defense against an armed attack on a member of the United Nations. Measures taken in self-defense are to be reported immediately to the Security Council and are permited only "until the Security Council has taken the measures necessary to maintain international peace and security." Article 54 provides that the Security Council must be "kept fully informed of activities undertaken or in contemplation under regional arrangements or by regional agencies for the maintenance of international peace and security."

The first full-fledged regional security pact to be concluded under the Charter was the Rio Treaty that was foreshadowed by the Act of Chapultepec in 1945 and signed in 1947 by the twenty-one American republics. It is described in Sections V and VIII below. The new treaty involves broader and more formal commitments than earlier inter-American arrangements, and it developed out of a long experience with regional co-operation in many fields.

The heart of the western European regional system is the Anglo-French alliance concluded early in 1947 As the encroachment of Soviet power in Europe continued, all the western European states drew closer together, and in March 1948 Great Britain and France were joined by the three Benelux nations in the Brussels Treaty for mutual assistance against aggression. An increasing awareness of the Soviet threat and concern over the inadequacy of United Nations machinery for maintaining security turned public attention in the United States to the preservation of peace by regional means. In June 1948 the Senate passed the so-called Vandenberg resolution favoring the progressive development of regional arrangements for collective self-defense. It recommended that the United States should be associated with such regional arrangements "as are based on continuous and effective self-help and mutual aid and as affect its national security," and that it should make clear its determination to exercise its "right of individual or collective self-defense under Article 51 should any armed attack occur affecting its national security." This was followed by the negotiation of the North Atlantic Treaty for collective self-defense, which was

signed in April 1949 by the United States and the eleven other participating nations.

The principal issues facing the United States in this problem concern the extent to which it should encourage the use of regional systems rather than United Nations machinery for the settlement of disputes and the development of regional organizations for collective security in parts of the world where they have not yet been established. Both of these questions must be considered from the standpoint not only of how current disputes can best be settled, but also of the effect on the prestige of the United Nations. If only insoluble disputes were referred to the United Nations, and if most of the world were effectively organized on a regional basis, the continued existence of any form of world-wide security organization would become doubtful.

While the regional arrangements are conceived within the United Nations framework and both the Rio and North Atlantic pacts were concluded under provisions of the Charter, the choice between referring specific problems to the full international organization or to a regional one is not without significance. The Inter-American system has long been accustomed to handle its own internal disputes. In December 1948, hardly more than a week after the Rio Treaty came into force, the treaty was invoked in connection with an alleged invasion of Costa Rica by forces from Nicaragua. The dispute was settled in the inter-America system without ever being referred to the United Nations.

Overemphasis on regional methods, however, might have undesirable results. The report of the Senate Committee on Foreign Relations on the North Atlantic Treaty points out that there would be a danger of impairing the usefulness of the United Nations "if consultations under the pact became so frequent they tended to replace United Nations machinery, or if such consultations resulted in a crystallization of views in advance of United Nations meetings and encouraged pact members to vote as a 'bloc.' It would be particularly unfortunate if our Government took part in 'exclusive' consultations with Atlantic Pact members over situations of deep concern to friendly states in Asia, Africa, Latin America, or the Middle East." The Committee even expressed the opinion that consultations under Article 4 of the North Atlantic Treaty—which are provided for when the "territorial integrity, political independence or security" of any party thereto is threatened —should not be held "unless the United Nations for some reason is prevented from dealing with the situation giving rise for consultation."

The power and support of the United Nations are essential to the attainment of any considerable measure of collective security through the Rio and the North Atlantic treaties. Furthermore, the United States by reason of its membership in both groups will provide a link between the regional arrangements in Western Europe and in the Western Hemisphere that may be invaluable in shaping their development as part of a world system of collective security.

As the outstanding power among the free nations the United States is also concerned with proposals for regional security systems in other parts of the world in which its role would be similar to that in existing systems. Fear of Soviet expansion has led to the discussion of regional security arrangements for both the Far East and the Middle East. Proposals for a "Pacific Pact" became more numerous and received more attention as the situation in China deteriorated. Turkey and Greece are taking the leadership in advocating a regional arrangement centering on the eastern Mediterranean, although it is clear that the decision to proceed must rest largely with the United States and Great Britain since their participation would be indispensable for the success of the undertaking. Recently, however, while emphasizing the general interest of the United States in threats to the peace in any part of the world and its particular interest in the security of Greece, Turkey, and Iran, Secretary Acheson stated that the government "is not currently considering participation in any further special collective defense arrangements other than the North Atlantic Treaty." This does not mean that the question of United States participation in additional arrangements is closed, and since the British Foreign Minister has announced that if it is impossible to proceed on a world basis Great Britain will proceed on a regional basis, United States policy decisions on new proposals may be required at any time.

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INTERNATIONAL CONTROL OF ATOMIC ENERGY[2]

When the United Nations Atomic Energy Commission was set up in January 1946, extreme differences in viewpoint developed immediately between the Soviet Union and the Western nations. Recognizing that it had reached an impasse, the Commission urged the Security Council in May 1948 to refer the matter to the General Assembly. No way of breaking the deadlock has yet been found, and although the Commission has been requested by the General Assembly to proceed with work that it considered practicable and useful, no progress has been made.

In the absence of agreement on a system of atomic energy control, no legal restraint on an atomic armaments race exists. With such an agreement, the threat of atomic war would be reduced, agreement on the regulation of conventional armaments would be encouraged, and an obstacle to international collaboration for peace and security would be removed. Hence the importance of reaching agreement, the urgency of which depends upon when the Soviet Union can be expected to produce atomic weapons.

When the Atomic Energy Commission met in June 1946, the United States proposed that atomic energy should be controlled by an international organ with specific responsibilities involving the managerial control or ownership of atomic activities potentially dangerous to world security; the power to control, inspect, and license all other atomic activities; and the duty of fostering research and the beneficial uses of atomic energy. The control system was to be put into effect by stages, and when it was effective, the manufacture of atomic bombs would cease and existing stocks would be disposed of. Violators of the control were to be subject to penalty, and no power of veto was to be available to protect them. This was the system of control favored by the majority, which included the Western powers.

The Soviet Union proposed an international convention, immediately prohibiting the use and production of atomic weapons and the destruction of existing stocks. It also proposed an examination of the problem of atomic energy, the elaboration of recommendations concerning the exchange of scientific information, and the prohibition of

[2] This problem was treated comprehensively in the 1947 edition of *Major Problems of United States Foreign Policy.*

atomic weapons and other weapons of mass destruction. This was a minority view.

The Commission has made three reports to the Security Council, the first of which in December 1946 recommended a plan of control based on the United States proposal and condemned the idea of a prohibitory convention without safeguards as failing to conform to its own terms of reference. The second report of September 1947 was made after consideration of twelve amendments and additions to the first report proposed by the Soviet Union; a plan of control submitted by the Soviet Union in June 1947; and the General Assembly Resolution of December 1946, on "Principles Governing the General Regulation and Reduction of Armaments." It made specific proposals concerning the powers and functions of an International Control Agency, and tentatively rejected the plan of the Soviet Union.

The third report of May 1948, in explaining the impasse in the Commission, stated that the Soviet Union rejected the majority plan of control as an unwarranted infringement of national sovereignty, while the majority considered that the Soviet plan of a convention offered no protection against noncompliance. The Commission recommended that, since agreement on the control of atomic energy was dependent on co-operation among the major nations in broader fields of policy, its negotiations should be suspended until the General Assembly found that these favorable conditions existed or until the six nations that first sponsored the Commission found a basis for agreement on atomic energy control. It also recommended that the third report should be considered by the Security Council, and that all three reports should be transmitted to the General Assembly as a matter of special concern.

In the Security Council a resolution introduced by the United States expressing approval of the three reports was vetoed by the Soviet Union. The reports were then transmitted to the General Assembly as a procedural matter without the concurring votes of the Soviet Union and the Ukraine. A resolution passed by the Assembly on November 4, 1948, over the negative votes of the Soviet Union and its satellite states, approved the general findings and recommendations of the first report and the specific proposals of the second report. The resolution requested the six sponsoring nations to consult in order to determine whether a basis for agreement existed. In the meantime the Commission was asked to continue whatever work it considered practicable and useful.

The Commission met in February 1949, and resolutions introduced

by the Soviet Union and the United States in March were referred to its Working Commitee. The Soviet Union proposed that two conventions should be drafted by June 1, 1949, one providing for the prohibition of atomic weapons and the other for the control of atomic energy, both conventions to be concluded and put into effect simultaneously. The United States proposed that the Commission should consider the resolution that had been adopted by the General Assembly in November 1948.

On June 15 the Working Committee resolved by a vote of 7 to 2 with two abstentions to give no further consideration to the proposals of the Soviet Union on the grounds that the General Assembly had already rejected them and that no useful purpose could be served by further discussions. On the same date, by a vote of 8 to 2 with one abstention, the Committee resolved that further study by the Committee was useless until such time as the six sponsoring nations had met and reported that a basis for agreement existed. These resolutions require confirmation by the Commission to be fully effective.

The basic issues concerning the international control of atomic energy arise from conflicting views held by the Soviet Union and the Western powers on three aspects of the problem. The Soviet Union supports the prohibition of atomic weapons by convention as opposed to the plan of the Western nations for prohibition at a suitable stage in the establishment of a system of atomic energy control; it has a plan for national management and international inspection as opposed to the system of international management and control advocated by the Western nations; and it insists that sanctions against violations of the system of control shall be applied only by the Security Council, while the Western powers are adamant that neither the veto nor any other legal right shall allow violators to escape the penalty for their actions.

No arrangements for a meeting of the six sponsoring nations to consult have been announced. In the Assembly debate on the subject the Soviet Union delegate declared that no basis for agreement existed and that a meeting would be useless. The United States delegate held that the discussions would be principally concerned with the reasons for the unwillingness of the Soviet Union to co-operate in the maintenance of peace. The Canadian delegate proposed a meeting of representatives of the six nations at a level appropriate to the resolution of political difficulties. In the light of the views expressed in the General Assembly, the United States must make decisions on the scope of the consultations that it will advocate or accept and on the position

that it will take on the issues that may be raised. It must also decide what position to take if the Soviet Union or any of the other six sponsoring nations decline to take part in consultations.

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REGULATION OF CONVENTIONAL ARMAMENTS

Since the end of a war it has been the practice of the United States to reduce the strength of its armed forces to a point adequate only to carry out its peacetime military commitments and to maintain little more than the plant and equipment of a training cadre. In so far as this was a deliberately adopted policy, the most that can be said for it is that it was an attempt at disarmament by example. It has now been replaced by a policy, as expressed in the Vandenberg resolution on June 11, 1948 in the Senate, "to obtain agreement among member nations [of the United Nations] upon universal regulation and reduction of armaments under adequate and dependable guaranty against violation." This policy does not stand alone, however, for the United States has also taken the position that a system for the international regulation of armaments can be put into effect only in an atmosphere of international confidence and security.

Disagreement between the Western nations and the Soviet Union on measures to implement a General Assembly resolution of December 1946 has resulted in a deadlock in the Commission for Conventional Armaments of the United Nations. A further resolution of the General Assembly in November 1948, requested that the study of armament regulation be continued, and stressed the urgency of formulating pro-

posals for reporting on conventional armaments and armed forces and for verifying the reports. It is therefore necessary for the United States to determine the position it should take in the implementation of this latest resolution of the General Assembly.

Authority for the United Nations to act in the field of armament regulation is derived from Articles 11, 26, and 43 of the Charter. The General Assembly may make recommendations on the principles, but only the Security Council is responsible for the formulation, with the assistance of the Military Staff Committee, of plans for the regulation of armaments.

In October 1946 the Soviet Union formally presented to the General Assembly a proposal for the general reduction of armaments that stressed the prohibition of atomic weapons as a primary objective. The Assembly unanimously accepted two resolutions in December 1946 establishing "Principles Governing the General Regulation and Reduction of Armaments," and requesting the Security Council to determine what information from member nations was necessary to implement the principles. To give effect to these resolutions the Security Council established in February 1947 a Commission for Conventional Armaments from the jurisdiction of which matters within the competence of the Atomic Energy Commission were excluded. The new Commission was instructed to submit a plan of work and, within three months, to submit proposals for the general regulation and reduction of the armaments and armed forces that were within its jurisdiction.

The Commission met in March 1947, and at the end of the three-month period it reported that no definite proposals could be made. It submitted a plan of work, however, that set forth six topics to be studied: (1) the armaments and armed forces that were to be within the jurisdiction of the Commission; (2) the general principles for the regulation of armaments and armed forces; (3) the practical and effective safeguards to protect complying states against the hazards of violations or evasions; (4) the practical proposals for regulation and reduction; (5) the extension of the principles and safeguards to non-member nations; and (6) the reports to be made to the Security Council and, if possible, the drafting of a convention. Although this plan was approved in the Security Council, the Soviet member announced that the Soviet representative in the Commission would be guided by the general lines set forth in a different plan of work proposed by the Soviet Union.

In September 1947 the Commission's Working Committee submitted

a resolution defining weapons of mass destruction and recommending that all weapons except those so defined should be within the jurisdiction of the Commission. The Working Committee then proceeded to prepare a resolution on the second topic of the approved plan of work. In August 1948 both resolutions were adopted by the Commission over the negative votes of the Soviet Union and the Ukraine.

The Commission has adopted, but not yet submitted to the Security Council, general principles to govern a system for the regulation and reduction of armaments and armed forces as follows: (1) the system should eventually include all states and initially must include all states with substantial military forces; (2) the system could be put into effect only in an atmosphere of international confidence and security; (3) the essential prerequisites of this atmosphere are an adequate system of agreements under Article 43 of the Charter, a system of international control of atomic energy, and peace settlements with Germany and Japan; (4) the system must limit armaments and armed forces to those consistent with and indispensable to the maintenance of international peace and security but should not exceed those necessary for the implementation of the obligations and the protection of the rights of members under the United Nations Charter, (5) the system must provide safeguards, based on international supervision, that are technically feasible, and will promptly detect violations, cause the minimum of interference with the life of individual nations, and make provision for enforcement action in the event of violations.

At the Paris session of the Assembly in the autumn of 1948 the Soviet Union made a proposal that ignored these principles. This was to reduce by one third within a year the land, naval, and air forces of the five permanent members of the council; to prohibit atomic weapons; and to establish a control body under the aegis of the Security Council to supervise these steps. The Assembly rejected the Soviet proposal and asked the Security Council to continue its study of the problem and to report not later than at the next regular session of the Assembly. As a first step the Assembly asked for proposals for reporting, verifying, and publishing information on military effectives and conventional armaments through an international organ.

After the Soviet Union had tried unsuccessfully to revive its proposals in the Security Council in February 1949, the Working Committee of the Commission for Conventional Armaments met again late in May and began to debate a French proposal for a census and verification of armed forces, which did not touch on the functions of an organ of control. The Soviet Union and the Ukraine opposed the proposal

because it excluded atomic weapons and because they alleged it failed to come to grips with the problem of armament regulation.

The issues for the United States arise from the two problems that face the Commission for Conventional Armaments: the problem of formulating proposals for reporting, verifying, and publishing information on conventional armaments and armed forces; and that of studying the regulation and reduction of armaments and armed forces in order to report to the General Assembly as soon as possible. Both these problems raise issues for the United States in the sense that it must instruct its representative in the Commission on what position to take.

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ARMED FORCES FOR THE SECURITY COUNCIL

Authority to employ air, sea, or land forces to maintain or restore international peace and security is vested in the Security Council by Article 42 of the Charter. Action may include demonstrations, blockade, and other operations. Member states are obligated by Article 43 to make armed forces, facilities, and other assistance available to the Security Council "on its call." The strength of the forces and the nature of the facilities and assistance to be provided are to be determined by special agreement or agreements between the Security Council and

member states or groups of states. The Military Staff Committee is charged by Article 47 with advising the Security Council.

Although Article 43 directs the Security Council to negotiate agreements as soon as possible, it has so far failed to do so. On the surface, the failure is due to conflicting views among the permanent members concerning the principles that should govern the organization of the forces. But basically, the disagreement stems from the same differences between the Soviet Union and the Western powers that prevent co-operation in broader fields of policy. The problem is how to resolve these differences in order to remove the obstacle to the organization of forces for the Security Council.

In February 1946 the Security Council directed the Military Staff Committee to examine the question of action under Article 43 and to report its findings. Having received no report by February 1947, the Council ordered the Committee to submit, not later than April 30, 1947, its recommendations on the principles that should govern the organization of forces. In its report unanimous agreement was reached on 25 articles, while of the remaining 16, the Soviet representative alone blocked unanimity on 11.

The unanimous recommendations, however, were general and noncontroversial. All members agreed, for example, that the forces contemplated should be used for the maintenance or restoration of international peace and security; that they must not be employed for purposes inconsistent with the Charter; that at first the major portion of the forces should come from the permanent members of the Security Council. But in matters of greater substantive importance, the Committee members were far apart.

The majority proposed that the initial contributions of forces by the five permanent members should be comparable in over-all strength but might differ widely in the strength of their land, sea, and air components. The Soviet view was that the permanent members should contribute identical components, man for man, ship for ship, and plane for plane, with deviations from this "principle of equality" permitted only by a special decision of the Council. The majority agreed that contributing nations should guarantee rights of passage and such use of their own bases as the forces might require; and that forces need not be based in territories under the sovereignty of the nation that contributed them. The Soviet Union, in dissenting from both these views, asserted that because bases are not mentioned in Article 43, they should not be included among the general principles. The majority

felt that after a combined operation had been concluded, the forces should be withdrawn to general locations specified in the agreements and within a time limit established by the Security Council. The Soviet Union recommended that forces should be returned to their own territory within a period set forth in the agreements.

In June 1947, while the Security Council was considering these recommendations, it asked the Committee quickly to submit its estimate of the over-all strength of the forces to be made available. The Committee reported three separate provisional estimates by the United States, the French, and the British delegations; the Chinese expressed agreement with the British estimate. The Soviet member made no estimate at that time, stating that a decision should first be reached on the general principles. In September, however, a Soviet estimate was submitted. These estimates reflected once more the wide divergence of opinion in the Committee. At one extreme was the United States with 20 divisions, 198 warships including capital vessels, and 3,800 planes. The smallest estimate, from the Soviet delegation, listed 12 divisions, 44 combatant vessels but no carriers or battleships, and 1,200 planes. The other estimates were closer to the Soviet than to the American figures.

The Military Staff Committee reported to the Security Council in July 1948 that because of disagreement on some of the general principles, it could not undertake the final determination of the over-all strength and composition of the armed forces. A letter from the chairman on behalf of the majority in August advised the Security Council that it was impossible to discuss preliminary estimates for national contingents and that the committee therefore planned to proceed with the only other item on the program of work, the draft of a standard form for the special agreements. The views of the Soviet Union member, also stated in a letter to the Security Council, were that although disagreement on the general principles and on over-all strength was regrettable, the Committee should begin informal consideration of the strength of the forces to be made available by the permanent members, but that it was inadvisable to discuss a standard form of agreement. No further official indications of the Committee's activities have been made public.

The deadlock existing in the Military Staff Committee cannot be broken until the Security Council has reached an agreement on the general principles governing the organization of the armed forces. This question remains on the Council's agenda, although it has not

been considered since July 1947. The issue for the United States to decide is whether it will press for a solution of the problem by the Council; or whether, despite the injunction of the Vandenberg resolution of June 1948 in the Senate to make "maximum efforts to obtain agreements to provide the United Nations with armed forces," it will allow the matter to lie dormant. If it chooses to press for a decision on the general principles, it must further decide whether to continue to support its present position or to seek some other basis for solution.

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B. PROMOTION OF THE GENERAL WELFARE

The creation of conditions of world stability and well-being is expressly recognized in the United Nations Charter as necessary to peaceful and friendly relations among nations. It was evident that remedies for the economic and social ills resulting from the war, as well as longer-run improvements in the general welfare, would have to be sought through positive international action, supplemented by appropriate national supporting action. It was also clear, however, that the range of problems involved was so great that a single international organization could hardly handle them. The United Nations system therefore includes many specialized intergovernmental bodies, but over-all responsibility for co-ordination is vested in the General Assembly and is exercised under its general authority by the Economic and Social Council (Ecosoc) and the Trusteeship Council in their respective fields.

The international machinery established to deal with problems of the general welfare makes an impressive list. As shown in the chart on page 85, it covers food and agriculture, international trade and finance, transportation and communications, labor, health, human

rights and education. While these international arrangements and institutions have not realized all that was expected of them, this can be only partly attributed to inadequate preparation before the end of the war. Political friction has prevented the international institutions from dealing with problems on their own merits and has increased the inherent difficulties of finding solutions. The refusal of the Soviet Union to participate in most of the arrangements for economic and social co-operation, and the recalcitrant attitude of that government and its satellites in the Economic and Social Council and other organs in which they do take part, have cast a pall over all the processes of reconstruction. Furthermore, the non-participation of the Soviet Union in the work of the agencies inclines it to advocate *ad hoc* assignments for Council organs and staff that would be better executed by the specialized bodies, thus making the Council an operating rather than a co-ordinating body.

In many non-self-governing territories the war gave great impetus to militant nationalist movements that were striving for complete independence or political autonomy. Some of these territories, such as the Philippines, India, and Burma, have already gained their political independence, some are still in conflict with metropolitan governments, as in the case of Indochina. Others are either not ready for, or not interested in, complete self-government or independence in the near future. In Chapter XI of the Charter, the Declaration Regarding Non-Self-Governing Territories, member states undertook to promote the general advancement and the development toward self-government of the territories for which they were responsible. The Trusteeship Council was to be established to carry out the functions of the Assembly in the administration of former enemy territories of former mandated territories of the League of Nations, and of territories voluntarily placed under trusteeship by the governments responsible for them. The Security Council exercises the functions of the United Nations in trust territories designated as strategic, and receives the assistance of the Trusteeship Council in functions that have no security aspects.

Many of the specific problems with which the United States must deal, as a consequence of its participation in these international efforts to promote the general welfare through the United Nations, are presented in later sections of Part II. In this section only two major problems are covered: the organizational problem of international economic and social co-operation, and the general problem of United Nations responsibility for non-self-governing peoples.

INTERNATIONAL ECONOMIC AND SOCIAL CO-OPERATION

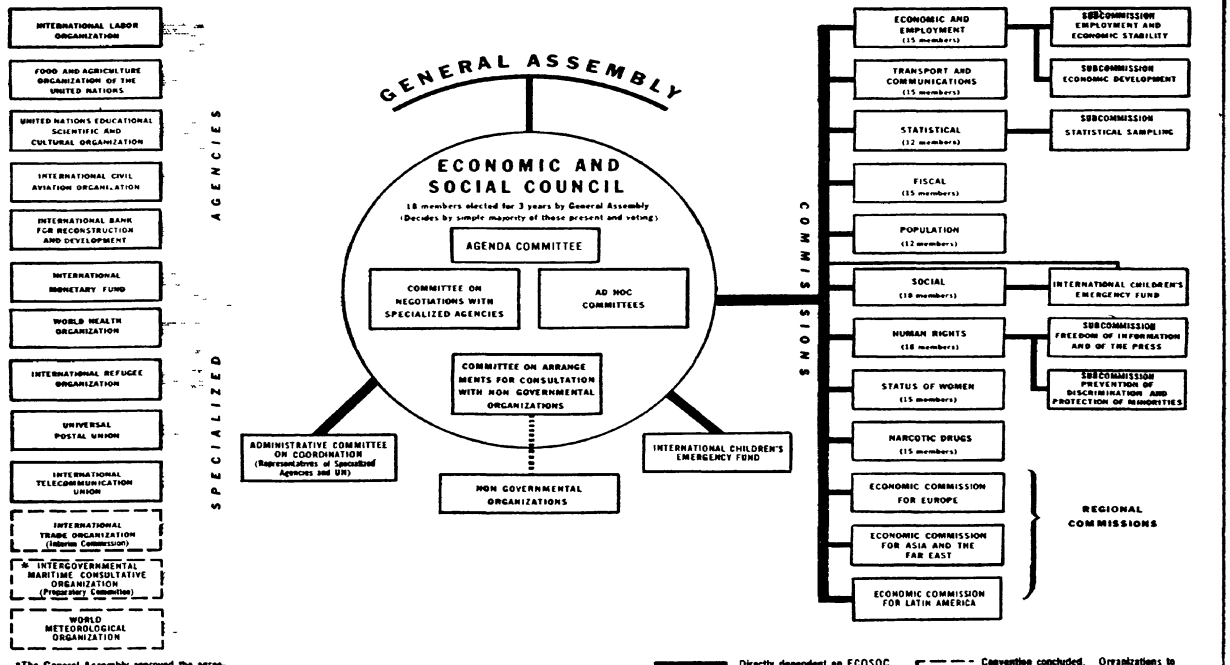
Since the founding of the United Nations, international collaboration for the promotion of the general welfare has been concentrated in the Economic and Social Council and its large group of related specialized agencies in the economic, social, cultural, and humanitarian fields. In carrying out its responsibility for co-ordination, the Council must also take account of other intergovernmental bodies such as the Caribbean Commission and the Inter-American Economic and Social Council that also operate in this field. The international machinery is now so elaborate that the question must be raised whether a simpler administration might not be developed with more effective co-ordination and operation of the various parts.

The Economic and Social Council, as the "principal organ" of the United Nations in achieving higher standards of living and of social welfare, was authorized to set up commissions to advise and assist it in its several spheres of activity and to negotiate agreements with the specialized agencies to define their place in the United Nations. The Council has set up twelve commissions, five sub-commissions, three standing committees, and various drafting and *ad hoc* committees. It has negotiated agreements with eleven of the thirteen specialized agencies, and has established consultative relations with numerous nongovernmental organizations. International conferences have been called to consider problems in such fields as freedom of information, shipping, health, trade, and employment. At the request of the General Assembly, the Council has dealt with urgent postwar questions, notably those relating to displaced persons and the reconstruction of devastated areas. The International Refugee Organization was established to deal with the former and the Economic Commissions for Europe and for Asia and the Far East to deal with the latter. Demands for other regional commissions have led to the establishment of one for Latin America in 1948 and to the consideration of another for the Middle East. More international machinery has already been established than during the life-time of the League of Nations.

The unwieldy nature of this machinery has led to attempts to co-ordinate it in four directions: through the United Nations Secretariat and the agency staffs; through agreements with the specialized bodies providing for reciprocal representation at meetings and exchange of information and services; through the Administrative Committee on Co-ordination consisting of top-level officials of the Secretariat and agencies; and through consultation to avoid overlapping activities

STRUCTURE OF THE ECONOMIC AND SOCIAL COUNCIL

December 31 1948



*The General Assembly approved the agreement which had been negotiated by the Committee on Negotiations with Specialized Agencies. The agreement comes into force when finally approved by the first Assembly of IMCO

Prepared by Department of State

between such bodies as the United Nations Economic Commission for Latin America and the Inter-American Economic and Social Council. The chief difficulties result from the number of commissions, committees, and other working organs, and from inadequate over-all program planning and administrative or budgetary consolidation.

During 1946 and 1947 much of the time of the Council and other groups was spent on organizational activities. By 1948, however, when the emphasis had shifted to substantive issues, the question of effective co-ordination became of increasing importance, and fortunately the machinery of co-ordination had begun to make real progress. Meanwhile, on the technical working level the staffs of the various organs were establishing the personal contact and informal arrangements that are essential to the functioning of any large administrative system and in many cases eliminate the need for more formal co-ordination.

The Secretary-General was able by the spring of 1949, to report considerable progress in such administrative matters as common personnel policies, joint library and information services, uniform or correlated standards of reporting, and a time-table of conferences geared to the autumn session of the General Assembly. But he said that further progress was likely to be slow. This is especially true of the more difficult substantive or program matters, in which co-ordination is the final responsibility of the Council. The progress already made in administrative matters and the fact that the Council will have before it at its Ninth Session in July 1949, the necessary information on special-agency and commission activities, will make this task easier.

The various agencies and commissions have already undertaken joint action on some economic problems, which is the most effective form of co-ordination. In fact, this is an essential form since the functions of the Council are primarily advisory and recommendatory, action in many matters being left to the technical agencies. But even in these cases member states must approve the international programs and appropriate funds. Co-ordination of such action is therefore required at the national level. The Council and the General Assembly have already drawn the attention of members to the desirability of co-ordinating their policies in the various international bodies. Moreover, since most "international" action consists of concurrent and parallel national action, the Council must be kept informed on national efforts to implement the resolutions and recommendations of international organs. Some governments have been slow in sending this information to the Secretariat, and some have questioned the competence of the Council to ask for it.

At its session in July 1949 the Council will consider the subject as a whole, preparatory to sending a report to the fourth session of the General Assembly. This is in accordance with resolution 50 of the first Assembly in 1946, which called for a report on progress in co-ordinating the policies and activities of the specialized agencies and of the United Nations organs.

The interest of the United States government in improving the organization and efficiency of the machinery for international collaboration in the economic and social fields is part of its larger interest in making the United Nations system as a whole function effectively. By comparison with this broad interest, the narrower interest of economizing in its contributions and in the costs of its own delegations is a relatively insignificant issue, although even here congressional irritation with inefficiency is a retarding factor in asking for appropriations. The United States government is therefore concerned with all the numerous issues involving organizational difficulties.

Member states are in general agreement that international machinery must not be too costly, despite the vast area to be covered; and that it is difficult to provide enough trained personnel to staff a large international organization and to meet the requirements of national governments. For both of these reasons economy and efficiency are important. When it comes to discussing methods of achieving these ends, however, considerable differences of opinion develop, especially when politics are injected into the discussions of the Council. Another source of difficulty is the volume of materials to be considered by the Council in formulating its proposals for organizational improvements. The Secretariat has been developing manageable and related summaries of scattered activities to assist members. Improvement is also being made through the establishment of priority topics to be considered by all the relevant agencies at the same time, thus facilitating both better co-ordination and intensified activity on the most urgent subjects. This is exemplified by the parallel activity of the Council, the Co-ordination Committee, and the United States government on the subject of technical assistance for economic development.

In addition to the issue at the international level, the United States is faced with two issues at the national level. The first is how best to correlate the activities of its delegations and to select and instruct competent representatives to international meetings. The second is how to ensure that the decisions and recommendations of international bodies that are accepted by the United States will be expeditiously

implemented. This latter may involve not only administrative action but difficult legislative questions where domestic policies are in conflict with international decisions.

Finally there is the necessity of deciding the appropriate scope of multilateral international action. In some cases, either because of the nature of the problem or for political reasons, action may be quicker or more effective on a bilateral than on a multilateral basis. The use of the bilateral approach might even be justified as a direct aid to the more effective functioning of over-loaded multilateral machinery. The United States must take account of these considerations in deciding what action is most conducive to international collaboration.

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DEPENDENT PEOPLES AND TRUSTEESHIP

The trusteeship system and the non-self-governing territories outside that system raise certain problems for the United Nations Organization and especially for the Trusteeship Council. These give the United States as a member nation its general interest in dependent peoples. But it also has more specific interests as a long-established administrator of non-self-governing territories and as the administering authority under the recent trusteeship agreement for the former Japanese mandated islands. The problem for the United States is to formulate a policy that will embrace its general and specific interests in dependent peoples and take due account of the existing rights and interests of other powers in dependent territories.

The nine trusteeship agreements so far concluded all apply to territories that were former League mandates: New Guinea, under the administration of Australia; Ruanda-Urundi, under Belgium; Cameroons and Togoland, under France; Western Samoa, under New Zealand; Tanganyika, Cameroons, and Togoland, under the United Kingdom; Nauru, administered by Australia on behalf of the United Kingdom, New Zealand, and itself; and the Marshall, Caroline, and Marianas Islands, formerly mandated to Japan and now under United States administration as a strategic area. Thus all the former League mandates that have not become independent states are now under the trusteeship system, with the exception of South-West Africa. The Trusteeship Council exercises supervisory functions over all of those territories except the Territory of the Pacific Islands. For this, as a strategic area, the Security Council has primary responsibility, but it has the assistance of the Trusteeship Council in functions "relating to political, economic, social, and educational matters."

All trusteeships must be carried out in accordance with the Charter of the United Nations and with the terms of individual agreements concluded between the United Nations and the "states directly concerned" in each case. The Charter sets forth the basic objectives of the system, which include the promotion of "the political, economic, social and educational advancement of the inhabitants of the trust territories, and their progressive development towards self-government or independence. . ." It also prescribes that the Trusteeship Council in exercising its supervision shall formulate a questionnaire on the basis of which the administering authorities must make annual reports. The Council may also accept petitions and pay periodic visits to the trust territories in consultation with the administering authorities.

Disagreement on the manner of carrying out these functions has given rise to the principal problems of the trusteeship system. Many non-administering states favor a broad interpretation of the terms of the Charter and seek to extend the authority of the United Nations in trusteeship matters. Some of these powers are motivated by a sincere desire to promote the welfare of dependent peoples, but others, notably the Soviet Union, are clearly using the discussions in the United Nations as a sounding board for propaganda against "imperialist" powers.

For more than a year after the Trusteeship Council was set up the Soviet Union, because of its opposition to certain clauses in the trusteeship agreements and to the procedures followed by the Assembly in approving them, refused to take the seat on the Council to which it was entitled under the Charter. Since it joined the Council in April

1948, when the discussion of a statute for Jerusalem was begun, it has seized every occasion to attack the policies of the administering authorities and to decrease their authority. When the Council was considering the annual reports of the administering authorities, the Soviet Union proposed detailed recommendations for increasing the participation of dependent peoples in legislative and administrative organs and for distributing land to them. When the Council was considering the instructions to be given to its visiting missions, the Soviet Union made proposals for detailed investigations that implied condemning the administering authorities in advance of the visits. Some of these proposals were defeated only by a tie vote, which indicates the state of tension in the Council.

The creation of administrative unions between trust territories and other dependent areas has been the cause of much controversy and some violent attacks on the administering powers for allegedly destroying the identity of the trust territories. The Trusteeship Council, on the instructions of the General Assembly, is making a special investigation of this question. Controversy has also been strong over the functions of the Trusteeship Council in strategic areas, the Soviet Union having insisted on the supreme authority of the Security Council even in political, economic, and social matters. A procedure has now been worked whereby the Trusteeship Council performs the functions in these fields and reports to the Security Council. The Soviet Union, however, has specified that this should not become the general practice for future strategic areas.

Demands for the extension of the trusteeship system have been the cause of heated debate in the General Assembly and have revealed basic differences in the interpretation of the Charter. Certain members, led by India and including the Soviet Union, hold that the colonial powers are obligated to place other non-self-governing territories under the trusteeship system to hasten their attainment of self-government. The United States has sided with the colonial powers in holding that this view distorts the intention of the Charter, which clearly provides for non-self-governing territories outside the trusteeship system. The pressure for extension of the system has been exerted most strongly in the case of South-West Africa, the only former mandated territory still administered outside the trusteeship system. South Africa insists that the people of South-West Africa wish to be incorporated in the Union, and it has refused to comply with repeated requests of the Assembly to submit a trusteeship agreement for the territory. The Assembly has not held that South Africa is legally bound to do so.

Differences have also arisen over the extent of the authority of the

United Nations in supervising the administration of non-self-governing territories outside the trusteeship system. The Charter contains a declaration by which members of the United Nations having responsibilities for dependent territories undertake to ensure the "political, economic, social and educational advancement" of their peoples, "to develop self-government," and to transmit information on the territories regularly to the Secretary-General. A special committee was established by the General Assembly to examine the information received. Although some of the administering powers want to abolish the committee, the Soviet Union has sought to endow it with powers comparable to those of the Trusteeship Council. The United States took the lead in securing a compromise by which the committee is empowered to make procedural recommendations to the General Assembly, and substantive recommendations provided that they relate only to "functional fields generally" and not to specific territories. The controversy has also extended to the transmission of political information by the administering authorities. Although the Charter calls only for "statistical and other information of a technical nature relating to economic, social, and educational conditions," some members have insisted that political information should be reported and have sharply criticized administering authorities for not so doing.

The central issues with which the United States must deal are raised by the close division in the United Nations between the views of states administering non-self-governing territories and of non-administering states, led by the Soviet Union. The split refers particularly to the scope of the authority of the United Nations over trust territories and over dependent peoples outside this system, the extension of the trusteeship system, and the speed with which self-government can be attained.

The United States favors the attainment of self-government by peoples qualified for it and has stated that the policies of some colonial powers should be liberalized; but it also considers that the progress of backward peoples must be extended by gradual stages and that the United Nations must act within the framework of the Charter. While its policy must be to see that the provisions of the Charter are fully carried out, it must also see that extremists do not force action that would distort the Charter for political and propaganda purposes. Its great problem is to combine American objectives in promoting the welfare of dependent peoples with the objectives of respecting existing rights in the dependent territories and of maintaining friendly relations with the colonial powers.

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II. EUROPE

THE CONDITION of Europe after the second world war was without precedent in modern history. There was no semblance of a balance of power; in fact Europe west of the Oder soon became virtually a power vacuum. The defeat of Germany removed the strongest European state of 1939, and one that from its central position on the continent had for over half a century exerted pressure in all directions. France had sunk below its prewar strength, and with the withdrawal of the major part of American forces from Europe, the Soviet Union was left with a unique power position on the continent. Although Great Britain has been straining its impaired economic resources to keep nearly a million men in the armed forces, a greater number than ever before in peacetime, this has been inadequate to provide a counterpoise to Russian might.

The gigantic loss of material capital is the primary cause of economic weakness in Europe, and the one that is taking the longest to remedy. Although great assistance has been received from the United States in the European recovery program, and Western Europe has made remarkable recovery in production, the effects of the dislocation of war are still being felt. This applies especially to trade both within Europe and with the rest of the world, the restoration of which is basic in maintaining and raising the standard of life in Europe. For millions of people the immediate objective since the end of the war has been to eke out a bare subsistence. They have been in the mood to judge their governments as much by their ability to provide food, clothing, and shelter as by their support of political liberties.

Destruction and the lack of replacements during the war led to a dearth of consumer goods, a condition that was aggravated in 1946 and 1947 by severe cold and poor crops. The emphasis in production after the war was on capital goods and the backlog of demand for consumer goods had to remain unsatisfied. Although the supply of consumer goods has considerably improved in the last year, it is still true that rewards are insufficient to provide maximum economic incentives. The communists have attempted to make political capital out of this situation.

The relative power of the communist parties in Western Europe has diminished, however, partly because of the economic improvement, and partly because the activities of the communists in Eastern Europe have lessened their appeal in the West. The failure of the French coal

EUROPE
TERRITORIAL ADJUSTMENTS
1937-47
RECOGNIZED BY UNITED STATES
NOT RECOGNIZED BY UNITED STATES
UNION OF SOVIET SOCIALIST REPUBLICS
CASPIAN SEA
BLACK SEA
TURKEY
FINLAND
ESTONIA
LATVIA
LITHUANIA
POLAND
CZECHOSLOVAKIA
AUSTRIA
HUNGARY
RUMANIA
BULGARIA
YUGOSLAVIA
ALBANIA
GREECE
ITALY
SWITZERLAND
FRANCE
BELGIUM
NETH.
GERMANY
DEN.
NORWAY
SWEDEN
NORTH SEA
GREAT BRITAIN
IRELAND
ICELAND
ATLANTIC OCEAN
PORTUGAL
SPAIN
MEDITERRANEAN SEA

strikes to overthrow the government in the autumn of 1948 indicated that the "third force" had gained in vitality at the expense of the communists. Similarly, communist efforts to impede the economic recovery of Italy have not been very serious, and they have failed to attain their political aim of undermining the government.

All European states in their approach to the problem of security have been influenced by the fear of Soviet domination or by the prospect of a Soviet-American clash. The countries of Eastern Europe had no choice but to become satellites of the Soviet Union. West of the iron curtain, only the Iberian dictatorships made a clear-cut decision from the outset to align themselves with any power combination that was opposed to the Soviet Union. Other countries in Western Europe first attempted to follow a middle course, to "mediate" between the two outstanding Great Powers, the United States and the Soviet Union. But as the fear of Soviet aggression grew, they supported the "Atlantic Community" policy.

This group, which has received active United States support from the European recovery program and from the North Atlantic Treaty, expects to be further strengthened by the proposed Military Assistance Program. The objective in these developments is to create and sustain a third locus of power in addition to the Soviet Union and the United States, in the form of a security arrangement, to which the United States can subscribe.

Some European countries have remained aloof. They maintain the traditional position that by offending neither of the two powers they can remain neutral in the event of war. Although the unity of the Scandinavian countries has been maintained to the extent of participating in the European recovery program, their unified neutrality policy was broken by the adherence of Norway to the North Atlantic Treaty. Its proximity to the Soviet Union would place Sweden in the front line of Soviet military action in the event of a war, and this fact may have been as important as the traditional theory of neutrality in keeping it from joining the Atlantic defensive alliance.

A. REGIONAL PROBLEMS

As a result of the power vacuum left in Europe at the end of the war, two principal regional groupings have emerged. This split in Europe is part of the wider rift between the Soviet Union and the other great powers that has complicated the solution of almost all international problems in the postwar period. The rupture in the political, economic, and cultural life of Europe that has accompanied the

development of these two regions is nevertheless not absolute. Hope still remains that the tension between Eastern and Western Europe may subside and that their trade relations, which were so extensive before the war, may be substantially restored.

The restoration of full economic relations between the two spheres of Europe would be aided by a more adequate solution of the problem of international control over the Danubian waterway. From 1856 to the second world war, the Danube river had been subject to the control of an international regime in which certain European nonriparian states, including France and Great Britain, were represented. When the treaties for Rumania, Bulgaria, and Hungary were being negotiated after the second world war, the Soviet Union protested against the inclusion of this subject on the ground that arrangements relating to the Danube should be the prerogative of the Danubian states; but the United States, Great Britain, and France took the view that the treaties should provide both for freedom of navigation and for a new international regime to supervise it. A compromise was reached by which, within six months of the effective date of the treaties, a conference was to be called on the establishment of an international regime, and by which provisions guaranteeing freedom of navigation on the Danube were written into the treaties. The countries represented on the Council of Foreign Ministers and the Danubian states were to be invited to the conference.

When the conference was finally convened in July 1948, it quickly became evident that the Soviet Union was determined to retain exclusive control of the river for itself and its satellites. Great Britain and France, which with Belgium, Greece, and Italy in addition to the riparian states were parties to the 1921 Statute of the Danube, gave notice that they would accept no convention abrogating this Statute without the consent of all its signatories. The eastern European countries, however, disregarded all protests that the Soviet proposals violated international agreements, and signified their approval of a Soviet draft convention establishing a new commission that not only excluded nonriparian states from membership but also failed to make any provision for Germany. The United States, Great Britain, and France insisted on the continued validity of former treaties and refused to sign the convention.

The convention included a provision for freedom of navigation on the Danube, but the river has in fact been closed to western traffic since the end of the war. Conversations began in May 1949 between the Soviet Union and the Austrian government on reopening

to Austrian traffic the section of the river that runs through the Soviet zone of Austria, but so far no progress has been reported.

Without a modification of Soviet policy in Eastern Europe in general, there seems to be little possibility of effective action to achieve western objectives on the Danube. The United States may have opportunity to reopen the subject either in the future negotiations for a German peace treaty, or in other international negotiations.

Elsewhere in Europe, regional groupings have become prominent in dealing with both economic and political problems. Belgium, the Netherlands, and Luxembourg in 1944 signed agreements providing for a customs union and joint economic activities, which they hope in time will allow these countries to develop as an economic unit. These "Benelux" countries later joined with Great Britain and France in the Brussels Pact and in the broader movement for western European consolidation. In the Scandinavian countries, proposals for linking Sweden, Norway, and Denmark together in a similar fashion have been made from time to time but have not been adopted.

The problem of European integration is fully considered in one of the papers in Part Three of this volume. It is enough to say here that there is a danger of raising excessive hopes for regional organizations. Important cultural, political, and economic differences exist and are likely to persist among European countries, despite their common heritage. The British government has shown an appreciation of this fact in recommending caution in the approach to western European union. A firmer foundation is likely to be laid if the European people are content with gradual progress based on a realistic view of the difficulties, and do not allow themselves to be stampeded into attempting a "union" of states devoid of the organic unity that only historical development can achieve.

THE SOVIET ORBIT

The expansion of the Soviet orbit, which had continued steadily from the end of the war until 1948, has been stopped at least temporarily by the increasing strength of Western Europe. Moreover, the economic revival of Western Europe has made East-West trade more attractive to eastern European countries than at any time since the end of the war. National communism in Yugoslavia has driven a wedge into the previously unified orbit forces. Consequently, the Soviet orbit, so recently on the offensive politically, is now on the defensive.

The development of the Soviet orbit was facilitated by the strategy

that was necessary for the conduct of the second world war. Military logic determined that the Soviet Union should attack Germany from the east and that the United States and Great Britain should attack from the west, thus leaving Eastern Europe under Soviet control at the end of the war. It is no accident that the Soviet orbit coincides with the wartime line of the Red Army, and that no state in Europe not occupied by the Russian armed forces has come under communist control.

The development of the Soviet orbit raised policy problems for the United States that transcended the question of bilateral relations with the countries of Eastern Europe. The problems involved not only the possible westward spread of communism but the entire United States estimate of Soviet intentions. The basic issue was the position that the United States should take vis-à-vis the Soviet Union and the communist movement, particularly in Europe, and the strategy and tactics to be adopted by the United States.

The United States has been sympathetic to the claim that for reasons of security the Soviet Union has an interest in the maintenance of friendly governments in countries contiguous to its western frontier, across which they have suffered two major invasions in a generation. The United States has refused to agree, however, that these countries should be mere satellites. During the early postwar years the United States advocated that the Soviet Union should adopt the good-neighbor policy and fulfill the pledges made by it in the Yalta Declaration on Liberated Europe. The Soviet Union responded by establishing in Eastern Europe a series of People's Front governments in which all major "anti-fascist" political parties were represented. But in all cases the communists assumed control of the ministry of interior and the domestic police forces, and in most cases they also controlled the ministries of war and justice. In this manner, the communists were able, with the connivance of the Soviet High Command, to liquidate internal opposition and to ensure the results of the postwar elections.

This procedure brought early results in Bulgaria and Rumania. It took longer to establish communist control in Hungary and Poland, but communist-dominated governments were quickly established in Yugoslavia and Albania on the foundations of the wartime resistance movements. Finland has not succumbed to communist control, and the Soviet Union has so far relied on the provisions of the 1947 peace treaty and the Mutual Defense Pact of 1948 to assure Finnish friend-

liness. When Czechoslovakia, which had done everything possible to conciliate the Soviet Union, was seized by the communists in February 1948, little doubt remained in Western minds that the communist ambitions could be checked only through the evidence of superior power.

The communist successes in Eastern Europe were achieved by a series of moves that penetrated and captured the strategic centers of power. The disintegration caused by the war, and the backing given the local communists by the Soviet Union and the Red Army, made this task even easier. The backward state of social and economic development also made it possible for the communists to cloak their rise to power behind a pseudo-progressive mask. Land reform, long overdue in eastern Europe, was one of the first measures to be adopted after the war by all the governments in the Soviet orbit except Finland. Nationalization of industry, a traditional demand of the Social Democratic parties, has also been widely adopted, and no major commercial or industrial organizations remain under private ownership. The communists supported these measures because in administering them they were afforded an opportunity of coercing the domestic opposition. Restrictions against the awarding of land to "fascist elements," for example, were universally included in the land reforms, and the definition of "fascist" was always extended to include the elements that opposed the communists or the Soviet Union.

The year that ended in June 1948 witnessed the climax in the development of the Soviet orbit. The coup in Hungary in June 1947 forced Premier Nagy out of the country and brought Hungary firmly under communist control. In October 1947 the Cominform was established to combat the Marshall plan. A short time later Mikolajczyk, the last leader of the opposition in Poland, had to flee for his life. King Mihai of Rumania was exiled in December, and the communist coup in Czechoslovakia took place in February 1948. This ended, at least for the time being, the spectacular extension of the Soviet influence, and the conflict between the Cominform and Tito that began in June 1948 even led to doubts whether the ground already gained could be held.

The year ending in June 1949 has not continued the dynamic movement of the previous year. The Soviet satraps, having established themselves in control, are now engaged in the less dramatic process of stamping out all potential sources of opposition. The governmental machinery, the trade unions, the press and radio, and the nationalized economic systems are already under communist domination. Indeed,

communist control is so well established that only two sources of domestic opposition remain in Eastern Europe. These are the church and the peasantry.

There has been little opposition from the Orthodox church, but representatives of the Roman Catholic church in some of the countries within the Russian sphere have been outspoken critics. Cardinal Mindszenty of Hungary has been the best known of these. Relations between the church and the state have also been tense in predominantly Catholic Poland, although the opposition of the church has been relatively quiescent since the death of Cardinal Hlond. In Czechoslovakia, Archbishop Beran notified the Catholic clergy in May 1949 that "any further efforts" at negotiation between the church and the government would be "vain and hopeless." In Rumania, the Greek Catholic (Uniate) church was forced to combine with the Orthodox church after nearly three centuries of separation from it. Rumania also announced in May 1949 that it had stopped the salary payments of 136 Catholic priests, who are paid, as in most eastern European countries, by the state. Bulgaria, where there is no substantial Catholic population, convicted fifteen Protestant Evangelical pastors in February 1949 on charges of conducting espionage for the United States and Great Britain.

Two predominant issues lie behind this conflict between church and state—the land reforms and the nationalization of schools. For example, the Catholic church in Hungary before the war was the largest land owner and the principal operator of schools. The church owned about 900,000 acres of land, which has been expropriated in the land reform. It also operated about half of the country's schools, which have now been nationalized. Cardinal Mindszenty strongly opposed both measures and excommunicated all the Catholic members of the Hungarian parliament who voted for the nationalization bill. The Cardinal was subsequently convicted of conspiring to overthrow the government and was condemned to prison for life. No concordat has yet been signed between the government and the Catholic church in Hungary.

The Mindszenty trial brought to a head Western indignation at the disregard of human rights in countries of the Soviet orbit. The United States and Great Britain in March and April 1949 sent protests to Rumania, Hungary, and Bulgaria, which had obligated themselves under the terms of the peace treaties of 1947 to "secure to all persons" under their jurisdiction "the enjoyment of human rights and fundamental freedoms, including freedom of expression, of the press and

publication, of religious worship, of political opinion and of public meeting." Each of the three governments, as well as the Soviet Union, replied that the actions of the satellite countries were not in violation of the treaties, but, on the contrary, were in fulfillment of the provision that made it obligatory to "wage a struggle against organizations of a Fascist type." The United States, therefore, invoked the treaty clauses that provide for the settlement of disputes. Indignation in the United States over the Mindszenty trial was all the deeper because of the unfounded charge by the Hungarian government that United States Minister Chapin was involved in the alleged conspiracy, and of the subsequent request that he be recalled. The American representative was called home for consultations and did not return to Hungary.

The peasants in Eastern Europe have not been forced into the pattern of sovietization to the same extent as the other segments of society. The masters of the "new democracies" dare not jeopardize the success of their plans by collectivizing too rapidly the agricultural system, out of which the surplus for feeding the urban population must be drawn if there is to be continued industrialization. Bulgaria has gone further than any other eastern European state in its new five-year plan, the goal of which is to collectivize 60 per cent of the farms. At the present time, peasants are being urged to join agricultural co-operatives in an attempt to mitigate the adverse effects on agricultural production of the splitting up of the land.

Agricultural policy was involved in the charge made against Tito by the Cominform that Yugoslavia was following a soft policy toward the peasants and was therefore not introducing socialism in the villages quickly enough. It is obvious that this charge was merely polemical since the Soviet representative on the Cominform had praised Yugoslav achievements only a few weeks before the controversy began. Moreover, in other countries the reaction of the peasants to the Cominform statement regarding socialism in the villages was so violent that it was necessary to issue official statements denying that any immediate collectivization was contemplated, but stressing again the advantages of the co-operative movement.

It was also indicated that peasant farmers could not expect capitalistic rewards. The Polish Minister of Industry made this point clear in September 1948 when he announced that the peasants were to be divided into three classes—rich, medium, and poor—and that a series of measures would be undertaken to aid the two lower levels at the expense of the top level. Prices, taxes, and credits were to be

regulated with this end in view, and compulsory savings were to be required from the rich peasants, who were defined as those who exploit labor. The rich peasant was not to be allowed to hold office in any political or economic organization, although he would be permitted to join co-operatives. Even so, it was expected that it would take a long time to establish a collective economy in Poland and completely to eliminate the rich peasants.

In addition to the direct attacks on the church and the flank attacks on the peasants, the communists in Eastern Europe have been purging their own ranks. Since the Yugoslav break with the Cominform, the Soviet Union has demanded even greater subservience from the communist leaders in the satellite countries. Purges of the communist parties have been carried out in Poland, Hungary, Bulgaria, and Czechoslovakia, and numerous high officials in these countries have come under the shadow of the Kremlin's suspicion. Gomulka's expulsion in September 1948 from the post of secretary-general of the Polish Workers' (Communist) party is said to have been the result of his sympathy for Tito. This was followed by a purge of the Workers' and the Socialist parties in Poland before their merger under communist leadership in December. Vice-Premier Kostov of Bulgaria and Foreign Minister Rajk of Hungary were both relieved of their posts in March and June 1949, respectively, on the grounds of having served foreign and imperialist powers. Thereafter the Hungarian Communist party issued a warning against "chauvinism and nationalism" with the words that "nationalism sometimes takes the form of open anti-Sovietism." The Bulgarian newspaper *Worker's Action* indicated how closely the satellite communists are held to the Soviet line when it stated that "the Bulgarian Communist Party . . . recognize[s] as an unquestionable truth the fact that the Soviet Union and the Soviet Bolshevik Party have the leading and predominant part in the fight against fascism," and that "all party members" and "the whole Bulgarian nation" should educate themselves "into unquestioning and unflinching loyalty to the solid and unbreakable front between Bulgaria and the Soviet Union."

The Macedonian conflict, which appeared to be nearly settled while Yugoslavia and Bulgaria maintained friendly relations, flared up again after the Cominform incident. The Greek guerrilla "government" became involved in the controversy in March 1949 when it sponsored a plan to separate Yugoslav and Greek Macedonia from their parent nations and to combine them with Bulgarian Macedonia in an autonomous state oriented toward Bulgaria. It thus appeared that

the Greek guerrillas had definitely broken with Tito and had become an adjunct not only of Soviet but also of Bulgarian foreign policy.

In the sphere of economic policy the movement toward strict Soviet control is also apparent. The Soviet Union has continued to treat these states as economic colonies, extracting as much as possible in return for as little as possible. It has been estimated, for example, that the Soviet Union has taken 75 per cent of the profits of the Soviet-Rumanian oil company, supposedly owned equally by the two countries. This is one of the joint companies formed by the Soviet Union with Rumania and Hungary after the war, to which the Soviet Union contributed as its share the German assets in the two countries awarded it under the terms of the Potsdam Agreement.

The Soviet satellite countries have been permitted to try to solve their economic difficulties by developing trade with the West. Poland signed a trade agreement with France in December 1948 and with Great Britain in January 1949, and a series of other agreements have been negotiated between the East and West. The extension of this trade, however, is hindered by the fact that the countries under Soviet influence are prone to overvalue their products in their proposals for bilateral bartering, and by many other factors arising from the political complexities of the situation.

New economic organizations have been established. The joint Polish-Czechoslovak Council for Economic Cooperation was formed in August 1948, and the Council for Economic Mutual Assistance (CEMA) in January 1949. The purpose of the first is to develop jointly the industrial systems of Poland and Czechoslovakia in order to meet the major industrial requirements of the other satellite countries, and the CEMA was established to provide Eastern Europe with a substitute for the Marshall plan. There is little evidence that either organization has achieved anything significant. There has been some speculation, however, that the CEMA may be the forerunner of a new inclusive organization to bring the satellites into a more formal political association with the Soviet Union, perhaps even as Soviet Republics. Such speculation is based on the admitted fact that the present "People's Democracies" are transitional in character, and on the manner in which the Soviet Union has in the past dealt with "independent" states on its borders, such as the People's Mongolian Republic and Tannu Tuva. It may be that when the Soviet Union considers that the eastern European states have reached the goal of socialism, it will establish some new form of political association for them.

There are five important issues confronting the United States in connection with the development of the Soviet orbit. The first is whether the United States should be content to accept a *fait accompli* in these countries or whether it should attempt to change their status. In view of the arrangements made at Yalta, Potsdam, and Moscow it is difficult to see how the United States can accept the present status in Eastern Europe without turning its back on principles that are the basis of its foreign policy. It is equally difficult to see how the United States can, without the use of armed force, bring about the fulfillment by the Soviet Union of the pledges assumed in the agreements, unless the question of present conditions in Eastern Europe is raised in negotiations between the Western powers and the Soviet Union for a general European settlement.

The second issue concerns the action that the United States should take to prevent a further extension of Soviet control. This issue has decreased in urgency since the danger of communist control, although not eliminated, has been diminished in Iran, Turkey, Greece, Trieste, Italy, and France. The Greek-Turkish Aid Program was a direct response to this danger, and the European recovery program, the North Atlantic Treaty, and the proposed Military Assistance Program are all designed to strengthen Western Europe in resisting Soviet expansion. These programs were successful in stopping the extension of the orbit, and may even have been responsible for creating dissension within it. The progress made, however, creates the problem for the United States government of ensuring that the public and the Congress will continue to support the policy of assistance even though the Soviet threat has been diminished. The congressional economy drive on the European recovery program, although understandable in the light of the prospective budgetary deficit, is a sign that this issue may be one of the most difficult for American policy makers in the years ahead.

The third issue, closely allied to the first, relates to United States economic policy toward Eastern Europe. The present policy of strict export controls is a deterrent to the development of trade between East and West. If the downward trend in the American economy continues, however, and especially if American aid to Western Europe is being decreased, the government may be under pressure to change its policy on trade with the East on the ground that it is questionable whether the political advantages outweigh the economic disadvantages.

The fourth issue relates to the measures that should be taken in

order to force Rumania, Hungary, and Bulgaria to comply with the human rights clauses of the 1947 treaties. The United States has been trying to settle the problem of treaty violations by means of the procedures outlined in the treaties. This may result merely in placing the United States on record as strongly opposed to the actions of the eastern European governments. At the same time, repeated ineffectual protests may tend to weaken the position of the United States.

The fifth issue deals with the policy that the United States should follow in its relations with Yugoslavia. This issue is discussed later in the section on Yugoslavia.

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B. SPECIAL COUNTRY PROBLEMS

The major problems that have confronted the United States in Western Europe in the past year have been in the fields of economic recovery and of security. An issue that was foreseen early in the formulation of the European recovery program was the role to be played by Germany in the plan. It was clear that the industrial potential of Germany was essential to the recovery of Western Europe. The fear existed, however, that a restored Germany might once again become a dominant power. As a counter-weight to this fear the United States

has sought during the past year to make known its own security interest in Western Europe. It was this effort that was in part responsible for the North Atlantic Treaty and the proposed Military Assistance Program. The willingness of the United States government to embark on the policy that is represented by these two measures facilitated agreement by the Western powers on a common policy for Germany, and enabled them to maintain a united front in the Paris meeting of the Council of Foreign Ministers. Although little progress was made at Paris toward the ultimate goal of a peace treaty for Germany, the position of the three Western powers vis-à-vis the Soviet Union has measurably improved.

In contrast to the lack of progress on a treaty for Germany, some progress was made in the negotiation of an Austrian treaty. The compromises made in the Council of Foreign Ministers on the definition of German assets in Austria that will be awarded to the Soviet Union removed one of the principles obstacles to final agreement. Although a number of disputed issues remain to be resolved, the outlook in mid-1949 for the successful completion of a treaty is reasonably hopeful.

The magnitude of the German problem, and even that of Austria, overshadows the problem of Trieste. Yet it has been equally difficult to break the four-power deadlock on this issue. Whether the problem of Trieste can be solved under present world conditions, or whether it must await the development of a new phase of great power relations remains to be seen. In any event, the United States is involved in Trieste through its military occupation and its relations with Italy, and is committed to work for a more adequate solution of the problem than has yet been found.

The problem of Yugoslavia has moved into a broader framework since the break with the Cominform freed it from Soviet subjugation. Although the Yugoslav policies in connection with Trieste and with the Austrian peace treaty are still a source of difficulty, Yugoslavia has also become a test case to determine whether the United States can establish more normal relations with the eastern European states. And finally, Spain is the outstanding test case of a non-communist totalitarian country in Europe, the internal and external policies of which confront the United States with many problems for solution before Spain can be received into the democratic community of the West.

An account of the policy of the United States toward these five states is important to an understanding of its relations with the Soviet Union and with the countries of Europe as a whole. This justifies the special treatment accorded them in this section.

GERMANY[1]

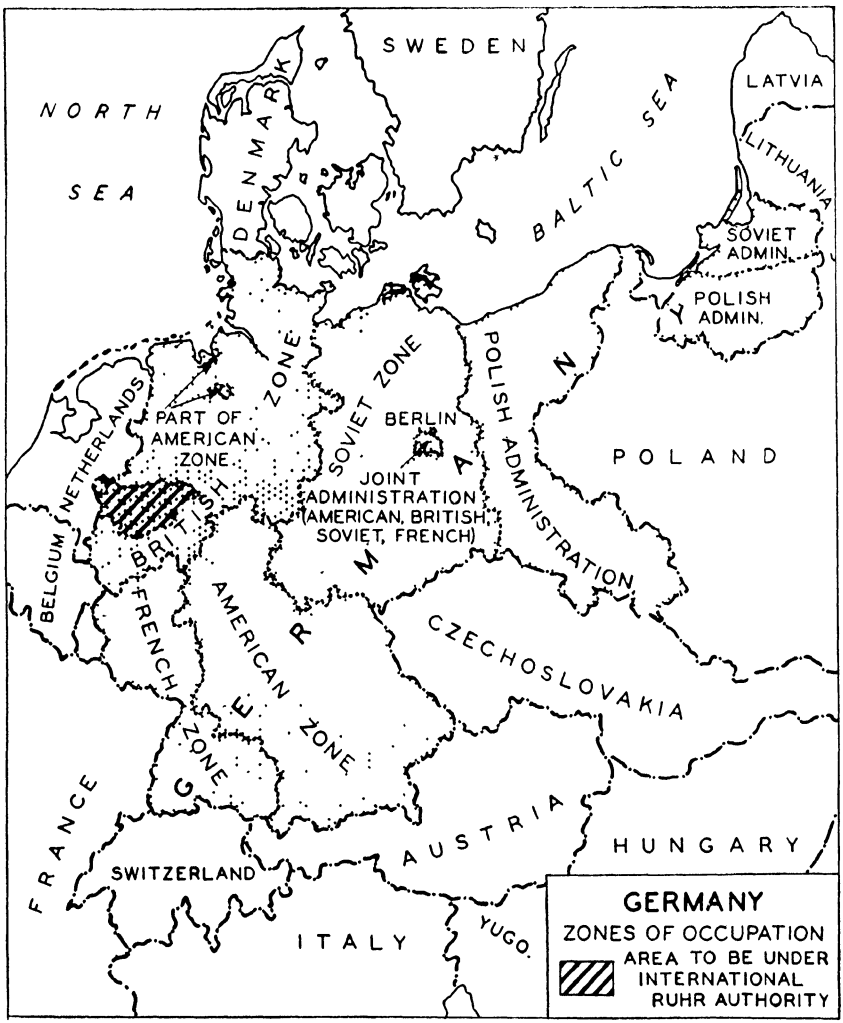
The long-range problem is to reorganize Germany politically, economically, territorially, and administratively in order to prevent the recrudescence of German aggression, and at the same time to fit Germany into the political, security, and economic pattern of Europe and of the world as a whole. The immediate problem is to establish a *modus vivendi* between east and west Germany and to achieve satisfactory relations between the Allied High Commission and the western German authorities. These interim arrangements are necessary because the basic differences between the Soviet Union and the Western powers have so far made it impossible to restore the German unity that is a prerequisite to the conclusion of a peace treaty and to German independence.

Despite the failure of the Soviet Union to co-operate through the Allied Control Council in establishing the central economic institutions agreed upon at Potsdam, the Western powers tried throughout 1946 and 1947 to reach an over-all settlement of the German problem in the Council of Foreign Ministers. With the breakdown of the London conference in December 1947, however, they decided to proceed with the reconstruction of western Germany pending agreement for Germany as a whole on a four-power basis. The unilateral measures taken by the Western powers as a consequence of this decision were followed by the Soviet blockade of Berlin and resulted in a complete split between the Eastern and Western zones. The general strengthening of the position of the Western powers, their success in countering by means of the airlift the Soviet attempt to drive them out of Berlin, and the damaging effect of the counter-blockade on the economy of the Soviet zone led to a renewal of four-power talks. It soon became apparent, however, that neither side was willing to make the concessions that would permit the resumption of four-power collaboration in solving the long-range problem, although limited progress was made toward solving the more immediate problem of creating a working arrangement between eastern and western Germany. The only decision directly relevant to the long-range basis was to continue discussions at a later date.

The United States is determined that Germany shall not again constitute a threat to world security. Although at first its attitude contained a certain punitive element, as revealed in the JCS directive 1067 of April 1945, which stated that no steps were to be taken to

[1] This problem was treated comprehensively in the 1947 edition of *Major Problems of United States Foreign Policy.*

maintain or strengthen the German economy, the United States has never aimed at the destruction of the German state. Therefore, while agreeing at Potsdam to decentralize Germany politically, the United States insisted on economic unity, which was essential to a self-support-



ing and independent country. But German industrial capacity was to be reduced to the lowest level compatible with a viable economy and the Germans were to be allowed a standard of living not higher than the average of their continental neighbors (excluding the Soviet Union).

An attempt was made in the Allied Control Council agreement of March 1946 on reparations and the level of postwar German economy to establish the industrial capacity necessary to implement these decisions. But before it could be put into operation, the economic difficulties resulting in part from the limitations imposed by JCS 1067 and the Potsdam decisions, and in part from the Soviet refusal to co-operate in achieving economic unity, forced a revision of the level of industry. In December 1946 the British and American zones were merged as a step in the direction of economic unity. The announcement that the two governments planned to make the combined zone self-supporting by December 1949 reflected their concern over the great burden of American and British support to their zones. After the withdrawal of the Soviet Union from the Paris discussions of the Marshall proposals on European recovery in July 1947 had re-emphasized the Soviet refusal to co-operate, a new directive was issued to General Clay declaring that the basic objective of policy in Germany was to be the "creation of those political, economic and moral conditions which will contribute to a stable and prosperous Europe."

While there was little ground for optimism that in the prevailing atmosphere agreement on a unified Germany could be reached, unification through four-power agreement remained the long-term goal of United States policy. It was realized, however, that it was necessary for the time being to pursue the more limited objective of rebuilding the part of Germany that was controlled by the Western powers, since it was a vital element in the rebuilding of Western Europe and the checking of Soviet expansion.

The next attempt to bring about agreement on the four-power basis was at the Council of Foreign Ministers in London in November 1947. At this meeting the Soviet Union displayed no interest in economic recovery but only in the establishment of a centralized German government and the payment of reparations. The Western powers on the other hand, and especially the United States, which was bearing the heavy costs of occupation and of European relief, were eager to establish conditions under which Germany could contribute to the European economy.

After the breakdown of the London conference, United States efforts were concentrated on the consolidation of western Germany on a three-power basis. In the absence of the Soviet Union, a number of issues became less urgent, and agreement in general became less difficult. France remained wary of the revival of a strong Germany and received support from the Benelux countries, which saw in United States policy an at-

tempt to revive the German economy at their expense. Nevertheless, a spirit of compromise entered into the discussions, and by the end of April 1949 agreement had been reached on many of the major issues.

An economic government for the Anglo-American zone was established in January 1948. French protests led to tripartite conversations, to which the Benelux countries were later invited. These conversations resulted in a plan for Germany that by mid-June had been accepted by all participants. The recommendations included proposals for closer association of the Benelux group with the Western military governments, for a six-power international authority to control the distribution of coal, coke, and steel from the Ruhr; for a federal form of government with adequate central authority but with respect for states rights; for the co-ordination of economic policies and joint control of export trade; and for joint consultation on the problem of German security. In the succeeding months, the Western powers took a number of steps to implement these decisions. Currency reform was carried out in the three zones, and closer economic ties between the French zone and the bizone were established.

In the meantime the Soviet Union had not been inactive. Between March and June 1948 it withdrew from the Allied Control Council and the Berlin Kommandatura and imposed such drastic restrictions on traffic between the Western zone and Berlin that they amounted to a blockade of the city that forced the Western powers to counter with the airlift. The Western powers did not immediately introduce the western mark into Berlin but tried to obtain Soviet agreement to quadripartite control of the circulation of eastern marks throughout the city. The Soviet Union, however, rejected their proposals and announced a currency reform that was to apply not only to the Soviet zone but also to all sectors of Berlin. The Western powers then introduced the western mark into their sectors of the city.

The Western powers made joint representations regarding the currency dispute to the Soviet government in Moscow at the end of July, and discussions continued until the end of August. A directive was then issued to the military governors instructing them to make arrangements to lift the traffic restrictions and to provide for the circulation of the eastern mark throughout Berlin under four-power supervision. The talks of the military governors ended in failure, according to the Western powers, because the Soviet military governor was not prepared to honor the understanding reached in Moscow. After further discussions in Moscow and an exchange of notes, the Western powers referred the Berlin dispute to the United Nations Security Council, which was also unsuccessful in settling it.

With the failure of the Moscow talks, the United States, Great Britain, and the Soviet Union each published documents regarding the dispute, which made it clear that the main concern of the Soviet Union was to induce the Western powers to halt the action being taken in western Germany.

The Western powers had stated plainly during the Moscow talks that they could not agree to postpone the establishment of a west German state as the price of Soviet agreement to the lifting of the blockade, and no change in their plans took place as a result of these negotiations. A German parliamentary council was convened at Bonn in September 1948 to draft a "basic law" or "provisional constitution" for the projected west German state, and the western military governors set to work to draft an occupation statute complementary to the "basic law." Disagreements between the Western powers and the Germans, among the occupation powers themselves, and among the German political parties, especially on the principle of federalism, delayed the conclusion of the occupation statute and of the "basic law."

Meanwhile, the six powers that had drafted the London agreement in June 1948 reconvened in November to draft a statute for the International Authority for the Ruhr. The French Assembly had reluctantly accepted the June agreement on condition that the government continue to press for control over Ruhr production in addition to control over distribution. On the eve of this meeting, the United States and British military governments issued laws on the reorganization of the coal and iron and steel industries in their zones, which provided for German trusteeship and for the final determination of ownership by a freely elected German government. Following French protests against this desicision, it was agreed that the question of ownership should be dealt with through diplomatic channels, and agreement on the establishment of an International Authority for the Ruhr was reached at the end of December. The primary function of this organization is to control distribution of Ruhr products for the promotion of the common economic welfare. The question of security is to be mainly the concern of the Military Security Board, which was established early in 1949. Although a decision on the control of production was deferred, the French received partial satisfaction in an invitation to join in the work of the Anglo-American coal and steel control groups.

The Soviet Union meanwhile continued its policy of obstruction. It maintained the blockade of Berlin, persistently attacked the Western powers and intensified its campaign of propaganda for a unified Germany. It put forward, through its German spokesmen, proposals for peace based on the establishment of a central government and the

early withdrawal of the occupation troops. And it sponsored a plan for a government for the whole of Germany the establishment of which it appeared ready to announce if its efforts to block the formation of a west German state failed.

Against the background of the conclusion of the North Atlantic Treaty, the foreign ministers of the United States, France, and Great Britain discussed in Washington in early April 1949 all outstanding issues relating to Germany. Within a few days, complete agreement was reached on all the questions that had been under discussion during the previous few months. An occupation statute was drafted and the basic principles of trizonal fusion were agreed upon.

The occupation statute grants to the Germans full legislative, executive, and judicial powers in all fields that are not specifically reserved to the occupation authorities, which retain control over foreign affairs, including foreign trade and exchange, and over all matters affecting security. Apart from security, however, the only powers in internal affairs reserved to the occupation authorities are those that may be required in reducing the need for external assistance to Germany. The agreement on three-power control provides for the transfer of all civilian matters from the military governors to an Allied High Commission. Decisions of this Commission will in general be made by majority vote. But on certain matters, such as amendments to the federal constitution, decisions must be unanimous, and on others appeal to the government level is allowed.

The three ministers also settled another subject that had caused serious differences among the three Western powers, the dismantling of plant, which involved the questions of the level of industry and of reparation. An ECA committee had recommended the retention in Germany of 167 plants that had been scheduled for removal, but the United States had found difficulty in obtaining the agreement of Great Britain and France to this proposal. The three ministers confirmed an agreement reached in London a few days earlier by which all but eight plants and part of a ninth of the 167 recommended were to be left in Germany. Despite rumors that the United States would abandon the concept of the level of industry, an agreement made public at the same time provided for a ceiling on the production of steel of 11.1 million ingot tons a year, and for limitations on production in other industries, such as aluminum and shipbuilding. These restrictions are to remain in effect until January 1, 1953, or until the peace settlement, whichever is the earlier. Thereafter they are subject to agreement.

Formal approval was given to the establishment of an International Authority for the Ruhr. The agreement was signed in London at the

end of April, and the Authority is scheduled to begin functioning at Duesseldorf in July.

The three foreign ministers also discussed the differences that had arisen over the drafting of the "basic law" and sent their views to the military governors for communication to the parliamentary council at Bonn. While adhering to the principle of adequate protection of states rights, the communication was conciliatory in tone. Shortly thereafter, the "basic law" was passed by the parliamentary council and approved by the western military governors. By the end of May it had received the ratification of two thirds of the German states. The law provides for the creation of two legislative chambers, the Bundestag (Assembly), to be elected by the people, and the Bundesrat (Federal Council) to consist of members of the states governments. The division of authority between the federal government and the states is designed to guard against a dangerous concentration of power without depriving the federation of adequate authority.

Early in May the Soviet Union agreed to lift the Berlin blockade on condition that the counter-blockade would be lifted simultaneously, and a date was set for the resumption of four-power discussions on Germany. The conference opened toward the end of May, but it quickly became evident that on the major problem of the economic and political unification of Germany the views of the Soviet Union and the Western powers were so far apart that no compromise was possible. The Western powers wished to unify Germany by extending the system erected in the western zones to include eastern Germany. The Soviet Union wished to restore the four-power machinery established at Potsdam, including the veto power, and was not prepared to relinquish its hold on its own zone for the limited authority over all the zones offered to it by the Western powers.

The Council recorded its failure to reach agreement on the political and economic unification of Germany and decided to continue its efforts at a later date. In the meantime it provided for consultation among the four occupation authorities on measures to be taken to mitigate the effects of the division of Germany and of Berlin, particularly with regard to expansion of trade. The Soviet Union agreed not to reimpose the blockade and the four powers recognized the obligation of the occupation authorities to ensure freedom of transportation between the Eastern and Western zones and between the zones and Berlin.

The following issues were regarded in 1947 as of crucial significance for United States policy on Germany: the nature of German political and economic institutions; the level of industry; the amount of repara-

tion to be exacted; determination of the future German-Polish frontier; the future administration of the Ruhr; and the basis of control over Germany, including the length and nature of the occupation. Of these issues, there remain on the three-power basis important unresolved questions only in regard to the future of the Ruhr, although the restrictions to be imposed on German production in general may be the source of future controversy. A decision will eventually have to be taken on ownership of the coal and iron and steel industries and on the extent of supervision over production. Other issues may be regarded as dormant or non-existent on the three-power basis.

On the four-power basis, none of the above issues has been settled. Since 1947 the economic division has been intensified by the currency reform of June 1948 in the Western zones, by the Berlin blockade, and by the counter-blockade. Despite the recent agreement on the lifting of the blockade, a partial blockade is still in operation, and it remains to be seen whether the Paris agreement will dispose of this issue. The agreement to hold talks among the occupation authorities for the development of economic relations between the Eastern and Western zones cannot be regarded as likely to provide more than a *modus vivendi* until the basic divergencies on the establishment of a central government are resolved.

The immediate issue confronting the United States is to decide on what terms it is prepared to agree to the establishment of a working arrangement between eastern and western Germany. In future four-power discussions, the United States will have to decide whether it is prepared to compromise on any of the issues on which it has previously taken a stand. The most difficult issues appear to be those relating to the political and economic structure. The United States can scarcely retreat from the decisions it has taken in this connection in establishing the west German state, since it has declared them to be based on fundamental principles.

Distrust of the Soviet Union, inspired by the expansionist policy that appears to be its constant aim, raises a further issue: even if the Soviet Union were prepared to make concessions to satisfy the United States on the outstanding issues, what guarantees would the United States require that the Soviet Union would honor the agreement reached and not endeavor to sabotage it by subversive activities?

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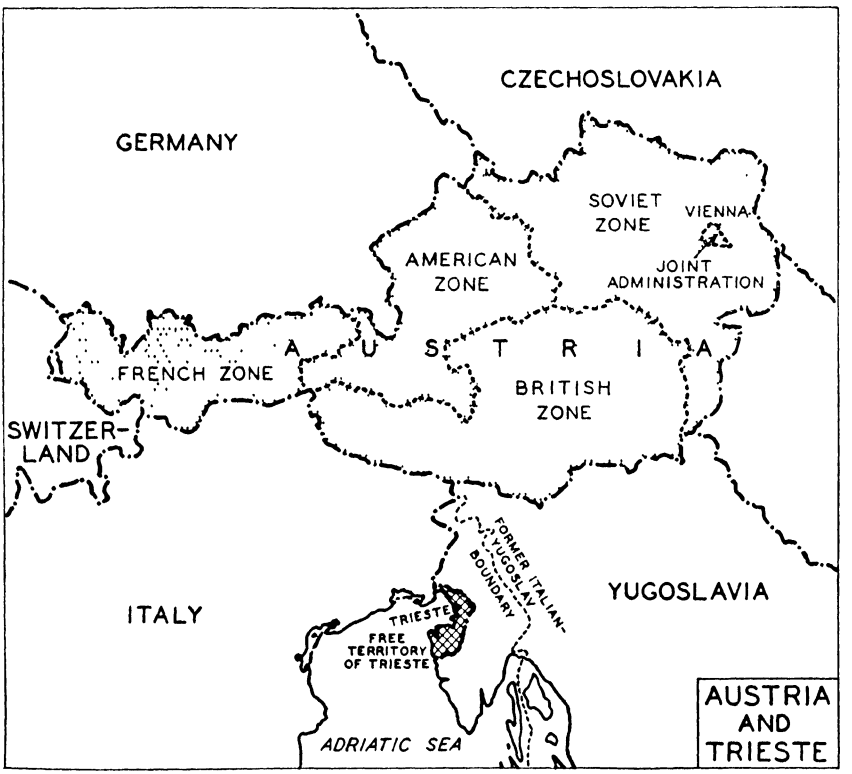
AUSTRIA

The problem of Austria appeared at one time to be the relatively simple one of implementing the declaration made at Moscow in November 1943 by the United States, Great Britain, and the Soviet Union that Austria should be treated as a "liberated" country and its "freedom and independence" restored. Stalin agreed at Potsdam that no reparation should be exacted from Austria, and it seemed that, with the establishment of an Austrian government in January 1946, it should be possible to conclude a treaty and withdraw the occupation troops. An early peace treaty in Austria on the basis of the Moscow declaration conformed at this time to the general aim of the United States of restoring political and economic stability in Europe and terminating as soon as possible the need for the military occupation.

The Soviet Union, however, proved reluctant to discuss a treaty settlement. When four-power talks finally started in January 1947, it made demands upon Austria that, in the view of the Western powers, violated its previous pledges and were incompatible with the achievement of the viable economy essential to independence and stability. Meanwhile, the Soviet occupation authorities in Austria pursued a policy calculated to weaken the country economically and to subject it to Soviet domination. It became apparent that Soviet policy toward Austria was a part of the attempt the Soviet Union was seen to be making to establish control over as large a part of Europe as possible. The problem of Austria, therefore, became part of the larger problem of containing

the Soviet Union. Its key strategic position made it particularly important that Austria should not fall within the Soviet orbit. The aggressive designs of the Soviet Union rendered the problem more difficult and at the same time added to its importance.

In April 1945 a Soviet-sponsored government was established in Vienna, which the Western powers refused to recognize. They insisted on holding "free and unfettered" elections, and these resulted in the



formation of a coalition government in January 1946. In July of the same year this government was accorded a large measure of authority. The Western powers in the Allied Control Council proposed from time to time the relaxation of a number of the remaining controls to increase the autonomy of the Austrian government, but action was blocked by the Soviet member. The Soviet Union also hampered the efforts of the Austrian government to achieve political and economic stability. In addition, it obstructed economic recovery by preventing the free movement of goods between the zones, by removing plant and equipment on

the ground that it was war booty, and by seizing extensive properties as "German assets," despite the London agreement of January 1943 that no property obtained by Germany "under duress" was to be regarded as a German asset.

The Western powers, on the other hand, have steadily tried to aid the Austrian government in its task of reconstruction. As early as July 1946 the United States expressed its willingness to consider renouncing its title to "German assets" in Austria and in the meantime transferred to Austrian trusteeship the properties located in the American zone. In May 1947 it granted emergency aid to Austria, and since July of that year it has made dollar payments to the Austrian government for the costs of the American occupation troops. Great Britain resumed "full commercial and financial dealings" with Austria in September 1947. In November Great Britain, France, and the United States announced their agreement with Austria on the participation by the latter in the distribution of monetary gold looted by Germany. In 1948 Austria began to receive aid under the European recovery program, and it has now achieved a considerable degree of recovery despite the difficulties resulting from the continued occupation. In addition to becoming a member of the Organization for European Economic Cooperation, Austria has been admitted to membership in the Food and Agriculture Organization, the International Labor Organization, the International Civil Aviation Organization, the International Bank and the International Monetary Fund. Its admission to the United Nations Organization itself, however, has been vetoed by the Soviet Union.

Negotiations on a draft treaty for Austria broke down in May 1948 with 18 of the 53 articles still in dispute. The articles outstanding involved the Austro-Yugoslav frontiers, reparation, displaced persons, military and air restrictions, German assets, and property of United Nations nationals. Discussions had centered on the Soviet definition of "German assets" and on the Yugoslav claim to Austrian territory and reparation. The Soviet Union demanded from Austria a share in its oil industry, certain assets of the Danubian shipping company, freedom to export profits from Austrian economic enterprises under Soviet control, and a cash payment. Early in 1948 both sides made concessions on the Soviet claim but failed to reach complete agreement. The Soviet Union then began to push the Yugoslav claims, which the Western powers had consistently refused to recognize. It was on this point that the deadlock occurred and the meetings were suspended.

Negotiations were resumed in February 1949 at the request of the Austrian government, but no progress was made. The Western powers

declared their willingness to consider increasing their offer of a cash payment if the Soviet Union would define the properties to which it laid claim, but the Soviet Union refused to be specific until the Western powers agreed to recognize in principle the justice of its claims. To a Soviet demand that the other nations clarify their own position on the assets question, the Western powers replied that they would make no claim to German assets in their zones. The deputies adjourned early in May to await the outcome of the forthcoming meeting of the Council of Foreign Ministers in Paris.

The Big Four discussed the Austrian treaty in the final days of their meeting, when the Soviet Union abandoned its support of Yugoslavia's claims and the Western powers acceded to the Soviet demand for extensive rights to oil facilities and to properties of the Danube shipping company and to a cash payment of 150 million dollars over a period of six years in lieu of other "German assets." It was agreed that Austria's frontiers should be those of January 1, 1938 and that reparation should not be exacted from Austria, although Yugoslavia was to be entitled to retain Austrian property within its territory. The deputies were instructed to complete the drafting of a treaty by September 1, 1949.

With the reparation and frontier issues disposed of, and agreement in principle reached on the Soviet claim to "German assets," the chief stumbling blocks to the conclusion of a treaty appear to have been surmounted. It has been left to the deputies, however, to define the properties to be retained by the Soviet Union, and agreement on this question and on the method by which Austria will make the cash payment may prove difficult. Another matter that may not be easily resolved is the demand of the Soviet government that profits and "other income" from its properties in Austria shall be freely exported. The Soviet foreign minister called the Council back into session after it had adjourned in an effort to have the agreed communiqué amended to include a statement on this point, but it was finally decided that the question should be discussed through diplomatic channels.

Other issues outstanding include that of the displaced persons and refugees in Austria, the Soviet Union having refused to approve an article in the draft treaty that provides for their repatriation only on a voluntary basis. Certain articles of the draft treaty that relate to military and air restrictions, to the restitution of Austrian property in Germany, and to the form of repayment of debts incurred by Austria during the Nazi occupation have also not been settled.

In future discussions, the possibility that the Soviet Union may try to use its extensive economic foothold in Austria to dominate the country economically and politically will not be absent from the minds of United States negotiators. It is conceivable, for example, that Austria might have difficulty in providing the foreign exchange to cover the installments of the 150 million dollars that is to be paid to the Soviet Union. This situation might lead to awkward consequences unless the Soviet Union were expressly precluded from applying sanctions. If the United States government considers the safeguards provided in the draft treaty inadequate to prevent the Soviet Union from exploiting such situations, it will presumably wish to consider whether any further steps can be taken to ensure the maintenance of Austria's independence.

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TRIESTE

The problem confronting the United States is how to achieve the stated aim of returning Trieste to Italian sovereignty and, in the event of failure, to find an alternative solution that will allow it to maintain its connections with the West. While United States interest in Trieste arose from a desire to eliminate a dangerous source of friction between Italy and Yugoslavia, in present circumstances great importance attaches to keeping this strategically and economically important area outside the Soviet sphere. The return of Trieste to Italy at the instance of the Western powers would strengthen the Italian government in its struggle against communism. But it is still important to find a solution that will also be satisfactory to Yugoslavia and thus help to improve its relations with the West.

Yugoslavia did not cease to protest against the boundary settlement

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YUGOSLAVIA

The break between Yugoslavia and the Cominform that occurred in June 1948 has required the United States to review its policy toward Yugoslavia. This first break in the monolithic front introduced an element of flexibility in relations with Eastern Europe that had been lacking for more than two years. In working out a new approach to Yugoslavia, however, the freedom of action of the United States has been circumscribed by the positions it adopted in the negotiations for an Austrian peace settlement, in the dispute over Trieste, and in the program of aid to Greece. Because Yugoslavia has employed obstructionist tactics in dealing with all of these questions, they offer little scope for concessions by the Western governments in reorienting their policy towards Yugoslavia. Changes in the policy of the United States and the Western powers are more likely to consist of encouragement to trade as a means of further loosening Yugoslav bonds with the Soviet Union by proving the mutuality of economic interest between Yugoslavia and the West.

The news of the break between Yugoslavia and the Cominform came unexpectedly to the outside world. Prior to the rupture, the Tito regime had apparently followed the Moscow "line" with all due subservience. During the war there was also a civil war in Yugoslavia, and the domestic conflict was particularly sharp. It was largely because the Chetniks of Mikhailovitch seemed to be devoting more of their energy to fighting Tito than to fighting the Germans that the Western allies by the end of 1943 had ceased all aid to the former and concentrated their support on the latter. As a result, Tito and his followers became not only the dominant military group but also the most dynamic political force in Yugoslavia.

The subsequent development of the Tito regime was on the now familiar eastern European lines. An agreement was reached toward the end of 1944 by which Subasitch, the Premier of King Peter's government-in-exile, was to return as Foreign Minister in a provisional government under Tito, while return of the King was to be subject to a plebiscite. After this agreement was implemented in March 1945, Subasitch was allowed no freedom of action by Tito, and he resigned the following September. The first postwar election, held in November amidst the banning of opposition newspapers and unmistakable intimidation, produced a vote ninety per cent in favor of the Tito People's Front Government. After the event the election was declared to have been a vote against the restoration of the monarchy and the Federal People's Republic of Yugoslavia was proclaimed. In January 1946 a constitution on the Soviet model was adopted that provided for six constituent republics within the federal system.

In the meantime, Yugoslavia became embroiled with the Western powers. Tito's territorial claims were largely responsible for the difficult boundary negotiations that resulted in the unwieldy compromise over Trieste in the Italian peace settlement. Similar Yugoslav demands for Corinthian territory were partly responsible for the failure to make progress in the Austrian peace talks. Tito's conduct of foreign affairs was perhaps best exemplified by the shooting down in mid-1946 of two American Army transport planes that had flown off their course over Yugoslavia, resulting in the loss of five American lives. The Yugoslav refusal to compensate foreigners for nationalized property, and its support given in the form of material aid and refuge to the Greek guerrillas, were sources of further Western grievances.

The difficulties between the Soviet Union and Yugoslavia that led to the Cominform incident were brought into the open by their lengthy correspondence made public in defense of the respective cases. Tito's sin was not ideological heresy, it appeared, but an independence of action that infuriated Moscow. The dispute came to the surface over the withdrawal from Yugoslavia of Soviet military and civilian advisers, who, the Soviets said, had been "surrounded by hostility." One of the points at issue was Tito's refusal to allow the Soviet advisers direct access to political and economic information from subordinate personnel. He insisted instead that such information be given by cabinet ministers or high party officials. This the Soviet Union regarded as intolerable treatment requiring the withdrawal of their advisers. When they proposed to take the question to the Cominform, Yugoslavia re-

fused to attend the meeting. The resulting communiqué, issued by the Cominform on June 28, 1948, stated that the task of the Yugoslav Communist party was "to compel their leaders to recognize their mistakes," to "break with nationalism, [and to] return to internationalism. . . ." Moreover, it warned that if the present leaders of the party were incapable of doing this, the Yugoslav Communist party was bound to "replace them and to advance a new internationalist leadership of the Party."

The basic cause of the difficulty was probably given by Tito in his speech of December 27, 1948, in which he declared that the Cominform denunciation of Yugoslavia and the stringent economic measures subsequently taken against it were not imposed for ideological reasons. Instead, Tito stated that it was the Yugoslav refusal to act in effect as an economic colony of the Soviet Union and the more industrialized satellites that lay at the root of their differences. "The thing is," Tito stated, "that our country should not continue to be a source of raw materials for those countries which already possess strong industries and to buy from them at high prices industrial products . . . while our people continue to be poor and backward. . . ."

In the time since the Cominform rebuke, the Tito government has shown no signs of collapsing, nor has it rectified its ways to the satisfaction of the Soviet Union. Repeated statements by the Yugoslav government that it is still advancing toward communism, faithful to Marxist-Leninist principles, and loyal to the Soviet Union have been to no avail. Moreover, Yugoslavia has been subjected to an economic blockade by the Soviet Union and the remaining satellites, many of whom had trade agreements with their former associate. Tito has complained that such treatment is "worse than that against Capitalist nations." The Soviet Union refused to renew the 1948 trade agreement with the consequence, according to the Yugoslavs, of reducing their mutual trade to one eighth of its previous volume. Yugoslavia was not invited to join the Soviet-sponsored Council of Economic Mutual Assistance, which was organized in January 1949.

Even before the beginning of the Cominform blockade, Yugoslavia had been forced to turn to the West for the means of economic survival. It undertook to compensate American and British nationals for nationalized property in agreements signed with the United States in July 1948 and with Great Britain in December. In return the United States moved to unfreeze Yugoslav assets in this country, including 47 million dollars in gold, and in the early months of 1949 it began to relax export controls on trade with Yugoslavia. Great Britain

concluded a short-term trade agreement with Yugoslavia in November 1948, and the following March it started negotiations for a long-term agreement. In May 1949 Yugoslavia announced that it would file an application for a loan from the International Bank for Reconstruction and Development, and that it would request the United States through its representative on the Bank to take a favorable attitude. Secretary Acheson replied that our government would take its usual position toward a loan from the Bank, namely, that it must be sensible from a business point of view.

The question whether to risk the collapse of the Tito regime for the lack of Western trade has been answered in the negative by the United States government. If this was a deliberated decision, it was presumably taken in the absence of evidence that a more democratic government could have been formed in Yugoslavia if the communist regime had fallen. Maintaining the present government in power will demonstrate, for the benefit of other Soviet orbit states, that it is possible to take a line independently of Moscow and still survive. It will also show that such a course is one way to improve trade with the West. The United States therefore faces two principal issues; the one relates to the extent of the support to be given to Tito, and the other to the conditions if any that should be attached to the assistance given. If the United States supports the Yugoslav application to the International Bank, the question may arise whether the loan should be made only on certain political conditions. In this case the United States would have to consider whether the conditions demanded might not jeopardize the *modus vivendi* that is being worked out with Yugoslavia.

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SPAIN

The determination of United States policy toward Spain presents a problem partly because of the undemocratic and dictatorial character of the present government, which the United States has condemned on many occasions, and partly because the behavior of Spain in its economic relations violates the principles that the United States and other democracies regard as the foundation of world order. The problem is not a new one, but it has recently become more prominent in public discussion because of the alignment of anti-communist states against the threat of Soviet domination, the growing pressure within the United Nations for relaxation of restrictions against the Spanish government, and increasing pressure by groups within the United States for American aid to Spain.

In formulating its policy, the United States must weigh strategic, economic, and political factors. It would probably start from the assumptions that it is desirable to bring prodigal Spain back into the community of Western nations, and that whatever action it takes toward Spain must conform with its broad policy of noninterference in the domestic affairs of other countries. But neither of these assumptions prevents the United States from insisting that the Spanish government must reform its political and economic actions in the international sphere as a pre-condition of receiving United States support for membership in the United Nations or in the western European community and unilateral assistance in the form of loans.

Careful consideration must be given to the alleged immediate advantages of a policy of rapprochement, whether associated with the strategic importance of Spain or with the urge of some private American interests to do business with Spain, lest they obscure the more fundamental and enduring United States interest in maintaining and raising the international standard of conduct in political and economic affairs. The nature of the Franco regime, as revealed in its policies, creates the problem for the United States of choosing methods of action that are calculated to check the demoralizing influences on the world system that emanate from Spain. This is the external aspect of the Spanish problem as it affects the United States, the solution of which is bound up with the evolution of Spain toward democracy.

Spain is governed by an extreme rightist dictatorship under General Francisco Franco, who came to power during the Spanish Civil War. The victory of his Nationalist forces was assured by the active intervention of the fascist governments of Germany and Italy, and indirectly

by the farce of nonintervention by the democracies. The Law of Succession, which was approved in a referendum in 1947, proclaimed Spain a Monarchy but provided that Franco continue as Chief of State with the prerogative of recommending his successor.

Franco appears to be more strongly entrenched than at any time in his political career. All open opposition has been ruthlessly suppressed, and his regime is supported by the Army and by the Falange, which is the only political party allowed to function. There is some evidence that political parties and labor organizations that existed during the Second Republic (1931-36) are still operating clandestinely, but as in every police state it is impossible to ascertain their strength. At present the Communist party is probably the smallest though possibly the best organized group in Spain.

Outside Spain the opposition is active. Don Juan, Pretender to the throne as the son of Alfonso XIII, advocates a constitutional monarchy. The Republican Government-in-exile, which was formed in Mexico in August 1945, is now in France, and claims to be the legal government of Spain in accordance with the 1931 constitution. Other Republican parties and two labor organizations (the anarcho-syndicalist Confederación Nacional del Trabajo and the socialist Unión General de Trabajadores) are also functioning in exile. Attempts have been made by representatives of the Monarchists and of the leftist parties to reach an agreement that would cut across the sharp lines drawn by the Civil War, but a major obstacle, the form of government to succeed Franco, has caused them to fail so far. The rightists insist on the restoration of the monarchy, while the leftists want an interim or caretaker government to govern Spain until a plebiscite is held in which the people themselves can choose the form of government.

Spain, being primarily an agricultural country, formerly had an exportable surplus of foodstuffs. Today not only has the surplus disappeared but production has fallen so low that, despite increased imports of food that Spain can ill afford, the population is in a state of serious malnutrition. Land under cultivation has actually declined since 1935, and since yields, especially in cereals, have declined still more, total agricultural production is estimated to have fallen very much below the level of the pre-Franco era. The lack of fertilizers, the withdrawal of farm labor to the armed forces, to industry, and to the prisons, and the stifling effect of government controls have all been factors in bringing about the decline. Since 1945 the autonomous agencies of the government are said to have increased by over 50 per cent, and every detail of agricultural, industrial, and commercial

activity is now regulated. The ill effects of this vast, inefficient, administrative superstructure are all the greater because Spain is "the land of the patria chica," with no tradition of centralism in government; and the ill-advised attempt to improve control at the center has led only to the most flourishing black market, frequently run in the interest of the privileged few of the Army and the Falange, and to the further corruption of commercial morals.

The activities of the government are also reflected in the financial field. It is believed that public expenditures absorb about 40 per cent of the national income. Industry is starved of private capital, and few new companies are formed. Funds are poured into the military establishment and into the state-sponsored National Industries Institute (NII) rather than into enterprises that would benefit the people at large. Inflation is rife and no control over it is in sight.

To the unsound internal situation is added a shortsighted foreign economic policy. Exports are hampered by a system of exchange control and multiple exchange rates that operates arbitrarily in a corrupt administration to encourage some exports and to prevent others. Bilateral trade agreements add to the causes of disorder by their discriminatory effects among the sources of Spanish imports. And finally, despite its long and honorable record in the treatment of foreign capital, Spain began in 1947 to discriminate against foreign companies by statute and in the courts, notwithstanding its treaty obligations to respect the legal personality of the foreign corporation.

The maltreatment of foreign companies is especially serious in view of the inescapable dependence of Spain on foreign capital for the regeneration and development of its economy. The outside world showed understanding and forbearance with the difficulties of Spain after 1936 in finding the foreign exchange to meet its existing financial obligations. But its wanton policy of killing the foreign capital goose was so repugnant to other governments, as well as destructive of Spanish interests, that diplomatic representations were made in Madrid in 1948. The governments of four countries, Belgium, Canada, Great Britian, and the United States joined in a *démarche,* protesting against the treatment of an internationally owned Canadian company in Spain, which violated the accepted principles of financial integrity in international behavior.

So far the protests have had no perceptible effect on the Spanish government, and in the spring of 1949 during the explorations of the possibility of an Export-Import Bank loan from the United States it was made abundantly clear to the Spaniards that the possibility of a

sympathetic response depended on their first putting their own economic and financial house in order.

Spain has made a bid for inclusion in the European recovery program, based on its economic importance, especially as a supplier of raw materials, and on the fact that it already has extensive trading relations with Western Europe. It has also made use of the argument that it is a stalwart in the fight against communism. This argument, together with the strategic importance claimed for Spain as a source of military bases, has had the greatest appeal abroad. But it is difficult to get beneath the propaganda with which the Spaniards dress the arguments. It is over-simplification or even falsification to think of Franco as representing a bulwark against communism; for the threat in Spain is not so much communism as anarchistic violence and chaos, out of which some other general might organize a new and even more terrible totalitarian dictatorship. In any event, even if the strategic importance of Spain were indisputable, before any sacrifices of political and economic principles were made on military grounds, the United States would have to weigh the reliability of the present regime as an ally. So far the European countries have shown no desire to bring Spain into the ECA group, although the Congress of the United States decided not to include Spain in the Foreign Aid Act of 1948 partly on the ground that the initiative for including it rested with the European participating countries.

The political nature of the Spanish regime has led to repeated international declarations of condemnation, starting with the resolution adopted by the San Francisco Conference. At the Potsdam Conference the Big Three declared that they could not support any application for membership in the United Nations from the present Spanish government, "in view of its origins, its nature, its record and its close association with the aggressor states." These two actions were later endorsed by the General Assembly. In March 1946 the United States, Great Britain, and France issued a joint declaration condemning the Franco regime and expressing the hope that a representative government would be established by democratic methods.

Spain was discussed by the Security Council in the spring of 1946, but the majority refused to agree with Poland and the Soviet Union that it was a threat to the peace, and the item was removed from the agenda of the Council in November, preparatory to discussion by the General Assembly. A resolution by the Assembly in December 1946 recommended *inter alia* that all members recall their ambassadors and ministers plenipotentiary from Madrid. All members of the United

Nations except Argentina complied with this recommendation, and a certain degree of diplomatic isolation was thus imposed on Spain. This was the high watermark of United Nations disapproval of Spain. The Assembly at its next session did not reaffirm its resolution of 1946, but it expressed confidence that the Security Council would exercise its responsibilities under the Charter if the situation required it.

The attitudes of members of the United Nations toward Spain were deeply divided at the last session of the Assembly in the spring of 1949. Some Latin American states proposed a resolution that would restore freedom of action to the member governments regarding their diplomatic relations with Spain. This was narrowly defeated, with the United States abstaining. The Soviet bloc charged that the United States, Great Britain, and other Western countries had been strengthening their political and economic relations with Spain even to the extent of supplying Franco with arms. These charges were denied and the session ended without any resolution on the subject having been adopted.

Secretary of State Acheson has recently reiterated the policy of the United States toward Spain. Recalling that the present regime is patterned on the fascist governments of Germany and Italy, and that it does not recognize individual rights and civil liberties, he stated that it was impossible to have "an intimate working relationship with such a regime" either in economic or in defense matters, and that United States policy was directed toward "bringing about a situation where these fundamental liberties do exist in Spain and where the Western Europeans can bring Spain into the community." It is perhaps a symptom of the maze of propaganda surrounding the Spanish people that notwithstanding such positive statements of policy, many Spaniards are alleged to believe that but for the promise of support from the United States the Franco government would have fallen before now.

All issues for the United States in formulating its policy on Spain are affected more or less closely by the conditions that the Spanish government or its successor should be required to meet before American-Spanish relations can be expected to improve. Internal conditions in Spain are perhaps more difficult for foreigners to understand than in most European countries. Separatism and the appeal of anarchism have persisted in contrast to the movements toward unity that characterized other European countries. The immense variety of local and sectional organizations so complicates the scene that many generalizations applicable to other western European countries do not apply to

Spain. This fact complicates the task of estimating the probable effect in Spain of whatever action the United States government might take with regard to that country.

The first issue is whether the United States is prepared to give economic assistance and if so on what conditions. The United States government has already made it clear that Spain must take certain steps as an earnest of its good faith and intentions. These relate to its policies as they affect not only the interests of other nations, but also the interests of Spain. For example, it has been pointed out that the Spanish law prohibiting foreign nationals from having more than a 25 per cent interest in concerns operating in Spain is not conducive to the attraction of capital from abroad. While the United States government is prepared to take diplomatic action in protest against attacks on existing foreign companies, it may be content merely to let Spain draw its own conclusions regarding the adverse effect on its hopes of receiving foreign assistance of policies and actions that superficially may appear to be exclusively the business of Spain.

It is sometimes argued that the United States must have a more positive policy than withholding support or assistance from Spain until it has fulfilled the conditions that are essential to constitute it a fit country with which to negotiate a commercial or an investment treaty. But this argument overlooks the fact that it is very positive action sternly to refuse to give unconditional support to the Franco regime. Forces within Spain must be given a chance to assert themselves, and it may be that firm insistence on the policy of no help without self-help is the best way of putting pressure on Franco and his collaborators from within. In considering the counter argument in this issue, that the withholding of economic assistance involves the risk of bolshevising or sovietizing Spain, the United States government will have to take account of the fact that Spain is a country where individualism extending to the extreme of anarchy prevails, and that the Franco regime will lose no opportunity of making propagandist use of the communist danger.

Nor need the issues be obscured by strategic considerations. If it should be proved beyond a doubt that, taking full account of the doubtful quality of Franco Spain as an ally even against communist Russia, the strategic importance of Spain was such that North Atlantic plans for defense made closer relations with Spain imperative, then the United States would be faced with the issue of weighing against the military gain the political and psychological loss of co-operating in defensive planning with a government so notoriously anti-democratic

as Spain. It would have to weigh too the loss to its political and economic objectives if Spain were left to set a bad example to the world in its external behavior, which would unquestionably have influence on countries most closely bound to Spain by cultural and other ties. A policy of "doing business with" Franco, whether based on the strategic argument or simply resulting from the self-interested motives of some private business, would raise the issue of how far this could go without constituting economic and political appeasement.

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III. MEDITERRANEAN AND MIDDLE EAST

SINCE early times the Mediterranean Sea has been a channel of communication between Europe, Africa, and western Asia. It was in the Mediterranean and Middle East that the earliest civilizations were born and in this area that the Christian, Jewish, and Mohammedan religions originated. For many centuries the area has been an arena of conflict that has witnessed the rise and fall of the mightiest empires. The region continues to retain its importance because of its significance in the power relations of the great nations.

Since the Napoleonic wars Great Britain has been the dominant power in the Mediterranean and the Middle East. It cultivated friendly relations with the Mediterranean powers, supported the independence of the separate Moslem states, and maintained a strong military position in the Mediterranean, especially in Egypt, to protect its communications with the Empire. It consistently opposed and successfully prevented any other great power from establishing itself in the area to the detriment of British interests. Imperial Russia was excluded by the Crimean war, and Germany has twice been driven out during world wars.

The new Soviet regime in Russia at the end of the first world war was too weak to challenge British influence in the area, and no threat occurred until the rise of Fascist and Nazi power. After the defeat of the Axis, the threat of Italian and German penetration was replaced by the rising might of the Soviet Union.

With the growing interest of the Soviet Union in the affairs of the Mediterranean and the Middle East, the United States became involved in power relations in the area. Before the first world war the United States had no vital security or commercial interests in this region. Between the wars, United States commercial concerns entered into competition with the British and French for concessions in the vast petroleum fields of the Middle East. In this period, although the United States government supported American concerns in their efforts, no national or strategic interest was at stake since the Western Hemisphere provided an abundant supply of petroleum.

It took the second world war to arouse a national American interest in the affairs of the Mediterranean and the Middle East—an interest developed through United States military operations in North Africa and Italy. The allied military campaigns in the Mediterranean were, in the view of the United States, directed solely to the military objec-

tives—first to expel the Axis forces from North Africa, then to eliminate Italy from the war, and finally to attack Germany. As the campaigns proceeded, however, they led in the ordinary course of events to problems of military government and of relief and rehabilitation.

The Anglo-American economic and military effort in the Mediterranean and Middle East placed the responsibility for the economic and political administration of large parts of the area with these two nations. Regardless of whether their individual objectives were purely military as in the case of the United States, or whether they also had political implications, as in the case of Great Britain, both nations assumed obligations that could not be immediately discarded when the war ended.

The general pattern of great power relations in the Mediterranean and the Middle East reflects the growth of influence in world affairs of the United States and the Soviet Union, and the contraction of British commitments. The strategic location of the area and the attraction of middle eastern oil have both played a part in bringing the three great powers to the scene. But the fact that each of them considers its vital interests to be at stake there has a deeper significance. None of them can afford to vacate its position in this critical area without taking the risk that another will fill the vacuum by methods that might determine the issue of war or peace. The area has thus become a decisive testing ground for great power relations.

A. REGIONAL PROBLEMS

The struggle between the Soviet Union and the Western powers for a dominating position in the Mediterranean and the Middle East has been most open in Italy, Greece, Turkey, and Iran. Through Anglo-American assistance in the form of money and arms as well as diplomacy, these countries have so far been able to resist the danger of internal or external communist aggression. In the Arab countries there has been as yet no serious communist threat, but their proximity to the Soviet Union—the distance between which and Iraq is only three hundred miles—and the internal weaknesses of their political and social systems, make them an obvious target for future Soviet designs.

The Arab League, which was established in March 1945, had three main objectives: to co-ordinate Arab action in Palestine; to hasten the process of the ultimate unification of the Arab countries; and to provide the framework of a regional grouping of Arab states. Its failure in the first two objectives has had a serious effect on its actual and potential importance as a regional grouping. The failure was due to

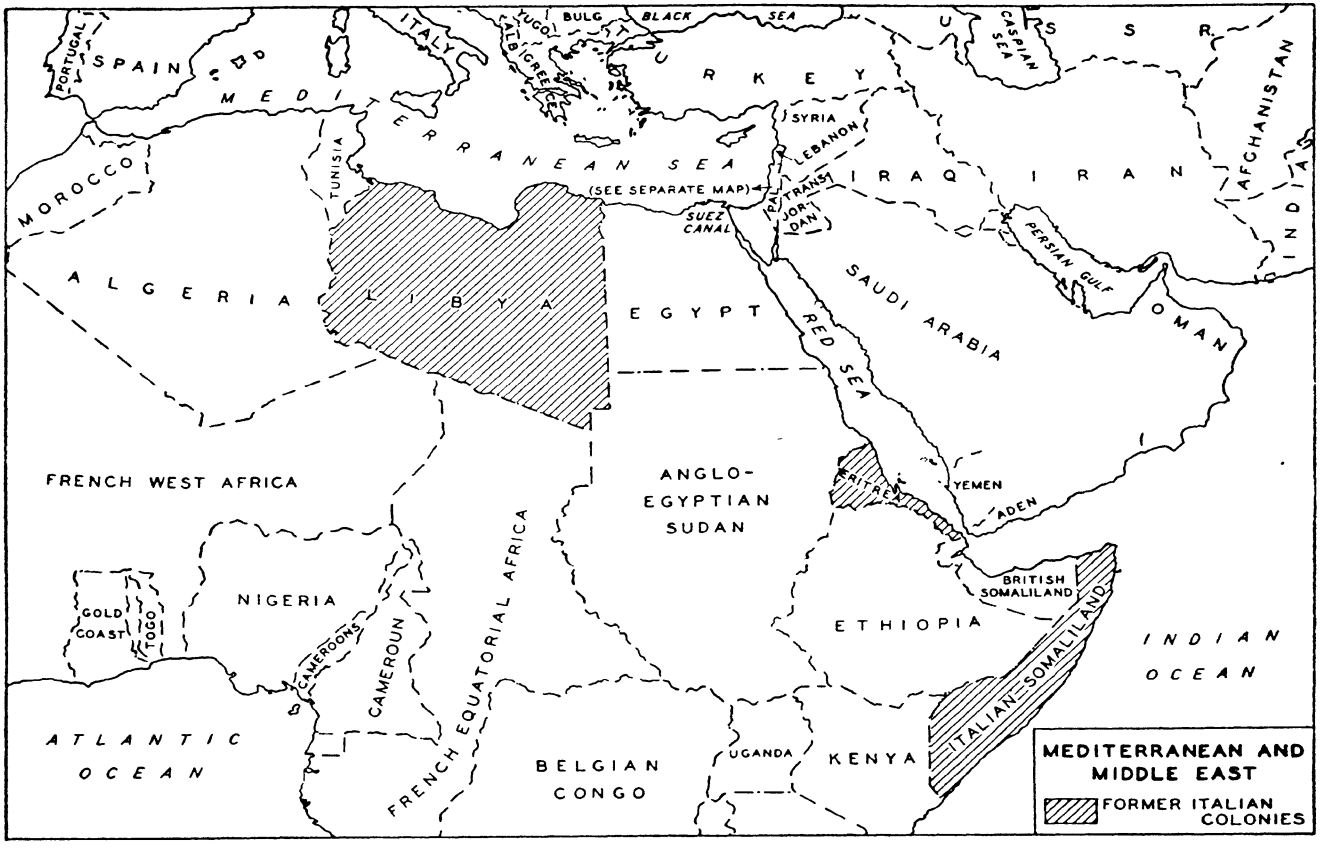
a variety of causes: to dynastic and personal rivalries that split the League into two camps; to the failure of the Arab states to profit from the advantages they enjoyed as members of the United Nations over the Jews, who were not; to their failure to find themselves an effective ally in the outside world; and to their lack of preparation for the struggle in Palestine that most people saw to be coming. Thus, far from either preserving the Arab character of Palestine or achieving a greater degree of unity than previously existed, the Arab League lost Palestine and accentuated the divisions between its member states.

The basic reason underlying these separate causes was the unwillingness of the Arab states to surrender their sovereignty to the League, and hence the inability of the League to develop the organs of political, social, and economic change that were necessary to strengthen the individual governments and that might in time have superseded some of their functions. The result is that the stability of the Middle East, which might have been considerably enhanced by the existence of a strong cohesive Arab League, has been upset by the setback received by the League in Palestine. Whether the new state of Israel will be able to integrate itself into the political framework of the Middle East, or whether on the contrary it will be faced by the permanent hostility of the Arab states, with all its resulting effects on Middle East peace, remains to be seen.

The United States therefore cannot look upon the states of the Middle East, as it looks upon the states of western Europe, as well-defined permanent entities with long histories of national administration. It must take into account the causes of instability that affect the Arab countries; and it must remember the comparatively recent origin of the boundaries of the present states, all of which are regarded by their inhabitants as neither natural nor permanent.

STABILITY IN THE MIDDLE EAST

Three factors make the Middle East of special importance to the United States today, its geographical position, its extensive resources of oil, and the political, social, economic, and religious conditions of its inhabitants. Of these three the geographic factor is of outstanding importance. The area is bounded by the Mediterranean and the Indian and western Pacific Oceans and provides the link between the European, Asiatic, and African continents. The same factors make the area important to the Soviet Union. The relative decline in the strength of Great Britain as a world power is increasingly impelling the United States to assume responsibilities that were formerly British;


PORTUGAL
SPAIN
MEDITERRANEAN SEA
ITALY
YUGO
BULG
GREECE
BLACK SEA
TURKEY
U S S R
CASPIAN SEA
SYRIA
LEBANON
IRAQ
IRAN
AFGHANISTAN
INDIA
MOROCCO
TUNISIA
(SEE SEPARATE MAP)
TRANS-JORDAN
SUEZ CANAL
PERSIAN GULF
ALGERIA
LIBYA
EGYPT
SAUDI ARABIA
OMAN
RED SEA
FRENCH WEST AFRICA
ANGLO-EGYPTIAN SUDAN
ERITREA
YEMEN
ADEN
BRITISH SOMALILAND
NIGERIA
GOLD COAST
TOGO
CAMEROONS
CAMEROUN
FRENCH EQUATORIAL AFRICA
ETHIOPIA
INDIAN OCEAN
ATLANTIC OCEAN
BELGIAN CONGO
UGANDA
KENYA
ITALIAN SOMALILAND
MEDITERRANEAN AND MIDDLE EAST
FORMER ITALIAN COLONIES

and American strategic and economic interests inevitably involve concern with the internal conditions of Middle East society. The United States is thus the heir of most of the problems that have faced Great Britain in the past, and is faced with some new ones as well.

Every area where acute conditions of discontent prevail is a fertile ground for the spread of communism. Such conditions prevail today in the greater part of the Arab areas of the Middle East, and it would be unwise to rely solely on the hostility of the Moslems towards communism in combating communist doctrine. The problem is to remove the causes of political and economic discontent, preparatory to the task of creating a strong political fabric that will remove the danger of the Middle East becoming the sore spot in the future that the Balkans have been in the past.

Much of the political unrest in the Middle East today goes back to the failure to establish normal and satisfactory relations between the Arab states and the West after the first world war. The termination of the mandates that were established after 1918 did not end the problem of relations between the former mandatory powers and the mandated territories, just as the achievement of independence did not end the problem of the relations of Egypt to Great Britain.

The treaties negotiated by Great Britain with Egypt, Iraq, and Transjordan were attempts to reach a compromise between the ambitions of these three countries to achieve independence under full national sovereignty and what Great Britain considered to be its vital strategic and economic interests. All three treaties provided for the retention of British troops in these countries under defined conditions. The treaties did not emerge undamaged from the tests of the second world war. They could only work when there was complete confidence on both sides, and the events and the outcome of the war did not promote confidence. The events following the *coup d'état* of 1941 in Iraq, the achievement by Syria and Lebanon of independence, unfettered by treaties with any Great Power, and the general resurgence of Arab nationalism combined with resentment at what was happening in Palestine, all stimulated a desire on the part of the Arab countries to reorient their relations with Great Britain. While Great Britain has been willing to revise the treaties before their legal term expires, attempts so far made have been unsuccessful, and relations with all three countries are more uneasy than before negotiations were begun. The very attempt to revise the treaties seemed to prove in Arab eyes that revision was necessary, and therefore to increase the disappointment of failure.

In recent months preliminary attempts to re-open negotiations between Great Britain and Egypt have been made, and the revision of the Iraq treaty will probably not be long delayed. In the meantime, however, the strategic position of Great Britain in the Middle East remains uncertain and unsatisfactory, especially after its withdrawal from Palestine, and the failure so far to obtain the approval of the United Nations for its proposals in trying to satisfy its strategic requirements in Cyrenaica. The demand for the evacuation of British troops from Arab territories, and for the extension of Egyptian sovereignty to the Sudan, provide a rallying point for political discontent and agitation.

Since the last war discontent in the Arab areas of the Middle East has mounted as a result of the outcome of events in Palestine. It has taken two forms, the one directed against the outside forces that, in the eyes of the Arabs, encouraged and enabled the Zionists to establish their state in Palestine, the other against the Arab governments and the Arab League for their failure to prevent by either political or military means the establishment of the state of Israel. Resentment in the first form is particularly strong against Great Britain and the United States. The Arabs place the responsibility for beginning the Zionist experiment, and for creating the conditions under which it could grow, on Great Britain. They place the responsibility for its successful culmination in the birth of Israel on the United States, which supported the Zionist case in the United Nations, and whence the Zionist movement derives most of its financial and moral support. Although the Soviet Union supported the Zionist case in the United Nations, and the Israeli obtained arms from Soviet satellite countries during the war last summer, Arab resentment is directed less against the Soviet Union than against the Western democracies, perhaps because the motives of the former are known to be cynical, and hence give less ground for disillusionment.

The resentment against the outside world has been seriously inflamed by the creation of the Arab refugee problem, and by the widespread destitution among the Arab population of Palestine who remain in their homes, but whose economic and social life has been truncated. The existence of large numbers of destitute Arabs from Palestine in Lebanon, Syria, Transjordan, and Egypt provides an additional stimulus to already-existing Arab discontent with the Western powers, and adds to political instability.

The second form of discontent at the outcome of events in Palestine, directed against the Arab governments themselves, has further fostered

political instability. In Syria the discontent found expression in March of 1949 in a bloodless *coup d'état* executed by the army under the direction of Colonel Husni Zaim, who in June regularized his position as President through a popular referendum. In Egypt popular discontent with the handling of the Palestine problem has been exploited by the Wafd and by the Moslem Brotherhood. A member of the latter organization having assassinated the Prime Minister, Nokrashy Pasha, in December 1948, the Brotherhood was dissolved, and its leader was himself assassinated shortly thereafter. In Iraq, Lebanon, and Transjordan, as well as in Syria and Egypt, tension between governments and peoples has found expression in the growth of movements to overturn the regimes. This has caused a corresponding growth of government distrust of the people.

Just as relations between peoples and governments have deteriorated, so have relations among the Arab governments themselves. The Arab League, which was established in March 1945 very largely in order to form a common front against the coming conflict in Palestine, was almost from the beginning split by dynastic and personal rivalries, revolving mainly around the hostility between the Hashemite regimes in Iraq and Transjordan on the one hand, and Saudi Arabia supported by Syria and Egypt on the other. It was these rivalries rather than any fundamental conflicts of aim or interest that weakened the Arab League, both politically and militarily, and in the eyes of Arab critics led to its failure to prevent the establishment of Israel last summer. These rivalries, far from diminishing with the establishment of Israel, have become more bitter and open.

Social and economic discontent has also contributed to political instability. It is fed by the low living standards that prevail among the majority of the Arab populations, the almost total absence of an indigenous middle-class, and the concentration of wealth and hence of power in the hands of a very small class. The contrast between the few rich and the many poor was accentuated by the war and its after-effects, and now the Palestine dispute has added a new factor of social and economic unrest, through uprooting nearly a million Arabs. Some of them have found shelter among friends and relatives in neighboring territories, but the majority maintain a precarious existence in camps in Arab Palestine, Transjordan, Syria, and Lebanon. These large refugee populations are imposing a heavy burden on the countries to which they have fled, since none of them has the material and financial resources, the social services, or the administrative machinery necessary for satisfactory relief work or large-scale resettlement. To make matters

worse, military operations in Palestine last year imposed a heavy strain on the finances of all the Arab states that took part in the campaign; and in Iraq the cutting-off of the flow of oil to the refineries in Haifa has meant the loss of most of the public revenue that was derived from oil royalties.

Although the causes of impoverishment and discontent are being offset to some extent by the large-scale investment of American capital in the development of the oil-fields of the Arabian Peninsula, these operations themselves are introducing new factors that are hastening the disintegration of traditional social patterns. The transformation of large numbers of nomadic Beduins in Nejd and Hejaz into semi-skilled and unskilled wage-earning industrial workers must inevitably result in far-reaching social changes; and while the old ways of life are fast breaking down, no clear pattern of what will take its place has yet emerged.

The Middle East is thus threatened with the creation of a political vacuum, into which the Soviet Union will certainly try to thrust. This is especially true of the Arab countries. The basic issues for the United States in the Middle East relate therefore to the means of preventing these vacuums from occurring.

The political vacuum that threatens has three main causes: the failure of the Arab League to establish itself as a strong regional bloc capable of participating effectively in defending the area from outside attack; the precarious situation of most of the Arab regimes, which are faced with the danger of internal upheavals; and the uncertain and ill-defined relations prevailing between Great Britian and the Arab states and between the latter and Israel. The partnership of the United States with Great Britian in seeking the establishment of better relations among the Arab states, between them and Israel and between them and the West might go far toward avoiding the threatened vacuum.

The disposition of the United States government to assist in the security of the Middle East countries was indicated in the speech of Secretary of State Acheson at a press conference in March 1949, when he emphasized that it was the policy of his government to assist free peoples in maintaining their independence and integrity wherever its aid could be effective. In April, however, the Secretary of State told the Senate Committee on Foreign Relations that the United States was not at present contemplating the conclusion of any other regional security alliance than the North Atlantic Treaty. This leaves unresolved the

issue of what methods the United States is prepared to use in preventing a political vacuum from occurring.

While defensive pacts and regional alliances between tthe middle-eastern states and an Anglo-American partnership might for a time ward off the creation of a political vacuum, stability in the Middle East can be definitely established only if action is taken to improve the social and economic conditions in the area. This cannot be done by pouring large sums of money into the hands of ruling dynasties or a relative small class of people. The present arrangements between the oil companies and the dynasties of Saudi Arabia and Kuwait, for example, instead of improving the material conditions of the masses, may only accentuate their poverty by contrast. The indiscriminate pouring of wealth into the hands of the Arab governments will not assist the development of improved social and economic conditions unless it is accompanied by technical assistance in the implementation of long-term projects. In view of the existence of the Arab refugee problem, these projects are now more than ever urgent. The use of public and private funds of United States origin, of funds provided by specialized agencies such as the International Bank and the International Monetary Fund, and of the investments of the oil companies, in a co-ordinated plan for the rehabilitation of the Middle East, would probably go far to avert the danger of the spread of communist ideas. In such a plan the experience of the British in the areas and its problems would be an essential element of success. The economic issues for the United States relate therefore to the nature of external assistance that can be provided and the methods of co-operating with other outside sources of assistance.

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FORMER ITALIAN COLONIES

The problem for the United States is to ensure the retention in friendly hands of the former Italian colonies of Eritrea, Italian Somaliland, and Libya, while promoting the welfare of the inhabitants

and keeping the goodwill of states the friendship of which it values. These territories are in part barren desert, but they occupy commanding positions on the Mediterranean and in the Red Sea area and are therefore of strategic importance to the United States. The United States acquired a direct interest in the area with the reopening in January 1948, by agreement with Great Britain, of its wartime air base at Mellaha, near Tripoli.

In the early postwar period, the United States felt that it could achieve its objective through the establishment of international trusteeships over the territories, with provision for their eventual independence. While not wishing to exclude the Soviet Union from participation in the trusteeship organizations, the United States was already sufficiently suspicious of its motives to oppose its request for an individual trusteeship over Tripolitania. With the development of the "cold war," the United States felt compelled to seek a solution that would not allow the Soviet Union a foothold in the Mediterranean area. The problem was complicated by the attitude of Great Britain and France.

Great Britain was anxious to retain Cyrenaica as part of its redrawn strategic lines after its withdrawal from Palestine; but at the same time, it was not anxious to retain Tripolitania, which imposed a drain on the treasury and offered no special strategic or economic advantages. On the other hand, it was important to Great Britain that Tripolitania should not fall into unfriendly hands. What Great Britain would have liked best was probably Anglo-American collaboration in the administration of Tripolitania. Efforts to persuade the United States in this direction were unsuccessful. France was influenced by fear of the effect on its own colonies of independent neighbors and by a desire to win and retain the friendship of Italy. Another factor affecting the problem was the need to strengthen the Italian government against the communists.

Since the end of the war, the former Italian colonies have been under the temporary British administration that was established during the war, except for the Fezzan area in Libya, which is controlled by France. At the meeting of the Council of Foreign Ministers in September 1945, it was agreed that the colonies should be placed under a United Nations trusteeship, but no decision was taken on the form of the trusteeship. When the question was discussed in the spring of 1946, the Soviet Union, which in the earlier negotiations had requested that it should administer an individual trusteeship over Tripolitania, now asked to share in a joint administration with Italy. It soon abandoned this

demand, however, and supported a French proposal that the colonies should be placed under Italian trusteeship. The United States favored a collective trusteeship and might have accepted the French proposal if France had been willing to fix a definite date for the independence of Libya and Eritrea. But Great Britain was committed to reject an Italian administration of Cyrenaica and proposed that this territory should be placed under British trusteeship. Thereupon the foreign ministers abandoned their efforts to settle the question and turned it over to their deputies. The Italian peace treaty provided that, if no solution were found within one year of the effective date of the treaty, the question would be referred to the United Nations General Assembly, the recommendations of which the foreign ministers agreed to accept.

The treaty came into force on September 15, 1947, and for nearly a year the deputies of the foreign ministers struggled with the problem. They sent a commission in October to investigate conditions in the colonies and, while awaiting its report, they heard the claims of Ethiopia, Egypt, and Italy. The report of the commission in July 1948 reflected a large measure of disagreement and did not enable the deputies to arrive at a unanimous conclusion. On the initiative of the Soviet Union, the Council of Foreign Ministers met in Paris to consider the deputies' report two days before the date set for submission of the question to the United Nations. They failed to reach agreement and transferred the problem to the United Nations Assembly.

The solution advocated by the United States in the meetings of the deputies and in the Council of Foreign Ministers was to place Italian Somaliland under an Italian trusteeship, to cede the southern portion of Eritrea to Ethiopia, to give the trusteeship of Cyrenaica to Great Britain, and to study for another year the disposal of the remainder of Libya. The Assembly discussion began on April 6, 1949, but little headway was made until early May, when Great Britain and Italy agreed on a formula, the so-called Bevin-Sforza plan, for a settlement that provided the basis for a resolution accepted by the Political Committee a few days later. The Committee recommended that Libya be granted independence at the end of ten years; that Cyrenaica and the Fezzan be placed forthwith under United Nations trusteeships, with Great Britain and France respectively as the administering authorities; and that Tripolitania be placed under the trusteeship system in 1951, with Italy as the administering authority. The resolution provided for Italian trusteeship over Italian Somaliland and for the cession of Eritrea, except for the western province, to Ethiopia. The fate of

western Eritrea, which Great Britain and Italy had agreed should go to the Anglo-Egyptian Sudan, was left unsettled.

When the General Assembly voted on the Committee's recommendations, the sections on Tripolitania and Italian Somaliland each fell short by one vote of the two-thirds majority required, which led France and all the Latin American republics to vote against the entire resolution. It was then decided to postpone further consideration of the matter until the next Assembly meeting, scheduled for September 1949. The United States representative voted for the resolution, but he made it clear that it did not fully conform with the views of his government. He declared, however, that the United Nations was under an obligation to the inhabitants of the territories to arrive at a speedy solution, and he urged the resolution upon the Assembly as "the most practicable solution in the circumstances."

Following the failure of the United Nations to solve the problem of the disposal of the colonies, Great Britain announced in June the formation, under the leadership of the Emir Idris el Senussi, of a government in Cyrenaica, with responsibility for the conduct of internal affairs. Although the British government emphasized that all steps taken would be compatible with its international obligations and would not prejudice the eventual future of Libya as a whole, Arab leaders immediately expressed opposition to this move, on the ground that it would militate against the unity of Libya.

The prevailing view of the majority in the United Nations Assembly appears to be that at least Libya and Italian Somaliland should for the time being be placed under United Nations trusteeships. The issues to be resolved relate to the nature of the administering authority, the length of the control period, and the subsequent status of the territories. The debates in the United Nations Assembly showed clearly that the key issue at the present time is whether or not Italy should be permitted to reassume authority over any of its former colonies. Four courses appear to be open to the United States: to try to obtain acceptance of the defeated proposals; to attempt to obtain support for its own position as stated in September 1948; to urge the maintenance of the status quo for the time being; or to seek a new solution.

The Arab states are resolutely opposed to the return of any of the territories to Italian control, an opposition that reflects a large body of vocal opinion among the inhabitants of the former colonies. Therefore in addition to having regard to Italian views, the United States must weigh the disadvantage of antagonizing the Arab bloc against that of

displeasing the Latin American states, which strongly favor the return of the former colonies to Italy. It must also consider the practicability of granting independence in view of the political and economic immaturity of the territories, and it must take account of the availability of the airfield at Mellaha in Libya now and in the future. Finally, there is the issue of how to avoid the recurrence of the division of members of the United Nations into two clear-cut blocs on this problem, in one of which stood the states of Western Europe and the two American continents and in the other the Arab, Asiatic, and Soviet states. It is implicit in this issue that the United States must avoid being represented as the supporter of the European colonial powers, and thus being contrasted unfavorably with the Soviet Union by the populations of non-self-governing territories.

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B. SPECIAL COUNTRY PROBLEMS

In addition to specific problems in Greece, Turkey, Iran, and Palestine, which are of such immediate importance to the United States that they are dealt with separately below, problems in several other countries in the Mediterranean and Middle East are of concern to the United States. Spain might have been given special treatment here, but like Italy, despite its importance as a Mediterranean country its general importance justifies its treatment with Europe as a whole.

The primary interest of the United States in the western Mediterranean lies in having the control of Gilbraltar in friendly hands. This involves much more than the British base on the Rock itself, as may be seen from the importance assumed by Spain, Spanish Morocco, and Franch North Africa in the course of the last war. The maintenance of friendly relations with these areas is therefore desirable from the point of view of the United States. It would suit Spain to be part of a Mediterranean grouping because it would see in it an opportunity of re-establishing its military and naval prestige without having to conform to the unwelcome conditions that a return to the European family would undoubtedly entail.

In North Africa, while the area presents problems for the powers directly concerned, France, Great Britain, and Spain, few of these problems are likely to affect United States interests in the Mediterranean and Middle East. Most of the area may be classified as "colonial," and as such it is closely integrated with the economic and political systems of the metropolitan powers. An exception is the unsettled state of Anglo-Egyptian relations, which constitutes a problem of interest to the United States.

After the war Great Britain and Egypt started negotiations to revise the Anglo-Egyptian treaty of 1936, which gives the British the right of occupation in the Suez Canal area until 1956. Negotiations broke down on the question of the future status of the Anglo-Egyptian Sudan, over which Egypt demands permanent sovereignty while the British insist that the Sudanese should be permitted to choose their own political status. The historical strategic interest of Great Britain in the Canal and Sudan areas has been increased in recent years by the development of air routes to the Near East transversing the Sudan and by the change in the British position in the Mediterranean generally. The United States is likewise interested in the strategic aspects of these questions and in the fact that, while they remain unsettled, they make for general instability in the area. It is for similar reasons that stability in the Middle East was treated above as a regional problem.

GREECE

In Greece the question of Soviet relations with the Western powers is posed in one of its sharpest forms. A communist controlled Greece would flank the Straits and would provide a favorable position from which to extend Soviet influence, especially over Turkey and Italy. The strategic location of Greece, therefore, has placed it in the front rank of Western security interests. Extraordinary steps have thus been deemed necessary to prevent Greece from falling under Soviet influence.

The critical conditions in Greece that lie behind this problem were brought about by the crushing military defeat inflicted upon Greece by Germany in April 1941, and by the four years of enemy occupation. In the postwar period a militant minority of communist-led guerrillas sought to turn this situation to their own advantage by attempting to bring Greece within the Soviet orbit.

Despite the predominance of the security issue in this problem, other facets of the Greek situation concern United States policy. The desperate condition of the Greek economy provides a formidable problem for the Economic Cooperation Administration. Military aid to Greece,

formerly administered by the American Mission for Aid to Greece, will be brought together with all other military aid programs if congressional approval for the President's Military Aid Program is forthcoming. Finally, the uneasy political base on which the Greek government must operate complicates all other phases of the problem.

When Great Britain reached a decision in February 1947 that it could no longer meet the expense of maintaining troops in Greece, the Greek government appealed to the United States for economic and military assistance. Following President Truman's request to the Congress in March for 300 million dollars of aid to Greece and 100 millions to Turkey, a long debate ensued before the legislation was passed. An American Mission for aid to Greece was then established to provide technical advice and assistance on a broad range of governmental problems.

The mission found the political, economic, and military situations in Greece at a point approaching collapse. This was the result of two main factors: the wartime disruption of the economy, and the political cleavage within Greece that had led during the occupation to the development of two principal resistance groups that were bitterly antagonistic to each other. The leftist group gained the preponderance of strength.

With the assignment to Great Britain of the responsibility for completing the liberation, a dispute quickly arose in Greece concerning the right of political groups to continue to maintain armed forces. An order from the British commanding general to disband all private armies precipitated the civil war in December 1944 with an attack by the leftist army, ELAS, on the government buildings in Athens. The rebellion was crushed by British force, and the Varkiza Agreement, signed in February 1945, required ELAS to lay down its arms and disband. Many of the rebels fled to the mountains of the north.

Later developments have not softened the political rancour. The election in March 1946, which returned an absolute majority for the royalist-minded Popular party, was boycotted by the extreme left, now clearly communist-controlled. The Allied Mission for observing the elections stated, however, that in the absence of the boycott the Tsaldaris party could not have been prevented from obtaining a plurality. The election was followed in September by a plebiscite that returned the king to his throne.

The long continued warfare in the northern part of Greece has resulted in attempts to reach a solution of the problem first in the Security Council and later in the General Assembly of the United

Nations. When the Assembly established the United Nations Special Balkan Committee in October 1947 to observe and report on activities in the border area of Greece, the Soviet Union refused to participate in this body. Strife continued in the months that followed, and funds to bring support to the Greek government were appropriated under the economic recovery legislation.

In August 1948 a report of the United Nations Special Balkans Committee stated that the Greek guerrillas had received war materials and other supplies from Albania, Bulgaria, and Yugoslavia, and that the rebels had been allowed to use the territories of these states for tactical retreats from Greece. The Special Committee concluded that as long as support was being given to the guerrillas a threat to the independence and integrity of Greece would continue to exist "and international peace and security in the Balkans . . . [would be] endangered."

A rising demand within Greece for more active prosecution of the war on the guerrillas as well as for internal reforms brought about several shifts in the Greek cabinet in early 1949. Premier Sophoulis resigned on January 15, but at the request of King Paul he organized a new coalition government, which lasted till June 1949 when the aged premier died. After Tsaldaris, the previous Foreign Minister and Deputy Premier, had failed to gain sufficient support for his proposed government, the mandate was given to Alexander Diomedes, a former governor of the Bank of Greece.

Hopes for ending the civil war had been raised as early as January 1949 when broadcasts from the communist-controlled guerrilla radio asked for the "speedy re-establishment of peace" on terms that included an armistice to be followed by negotiations for a new government acceptable to both sides. A new election was to be held in two months. This proposal was rejected, but in May it was disclosed that informal conversations had been held between officials of the United States, Great Britain, and the Soviet Union on steps to settle the war in Greece. At the close of the conversations, a State Department spokesman stated that the "Soviet Union would be willing to participate with the great powers in the supervision of a new Greek election; . . . [and] would be willing to join with the great powers in a commission to 'control' the northern frontier of Greece" on the condition that all foreign military assistance was withdrawn. In refusing this proposal, the State Department indicated that any settlement of the conflict should be within the United Nations where Greece would be present to protect its own interests.

A desire to end the civil war has now been indicated by the Soviet Union and by the Greek guerrillas. In view of the importance of political stability in Greece, the United States must explore fully what new possibilities this change of attitude introduces. The essential issue is whether a formula can be found that will at once preserve the integrity of the Greek state and deal with the guerrilla problem. The latter could probably be settled by a word from the Soviet Union, which has indicated a preference for the Big Power determination of the issue. This is contrary to the United States view that the United Nations is the proper agency to effect a settlement.

In the absence of success in stopping the guerrilla warfare by negotiation, it will be necessary for the United States to continue its aid to Greece. It is difficult to inflict a conclusive defeat on the guerrillas because of their ability to retire across the most convenient border in a crisis. If the struggle continues indefinitely, the United States may have to consider how long it is prepared to continue its assistance to Greece. The enactment of the Military Aid Program would bring a new series of issues to bear upon the question of military aid to Greece, and might help to solve the narrower issue of how long to continue aid to Greece, since the latter would be co-ordinated with aid to western European and other countries.

The economic problem is still grave. Only the most stringent controls can prevent the further development of inflation with all the serious attendant political consequences. American advice may be helpful, but only the Greek government can enforce the necessary remedial measures. In default of these, the danger will continue to exist of a collapse that might strengthen communism in Greece. A problem for the United States government is to decide how best to bolster the Greek government in its resolve to put its own house in order, without impairing the political independence of Greece.

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TURKEY AND THE STRAITS

During the second world war United States interest in Turkey as in all countries of the Middle East assumed a more active form because the course of events made that area vitally important to American war objectives. This interest has been sustained by Soviet-Turkish relations since the war. The strategic position of Turkey on the land route between Europe and Asia, and its control of the Turkish Straits, which are the only egress from the Black Sea to outside waters, make it a tempting object of Russian enroachment. If Turkish independence is threatened, the United States has an interest in lending military, political, and economic support to enable Turkey to meet the threat. This is demonstrated by the inclusion of Turkey in the European Recovery Program, and by the military aid that the United States has given to Turkey.

Despite this assistance, Turkey has continued to feel uneasy in the face of increasing Soviet pressure in recent months. This has impelled the Turkish government to examine the possibilities of forming a "system for keeping peace in the Mediterranen" to supplement the North Atlantic Treaty.

Fear and distrust of Russian expansionist policy by Turkey, dating back for more than a century and a half, is a matter of historical record. Until 1923, when the Republic was declared, Turkey was a backward nation, but since then it has made great strides in westernization under the leadership of Kemal Ataturk and Ismet Inonu. Ataturk undertook many reforms, including the separation of church and state and the introduction of free and compulsory primary education, that were to lead to the modernization of Turkey. But it still ranks as an economically undeveloped country, rich in agricultural and mineral resources in the development of which American assistance would be invaluable.

The Soviet Union has made several territorial demands on Turkey since the war. These included demands for the transfer to the Soviet Union of the east Turkish provinces of Kars and Ardahan and for joint control of the Dardanelles, all of which were unequivocally rejected, while Turkey energetically continued its defensive preparations.

In November 1945 the United States took the initiative in suggesting the revision of the Montreux Convention, the international instrument governing the control of the Turkish Straits. This action was in line with an understanding reached at the Potsdam Conference where the Big Three had agreed to exchange views among themselves and with Turkey on the revision. The diplomatic exchanges broke down late in 1946 because the Soviet proposals for a "common defense" of the Straits by Russia and Turkey were unacceptable to the other powers concerned.

The sharpening of its differences with the Soviet Union made it imperative for Turkey to allocate a large proportion of its annual budget to the upkeep of its armed forces. The strain thereby imposed on the Turkish economy was a major factor in leading the United States to furnish aid to Turkey, including military aid. In May 1947 the Congress provided the funds that were deemed to be necessary for the maintenance of Turkey's "national integrity" and for its survival as a free nation. Much of the assistance given has gone toward modernizing the Turkish Army. Additional aid granted under the Foreign Assistance Act of 1948 provided the Turkish people with a further opportunity to improve their national defenses and to strengthen their civilian economy, thereby increasing its ability to act as a stabilizing force in the Middle East.

To accede to the demand by the Soviet Union for a "common defense" of the Straits would mean Soviet military control of the Dardanelles and the extension of Soviet influence over Turkey. It has been United States policy to encourage Turkey to resist this demand. The United States is now faced with the issue whether, having recognized the need to revise the Montreux Convention, it should again take the initiative in attempting to break the existing Soviet-Turkish deadlock to pave the way for a satisfactory solution. It must also consider what position it should take if another power re-opened the matter.

Finally, the question arises whether the United States should continue aid on present lines, or whether it should extend economic aid beyond

that already provided for by the Greek-Turkish Assistance Act of 1948. The preservation of Turkey's national defenses is recognized as indispensable to prevent Soviet expansion in the Middle East, and heretofore the emphasis has been placed on providing the facilities, supplies, and professional assistance needed to strengthen the basic structure of the Turkish armed forces. But with the new emphasis on development in Point IV of President Truman's inaugural address, it may be asked whether aid in the economic sphere should be broadened to include the development of Turkey's rich resources. Improvement in the general economic situation in Turkey may bring collateral benefits in the field of security.

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IRAN

The geographical location of Iran, coupled with its wealth of oil resources, gives it great strategic importance. It stands in the path of a possible Soviet advance toward the Indian Ocean through the Persian Gulf, and it lies on the flank of any direct effort to thrust south toward India. The preservation of Iranian independence and territorial integrity is therefore an important objective of United States policy in the Middle East. American interest in Iran entered into a new phase of development during the second world war when it became necessary to establish and operate a major supply route from the Persian Gulf across Iran to the Soviet Union. In a Declaration of the Three Powers at the Teheran Conference in December 1943, the heads of government of the United States, Great Britain, and the Soviet Union pledged themselves to respect the integrity and independence of Iran in rendering it assistance both during and after the war.

Although Iran is one fifth the area of the continental United States, it is only one tenth as populous, a large part of the area being desert. Its military weakness makes it an easy prey to aggression, and a strong power installed in Iran would be in a position to dominate the entire Middle East. Since the war there have been repeated manifestations of Soviet efforts to undermine Iranian integrity, notably the unsuccessful attempt in 1945-46 to establish autonomy for the province of Azerbaijan, which is adjacent to Soviet territory; and Soviet pressure on Iran in 1947 to ratify the 1946 agreement for the exploitation of the petroleum resources of northern Iran by a proposed Soviet-Iranian company in which the Soviet Union would have a majority interest. American military missions to train the Iranian army and constabulary were established in 1942. As a means of stiffening the will and strengthening the ability of the Iranian government to maintain its independence, the United States in 1947 extended to Iran a 10 million dollar credit and in 1948 an additional 16 million dollars for the purchase, repair, and shipment of war materials. The acceptance of aid was accompanied by a Soviet protest to Iran in January 1948 on the ground that the presence of American advisers in Iran and the re-arming of the Iranian army with "American weapons" were inimical to Soviet interests and that the Soviet-Iranian treaty of 1921 gave it the right to intervene to protect the security of both countries.

An attempt in February 1949 to assassinate the Shah was symptomatic of the disturbed conditions in Iran. In the same month the Iranian government outlawed the communist-dominated Tudeh party, which was accused of disseminating revolutionary propaganda and of otherwise stirring up unrest throughout the country. This was the same pro-Soviet "Democratic" party that had been the instrument of the effort in 1946 to detach the province of Azerbaijan from Iran. Soon after it was banned, the Iranian Counsel General in New York was confident enough to declare that this step had caused the Soviet Union to abandon all hope of infiltrating Iran and to employ new tactics. These consisted of Soviet accusations that the Iranian government was subservient to the purposes of "American imperialism," and the renewal of "unfriendly tactics" in the hope of undermining the 700 million dollar economic development program that was to be carried out over a seven-year period with American technical assistance.

In view of the menace to Iranian independence that lies in these manifestations of the Soviet technique of subversion, and of the specter of overt invasion that still hovers in the background, the United

States has to consider whether it should take further steps to strengthen Iran economically and politically. This question is acute because it is not clear that the support now being given through technical and advisory assistance is adequate to counteract the social unrest that communist forces are seeking to stir up in an effort to undermine political stability in Iran. It is a question that must be discussed in connection with the transfer of technical assistance and other parts of the Point IV program announced by the President in January 1949. The United States interest is not derived exclusively from the commercial and strategic importance of oil, for sound political relations with Iran are highly desirable in case future events should require military co-operation between the United States and countries in the Middle East.

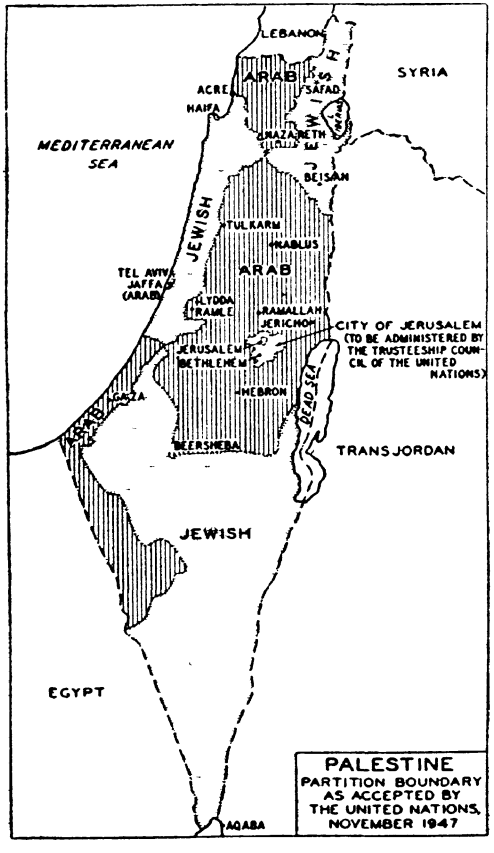
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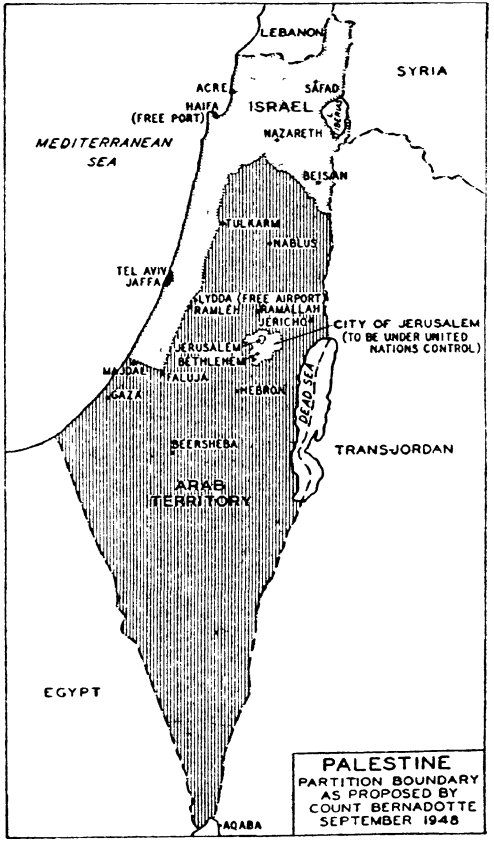
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PALESTINE

The emergence of the State of Israel on May 14, 1948, and the consequent military operations betwen Israel and the Arab states have created new and difficult problems for the United States, both because of its interest in the peace and stability of the Middle East, and because of the presence of the large number of United States citizens of the Jewish faith who maintain intimate ties with the new state of Irael. The principal problem, however, by comparison with which all other problems are subsidiary, is that of creating a balance and stability among the forces that converge on Palestine in the interest of world peace. In the solution of this problem the first step is the establishment of a permanent peace settlement between Israel and the Arab states.

The Palestine problem developed out of the large-scale immigration into Palestine of Jews, under the terms of the mandate granted to Great Britain by the League of Nations in 1922, and the inclusion in the terms of that mandate of the Balfour Declaration, which stated that the British government looked with favor on the establishment in Palestine


LEBANON
SYRIA
ARAB
ACRE
HAIFA
SAFAD
NAZARETH
MEDITERRANEAN SEA
BEISAN
JEWISH
TULKARM
NABLUS
ARAB
TEL AVIV
JAFFA
(ARAB)
LYDDA
RAMLE
RAMALLAH
JERICHO
CITY OF JERUSALEM
(TO BE ADMINISTERED BY THE TRUSTEESHIP COUNCIL OF THE UNITED NATIONS)
JERUSALEM
BETHLEHEM
HEBRON
GAZA
ARAB
BEERSHEBA
DEAD SEA
TRANSJORDAN
JEWISH
EGYPT
AQABA
PALESTINE
PARTITION BOUNDARY
AS ACCEPTED BY
THE UNITED NATIONS,
NOVEMBER 1947


LEBANON
SYRIA
ACRE
HAIFA
(FREE PORT)
SAFAD
ISRAEL
NAZARETH
MEDITERRANEAN SEA
BEISAN
TULKARM
NABLUS
TEL AVIV
JAFFA
LYDDA (FREE AIRPORT)
RAMLEH
RAMALLAH
JERICHO
CITY OF JERUSALEM
(TO BE UNDER UNITED NATIONS CONTROL)
JERUSALEM
BETHLEHEM
MAJDAL
FALUJA
GAZA
HEBRON
DEAD SEA
BEERSHEBA
TRANSJORDAN
ARAB TERRITORY
EGYPT
AQABA
PALESTINE
PARTITION BOUNDARY
AS PROPOSED BY
COUNT BERNADOTTE
SEPTEMBER 1948

of a national home for Jews, with the understanding that nothing should be done to prejudice the civil and religious rights of existing non-Jewish communities.

The policy of the mandate and the influx of Jewish immigrants was from the beginning opposed by the Arabs, who in 1918 constituted over 90 per cent of the population. As the proportion between the Arab and Jewish populations changed, until by 1947 it had become two-thirds Arab and one-third Jewish, the opposition of the Arabs to further Jewish immigration on the one hand, and the determination of the Jews to achieve statehood on the other, posed an apparently insoluble problem, or at least a problem insoluble by peaceful means. This explained at least in part the unwillingness of the British government to continue administering the territory any longer under conditions that brought it in disfavor with both sides.

Great Britain placed the question of the future of Palestine before the United Nations at a special session of the General Assembly in the spring of 1947, and a committee of investigation was sent to Palestine. The committee unanimously recommended that the mandate should be terminated and that Palestine should be granted independence at the earliest practicable date. It also recommended that economic unity should be maintained, the sacred character of the holy places preserved, the plight of displaced European Jews alleviated, and Palestine supervised by the United Nations during the transitional period while the mandate was being terminated. A majority of the committee recommended that Palestine should be partitioned to form independent Arab and Jewish states with Jerusalem placed under international trusteeship, while a minority report recommended the creation of an independent federal state in the whole of Palestine.

In November 1947 the General Assembly after bitter debates, adopted a recommendation for the partition of Palestine in a slightly modified form to that proposed by the committee of investigation. Under the terms of the proposed partition the Jews were to receive most of the coastal area, together with western Galilee and the greater part of the Negeb desert in the south; and Jerusalem was to have an international regime. These proposals were rejected by the Arab states and by representatives of the local Arab population of Palestine, who wanted the unity of Palestine, and their own majority, to be preserved. The British Government announced that they would end the mandate on May 15, 1948, and complete their evacuation by August 1948.

The adoption of the recommendation of partition by the General Assembly immediately gave rise to disturbances in Palestine between

Arabs and Jews, which the British authorities played an increasingly inactive role in suppressing. As a result the Palestine Commission established by the General Assembly to implement partition decided that it could do nothing unless the Security Council provided the means of enforcement. The United States, which had so far supported partition, hesitated at the idea of creating an international force from which it would be difficult to exclude the Russians, and in March 1948 it proposed an interim arrangement of a temporary trusteeship under the United Nations Trusteeship Council.

The termination of the mandate on May 15, however, gave a different turn to events. The Jewish authorities proclaimed the State of Israel at midnight of May 14, and the next day President Truman announced United States *de facto* recognition of the new State. The Soviet Union followed on May 17 with *de jure* recognition. In the meantime on May 15 the armies of Egypt, Iraq, Transjordan, Syria, and Lebanon had moved into Palestine to prevent the establishment of a Jewish state.

In the first days of the fighting the advantage seemed to be with the Arabs. The Security Council was seeking means to put an end to the conflict, and appointed Count Folke Bernadotte on May 20 to mediate between the parties. Two days later it called on both sides to accept a "cease-fire" order. On June 1 the Arab states and the Provisional Government of Israel accepted the Security Council's request for a four weeks' truce.

On the expiry of this truce, hostilities were again resumed. In the meantime the Jews had been able to strengthen their position, and the initiative passed to them. The Arab armies received a series of setbacks, until both sides accepted a second truce on July 16. Although this ended the period of officially declared war, it did not end hostilities altogether. Anxious to take advantage of their military strength the Israeli authorities carried out a series of small campaigns against the Egyptian, Syrian, and Lebanese armies through which they were able to add to their possession most of the Negeb and all of eastern Galilee that had been assigned to the Arabs in 1947 by resolution of the United Nations. In the course of the fighting the movement of the Arab population to flee from their homes, which had begun even before the termination of the mandate, increased in intensity, so that by the end of 1948 it was estimated that 900,000 Arabs were refugees.

On September 17 the United Nations mediator, Count Bernadotte, who had been working desperately to end hostilities and work out armistice agreements, was assassinated by Jewish terrorists. Before his death, however, he had formulated a new plan, which was presented to

the General Assembly at its meeting in Paris, September-December 1948. The so-called Bernadotte plan recommended that the boundaries of the Jewish and Arab states as drawn by the 1947 plan of partition should be redrawn to take into account the actual situation; in exchange for eastern Galilee, now in the hands of the Jews, the Arabs would be compensated with the Negeb. Peace treaties should be drawn up; Jerusalem, the Old City of which was in the hands of the Arabs, and the New City in the hands of the Jews, should be internationalized; and the United Nations should affirm the right of Arab refugees to return to their homes in Jewish-controlled territory.

Although neither Arabs nor Jews accepted the Bernadotte plan, Great Britain and the United States backed it for awhile, but the United States eventually abandoned it. On December 11, 1948 the General Assembly adopted a series of resolutions appointing a Conciliation Commission composed of France, Turkey, and the United States. Its function was to draw up a permanent peace settlement in place of the temporary armistice arrangements between Israel on the one hand, and Egypt, Transjordan, and Lebanon on the other. These had been entered into, largely through the mediation of Dr. Ralph Bunche as Acting Mediator. The Commission was given instructions to facilitate the return of the Arab refugees and to formulate a plan for the internationalization of Jerusalem. The Assembly on the same day passed a resolution to the effect that "refugees wishing to return to their homes should be permitted to do so at the earliest practicable date."

On April 27, 1949 the Palestine Conciliation Commission began to conduct negotiations with representatives of Egypt, Syria, Lebanon, Jordan, and Israel in Lausanne, but by the end of June these negotiations had led to no result. While they were in progress, the application of Israel for membership in the United Nations was considered. After clarification had been sought from the Israeli representative on the attitude of his government to the problems of Jerusalem, the refugees, and boundaries, Israel was admitted to membership in May 1949.

A number of issues face the United States in striving for a final peace settlement in Palestine. As a member of the Conciliation Commission, and because it has more influence with the Israeli authorities than any other government, the United States government has had to adopt a definite policy concerning the Arab refugees, the future status of Jerusalem, and the final boundaries between Israel and the rest of Palestine. On the question of the Arab refugees it has taken an increasingly firm stand, and in June 1949 it made its views quite clear to the

Israeli representatives at Lausanne and in Tel Aviv. The United States is committed to the internationalization of Jerusalem, and to the principle that if the boundaries of Israel exceed those laid down by the 1947 plan, compensation should be made to the Arabs elsewhere.

On all these issues the United States must follow a policy conformable to the decisions of the United Nations. In deciding what policies to support in that body, it will be necessary for the United States to keep in mind the objective of preserving peace in the Middle East, which involves the aims and actions of both Israel and the Arab states.

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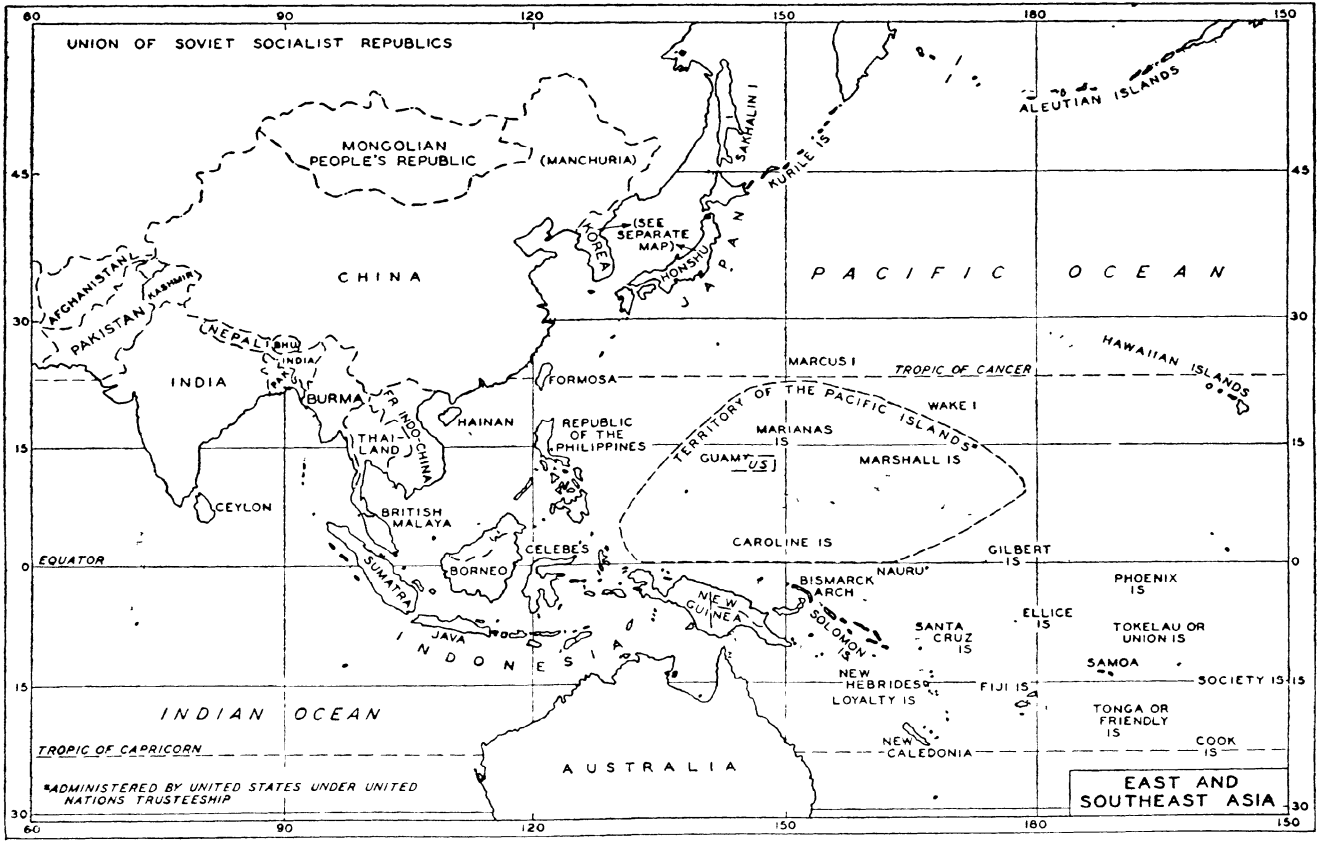
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IV. EAST AND SOUTHEAST ASIA

ASIA, east and north from India to the Soviet border, and south through the East Indies archipelago, has a land area of eight million square miles and contains about half the people of the world. For the most part a hoe-type agriculture is still the mainstay of the population, which is heavily concentrated along the coasts and in the river valleys. The pressure of population on the land has kept standards of living at or even below the margin of subsistence, and has stunted social and political development.

Government everywhere in East Asia has traditionally been of an authoritarian character, and arbitrary power has been wielded in patriarchal and theocratic fashion. With the spread of imperial conquest, which brought most of the vast area of Southeast Asia under European governments, foreign political methods were superimposed on the indigenous political systems. In the northeast, however, up to the middle of the nineteenth century the sprawling hinterland of China and all of Japan remained largely untouched by Western influence, and for decades thereafter this influence was largely restricted to a few port areas.

Furthermore, China and Japan developed "national" governments in a degree that was not to be found in the rest of eastern Asia. While the relatively small states and islands of the southeast had been politically united in larger units by the conquering Europeans, China and Japan had the geographic position and the political unity that enabled them to maintain their political integrity and to restrict the penetration of Western influences. Consequently, the nineteenth century development of both countries was quite detached from that of Europe and the United States in contrast to South and Southeast Asia. By the twentieth century Japan had succeeded in evolving a well-integrated, modern state capable of effective large-scale action, although internally the authoritarian Asiatic pattern of ruler-subject relationship remained unaltered. China was unable to make the same adjustments to the impact of the West that had been made by Japan. Nor was it able to maintain its sovereignty completely intact. But the political, economic, and geographic factors were such that the Chinese government retained its political integrity to the extent of receiving continuous recognition by the Western states. In the main the relations of the West with China came to be governed by the principle of equality of commercial opportunity, or the "Open Door," which was expanded after the first world


UNION OF SOVIET SOCIALIST REPUBLICS
MONGOLIAN PEOPLE'S REPUBLIC
(MANCHURIA)
SAKHALIN I
KURILE IS
ALEUTIAN ISLANDS
KOREA
(SEE SEPARATE MAP)
HONSHU
JAPAN
CHINA
PACIFIC OCEAN
AFGHANISTAN
KASHMIR
PAKISTAN
NEPAL
BHU
INDIA
SIKKIM
INDIA
BURMA
FORMOSA
MARCUS I
TROPIC OF CANCER
HAWAIIAN ISLANDS
FR INDO-CHINA
HAINAN
THAI-LAND
REPUBLIC OF THE PHILIPPINES
TERRITORY OF THE PACIFIC ISLANDS
WAKE I
MARIANAS IS
GUAM US
MARSHALL IS
CEYLON
BRITISH MALAYA
CAROLINE IS
GILBERT IS
EQUATOR
SUMATRA
BORNEO
CELEBES
NAURU
BISMARCK ARCH
PHOENIX IS
NEW GUINEA
SOLOMON IS
ELLICE IS
SANTA CRUZ IS
TOKELAU OR UNION IS
JAVA
INDONESIA
SAMOA
NEW HEBRIDES
FIJI IS
SOCIETY IS
LOYALTY IS
INDIAN OCEAN
TONGA OR FRIENDLY IS
NEW CALEDONIA
COOK IS
TROPIC OF CAPRICORN
AUSTRALIA
*ADMINISTERED BY UNITED STATES UNDER UNITED NATIONS TRUSTEESHIP
EAST AND SOUTHEAST ASIA
60
90
120
150
180
150
45
30
15
0
15
30

war to include respect for China's territorial integrity and political independence.

This principle of policy was eminently in keeping with the needs and ideals of the United States. Whereas in the dependent areas of Southeast Asia, American trade and enterprise were handicapped by imperial preferences, in China the United States could compete on equal terms with other foreign countries. In a period when United States interests in the Far East were primarily commercial, the Open Door was a satisfactory policy. In more recent years, however, the relations of the United States with the countries of the western Pacific area, including Australia and New Zealand, have radically changed; they have become more intimate and interdependent. The United States government, in formulating its policies for this region, must take account not only of the greatly altered internal conditions in most countries of the area resulting from the growth of nationalism, but also of the new position of the Soviet Union in relation to them.

A. REGIONAL PROBLEMS

The peoples of East Asia have no common spiritual or cultural bonds such as Christianity and Graeco-Roman culture have provided in the West. There is, therefore, no basis for solidarity in Asia comparable to the historic concert of Europe; and within an individual country, divisive religious and cultural influences may militate against national unity, as in the case of India. No east Asian people withstood the impact of Western civilization. Even the active nationalist movements of recent decades, although in revolt against European imperialism, were generated under its influence and utilized Western techniques in large measure to achieve their goals. Former subservience to the West and resentment against self-asserted Western superiority have provided until recently the only common bonds among the disparate peoples of East Asia. Although they admit the material superiority of Western civilization, the Asians have generallly not been willing to concede any superiority to occidental spiritual values.

A consciousness of common interests is beginning to appear, however, among the educated leaders of some of these Eastern countries. India has taken the lead in a movement for regional cohesion and called the first Asian Relations Conference at New Delhi in the spring of 1947. Although little of a concrete nature was then accomplished, the potentialities of a regional organization became apparent both for concerted action in pursuing common interests and for the less desirable purpose of creating an anti-Western league. The end of "colonial exploitation" and the support of nationalist aspirations have been the

main themes of the regional movement, and in January 1949 another conference was called by Indian Premier Nehru at New Delhi to discuss the case of Indonesia. Middle eastern, Australasian and African as well as east Asian countries were invited to this conference, which, in addition to supporting the actions of the United Nations in Indonesia, recommended that the nineteen participating countries explore the possibilities of regional arrangements. No decision was taken, however, on the precise region or regions to which the arrangements should pertain. Premier Nehru reported to the Indian parliament in March that whatever body might materialize from these explorations would be within the scope of the United Nations Charter and would be "largely confined to consultation and cooperation."

Another regional development occurred in the establishment of the Economic Commission for Asia and the Far East under the Economic and Social Council of the United Nations. The Commission, in conjunction with other specialized economic agencies, has already initiated various types of action for reconstruction. But economic backwardness in Asia and the lack of experience in intergovernmental co-operation by many of the member governments, have made progress much slower than in the Economic Commission for Europe. Moreover, intercommunication and intra-regional trade among Asian countries have always been seriously handicapped by difficult geographic barriers and vast distances, factors which still operate to retard economic development.

The present unsettled conditions throughout East Asia make political stability and the further advance of self-government almost impossible and obstruct economic revival in one of the richest raw-material producing areas of the world. Moreover, so long as the present chaotic conditions remain, the possibility of foreign interference in states of the region is a source of danger to peace and to the interests of the United States in the western Pacific.

WESTERN PACIFIC AREA

The problem for United States policy in the western Pacific area is to restore minimum conditions of political and economic stability. The present situation is one of serious disequilibrium, the compound result of the collapse of Japan, the disintegration in China, the weakened position of the European colonial powers, the rise of nation-states, and the incalculable factor of communist activity in East Asia. Although the fundamental objectives of the United States in the area are unaltered, the radical changes caused by the war have affected the orientation and the emphasis of United States policy.

From the viewpoint of the region itself, East Asia divides into two

security zones, one centering on the Indian Ocean and the other on the Pacific, both contiguous to Soviet territory in the north. From the viewpoint of the United States, however, the entire area may be considered as a single security zone of the western Pacific. Before the war, the maintenance of stability in the Indian Ocean and in the south Pacific was chiefly a European responsibility, primarily British. In the Pacific area to the north Japan formerly exercised a dominant power.

In the postwar period the situation has radically changed. The Soviet Union and the United States now stand out as the chief factors upon which political and economic adjustments in the area depend. While Great Britain remains an important factor, its role at the present time is necessarily minor because of its weakened economic condition.

Continental Asia is fringed with island chains and clusters that form a vast arc through the western Pacific from Kamchatka on the north to the tip of Malaya in the southeast. Before the war, the possession of the islands from Kamchatka to the Philippines gave Japan command of the Pacific approaches to East Asia. Japan was entrenched on the continent itself in Korea and Manchuria, the latter being important for its vast natural resources and as a wedge between the Russian Maritime Province and the great body of Siberia. In the south the prewar structure of security consisted primarily of British naval power, supplemented by collaboration with the Dutch and the French. Its center of gravity was at Singapore. The United States position in the east Pacific as well as in the Philippines gave it an interest in the security of the area.

In the prewar period Japan played a vitally important role in the economic integration of the Far East. It formed the principal Asian workshop, despite substantial industrial progress in India, and it used its cheap manufactures that were suited to Asiatic markets to absorb a substantial part of the surplus food and raw materials produced by other countries in the region. Japan's well-developed trade organization serviced a large part of the trade within East Asia, while European and American organizations were concerned more with trade between the area and the Western world.

These prewar patterns have been radically altered. Japan is under military occupation and is not at present an important factor in the situation. Its outlying possessions have been detached. The Soviet Union and the United States exercise strong influence respectively in North and South Korea. The Kuriles and southern Sakhalin were given to the Soviet Union. Manchuria in theory reverted to China, but the Soviet Union is there in strategic control. Formosa reverted to

Chinese control. The former mandated islands are under United States trusteeship by agreement with the United Nations, and Japanese islands south of the 30th parallel are occupied by United States forces pending their final disposition. Southeast Asia generally is characterized by chaotic internal conditions, which are to be explained in part by the weakened military positions of the European colonial powers in this area.

The communist advance in China has already stimulated increased communist activities in Indo-China, Siam, Burma, India, Malaya, and Indonesia. Both the British and the United States governments have officially indicated their concern over the rise of militant communism in Southeast Asia. The British Foreign Secretary declared in September 1948 that there was a Cominform plan to drive every Western association out of this region, and he pledged the resources of his government to stamp out the communist movement. At the same time the United States Department of State took notice of the rapid increase of communist activity in the area, and particularly stressed the attempt of the communists to identify their movement with nationalism in the minds of the people of the area. It was stated that this scheme worked well, at least until the Cominform denounced the Yugoslav communist leaders for being guilty of nationalism.

In Asia, as in Europe, the lack of agreement among the major powers has been reflected in the failure to conclude definitive peace settlements and in proposals for regional economic and security arrangements paralleling the Marshall plan and the North Atlantic Treaty. Australia and New Zealand first proposed special Pacific security arrangements, even before the end of the war. In January 1944 they agreed to assert their claims to participation in the Pacific peace settlements and proposed the establishment, within a world security system, of a southwest Pacific security zone in which they would assume policing responsibilities, either alone or with other countries. This proposal was not further developed, but in January 1947 a conference at Canberra, participated in by the nations with territories in the south Pacific, authorized the establishment of a South Pacific Commission, similar to the Caribbean Commission, with advisory powers on economic and social matters in the dependent territories of the region.

United States power has moved westward across the Pacific, while Soviet power has moved southward in Asia, until the two now confront each other directly in the western Pacific. Throughout East Asia, the objective of the United States in helping to restore political and

economic stability is blocked by the continuation of chaotic conditions that are calculated to extend communism and Soviet influence. The solution of many problems in the western Pacific as in so many other areas depends, therefore, not on unilateral action by the United States, but on the possibility of finding the basis for an accommodation of interests with the Soviet Union.

It has been suggested that an Asiatic recovery program similar to the European program would be the appropriate remedy, since both areas are suffering from the same basic economic and political consequences of the war. In western Europe, however, there is a basis of relative political stability and well-developed economic systems on which to rebuild, once the initial obstacles to reconstruction have been overcome. In Asia no such foundation exists, and the economic vacuum left by the collapse of Japanese trade and financial organization will, therefore, be even harder to fill than that left by Germany in Europe. Moreover, the economies of the Asiatic countries are of the type generally classified as "colonial" or "underdeveloped," and their problem is more one of development than of reconstruction. For this reason, attention has lately been given to the possibilities of assistance under the Point IV program to countries in East Asia where conditions are most hopeful for economic rehabilitation and development.

The innumerable political problems inherent in the emergence of new nation-states in Asia have been immensely increased by the efforts of the communists to utilize nationalist movements for their own ends. Events in China have given a new impetus to militant communism everywhere in the area, and further Soviet expansion is feared much as it was feared earlier in Europe. For this reason proposals for United States military aid to Asia, similar to that proposed for Europe, are frequently made, especially since the conclusion of the North Atlantic Treaty. The proposal for a similar Pacific pact has been supported by the President of Korea, the Nationalist Government of China, and various statesmen in the Philippines and Australia. In a statement to the press on May 18, however, Secretary of State Acheson rejected the idea of a treaty at this time because under present conditions in Asia there is no foundation for a defensive regional alliance on the European model.

The political and social implications of the rise of new nation-states in East Asia are of concern for United States policy. While it is the declared policy of the United States to champion the rights of all qualified peoples to self-government of their own choosing, the interests and rights of the colonial powers and of other states in these territories

cannot be ignored. This is especially important in view of the present spread of communist activities in East Asia, which increases the danger that the existing economic rights of all foreigners in the newly-formed states will be trampled on to the detriment of world economic order, and that the common interest of the United States and other countries in building collective security against militant communism will be injured.

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B. SPECIAL COUNTRY PROBLEMS

The new and emerging states of East Asia all present similar difficult problems to the United States, as was indicated above. Throughout the Far East the difficulties in developing stable political institutions based on democratic processes are increased by the prevailing low standards of living, and the divisive influences of conflicting cultures and widely differing social groups within a single country. Assistance from the United States is made more difficult by the gap that exists between Eastern and Western cultures. Even though these and other factors may preclude the successful adoption of western democratic processes and systems, at least without drastic modification, national consciousness has inspired movements professing the aims of democratic self-government.

Despite the difficulties, progress is perceptible. The Philippine Republic began its independent existence in 1946, and since then India, Pakistan, and Ceylon have attained self-government within, and Burma

without, the British Commonwealth. These new states represent the transformation of one fifth of the human race from a dependent to an independent status.

In Malaya eventual self-government is envisaged via the federation that has already been proposed by Great Britain for this heterogeneous population. The Netherlands proposal to form a United States of Indonesia is a notable development, despite the difficulties that have arisen in implementing it. The dissident Republic of Indonesia would be one of the component parts of a federal sovereign state that would be part of the Netherlands-Indonesian Union under the Netherlands Crown. In Korea, delay in establishing a unitary independent state has been caused by dissension between the Soviet Union and the other victor powers, rather than by difficulties springing from the Koreans themselves.

All these countries present similar problems of economic rehabilitation and development, although it is questionable how much could be accomplished, even with unlimited means, in areas where chaotic political conditions still exist. In the more peaceful areas, technical assistance under Point IV and financial aid from the United States or from United Nations sources are the most urgent questions. In the Philippines, numerous questions that are incidental to its new status are still in the process of resolution with the United States. Military arrangements having been made with the new Republic, the main problems still to be resolved concern economic assistance and the abolition of trade preferences.

In India and Pakistan the provision of technical and economic assistance is the main problem in their direct relations with the United States. But friction between these two states over the Kashmir dispute presents the United States with a problem in determining its policy in the United Nations. Kashmir is not only a test of the Indian people's fitness for self-rule; it is also a test of the ability of the United Nations to assist in the peaceful settlement of international problems. After more than a year before the Security Council, the case is still unsettled. While the United Nations Commission for Indonesia, which was appointed by the Council to facilitate the restoration of order and to hold a plebiscite, has not yet succeeded in getting unreserved approval for truce terms that it advanced in April 1949, it is generally felt that the proposals of the Commission will ultimately be accepted as the only hope for a peaceful solution.

In Indochina, the Democratic Republic of Vietnam, which exercised authority in wide areas of Indochina, and which apparently enjoyed

popular support, has been carrying on armed resistance against the reassertion of French authority ever since Japan's surrender. Two difficulties in the way of a peaceful settlement were the communist complexion of the Vietnam leaders, including Ho Chih Minh, and the question of the status of Cochin China, the incorporation of which into the Republic was discouraged by the French. The French encouraged the establishment of a non-communist Vietnam government, but the concessions that they were prepared to make were insufficient to enable the pro-French leaders to outbid Ho Chih Minh's regime for popular support. On March 8, however, the French succeeded in reaching an agreement with Bao Dai, former emperor of the French protectorate of Annam, to head such a non-communist government, in which Cochin China is to be incorporated. It remains to be seen whether the new government will be able to displace the regime of Ho Chih Minh.

Since the severance of its ties with the British Commonwealth on January 1, 1948, Burma has become especially vulnerable to communist subversive activities. The racially and culturally heterogeneous character of the population has prevented the development of national unity. Unlike India, the country does not possess a well-established native middle class with a sense of responsibility for sound government and capable of furnishing experienced leaders. This may help to explain why the government has been pursuing a program of extreme socialism that bids fair to stifle healthy economic development. The policy is not only a threat to a British investment of 100 million pounds but by destroying the basis of credit it may end in national bankruptcy.

The country has furthermore been wracked by a protracted revolt of the Karens, a vigorous minority racial group that is demanding political autonomy. The so-called "Red Flag Communists" have taken full advantage of this situation to promote their own revolt against the government. A manifesto circulated in Rangoon in March 1949, indicated that the Burmese Communist party was closely linked to the Soviet Union. It was pledged to join forces with the Chinese and Vietnamese communists, and was committed to the use of "Soviet methods for ending world capitalism." The Burmese government's official Central News Agency reported in May 1949, that the Burmese communists had signed both in Burma and at Moscow a mutual defense pact with the Russian-sponsored North Korean regime, pledging aid in the "joint struggle against American and British imperialism," and that the Chinese communists had agreed to support the Burmese communists along the Sino-Burmese border. While the authenticity and the practical results of these agreements may be open to question,

they serve to dramatize the problem presented to the United States government in seeking the restoration of political stability throughout the entire east Asian area.

The problems presented to the United States by China, Japan, and Korea are dealt with separately and somewhat more fully below; and Indonesia is given still more extended treatment in the form of a special Problem Paper.

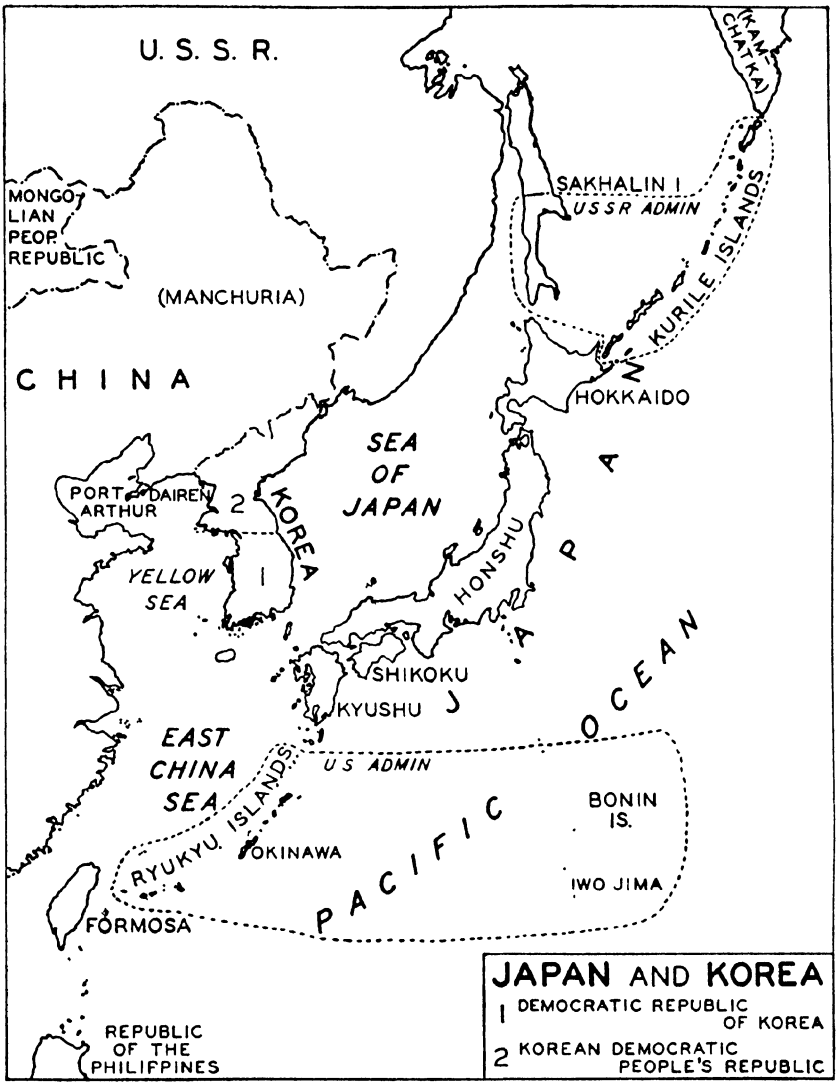
JAPAN[1]

Japan confronts the United States with a problem that embraces the issues involved not only in rehabilitating Japan and restoring it to a place in the family of nations but in establishing a general far eastern security policy to cope with the advance of communism in China and the growing instability elsewhere in East Asia. The former objective assumes all the greater importance by the necessity of relieving the United States of its heavy commitments in Japan and its former possessions. The preponderant part of the United States in the allied occupation of Japan imposes upon the United States heavy military commitments and the obligation of meeting a large deficit in the Japanese economy. Part of this burden would be removed by the negotiation of a peace settlement, but it might also be lightened by measures to make Japan more nearly self-supporting. The conflicts of interest among the powers that stand in the way of a peace settlement also increase the importance of Japan to the security interests of the United States in the western Pacific area.

Japan surrendered on the basis of the Potsdam Proclamation, and when General MacArthur was designated Supreme Commander for the Allied Powers (SCAP), the comprehensive initial directive to him was based on this Proclamation. It stated that the broad objectives of the United States were to prevent a resurgent Japan from being a menace to peace, and to establish a responsible government in support of United States aims "as reflected in the ideals and principles of the Charter of the United Nations."

In accordance with decisions taken at Moscow in December 1945, the allies established in Washington the Far Eastern Commission (FEC) which began to function early in 1946. It is composed of representatives of the eleven nations principally concerned with Japan, and its function is to formulate and review policies relating to the fulfillment of the obligations of Japan under the terms of surrender. The United States has the right, however, to issue interim directives to SCAP on matters

[1] This problem was treated comprehensively in the 1948-49 edition of *Major Problems of United States Foreign Policy.*



of urgency. The "Basic Post-Surrender Policy for Japan" issued by the FEC in June 1947 was substantially a reiteration of the United States initial directive to MacArthur.

The elimination of tangible military power and of militarist influence in Japan was soon achieved; but the "purge" of ultra-nationalistic elements, broadened to cover nearly all prewar political and economic leadership, continued unmodified until recently. The disruptive effects of the "purge," combined with certain features of the democratization

program, notably economic decentralization, further complicated the already difficult problems of economic reconstruction. The United States was obliged to make heavy outlays to restart the Japanese economy and to prevent famine, disease, and unrest that would have endangered the occupation. There were achievements on the political side, however, in the adoption of a modern constitution guaranteeing greater individual freedom than the Japanese have ever known in the extension of local government and in the institution of agrarian reforms. As a deterrent to future aggression war criminals were tried and punished.

No progress whatever was made in the negotiation of a peace settlement. The United States proposed in July 1947 that a conference of the FEC member states be called to discuss the peace treaty, but nothing came of the proposal chiefly because of opposition from the Soviet Union. The counterproposal by the Soviet Union that the Council of Foreign Ministers should take primary responsibility for drafting the treaty would have meant that each of the four major powers would have the right of veto. Experience in the negotiations on the German settlement was not such as to commend this proposal to the other three powers.

The failure to take any step toward a peace settlement has forced the United States to concentrate on achieving economic recovery in Japan to lighten the economic burden of the occupation. In December 1948 steps were taken to facilitate internal development. The United States began by withdrawing a plan for the wider diffusion of economic control in Japan that it had already sent to the FEC for discussion. This was followed immediately by the issue of an interim directive for the institution by the Japanese government of a comprehensive program of economic stabilization and recovery. Reports that the Japanese were no longer under pressure to break up operating companies and that moderation was being used in applying the original "purge" directives pointed to the new approach. Changes in reparation policy were also intended to facilitate Japanese recovery. In May 1949 the United States announced the withdrawal from SCAP of an interim directive of April 1947 providing for the advance transfer of reparations; and the withdrawal from the FEC of its proposal of November 1947 for a schedule of percentage reparation allocations to claimant countries on which the FEC had failed to agree. It also stated its intention of taking no further unilateral action to make possible additional reparation removals from Japan. The announcement reviewed the considerations that led the United States to the conclusion that only by continuing the "staggering"

costs to the American taxpayer could the Japanese economy provide for further external payments of this sort. Proposals for the rescission or amendment of FEC policy papers on reparation and level-of-industry matters, in conformity with the new United States position, were also promised.

The basic problem for the United States in Japan is to make a peace settlement that will achieve the objectives of the allied nations, including the establishment of stable conditions in the Far East, thus permitting the withdrawal of American occupation forces from the Orient. The substantive issues of the settlement arise fundamentally out of three main objectives: to ensure the continued disarmament and demilitarization of Japan, to encourage peaceful and democratic tendencies, and to make Japan self-supporting. The solution is complicated by the fact that the means of furthering one objective may hamper the successful pursuit of another.

An immediate issue for the United States is whether to attempt to reach agreement on the procedure to be adopted in negotiating a peace settlement. After lying dormant for some time, this question recently raised its head again in June 1949 at the Paris meeting of the Council of Foreign Ministers. The overture of the Soviet representative in proposing a further Council meeting to discuss the Japanese situation met with no response, or none that was made public.

The other members of the Council evidently look to a conference of all the FEC countries as the proper procedure. Since agreement on this fundamental question still appears to be impossible, the only alternative is to continue to maintain the status quo in the western Pacific.

Another immediate issue for the United States, but one which seems to be almost impossible of satisfactory solution in present far eastern conditions, is the restoration of Japanese foreign trade. Before the war foreign trade was essential to Japanese economic well-being. The United States market for raw silk, the most important single item in Japan's prewar trade, is unlikely ever to regain its former importance. The extensive Asiatic markets and sources of supply for Japan do not exist in prewar volume owing to the chaotic conditions that prevail throughout the area and to a reluctance of many of these countries to restore their Japanese trade connections. In Japan itself the situation is complicated by the difficulties of rehabilitating war-devastated industries and of reorganizing disrupted channels of trade. The United States showed its interest in obtaining most-favored-nation commercial treatment for Japan at the Havana Conference on the International Trade Organization in 1948,

but resistance has been widespread on the part of the other countries. Yet without a solution of the economic problem, little if any contribution can be made by Japan to political stability in Asia.

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KOREA

The problem for United States policy in Korea is to find some way of bringing about the establishment of a unitary, independent state, in fulfillment of wartime commitments and of the national aspirations of the Korean people. The United States contemplated that there would be an early merging of the Soviet zone in the north and the American zone in the south into which the country was divided for purposes of military occupation when Japan surrendered. This has been blocked by Soviet intransigence, and Korea has remained divided into two regimes, the Republic of Korea in the south and the "Korean People's Democratic Republic" in the north. The United States and the majority of the United Nations support the Republic of Korea, which was established on the basis of popular elections. The Soviet government and its satellites support the "Korean People's Democratic Republic" which was established by the usual Communist party procedures.

At the Cairo Conference in December 1943 the United States, Great Britain, and China pledged that "in due course Korea shall become free and independent." This promise was reaffirmed in the Potsdam Proc-

lamation in July 1945, and was acceded to by the Soviet Union when it declared war against Japan in August. When the Japanese capitulated, their troops in Korea north of the 38th parallel surrendered to the Soviet forces and those south of the 38th parallel surrendered to United States forces. The Soviet and United States occupation authorities were unable to agree on the joint measures that were necessary to achieve political and economic unity in Korea, and the country remained split into separate zones. Two-thirds of the population live in the agricultural south, while most of the industry is in the north; the division of the country therefore, was a serious obstacle to economic revival.

The Soviet-American Joint Commission on Korea (established by the Moscow Conference of 1945) failed to carry out its instruction to establish a provisional government as the first step in creating an independent Korea. Its failure was due to the inability to agree on the Korean representatives with whom it was to consult. Early in September 1947 the Soviet government rejected a proposal for a four-power conference to expedite the establishment of a provisional government, and a few days later the United States referred the problem of Korean independence to the United Nations General Assembly. Despite Soviet objections, a United Nations Temporary Commission was appointed under the supervision of which an election was held in May 1948 in the southern zone as the first step in the establishment of a national government.

The Soviet government refused to recognize the Commission or to permit it to enter the northern zone of Korea, and it withdrew from participation in Assembly action. Meanwhile, having organized a formidable native military force in its zone, including an elite corps of Sovietized Koreans long domiciled in Siberia, the Soviet government proposed the withdrawal of all foreign troops from Korea by early 1948. The adoption of this proposal would have meant exposing the southern zone to the practical certainty of invasion and domination by a communist minority.

The newly-elected National Assembly met in July 1948 and established a constitution and government. The United States announced the *de facto* recognition of the new government and the American occupation forces transferred administrative authority to Korean officials. At the request of President Rhee however the American troops remained temporarily in the country as a training force for the Korean army. An economic aid agreement, substantially the same as other ECA agreements, was signed with Korea in December, and the Army's relief and rehabilitation program in south Korea was taken over by the ECA.

At this time the United Nations Temporary commission was replaced by the United Nations Commission on Korea and the General Assembly recognized the new government of the Republic of Korea. In January 1949 the United States gave full recognition to the government and announced that it would support the new Commission "in its effort to help the Korean people and their lawful Government to achieve the goal of a free and united Korea."

The Soviet authorities had in the meantime set up the competing "Korean People's Democratic Republic" in the north, which was recognized by the Soviet Union and its satellites. In March 1949 the Moscow radio announced that a ten-year agreement on economic and cultural co-operation had been concluded between the Soviet Union and the northern government. Chinese communists were also reported to have signed a mutual defense pact with the northern regime, which included a pledge of aid to the Burmese communists. During the spring, clashes occurred between the southern police and northern forces along the 38th parallel as the Korean government sought to put down guerrilla bands terrorizing the rural areas.

In April President Rhee announced that agreement had been reached with the United States on plans for the withdrawal of American troops from the south by early July. He said that Korean defense forces were rapidly approaching the point at which the security of the Republic could be assured provided that it was not called upon "to face attack from a foreign source." He also stressed the importance of the renewed assurances that had been given of continued United States "economic, military, technical and other assistance for the welfare and safety of Korea." In an accompanying press statement, the President inquired whether the United States would regard an invasion across the 38th parallel by the northern regime as "tantamount to an attack upon the American people," and whether, in case of an attack by an outside power, his government could count on "all-out American military aid." In his view these questions were far more important than the question whether the remaining American troops would stay in Korea. While his government did not intend to fight the North Koreans "or their foreign overlords," Rhee stated that it would continue its efforts to unify Korea by peaceful means and to protect the people and their property from incursions across the 38th parallel from the north.

In May 1949 the United States agreed to the establishment of a Korean Military Advisory Group to replace the Provisional Military Advisory Group, which had been set up in the preceding autumn to assist in the development of Korean security forces, in order that

progress in this field might continue "without further dependence upon the presence of United States occupation forces." The United States has also transferred substantial amounts of surplus military equipment and supplies and property of the Military Government to the Korean government. Finally, the President requested in June that Congress appropriate 150 million dollars in economic aid to continue the present program of assistance to the new republic. The President's message termed Korea a "testing ground" in the struggle against communism in Asia.

The fundamental issue still remains the unification of Korea as a free and independent state, but this is obviously a long term objective impossible of present achievement. Meanwhile, the United States is chiefly concerned with helping the new government of southern Korea to become self-sustaining economically and militarily in order to withstand the threat of domination from the north. Even if Korea were unified the question of economic and military viability would be serious, because Korea was formerly integrated with the imperial economic and defense system of Japan, which has now collapsed. With the country divided, the difficulties in establishing a sound economy in the agricultural half of Korea, without free interchange with the industrial half, are immeasurably greater and no solution is in sight. The economic difficulties have been intensified by political unrest. The United States thus faces the issue of what measure of economic and military aid it must render if Korea is to maintain internal order and to resist subversive activities supported from without.

This is likely to be a continuing problem. But the United States government must also consider the extent to which it would be prepared to extend extraordinary aid in an emergency such as would be created by a coup against the Republic by a communist minority, or by the perhaps less likely event of an invasion of its territory by foreign forces. United States policy in this connection must take into account broader interests than the welfare of the Korean people alone. While the achievement of a Soviet dominated communist state would extinguish the hope of freedom in Korea indefinitely, it would also deprive the Western world of its last "beach-head" on the continent of Asia north of southern China. The strategic location of Korea, which is like a wedge between Soviet, Chinese and Japanese territories, means that its control by the Soviet Union would give Soviet power a commanding position in relation to Japan and China and to the vital Asiatic trade routes. This was the significance of President Rhee's inquiries of April 1949 on United

States action in the event of communist aggression against the Republic of Korea.

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CHINA[2]

Civil war in China has impoverished the country and created problems that appear to defy all efforts to solve them within the framework of present United States objectives of policy. A politically stable and economically prosperous China might have replaced Japan as the stabilizing center of the Far East and have played an effective part as one of the major powers in the United Nations. This would have been in keeping with United States postwar aims and with its long-term policy of friendliness and co-operation with China. With the crumbling of the resistance of the National Government to the Chinese communists, the situation has changed entirely, not only in China but throughout East Asia. The United States government is now faced with the task of reshaping its policy toward China in conditions of great confusion, which complicate the problem of reassessing the long-term interests of China and of the United States. This task is made all the more difficult by the wider implications of the Chinese situation, especially those that touch on Soviet-United States relations.

A number of factors operated not merely to impede recovery in China but to cause a steady deterioration in the situation, culminating in the present communist sweep into south China. The internal political dis-

[2] This problem was treated comprehensively in the 1947 edition of *Major Problems of United States Foreign Policy.*

unity, which finally broke out in civil war, was caused by irreconcilable differences between the National Government and the Chinese communists, many of whose leaders are avowed Marxists and for years have been exercising independent control over wide areas in northwest China. Intermittent negotiations between the two parties failed to settle their differences.

An important element in the Chinese situation has been the equivocal policy of the Soviet Union. As a result of the Yalta Agreement and the Sino-Soviet Treaty of 1945, the Soviet Union acquired substantially the same position in Manchuria that Tzarist Russia held prior to 1904. In return for the rights thus acquired, the Soviet Union agreed to support only the National Government in China and to give it "all possible economic assistance." At the Moscow Conference in December 1945, the United States, Great Britain, and the Soviet Union announced that they were in agreement on the need for a united and democratic China and for the cessation of civil strife, and they reaffirmed their adherence to a policy of noninterference in the internal affairs of China.

The Soviet government has failed to live up to the spirit of these assurances and commitments. Chinese government spokesmen have charged that the Soviet Union turned over to the Chinese communists virtually all the vast amounts of war materiel taken from the Japanese forces that surrendered to them in Manchuria, and that this booty, together with subsequent aid from Russia, was responsible for the signal military gains of the communists against the Nationalist forces in Manchuria and elsewhere. Account must also be taken, however, of the off-setting factors of United States aid to the National Government and of the Japanese arms received by the National Government from the Japanese troops in China proper, whose numbers are estimated to have been considerably larger than the Japanese forces that surrendered in Manchuria.

Immeasurable damage was done to the Chinese economy by the Soviet stripping of Japanese factories in Manchuria. The vast agricultural and mineral potentialities of Manchuria, as well as its strategic position, gave it special significance in the Far East. It is the eastern overland gateway to China proper and lies across the pathway of Soviet access to warm-water ports in Asia. With North Korea under Soviet control and Soviet forces entrenched at Port Arthur, Manchuria is now almost encircled by Soviet-held territory, south China is singularly poor in many essential industrial resources, especially coal and iron, and could offer little effective resistance to the communists once the natural wealth of Manchuria and north China was in their hands.

While some moves toward liberalizing the National Government

and correcting abuses in the administrative system of China were made after the war, little of a concrete nature was accomplished. The generally unsettled conditions discouraged the resumption of productive effort, while the diversion of 80 per cent of the national budget to military expenditure left little margin for governmental promotion of economic rehabilitation. Twelve years of devastating warfare, during eight of which Japan was in occupation of the principal industrial and commercial areas, destroyed the economic edifice that the new China had reared in the prewar years and forced the National Government to fall back on the land tax for a larger proportion of its revenue. Continuing and mounting inflation was an important factor in the stagnation of industry and trade, and the periodic efforts of the National Government to bring it under control had no noticeable success. The deteriorating economic situation played its part in the lowering of morale that finally broke the resistance of troops and civilians alike to the advancing communist armies from the north.

During and after the war the United States extended to China substantial military, diplomatic, and financial assistance. General Marshall, after several months in China in 1946, explained that efforts to achieve a settlement between the warring factions had been frustrated by a reactionary group in the National Government and by the irreconcilable communists. In 1947 General Wedemeyer was sent on a presidential mission of investigation, at the end of which he stressed his belief that the National Government should institute drastic reforms immediately if it was to regain the confidence of the Chinese people, and advocated renewed United States assistance. In April 1948 Congress approved 463 million dollars for aid to China, 125 millions of which was for military assistance, after two years' suspension of large-scale grants.

This was not done without misgivings, however, which seemed to be justified by the autumn when the communist advance had reached such serious proportions that Chiang Kai-shek appealed to President Truman for immediate increased aid. But the United States government felt by this time that further extensive aid would not be effective in the uncertain Chinese situation, and in April 1949 when the ECA requested appropriations for 1950, no large provision was made for China.

Meanwhile, the possibility of peace discussions with the communists had been broached by Chiang Kai-shek. The former promptly countered with an extreme eight-point proposal that would have meant the complete surrender of the National Government to the communist regime. The answer of Chiang was to "retire" from the presidency in mid-January to give the peace party in the government an opportunity to

negotiate a satisfactory compromise. This proved to be impossible, and the task was made all the more difficult because Chiang retained control of the National Government's specie reserve and of much of its armed strength, including the air force, thus depriving the negotiating group of the bargaining power of effective armed resistance.

The absence of peace and stability in China affects adversely the conditions of security throughout East Asia and indeed the whole world. Therefore the progressive extension of communist control over China is fraught with grave implications for the United States. The present situation is such that the United States must choose from among various unsatisfactory and unpleasant alternative courses of action on the issues involved.

Few problems of United States foreign policy in recent years have aroused so much public controversy as that of the best policy to follow in China. The central issue in this controversy is to what extent, if any, the United States should seek to influence the course of internal political developments in China. Proponents have been heard for policies ranging from the one extreme of all-out aid to the National Government to the other extreme of complete inaction. But the proponents of the extremes frequently take little account on the one hand of the immense difficulties in implementing a program of action under existing conditions, and on the other hand of the probable repercussions in China and abroad of any policy of abandonment in view of the announced resistance of the United States to the spread of communist domination.

Against the policy of expanding aid to China must be weighed the sheer magnitude and cost of the task of effective military assistance, the extreme war-weariness of the people, and the probability that traditional Chinese xenophobia may assert itself against the United States or against Russia. In this connection, the Soviet Union has the advantage of working through a movement not visibly under alien leadership or direction so far as the great body of Chinese are concerned. To do nothing, however, would be to risk the complete collapse of open resistance to the communists and to facilitate the further expansion of communist influence beyond the borders of China.

As a course between the extremes the United States might seek to lend assistance whenever it is feasible to leaders of resistance in some of the areas of China where communist penetration is likely to be most difficult. The situation is confused so far as public knowledge is concerned, but in western and southern China, a continuous area of poten-

tial resistance is said to exist that might be effectively reinforced with relatively limited American funds and other military assistance. Parts of the National Government have found refuge in Formosa, which is easily accessible to United States support, and constitutes a vital link in the chain of islands, stretching from northern Japan to Indonesia, that control access to continental East Asia from the Pacific. These islands have been in the possession of the United States or friendly governments since the end of the war, and for Formosa to pass into unfriendly hands would be to impair the defensive value of the island system.

This situation has aroused interest in the legal status of Formosa. In wartime declarations at Cairo (1943) and Potsdam (1945), the restoration of Formosa to China was pledged; and under the surrender terms, Japan relinquished its claims on the island. Soon after the surrender Formosa was returned to Chinese control, but whether sovereignty thereupon passed automatically to China, or whether it awaits the conclusion of a formal peace settlement, has not been authoritatively decided.

In any event, the communists will be in control of much if not all of China and the issue of recognition *(de facto,* if not *de jure)* will have to be faced by the United States. Despite their ties to Soviet communism, it has been argued that the new Chinese communist government may not be completely subservient to Moscow. But whatever may be the strength of nationalism of the Chinese communist leaders the fact is that they accept the support of the Soviet Union and follow every turn of Soviet policy. Communist policy in China has been directed heretofore to winning the support of the peasants, who are about 85 per cent of the population. When the necessity of provisioning the cities and running the industries of China, some shift from complete support of peasant aims is conceivable. Foreign trade will be necessary if the communists propose to maintain industrial progress, and here the Soviet Union is at a disadvantage by comparison with the western countries in supplying commodities and equipment. It is argued that these various factors might be susceptible of being turned to western advantage in dealing with the new government, if Chinese "Titoism" were to develop. So far neither the utterances nor the actions of the Chinese communist regime show any reliable evidence of "Titoism," but rather to the contrary.

In considering the question of recognizing the communist government in China, the Western powers will also have to take account of the effect on the balance of power in the United Nations resulting from a

shift to the Soviet camp of the vote, and the veto, of a permanent member of the Security Council. In the event of a complete collapse of Chinese resistance to the communists, the United States would have to choose whether or not to recognize the new regime taking account of the consequential effect on China's position in the United Nations. In the event that the communists failed to get complete control of China, and *de facto* recognition was given to two governments, a very complicated situation would arise regarding China's place in the United Nations.

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V. WESTERN HEMISPHERE

THE FOREIGN policy of the United States has by tradition been especially concerned with the Western Hemisphere,[1] a region that includes twenty-two independent states and the colonies and territorial depencies of four European nations. The community of states comprising this region is not homogeneous, but its peoples are bound together by a common faith in the ideals of political liberty, and by a common history of national independence achieved from European colonialism. These bonds became the basis for the development of the oldest regional grouping in the world, the inter-American system. In recent years the United States has been active in promoting the reorganization and strengthening of this system as a vital element in this country's defense and in the maintenance of world peace and security.

The Monroe Doctrine, suitably adapted to changing conditions, has been central in United States policy since its enunciation in 1823, whatever the form taken by inter-American co-operation. The development has been from the occasional consultations of a loosely-knit community of states to the present systematized Organization of American States. From the point of view of interests of the United States this development is not without its disadvantages, for the Latin American countries notwithstanding the diversity of their problems, are inclined when it meets their purposes to do so, to regard United States policy toward one of them as creating a precedent for relations with the others. For this reason the United States must formulate its policy with its southern neighbors with due regard to regional implications. Perhaps it is inevitable that once the concept of a Western Hemisphere region has been accepted, individual country problems have come more and more to exemplify regional problems.

A. REGIONAL PROBLEMS

By comparison with Europe and the Far East, the Western Hemisphere suffered little from the war. Yet the disturbing economic effects of the conflict in Latin America were in many ways serious. The problems of readjustment and future development in relatively poor countries became extremely difficult when the wartime dislocations were added to the existing economic and political disequilibria.

Apart from the United States and Canada, the war experience of most of the American nations was indirect. Only Brazil and Mexico

[1] A map of the hemisphere is shown on p. 263.

sent contingents of their armed forces into action, but by the end of the conflict all of them had declared war on one or more of the Axis countries. The Latin American states co-operated with varying degrees of effectiveness in the control of Axis financial and political influence, a task made difficult in some countries by the presence of well-organized and locally powerful German and Italian communities. In the majority of them the war had a severe impact on their economic and political systems, and resulted in closer political, economic, and cultural relations with the United States. In many cases they greatly increased the production of strategic materials under war purchasing agreements, principally with the United States. The economies expanded, and governments were partly unwilling and partly unable to control the inflation that engulfed most Latin American countries.

With the decline or cessation of the purchases of strategic materials after the war, the Latin American countries faced serious problems of readjustment. Foreign exchange reserves were spent on imports that could not be obtained during the war, in many cases at a rate that amounted to dissipating them on nonessential goods, until reserves had declined to a minimum. Within the past year the fall in the prices of basic Latin American exports, such as copper, coffee, wheat, cocoa, and sugar, has aggravated the foreign exchange difficulties. Increased government concern with economic development and a rising popular demand for higher standards of living have added new problems.

The unsatisfactory economic condition of the masses of the people still lies at the heart of Latin American problems. In the past these countries have taken the view that the remedy is diversified economic development with a strong emphasis on industralization, and they have requested large-scale assistance from the United States for the purpose. But neither the types nor the methods of the development that are most in keeping with the interests of the countries themselves or of the United States are easy to determine. The recent use of the joint commission of investigation, for example, the United States-Brazilian group known as the Abbink committee, may do much to resolve conflicting views of the desirable economic development.

Since the end of the war, armed revolutions have occurred in ten Latin American countries, and drastic changes have taken place in the character of governing groups elsewhere. The outbreak in Bogotá in the midst of the 1948 inter-American conference dramatized the inability of Colombia, as of many American governments, to meet the real needs of their impoverished populations. Communist propaganda

and agitation, playing on the distress of the poverty-striken people, stimulate unrest throughout the region and breed counter-revolution of the right, which is itself totalitarian in nature and therefore complicates the problem of introducing democratic reforms and defending democratic institutions throughout the Hemisphere.

To deal with these and other inter-American problems more effectively, a strengthening of the inter-American system was undertaken on the basis of the wartime experience in co-operation. The system was also adapted to the new needs and requirements of the Western Hemisphere community of nations under the United Nations system. The difficulties in the way of the smooth working of the new regional machinery are taken up as the first problem below. Another regional problem of some importance that grew directly out of the Bogotá reorganization relates to dependent territories in the Hemisphere, on which a special committee was established by the Conference over the objection of the United States.

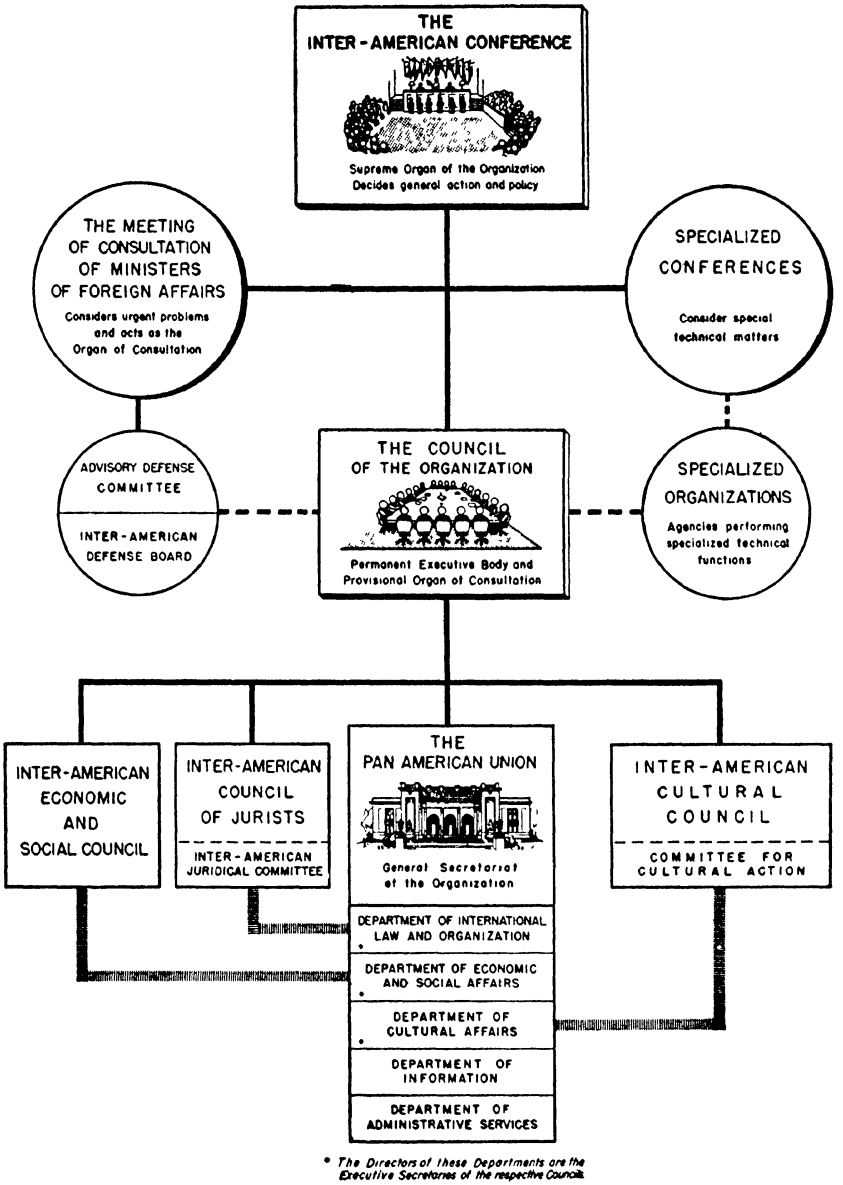
OPERATION OF THE INTER-AMERICAN SYSTEM

The dual problem of fitting the new regional apparatus of the Organization of American States into the larger United Nations system and of making it work effectively within its own sphere, is viewed in this section primarily as a matter of efficient intergovernmental machinery. In this respect it is the same kind of problem, though on a smaller scale, as that of making the United Nations machinery function effectively. As with any new governmental machinery, it involves primarily questions of interpreting basic statutes, of jurisdiction, and of administrative organization. The role of regional organizations within the United Nations has been discussed above in Section I, and the Western Hemisphere might have been treated merely as part of this broader problem. The reason for singling it out is to give more detailed treatment to the Organization of American States, in which the United States has a special interest, as a factor determining whether this particular regional group will play its proper role in the United Nations system.

A special Inter-American Conference on Problems of War and Peace at Chapultepec, Mexico early in 1945 made three significant decisions to strengthen the inter-American system of hemispheric co-operation: (1) to reorganize the existing complex of official and semi-official inter-American organizations; (2) to co-ordinate the inter-

ORGANIZATION OF AMERICAN STATES

The International Organization of the 21 American Republics established by the Charter signed at the Ninth International Conference of American States, Bogotá, Colombia, 1948



* *The Directors of these Departments are the Executive Secretaries of the respective Councils.*

Prepared by Pan American Union

American peace instruments for eventual adoption as a single convention; (3) to agree as a wartime arrangement, later to be given permanent effect in a treaty, that an act of aggression by any state, American or non-American, against one American state would be an act of aggression against them all, and that in the event of threat of aggression they would consult on measures to be taken.

The promise of the treaty was fulfilled at the conference held at Rio de Janeiro in August 1947, which resulted in the Inter-American Treaty of Reciprocal Assistance, known as the Rio Treaty. It is described below in Section VIII. The other Chapultepec decisions were left to the Ninth International Conference of American States at Bogotá in March-April 1948, which produced a Charter for the Organization of American States and an American Treaty of Pacific Settlement, known as the Pact of Bogotá. The Charter requires the ratification of two thirds of the signatories before it comes into force, but a special resolution of the Conference put the various organizational changes provisionally into effect at once. The Pact of Bogotá established the obligations and procedures that were to be used in the pacific settlement of disputes. These included good offices and mediation, investigation and conciliation, adjudication and arbitration.

Seven states attached reservations to the new pact, some of them far-reaching in character. The United States disapproved of the submission of political as well as legal disputes to the International Court of Justice; refused to accept compulsory arbitration; removed from the compulsory jurisdiction of the Court the types of dispute and the questions of domestic jurisdiction that had earlier been reserved under the United Nations Charter; and objected to the prohibition of diplomatic aid by a government to its nationals in the courts of a foreign country.

A basic pact for economic co-operation was also approved by the Bogotá Conference, but the important controversial subjects on which most diverse views developed were referred for detailed consideration to a special Inter-American Economic Conference, to be held at Buenos Aires, now scheduled for late 1949.

The Council of the Organization of American States has already had several disputes before it. In December 1948 a week after the Rio Treaty came into effect, Costa Rica announced that its territory had been invaded by political exiles from Nicaragua, aided and abetted by the Nicaraguan government and by internal communist groups. Costa Rica invoked Article 6 of the Rio Treaty, which deals with the creation of a threatening situation. The Council, having heard Nicara-

gua, claim that the matter was an internal Costa Rican affair, and Costa Rica protest that the invasion was at Nicaraguan instigation, constituted itself the provisional organ of consultation and appointed a commission to investigate on the spot. The commission reported to the Council in Washington that both parties were subject to criticism. The Council passed a resolution apportioning blame accordingly, ordering the immediate cessation of hostilities, and appointing a military commission to see that the terms laid down were observed in the area. In February 1949 a treaty of friendship was signed by the two disputants which provided that they would attempt to reach agreement on the best way to avold border disputes in the future and that, if unsuccessful, they would seek a settlement under the provisions of the Pact of Bogotá, which for this purpose they would consider in force.

Another case was brought before the Council by Chile in January 1949 when it asked for an investigation of the alleged refusal of Venezuela to grant the traditional safe-conduct to ex-President Betancourt to go into exile. Before the Council met, however, Venezuela permitted its former President to leave the country. Thereupon the Council established a special committee to determine whether such cases should be within its jurisdiction in the future.

In February 1949 Haiti requested a meeting of the organ of consultation to consider, under the Rio Treaty, the "moral aggression" of the Dominican Republic in permitting a Haitian political exile to conspire against the existing Haitian regime. On the basis of a report by a special committee, the Council refused to invoke the Rio Treaty in this case. Haiti then referred the dispute to the Inter-American Commission on Methods for the Peaceful Solution of Conflicts, which appointed a committee of investigation. By June the Commission had brought the parties to sign a joint declaration pledging themselves to maintain neighborly relations and to prevent the development in their territories of movements that might disturb the "domestic peace" of another friendly nation.

A dispute in March 1949 between Colombia and Peru over a safe conduct for Haya de la Torre, leader of an outlawed Peruvian political party, was also settled outside the Council. Colombia asked Peru to accept peaceful settlement of the dispute by one of the methods prescribed in the Pact of Bogotá, and the two countries finally agreed to take the case to the International Court.

As experience with the new Organization of American States grows, the scope of political problems with which its various organs are suited

to deal will gradually emerge, as is now happening in the Council. The general question of how strong a piece of intergovernmental machinery the Organization should become, will have to be answered, as well as more specific questions of its relation to the United Nations, for example, the relation of the inter-American Economic and Social Council to the United Nations Economic Commission for Latin America. The United States is also concerned with the more immediate issues involved in the proper functioning of the new machinery. One such issue is the extent to which the various provisional organs should act pending the coming into force of the permanent Organization, although this will not arise unless members begin to question the legality of current activities.

In the one serious case dealt with so far, the dispute between Costa Rica and Nicaragua, the Chairman of the Council was the Argentine representative, whose government had not yet ratified either the Rio Treaty or the Bogotá agreements. Only representatives of governments that had ratified the Treaty voted in this case, but all the Council members took part in the discussion, having constituted themselves a provisional organ of consultation. They had decided on a meeting of consultation of ministers of foreign affairs, but settlement was so quickly reached that it was never actually held. This case illustrates that the successful operation of intergovernmental machinery depends largely on the willingness of members to co-operate, and that it would be difficult to enforce a decision if any country refused to recognize it as morally binding.

The United States is also concerned with the ratification of the Bogotá Charter, which was referred to the Senate in February 1949, but has not yet been acted upon. It must consider whether it should insist on its present reservations, especially those dealing with the jurisdiction of the International Court of Justice and with the compulsory nature of arbitration awards. In this connection United States policy may be affected by the outcome of Council action which has already concerned itself with the general question of the non-ratification of inter-American agreements, and which is now making a study of this rather widespread situation.

Another issue arises from the position of Canada. Under the Rio Treaty, protection is accorded to all "American states" by states that are parties to the agreement, but it is not clear whether Canada is an "American state" in this treaty sense or whether it may adhere to the treaty without becoming a full member of the Organization. The United States must consider what its attitude should be toward

Canadian membership in the Western Hemisphere regional arrangement in view of the fact that Canada is a signatory of the North Atlantic Treaty.

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ECONOMIC RELATIONS[1]

The main emphasis recently in United States economic relations with Latin America has been placed on the problem of economic assistance. Extensive demands for assistance from the United States have been made by the Latin American countries, and they constitute a problem not only because resources are limited, but because of the conflict between the United States and the other American states on what constitutes sound policy in economic development proper and in the broader field of commercial policy with which it is so intimately related. The Latin American countries are often too prone to assume that industrial development will solve their basic economic ills and to ignore the internal reforms that are indispensable to an improvement in economic welfare. They overlook the fact that their agricultural economy is backward and that an improve-

[1] This problem was treated comprehensively in a Problem Paper contained in the 1948-49 edition of *Major Problems of United States Foreign Policy.*

ment in agricultural technique must precede industrial development; they seek foreign capital without considering the conditions that are necessary to attract it; and they sometimes imply that the developed countries have an obligation to provide foreign aid on terms satisfactory to the receiving countries.

The United States government is conscious that its own resources in providing foreign assistance are limited. It also believes that private investment and enterprise must play the dominant role in economic development if underdeveloped areas are to enjoy an era of expansion. The Latin American countries, on the other hand, are not inclined to rely substantially on private investment and enterprise. Many governments, having extended their control over economic development in recent years, have embarked on ambitious schemes, frequently predicated on protection and government financing. They are reluctant to jeopardize gains in industrialization made during and after the war by exposing their new industries to international competition. Hence the clash in basic objectives and policies, in particular those relating to trade barriers, preferences, foreign exchange control, and foreign investment, constitutes a serious problem in the economic relations of the United States with Latin America.

The preoccupation of Latin American, as of other underdeveloped areas, with programs of economic development that require foreign financing has been apparent in all the international conferences of the war and postwar years. At the Rio Conference in 1942 the economic welfare of the Latin Americans was recognized as being of concern to the community of American nations; and it was given formal recognition at the Mexico City Conference in 1945 by the formulation of the Economic Charter of the Americas and by the establishment of the Inter-American Economic and Social Council. In 1948 the Bogotá Conference approved an Economic Agreement that was to serve as the basis of economic co-operation among the American republics.

The large dollar exchange resources accumulated during the war years by most Latin American countries might have eased the demand for foreign capital assistance had they been conserved for national development schemes. But this could not have been done without prohibiting the nonessential imports on which a large part of them were actually spent. The rise in prices in the United States after the war, which turned the terms of trade against the Latin American countries, also hastened the depletion of these reserves. For the

countries as a whole, the total reserves were not large by comparison with the inflow of foreign capital that might be expected if private investment could be revived. Internal inflation in some countries disorganized the flow of domestic capital for industry and made foreign capital at once more necessary and more difficult to attract. While the Latin American countries have had a tendency to resent the priority given to European assistance by the United States, they have shown little inclination to support the trade and investment policies that are advocated by the latter as a means of encouraging the flow of private investment to Latin America.

Formulas for liberalizing trade and encouraging investment have been included in various economic charters; but the very general terms in which they were drafted—often necessary in order to achieve agreement—made them so vague that they were difficult, if not impossible, to carry out. At the Bogotá conference, it proved to be impossible to obtain agreement on commercial policy, even in general terms, less than a month after the ITO Charter had presumably established such agreement. Controversy also arose over new intergovernmental institutions that were proposed by the Latin American states, particularly an Inter-American Bank, a Development Corporation, and an Institute of Commerce. All these subjects were referred to the Inter-American ECOSOC for further study, preparatory to the specialized economic conference that is to be held at Buenos Aires. Numerous reservations to the Economic Agreement, chiefly relating to investment, were entered by over half the participating countries. This greatly diminished the value of the agreement. The economic conference was to have met in the fall of 1948, but was postponed, first to the spring of 1949, then again to the end of the year. The chief reason given was the failure of many governments to supply the Inter-American ECOSOC, which was charged with preparing the agenda of the conference, with answers to a questionnaire on equipment, basic products raw materials, and capital resources.

The basic issues for the United States to decide are whether it should provide economic and financial assistance and if so, in what form, and on what conditions. It will also be necessary to decide whether economic assistance can be extended more effectively through bilateral arrangements with individual countries or through the more cumbersome inter-American machinery.

The proposed Point IV program on furnishing technical assistance is closely related to issues concerned with the financing of develop-

ment. This is shown in a separate problem paper on assistance to underdeveloped areas in Part III of this volume. New forms of technical assistance are being tried in Latin America that, if successful, may establish valuable precedents in co-operative efforts with the United States to solve problems of development. The Brazilian-United States Technical Commission that reported in March 1949 is an example of a new joint approach. The Commission studied the internal and foreign exchange problems in the light of the capacity of Brazil to absorb capital investment. Greater emphasis on this important limiting factor would help to reduce the problem of foreign assistance to more manageable proportions.

The overlapping of function between United Nations and inter-American economic organs in this field and the continued postponement of the Buenos Aires economic conference are a symptom of the basic disagreements on economic policy. The existence of these disagreements raises the question whether the United States should not rely more on the bilateral approach than on the multilateral approach of the conference until prospects of agreement on fundamental issues are brighter.

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DEFENSE OF DEMOCRATIC INSTITUTIONS

The problem of inter-American action to defend and strengthen democratic institutions in the Western Hemisphere is full of great complexities for the United States government. It is concerned with political stability and democratic progress in the American nations because these factors bear directly on the maintenance of peace and security throughout the world. Stability and democracy are by no means synonymous, but the latter flourishes only in conditions of

reasonable stability. This belief is expressed in the Charter of the Organization of American States, according to which the solidarity of the American States requires "the political organization of those States on the basis of the effective exercise of representative democracy." The strength of the inter-American system will depend on the success of the various countries in realizing these democratic aims. Consequently, the United States is vitally interested in combating the forces that endanger political stability and the existence of democratic processes, whether they arise within or outside the Hemisphere.

The problem is difficult for the United States to deal with either bilaterally or multilaterally, partly because of its intangible nature and partly because of traditional Latin American sensitivity to anything suggesting intervention. An offsetting factor, however, is the cohesive force of opposition to the extension of foreign political control in the Western Hemisphere.

The economic, social, and political patterns of the countries of Latin America account for the long-established use of the *coup d'état* in the overthrow of governments. With the recent development of social consciousness, national revolutions have assumed an increasingly economic and social character, and have provided fertile soil for the growth of anti-democratic international political influences of both the right and the left.

During the war the greatest danger to democratic institutions lay in the extension of Nazi influences. The meetings of foreign ministers in 1939 and 1940 recognized the threat in strong resolutions to protect the "inter-American ideal against subversive ideologies" and "activities directed from abroad against democratic institutions." In 1942 an Emergency Advisory Committee for Political Defense was established to recommend measures to this end, including the prevention and punishment of all forms of subversive activities. At the Chapultepec conference in 1945, the Committee for Political Defense was kept in being and charged with submitting recommendations for the eradication of the remaining Axis influences in the Americas. Its recommendations of January 1947 were directed to the promotion of democratic practices and the attainment of a minimum of economic well-being in the Americas.

After the war the defense of inter-American democracy against subversive influences became more closely identified with anti-communist measures. At first their influence in the Latin American labor

movements enabled the communists to make effective attacks on the political and social order in many countries. With the development of international events after 1945, and the disclosure of the direct foreign support given to local communist activities, the Communist party was outlawed in some states, and Chile, Brazil, and Colombia broke off relations with the Soviet Union.

It was charged that rioting in Bogotá during the conference of 1948 was communist instigated, and this brought the communist question to a head. The United States, Chile, Brazil, and Peru presented a draft resolution condemning "international communism . . . [as] . . . an instrument of aggression for imperialistic purposes . . . [and] . . . a menace for their free democratic republics." Venezuela led a move to revise the draft to make it apply to "any totalitarian doctrine . . . seeking to distort the true and free will of the peoples of this continent." Resolution 32 on "The Preservation and Defense of Democracy" accepted this broader basis, and reaffirmed the unanimous decision of the delegates "to maintain and further an effective social and economic policy for the purpose of raising the standard of living of their peoples." The resolution also condemned "interference by any foreign power, or by any political organization serving the interests of a foreign power" and pledged the members to adopt "within their respective territories" measures to prevent foreign-instigated activities "that tend to overthrow their institutions by violence" and to destroy the right of self-government.

Two other resolutions passed at Bogotá also bear upon this subject. The first is Resolution 35 arising out of the discussion of *de facto* recognition, which declared: "The development of the activities and full benefits of inter-American co-operation can be realized more effectively if continuous and friendly relations are maintained among the states . . . [but that] . . . the establishment or maintenance of diplomatic relations with a government does not imply an opinion on the domestic policy of that government." The second is Resolution 36, in which the Inter-American Council of Jurists was requested to complete for the Tenth Inter-American Conference a study of *de facto* recognition, which the Juridical Committee had started but failed to finish.

The revolutionary outbreaks in Latin American countries since the end of the war have in many cases been marked by the formation of government juntas, followed by the holding of an election and the return, at least nominally, to constitutional government. Such was the case with the government in Peru, established after a military

revolution in October 1948, which was soon recognized by the United States and most other American governments acting under Resolution 35. In the next six months a number of revolutions and attempted revolutions occurred throughout Latin America, and it was charged that they had been encouraged by the original act of recognition. The fact that most of the movements were military has also led to the charge that they constitute a Latin American conspiracy of military groups led by Argentina. But since military leadership is part of the tradition of political revolution in Latin America, it is difficult to appraise the validity of these charges.

Two related aspects of the problem of defending democratic institutions are recognized by Resolutions 32 and 35 of the Bogotá conference: unsatisfactory economic and social conditions; and a tradition of violence and dictatorial methods in government. In so far as the first leads to the second, the issues facing the United States relate to measures of economic and social progress. Some of these may be of immediate importance, but by and large they are of a long-run character.

In looking to more immediate and direct measures, the United States must observe the principle of nonintervention, whether the source of the attack on political liberties of an American nation is internal or external. The only form of diplomatic action even theoretically acceptable is withholding recognition of *de facto* governments, which may or may not be accompanied by inter-American consultation on further joint action. This does not usually achieve its aim, however, as was shown by the Argentine case in 1945-46.

In December 1948 the Department of State posed the central issue clearly when it publicly acknowledged its concern about "the overthrow of popularly elected governments by military forces" in certain American countries. It noted the "deplorable" use of force, "inconsistent with the acknowledged ideals of the American republics and increasingly a danger to all the countries of this hemisphere," which could not fail, if continued, to "become a sufficiently serious issue to engage the attention of the American republics as a whole." The view that non-recognition is not a suitable approach to the much broader problem of strengthening the "democratic and constitutional framework of the governments of this continent" was stated to have been "an important consideration in this government's approval of Resolution 35. . . ."

Even during the war the development of effective inter-American

co-operation against Nazi activities proved to be a slow and difficult task. Now that the common aim of waging war is no longer present, agreement on methods of combating subversive influences is still harder to achieve. It is not clear whether the Rio Treaty, the only existing machinery for dealing with aggression, provides a means of dealing with indirect aggression through revolutionary movements. The case of Costa Rica and Nicaragua showed that the treaty can be utilized in conjunction with the new OAS machinery in the event of an actual invasion. But most revolutionary uprisings do not take this particular form, and the treaty has not so far been invoked in connection with any internal revolt.

The difficulty of the problem was also reflected in the failure of the Inter-American Juridical Committee to present the Bogotá Conference with a report on *de facto* recognition. The new Council of Jurists holds its first meeting in September 1949 and will undertake to formulate policy proposals for consideration by the next inter-American conference. The United States will have to be prepared to submit its own proposals to this group and to take a stand on proposals submitted by other states.

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DEPENDENT TERRITORIES

Territorial disputes between Latin American countries and European countries with colonial possessions in the Western Hemisphere have been of concern to the United States as much for the manner in which they are handled in the inter-American system, as for their substantive importance. The United States could not remain unconcerned if the territorial disagreements adversely affected relations with friendly non-American states. Nor can it be indifferent to the

possible strategic implications of changes in the ownership of the island territories in dispute. Apart from these sources of interest, the United States is also directly involved as a territory-holding power in the Caribbean, and United States relations with Puerto Rico were the source of unexpected developments at the first meeting of the American Committee on Dependent Territories in March 1949 at Havana.

Some of the old territorial disputes between Latin American and European nations have been revived since the war, particularly the claims of Argentina and Guatemala to the Falkland Islands and British Honduras, respectively. At the time of the signing of the Rio Treaty in 1947, both Argentina and Chile reserved their territorial claims to various Antarctic dependencies of Great Britain, but the United States maintained that the treaty did not affect the sovereignity of any territory in the region. The former countries continued to press their claims during 1947-48. Both countries sent expeditions to the disputed areas, and Chile even formally announced the annexation of some parts of the area. Both governments rejected the protests of Great Britain and its offer to submit the dispute to the International Court of Justice. The British government reinterated that its sovereignty was unimpaired and that it would not enter into three-power consultations until the claims had been adjudicated by the Court.

Meanwhile, the long-standing dispute between Great Britain and Guatemala over British Honduras (Belize) had flared up again with the renewal of Guatemalan claims in February 1948 and the dispatch of two British cruisers to the area. Great Britain also offered to submit this case for adjudication to the International Court, but the two parties could not agree on the basis of submission.

By the time of the Bogotá Conference in 1948 the anti-colonial campaign was in full swing. The United States expressed its disapproval of conference action on the question and refused to support "any resolution which would appear to prejudge the conflicting claims of friendly nations." Resolution 33 was finally adopted, however, urging the termination of the colonial status of European territories in the Americas and providing for an American Committee on Dependent Territories to "centralize the study of the problem of dependent and occupied territories." The United States abstained from voting, and Brazil and the Dominican Republic voted against both the committee and the declaration; Chile abstained from the vote on the committee.

In March 1949 the Committee held its first meeting in Havana.

The United States did not appoint a member, on the ground that adequate provision for dealing with such problems is made in the United Nations Charter. The meeting appointed two subcommittees to study colonial and "occupied" territories, respectively. At its final session it also adopted a Cuban resolution declaring that the Committee had an interest in studying the Puerto Rican situation, an action apparently instigated by advocates of Puerto Rican independence who had been overwhelmingly defeated in the November elections in the island. In view of doubts expressed about the applicability of Resolution 33 to this case, however, the Committee referred the question to the Organization of American States to determine the competence of the Committee. In May the Council of the Organization merely transmitted the matter to member governments for their views on whether Resolution 33 authorizes the Committee to study the situation of any American territory "under the sovereignty and actual jurisdiction of any American state."

The Puerto Rican Senate and House of Representatives had in the meantime unanimously passed a resolution condemning the conference for viewing Puerto Rico as a colonial problem and for assuming jurisdiction over relations between the island and the United States without "consultation, petition or authorization of the Puerto Rican people." It also expressed its confidence that the United States Congress would grant Puerto Rico independence whenever it might be requested to do so.

In August 1948 the United States announced that it had informally approached Argentina, Australia, Chile, France, Great Britain, New Zealand, and Norway with a view to solving the territorial problem of Antarctica "through agreement on some form of internationalization." It has since been announced that Norway rejected the idea of internationalization and that Chile proposed some other solution, but the positions of the other governments are not yet known. The antarctic disputes continued throughout 1948; but in January 1949, after prolonged conversations, Argentina, Chile, and Great Britain jointly announced their decision not to send any naval vessels to the area during the current season.

Exchanges of notes on the Belize case continued between Great Britain and Guatemala with no change of position on either side. At the end of May, Mexico also laid claim through the Committee on Dependent Territories to part of Belize. Early in June the Committee approved a joint Mexican-Guatemalan resolution recommending that the problem be submitted to the next consultative meeting of foreign

ministers or to the next inter-American conference, with a view to its eventual submission to the International Court.

The Latin American countries that have led the anti-colonial campaign have attempted to center the problem of the future status of dependent territories in the Western Hemisphere around the simple issue of ending the "colonialism and the occupation of American territories by extracontinental countries" as contrary to the "ideal that inspired the epic of the independence of America." But the colonies may not always want independence, or the alternative of being taken over by one of the other American states. In the Belize dispute, for example, the colonial Legislative Council officially protested, through the British Minister at Bogotá, against the discussion at the Conference without their being represented, of "matters affecting [their] vital interest, including [their] position as a member of the British Commonwealth." Although the United States favors self-government for dependent peoples who are ready for it, this is not without regard to the wishes of the peoples concerned and to the legitimate rights of colonial powers.

Thus the main issue for the United States at this time concerns the method of handling the problem. The first concern of the United States is that these arguments should be settled peaceably. It has generally tried to remain aloof from specific territorial disputes in the interest of maintaining friendly relations with both the colonial powers and the Latin American countries. It has also expressed the opinion that the Dependent Territories Committee is not the organ to deal with these questions. Its action in seeking a solution of the Antarctic controversy on a broader basis outside the Committee is in line with these attitudes. It is also in line with Resolution 33, which states that Committee activities shall not limit the right of interested states to seek pacific solutions by other methods. From this it may be supposed that the United States will favor finding an agreed basis for the submission of the Belize dispute to the International Court.

Since the United States has stated its position on the functions of the Committee, the Puerto Rican case does not at the moment constitute an issue for it. In view of the attitude taken by Puerto Rico, it is unlikely that the other American states will consider the Committee has competence in the matter. If they should, however, the United States would be faced with the necessity of deciding whether to accede to the majority decision by recognizing the jurisdiction of the Committee.

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VI. ECONOMIC RELATIONS

THE UNITED STATES today occupies a position of such economic power that it has an interest in and influence on economic problems in every part of the world. In recent years the main emphasis in foreign economic policy has been on the urgency of making good the ravages of war and of reviving prostrate economies. While it has never been possible to separate reconstruction even in the narrowest sense from general economic development, reconstruction has now reached the point where it merges with problems of a more permanent character. In many ways it is proving more difficult to restore monetary systems and exchange rates, to devise satisfactory rules and methods for conducting international trade, and to piece together a shattered world trading system than it was to reconstruct factories and transportation systems.

As the material reconstruction phase has gradually receded into the background, international economic relations have come to be increasingly concerned with the restoration of the mechanism of the world system, and a new emphasis has been placed on international co-operation in projects for raising standards of living through a better organization and use of the human and natural resources of many so-called "underdeveloped" countries. In establishing the pattern of international relations account must be taken not only of transitory situations but of longer-run aims. Moreover, in many cases the different types of problems have to be faced simultaneously, and they act and react on each other.

Any division of the general topic of international economic relations is essentially artificial. For purposes of discussion, however, the problems have been grouped under three main headings. The first is Trade and Finance, subdivided into Commercial Policy and Financial Policy. The second main heading is Recovery and Development which covers all United States policies that involve economic assistance to other countries. If United States foreign economic policy is to be consistent, programs of assistance must contribute to the working out of long-range commercial and monetary policy. In the case of the third heading, Transport and Communications, national policies and international arrangements in this field might logically be treated under the first heading, but the special technical nature of the problems involved makes it convenient to treat them separately.

A. TRADE AND FINANCE

In a sense one single problem, involving commercial policy, financial policy, and foreign aid policy, dominates the international economic relations of the United States. This is the balance-of-payments problem. In its transactions with almost all parts of the world the United States is acquiring claims that cannot be met currently, either directly or indirectly, by the normal mechanisms of international settlement. Sooner or later the current international accounts of the United States must be balanced without further large-scale American gifts or grants. A constructive solution requires that the United States develop an over-all balance-of-payments policy.

The United States balance-of-payments problem, however, is only a part of the fundamental problem of finding an acceptable substitute for the basically laissez-faire trading and investment system of the nineteenth century. The inherent complexity of this problem was clearly shown in the United Nations Conference on Trade and Employment at Havana. Although the countries represented at Havana were agreed upon seeking higher standards of living by eliminating excessive barriers to trade and to international capital movements, they showed four basically different methods of approaching the objective.

The approach of the United States was to achieve the most rapid and substantial progress possible through the establishment of nondiscriminatory multilateral world trade, with minimum concessions to the advocates of restrictionism, especially by means other than tariffs. This view included the earliest possible removal of the obstacles to the international flow of private investment. A second approach was that of the so-called underdeveloped countries, which strongly urged that they should be granted special rights to introduce new preferential arrangements and import quotas in the interest of development programs. A third approach came from the advanced countries of Europe, which in general leaned much further than the United States in the direction of government control or regulation of foreign trade. They insisted that special provision should be made for them in coping with their balance-of-payments difficulties, especially in finding dollars. All of them, Great Britain in particular, were largely preoccupied with immediate problems that were not always clearly distinguished from long-run objectives of policy. Most of these countries were also concerned for the maintenance of special empire and colonial relations through established preferential systems. Finally, there was the approach of countries that conduct state trading opera-

tions, which had to be reconciled with the United States encouragement of private enterprise.

The issues that were brought to a head at the Havana Conference have appeared in one form or another in almost all recent phases of United States commercial and financial policy. They result from the dislocations not only of World War II but of a whole generation.

COMMERCIAL POLICY

The structure of the trading and investment system of the nineteenth century was badly shaken during the first world war, and for the next decade a concerted and sustained international effort was made to reestablish it on approximately its old foundations. With the 1929 depression, new elements appeared that made a return to the prior system impossible and even to many countries undesirable. Nevertheless the attempt to reconstruct a world trading system was not abandoned, and the interwar efforts have been used to guide the development of postwar international commercial policy.

The major international economic conferences held between 1920 and 1928 were only the high points in a continuous effort to improve the legal and administrative basis of international commercial relations, to reduce or eliminate prohibitions and quantitative restrictions on exports and imports, to rehabilitate the principle of unconditional most-favored-nation treatment, and to reduce the general level of tariffs. Progress was greatest in administrative and legal matters. It was least in tariffs, which as a whole were raised.

Whatever hopes there may have been for success in lowering trade barriers were dashed when the depression began in 1929, accompanied by a progressive collapse in agricultural prices. Several international conferences were held under the auspices of the League of Nations in an effort to arrest the upward movement of tariffs and to deal with the special agricultural problems in eastern Europe by regional preferential agreements, but the situation was very unfavorable to international co-operation. The high Hawley-Smoot tariff, enacted in the United States in 1930, was followed by a world-wide wave of tariff increases. The financial crises in Austria and Germany, and the abandonment of the gold standard by Great Britain and other countries in 1931, gave an impetus to the restrictive movement. Great Britain introduced emergency duties in the autumn of 1931 and its first general tariff early in 1932. In country after country, tariffs were supplemented, and before long overshadowed, by direct quantitative restrictions and the control of foreign exchange transactions.

With the failure of the London Economic Conference of 1933, regionalism, discrimination, and bilateralism became the order of the day. Autarky, the new name for economic nationalism and doctrines of self-sufficiency, was an accepted objective of trade policy in some countries, and it was pursued through the new administrative techniques of clearing, payments, and compensation agreements, the use of quotas as bargaining instruments, and the manipulation of exchange rates. The recovery of the mid-1930's prompted a new flicker of hope for a more rational international economic system, which was further encouraged by the change in United States commercial policy in the direction of lower tariffs. Under the leadership of Secretary of State Cordell Hull, the Reciprocal Trade Agreements Act of 1934 was passed authorizing the President to reduce import duties by as much as 50 per cent of the existing rate in return for equivalent concessions from other countries. Despite unfavorable world conditions, twenty-one reciprocal trade agreements were negotiated before the war, and seven new and three supplementary agreements were concluded during the war.

The initiative taken under the Reciprocal Trade Agreements Act put the United States in a position of leadership during the war and gave continuity to prewar and postwar efforts to achieve a more rational world trading system. In 1945 the President was authorized to negotiate reductions in duties up to 50 per cent of the rates in effect on January 1 of that year, a maximum reduction of 75 per cent from the Hawley-Smoot level. The increase of presidential power indicated abroad a determination on the part of the United States to continue its leadership in reducing trade barriers, and provided the flexibility that was necessary for launching multilateral tariff negotiations in 1947.

The United States exercised its leadership, however, under two substantial handicaps. In the first place the Trade Agreements Act was never made permanent legislation, but had to come before Congress for renewal in 1937, 1940, 1945, 1948 and 1949. Although there was gradual acceptance of the basic principle of delegating authority to the Executive, there also developed an increasing dissatisfaction in the Congress with the procedures developed under the act to safeguard the interests of business groups that might be affected by contemplated tariff concessions. As a consequence Congress granted only a one-year renewal in 1948 and placed on the Tariff Commission the responsibility for determining "peril points" beyond which tariff rates could not be reduced without serious injury to American industries.

For the first time Congress wrote into the act definite criteria of a protectionist character, and it forbade the Tariff Commission to take part in the actual negotiation of agreements. It left the President free to make reductions below the peril points but required him to make public his reasons for disregarding the Commission's recommendations.

The President criticized these new procedures as "complicated, time-consuming and unnecessary," and in January 1949 he asked Congress to grant a two-year extension of the act without the procedural amendments introduced in 1948. After a debate in which the "peril point" procedure was the sole major issue, the House of Representatives passed the bill on February 9, and on March 10 the Finance Committee reported it favorably to the Senate by a strictly party vote of 7 to 6. In spite of a second appeal to the Congress by the President on March 1 for prompt action, the measure had not been debated in the Senate when the act expired by limitation on June 30, 1949. Hence the United States representatives could continue to negotiate with other countries, but the President could not issue the proclamations putting the negotiated tariff reductions into effect until final action was taken by Congress. Consequently, apprehension on the part of foreign governments about the periodic renewals of the act and the firmness with which its underlying principles will be adhered to diminish the force of United States leadership in reducing trade barriers.

The United States government has also been at a disadvantage in asserting its leadership because of the inconsistency between its domestic agricultural policy and its commercial policy at large. Agricultural protection was the rock on which some of the interwar efforts to reduce trade barriers were wrecked. During that period the principle of supporting the prices of agricultural commodities at or near 1910-14 parity became firmly established in the United States. The technique of nonrecourse commodity loans through the Commodity Credit Corporation was also fully developed. Agricultural "adjustment programs" were introduced for many products, and a program for diverting "surplus" agricultural products from normal market channels to special uses was begun.

These innovations helped to bring about a highly artificial system of international prices for agricultural products. Not only in the United States but also in other areas of the world this system prevented the adjustment of production to changing conditions, and in some cases stimulated production for which there was little economic justification. From the point of view of foreign trade policy its

most important consequence was to create a need for import restrictions and export subsidies. To meet this need Congress enacted a series of measures that constituted a wide grant of authority to the Executive to use subsidies, dumping, import quotas, import fees, and other compensating devices as forms of agricultural protection.

After 1939 the policy of supporting prices was extended to more commodities and the level of support was raised even above that of the Agricultural Adjustment Act of 1938. By the Steagall Amendment it was raised in 1942 to 90 per cent of parity, and for cotton was later increased to 92.5 per cent. Support at this level was guaranteed for two years after the official end of the war, that is, up to December 31, 1948. One consequence of these wartime measures was the acceptance of the principle that each individual farm product was entitled to a parity price.

In June 1948 these price supports were extended, with only minor exceptions, to December 31, 1949; but in the same legislation Congress provided for a transition to new and permanent arrangements. These called for a more flexible level of price supports within a range of 60 per cent to 90 per cent of parity, depending on the state of supply. In addition the parity formula was modified to allow for relative changes in the position of individual commodities, which makes it possible for the parity of some items of major importance in foreign trade to be reduced.

Before the permanent features of this legislation could come into effect, Secretary of Agriculture Brannan proposed in April 1949 to supplant them by a new approach to the whole problem. Under the Brannan plan income support, rather than price support, was to be made the basic objective of agricultural policy. Farmers, while submitting to a system of rigid production controls, were to be assured an income in each year at a level equal to the average of a recent ten-year period. The base period for calculating the initial level of income to be maintained was to be 1939-48, which included the wartime and postwar years of maximum farmer prosperity. The prices of non-storable agricultural commodities were to be allowed to fluctuate freely in response to market forces, and farmers were to receive supplementary income payments. For storable commodities, including the principal commodities entering into international trade, such as cotton, wheat and tobacco, price support was to be continued on a new basis and without the flexible features of the 1948 legislation. For these commodities the revision of the support formula through an income calculation would put the support prices on a much higher

level than heretofore. From the point of view of reconciling agricultural and foreign trade policy, this feature of the Brannan plan would eliminate the advantages of shifting from price to income support across the board, and also sacrifice the potential, though untested, price flexibility that the 1948 legislation provided for the major internationally traded commodities.

An international wheat agreement was concluded in March 1948 after fifteen years of effort. It was not ratified by Congress, and a new agreement was negotiated among the principal producing countries (excluding the Argentine and the Soviet Union) and the principal consuming countries. The new agreement was submitted to Congress by the President in April and ratified in June 1949. It has been suggested that United States participation in this and other similar agreements may be a means of reducing the conflict between agricultural and foreign trade policy. Much of the support for such agreements, however, has been due solely to their potentialities for safeguarding long-run producer interests. The value of these agreements will depend on whether they are used for restrictive purposes or as transitional measures for a more efficient system of production by eliminating high-cost areas and expanding production in low-cost areas.

The internal inconsistencies in United States policies affecting foreign trade have not prevented the United States government from continuing, during and since the second world war, to take the lead in advocating a return to liberal trading principles. Before the United States entered the war, it had proclaimed its interest in the Havana Resolution of 1940 and later in the Atlantic Charter of August 1941 and the Declaration by United Nations of January 1942. But the main instrument for asserting United States leadership was Article VII of the Master Agreements negotiated with the recipients of Lend-Lease, of which the Mutual Aid Agreement with Great Britain of February 1942 was the prototype. This article stated that, in settling the Lend-Lease accounts, the terms and conditions "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations." The article provided "for agreed action . . . directed to the expansion, by appropriate international and domestic measures of production, employment, and the exchange and consumption of goods, . . . to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers."

To determine the means of attaining these objectives, American and British representatives began conversations in the autumn of 1943. In the meantime, the Conference on Food and Agriculture had been held in the spring of 1943 under the aegis of Article VII. The Monetary and Financial Conference at Bretton Woods in 1944 also related to the objectives of that article. Britain and the United States took no more definite steps in the matter until the negotiations for the American loan to Britain in the autumn of 1945. The commercial policy part of the "loan agreement" took the form of a joint statement in which Great Britain gave its full support in all important respects to a document, largely an American product, entitled "Proposals for the Expansion of World Trade and Employment." These proposals became the basis for international discussion of commercial policy, in the course of which agreement was reached on a method of multilateral tariff negotiation whereby pairs of countries would simultaneously negotiate bilateral agreements, the benefits of which would be extended to all other countries taking part in the negotiations.

The first step on the broad international level was the creation by the Economic and Social Council of the United Nations in February 1946 of a Preparatory Committee of the International Conference on Trade and Employment. This committee met in London in October and November 1946 and again at Geneva from April to October 1947 to complete the Draft Charter of the International Trade Organization (ITO) and to carry on actual tariff negotiations. The Draft Charter was submitted to the United Nations Conference on Trade and Employment at Havana, and in March 1948 the representatives of fifty-three nations agreed on a charter for an International Trade Organization, officially known as the Havana Charter. Argentina and Switzerland did not sign the Charter and the Soviet Union did not even attend the Conference.

The Havana Charter is a multilateral treaty of 106 articles, many of them technical, designed to improve international economic relations by way of raising standards of living and of expanding multilateral, nondiscriminatory, world trade. It contains many positive commitments binding the members to act in harmony with these objectives. It also contains many so-called escape clauses, reserved rights, and transitional arrangements. A review of the Charter is provided for after five years.

In addition to the general undertaking to consult with one another on all matters of international concern in the area covered by the Charter, the members make more specific commitments in eight

different fields. (1) They recognize that their employment policies are of vital concern to other members, and they undertake certain broad commitments in regard to such policies. (2) Recognizing that economic development is a vital factor in the expansion of trade and in raising standards of living, they undertake to co-operate in this field. (3) They undertake to negotiate for reductions in the general level of tariffs and for the elimination of preferences, and to avoid other forms of trade restriction and discriminatory trade practices except under agreed circumstances or conditions. (4) They undertake to be guided in state trading operations by commercial principles and to negotiate state trading margins. (5) They agree that countries in balance-of-payments difficulties or in process of economic development may use quantitative restrictions under specified conditions. (6) They agree to submit certain kinds of restrictive business practices to a procedure of complaint, investigation, and recommendation. (7) They undertake to eliminate export subsidies if possible and to refrain from using any form of subsidy to increase their share in world markets. (8) They agree to use intergovernmental commodity agreements in primary and related commodities only for defined objectives and under specified conditions.

Before agreement was reached on the Havana Charter, however, twenty-three countries in October 1947 signed a General Agreement on Tariffs and Trade (GATT) containing agreed general clauses and schedules of tariff concessions. The latter covered about 45,000 items that accounted for two thirds of the import trade of the negotiating countries and about one half of world trade. The formulation of the unconditional most-favored-nation principle in this Agreement did not require the elimination of established preferences, but all the contracting parties were bound not to increase them. In addition, at the close of the session Great Britain and Canada exchanged notes releasing each other from their contractual preferences and thus removed an obstacle to future negotiations with other countries for their elimination.

The General Agreement has been put into effect by all its original signatories, including the United States, under a Protocal of Provisional Application, and in April 1949 negotiations were begun at Annecy, France for the adherence of eleven additional countries including Italy and Sweden. The meetings of the contracting parties of the GATT, of which the Annecy meeting was the third, have become an important instrument for dealing with problems of United States commercial policy of many different kinds.

These activities indicate that the United States has already begun to work out major commercial policy problems under an agreed set of international rules and in a multilateral way. Some of these are relevant to the problem of European economic integration and others to the European recovery program. Some relate to the troublesome problem of East-West trade, and others to the treatment of ex-enemy trade. They all illustrate the close connection between commercial policy and United States foreign policy in general.

The fundamental issue before the United States is whether or not its leadership in commercial policy, which culminated in the negotiation of the General Agreement and the ITO Charter, is to be maintained. The first step in maintaining this leadership is the completion of legislative action for the renewal of the Reciprocal Trade Agreements Act. The prestige of the American negotiators at Annecy has already been damaged by the expiration of their authority to conclude agreements without reference to the Congress, and prompt action is necessary if the damage is to be repaired.

Two other major legislative decisions are to be taken in 1949: whether or not to ratify the ITO Charter; and whether to allow the permanent agricultural legislation of 1948 (the Hope-Aiken Act) to go into effect, or instead to adopt the Pace-Cooley Bill or some other variant of the Brannan plan. If a variant of the Brannan plan is adopted, a dual price system for the major agricultural commodities in international trade will continue to be used as a means of preventing producers' incomes from falling below a certain level, and the inconsistencies between agricultural and commercial policy will be intensified. If the Hope-Aiken Act is retained many problems of administration and interpretation will have to be faced. Although this legislation appears to contribute to greater harmony between agricultural policy and foreign trade policy, its detailed technical provisions leave its practical effects in doubt.

Whatever the legislative decision on agricultural policy, a decision must also be taken on whether or not the United States will use international commodity agreements to eliminate some of the present inconsistencies between agricultural policy and foreign trade policy or primarily to defend American producer interests. For example, it is still an open question whether or not the United States representatives will use their influence in administering the Wheat Agreement to make broad general interest subordinate to producer interests.

Irrespective of the fate of the ITO Charter and of the other legisla-

tive decision, the United States is faced with the issue of whether or not to continue to make the General Agreement on Tariffs and Trade and the type of international co-operation now developing under it, a permanent feature of its commercial policy. Certain steps remain to be taken, such as changes in United States customs law, before the adherence of the United States to the Protocol of Provisional Application can be replaced by the deposit of a formal instrument of acceptance of the GATT. But most fundamental of all in view of the present international economic position of the United States is the question whether the American tariff will remain negotiable in fact as well as in theory, not only in times of high prosperity, but always.

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FINANCIAL POLICY

The objectives of United States financial policy are threefold: to re-establish the maximum degree of exchange stability, to return as soon as possible to freely convertible currencies, and to revive the processes of international lending. These objectives are interrelated,

and they are essential to the restoration of a world system of strong currencies interchangeable with one another at appropriate exchange rates.

Reflections on experience between the two wars, combined with events during and after the second world war, have conditioned the present outlook of many countries on monetary and financial policy. This has complicated the problem of the United States of attaining its own objectives. Before and after 1939 there have been three outstanding subjects of debate; the degree of rigidity or flexibility that is desirable in foreign exchange rates; the degree of freedom with which a currency should be convertible into other currencies; and the conditions that should govern capital movements and international investments.

During the 1930's it became fashionable to attribute unemployment largely if not wholly to the deflationary forces to which a country was compelled to submit because it was tied rigidly by fixed exchange rates to the outside world. Countries came to demand that their internal economic and social policies should be free from any restrictions imposed by having regard to stability in the exchanges, or indeed to any international consequences of their domestic policies. Conversely, they demanded that they should be insulated from fluctuations imported from abroad, a view which has been strongly held in some quarters in Great Britain since the war. Because agreement with this leading trading nation is essential to the re-establishment of a world monetary system, Anglo-American financial negotiations have occupied a central place in the implementation of United States policy.

In the interwar years the desire to be free from outside influences led directly to the question whether a currency should in all circumstances be freely convertible into others, and hence to the further question of the possible need for exchange control. The prospect of unstable exchange rates and of inconvertible currencies combined with political insecurity prompted such large movements of capital that even moderate exchange stability was unattainable. This state of affairs made the argument irresistible for exchange control to check capital movements, and led in turn to greater control over imports and exports.

Movements of "hot" money, and the flight of capital in general, confused the more regular processes of investment. After the first world war, the structure of international lending was affected not

only by economic and political instability but by reckless foreign lending that led to numerous defaults and a lack of confidence. The war-debt controversies added to the confusion. In this period of nationalism, borrowing countries were reluctant to admit their dependence on external loans, and in many cases they resented the penetration of foreign capitalist enterprise. As a result, many acts of confiscation were committed, and measures of discrimination were introduced against foreign enterprise by borrowing countries without regard to the danger of destroying their own credit-worthiness.

The significance of these monetary and financial problems was understood, and attempts were made to grapple with them in the interwar years, including an approach to international consultation in the Tripartite Declaration of September 1936 by the American, British, and French governments. But with the outbreak of war, the world entered headlong into a regime of "generalized exchange control," international lending in the accepted sense ceased, and the financial network as a world-wide mechanism was replaced by four distinct monetary groups, the dollar, reichsmark, yen, and sterling areas.

For postwar problems the sterling area has special significance. The pound sterling was formerly the most important international currency, and it is still next in importance to the United States dollar. For many years before the war, certain countries kept their banking reserves in London, and during the currency upheavals of the 1930's these countries, with others that chose to keep their currencies relatively stable in terms of the pound, formed a more or less homogeneous group known as the sterling bloc. On the outbreak of war, Britain established a system of exchange control, and certain countries agreed to accept a special status within this system. Although membership in this sterling area was voluntary, the status of members differed from that of the sterling bloc because relations were now formalized and Great Britain was the holder of a central pool of United States dollars on behalf of the whole group. In the course of the war, members of the sterling area and other countries built up in London, huge sterling balances which were available only for payments within the sterling area. These were quasi-compulsory loans, forced by the exigencies of war trade, and used to finance the British war effort. These overhanging claims on sterling resources have complicated postwar monetary reconstruction.

During the war American and British joint leadership led to the establishment of the International Monetary Fund and the Inter-

national Bank for Reconstruction and Development. This was the first step in achieving the three United States objectives of policy, which were further pursued in the Anglo-American Financial Agreement of 1945, in the Havana Charter of the ITO, and in the convention for European economic co-operation of April 1948.

In the first two objectives—exchange stability and convertibility—the nub of the problem is to detect equilibrium or "fundamental disequilibrium" in the relation of the exchange rate to the general economic situation of a country. This difficulty was recognized by the International Monetary Fund when, in accepting the initial par values of currencies proposed to it by thirty-two of its members in December 1946, it agreed to postpone the consideration of par values for countries with disturbed currency conditions. It recognized also that the process was one of trial and error, that although many currencies were probably overvalued at the rates accepted, readjustments would have to be made in the light of experience.

Although there are difficulties enough in deciding on the rate of exchange that is appropriate at a given time, there are still greater difficulties in determining when it is safe for a country to relax its exchange control and restore the free convertibility of its currency. This can be seen in the provisions of the Anglo-American Financial Agreement, which obligated Great Britain in July 1947 to make sterling convertible in so far as the receipts of current transactions were concerned, to begin the dissolution of the sterling area by abandoning the dollar pooling system, and to make arrangements for the gradual release of accumulated sterling balances. These commitments were based on the assumptions that a certain measure of British recovery would occur, and that the machinery of bilateral monetary agreements would be adequate to distinguish between sterling arising from current and from past transactions and therefore adequate to control capital movements. None of these assumptions proved to be correct, and after a brief period of trial Great Britain was compelled in August 1947 to suspend the convertibility of sterling. Since then there has been considerable speculation on whether or not the pound sterling is overvalued in relation to the dollar.

Several recent developments in connection with the European recovery program have brought the problem of convertibility of European currencies into the foreground of American policy-making. In October 1947 a subcommittee of the Committee for European Economic Cooperation reached the conclusion that the system of bilateral payments in intra-European trade could no longer finance further

expansion or even maintain the levels already attained. A program was therefore developed for restoring the interconvertibility of European currencies by stages until a multilateral system of payments could be attained. In November 1947 a first step was taken through the Agreement for Multilateral Monetary Compensation, but this was subject to so many technical limitations that it had very little practical effect. It was replaced in October 1948 by a new Agreement on Intra-American Payments and Compensations.

Under this Agreement forecasts were made of the prospective trade surpluses and deficits between each pair of OEEC countries, and arrangements were introduced to prevent the deficits from acting as a deterrent to further trade. The method was to give the debtor countries the right to draw on their respective creditors notwithstanding the deficits, while the creditors in turn were granted "conditional aid" by the United States up to the amount of such drawings. Both the drawing rights and the conditional aid were in effect gifts since repayment was not required in either case. In addition the limited multilateral compensation features of the first Agreement were retained. This made possible a certain amount of multilateral payments in Europe that would not have been possible under a strict set of bilateral arrangements, but it did not provide for general interconvertibility of European currencies. The latter would have required the unqualified right of one European country having balances in another to transfer them in full to a third European country in settlement of a debt.

In the spring of 1949 the ECA indicated to the OEEC that it was dissatisfied with the progress made under the payments agreement and that the United States was reluctant to continue financing intra-European trade on a narrow bilateral basis. The ECA proposed that at least 50 per cent of the drawing rights and conditional aid that were not actually used to settle bilateral trade deficits should be transferable from one OEEC country to another and that some proportion of the transferable drawing rights should be convertible into dollars.

The OEEC countries were divided on this proposal for more competitive multilateral trade, with Belgium nearest to the point of view of the United States and Great Britain strongly opposed. The latter was unwilling to accept any new payments agreement that might involve the risk of loss of gold and dollars, especially at a time when the beginnings of a business recession in the United States and a decline in American export prices had resulted in substantial losses in the

gold and dollar reserves of the sterling area. Under existing arrangements, Great Britain was already losing gold and dollars to Belgium, which offered to minimize the risk of further losses by increasing its credits to Britain and other OEEC countries. Nevertheless the issue of greater convertibility under the payments agreement became extremely acute, and a compromise solution was not reached until June 30, the day on which the original agreement expired. It was finally agreed that the demand of the United States for some convertibility of unutilized drawing rights into dollars should be dropped and that only 25 per cent of the unutilized drawing rights and of the corresponding conditional aid should be transferable, while Belgium should fund part of its accumulated credit balances with other OEEC countries into a long-term advance. At the same time serious consideration was being given by the OEEC to plans for a substantial relaxation of the licensing and quota arrangements that were directly restricting the multilateral flow of intra-European trade.

During the last war great changes occurred in the international creditor-debtor position. The belligerent creditor countries, especially Great Britain, were compelled to mobilize privately held foreign assets for sale to finance the war. The interruption of imports gave underdeveloped countries a surplus of foreign exchange with which to reduce their debts by repatriating foreign-held securities. Even a capital-poor country like India became, for the time being, a net creditor Yet, looking beyond the period of reconstruction, the countries of western Europe with high standards of living are still among the potential international lenders, while underdeveloped countries are still among the borrowers. Hence the importance of European recovery in the restoration of the international financial network. Even during the period of reconstruction, short-term investment has been reorganized among the European countries through the vehicle of bilateral monetary and trade agreements. All this refers to government lending. There has been very little revival of the private international capital market, either in Europe or in the United States.

The establishment of the International Bank expressed the need and desire for intergovernmental lending and for international collaboration in the investment process. Its constitution stated, however, that it was not to replace or compete with the private international capital market. Dissatisfaction in the borrowing countries has arisen not so much from the working of the private capital market as from the alleged power acquired by foreign enterprise to influence the domestic economies. The development and investment provisions of

the ITO Charter indicate that, although borrowing countries are determined to retain their sovereign rights over foreign enterprise, they also wish lending countries to accept the duty of supplying the capital and skills necessary to their development. The lending countries, on their part, are to be assured reasonable opportunities for investment and adequate security for existing and future investment.

Some debtor countries have now come to realize that only a general raising of the standard of international conduct in the treatment of existing capital investments will successfully revive either governmental or private lending. The importance of a high level of conduct in reestablishing the creditworthiness of borrowing countries is exemplified by the case of a recent application to the Export-Import Bank for extensive capital assistance. The application was made by Spain in the spring of 1949. It is now reported to be in suspense pending an examination by the NAC of Spanish international economic behavior as a whole. Some further progress was made toward developing an agreed set of principles for the treatment of foreign investment in the Economic Agreement of Bogotá in 1948, but this agreement was stripped of most of its practical effect by a series of reservations on this point by many Latin American countries. Now the question of stimulating the flow of international capital has been raised again in connection with the announcement by President Truman in January 1949 of a new program for giving assistance in the economic development of underdeveloped areas.

World monetary and financial problems in all their phases are still far from a final solution. The International Fund and Bank are both feeling their way. The United States is a predominant influence in each of these institutions. It is also committed to a policy of currency readjustment and exchange stability in Europe under the Economic Cooperation Act of 1948. The question of devaluing certain western European currencies, especially the pound sterling, has now arisen in acute form and is being discussed in a series of conferences between Secretary of the Treasury Snyder, ECA officials, and officials of the major OEEC countries. Because Europe is divided on this question, and Great Britain especially is firmly opposed to any sterling devaluation at present, the United States will have difficulty in deciding how far to press for devaluation.

The problem of exchange convertibility in connection with the European recovery program has temporarily been settled by the compromise reached in connection with the renewal of the Intra-European

Payments Agreement. This compromise, however, falls far short of the ultimate United States aim as expressed to the OEEC countries. It was reached, moreover, only by a greater direct intervention by the United States in the decisions of the OEEC than in any previous case. The issue of currency convertibility under the European payments agreement brought to a head the basic conflict between two opposing philosophies of trade. The United States will have to decide whether and by what means it should exert further pressure on the OEEC countries, and especially on Great Britain, in the direction of more competitive multilateral trade and payments arrangements in Europe. In so doing it will have to consider carefully its attitude toward the sterling area, and to decide whether its continued existence is a help or a hindrance in approaching a general international system of fully-convertible currencies.

The restoration of private investment is another of the general objectives of United States policy. It is also a specific objective of the European Cooperation Act of 1948 as amended in 1949. The amended act provides for a system of guarantees to assure to American investors under the European Recovery Program the conversion of their local currency receipts into dollars. It also encourages private investors by providing for assistance through the Export-Import Bank since private borrowers have access to the Bank and private lenders may participate in some of its loans. This is only one facet, however, of a many-sided problem. As shown in Problem Paper I of this volume, the whole range of possible devices for stimulating private investment is of great primary importance for the new program of assistance to underdeveloped countries.

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B. RECOVERY AND DEVELOPMENT[1]

For many years the United States government has been engaged in programs of assistance to other countries. Before the outbreak of the second world war the principal area in which such programs were carried out was Latin America. They included both technical assistance and financial assistance through Export-Import Bank loans. During the war these were over-shadowed by the vast Lend-Lease program and other forms of assistance to wartime allies. The wartime measures were followed by large-scale help for relief and reconstruction, but with the inauguration of the European economic recovery program, the emphasis shifted to longer-range economic recovery. With the announcement in January 1949 of the President's program for assistance to underdeveloped areas, the emphasis was again placed on technical assistance and on the stimulation of the flow of capital for general economic development, this time on a global basis.

The successive steps taken by the United States in war and peace to provide economic assistance to other countries have reflected a gradually maturing consciousness of the vast responsibilities that are inseparable from its position as the major world economic power and the leading creditor country. In recent years the removal of causes of international friction and the creation of conditions favorable to expanded production and to less restricted trade have come to be regarded by the United States as indispensable conditions for a peaceful world order.

The economic development of other countries has traditionally been assisted and promoted by the major creditor countries. But the techniques and methods of the past are no longer fully applicable or adequate to the task. The announcement by the President of the Point IV program marks the first time that any power has made assistance to underdeveloped countries a major feature of its foreign policy.

[1] The problem of American economic assistance to Europe was treated comprehensively in the 1947 edition of *Major Problems of United States Foreign Policy.*

The magnitude of lend-lease operations can best be realized from the fact that despite more than 10 billion dollars of offsets for reciprocal aid, cash reimbursements, and credits in the settlement for goods usable for peacetime purposes, about 40 billion dollars remained to be written off. War debts were virtually ruled out by Article VII of the Master Lend-Lease Agreements, which also contained policy commitments agreed to by recipients of lend-lease. These related to the restoration of greater freedom in the world trading system. The continuity of this American policy is shown by the inclusion of similar commitments in the Economic Cooperation Act of 1948.

Although the economic costs of war did not cease at the moment of victory, Congress had been repeatedly assured that lend-lease would not continue into the postwar period. Hence the President felt compelled to proclaim on August 21, 1945 that lend-lease would cease immediately. The shock of this sudden termination was eased to some extent by the credits granted in the settlements, but a great strain was nevertheless felt by the European countries. The situation had also been eased by the United Nations Relief and Reconstruction Administration (UNRRA), but early in 1946 the administration of UNRRA in eastern Europe was under fire, and in December, President Truman informed Congress that with the completion of the UNRRA program for the first half of 1947, relief would be given unilaterally by the United States and other assisting countries. The strain of transition was also relieved by special aid to Great Britain. Because of Britain's special overseas financial commitments and its crucial position in world trade, the National Advisory Council on International Monetary and Financial Problems (NAC) recommended a loan to Britain as a special case. It was expected, however, that all further aid for international reconstruction would be through the Export-Import Bank and the International Bank for Reconstruction and Development.

These events reflected an optimistic outlook for world recovery. The loan (3.75 billion dollars) had become available to Britain in July 1946 and was not drawn on excessively for the rest of the year. The International Bank had begun to make loans for reconstruction, and the International Monetary Fund was beginning to make substantial amounts of foreign exchange available to its members. Unfortunately, the winter of 1946-47 was extraordinarily severe in Europe, and the difficulties that some countries began to experience in their recovery programs darkened this outlook. Britain was compelled to announce in February 1947 the cessation of assistance to Greece and President

Truman made his statement of March on aid to Greece and Turkey. As 1947 wore on, economic and political conditions increased the sense of insecurity and of impending crisis. Finally, in August the suspension by Britain of the newly instituted convertibility of sterling drove home the weaknesses in the European economic position.

In the meantime the Paris Committee of European Economic Cooperation had prepared a report in response to Secretary Marshall's proposal of June 1947, which was carefully studied by the Krug, Nourse, and Harriman committees, appointed by the President, and by the Herter committee, appointed by the Speaker of the House of Representatives. In December 1947 the President presented to Congress a long-range European recovery program. The situation in Europe was, however, deteriorating so rapidly that in December Congress passed the Foreign Aid Act of 1947, authorizing 597 million dollars in interim aid to tide over France, Italy, and Austria until March 1948. In addition Congress appropriated 340 million dollars for occupation costs in Germany, Japan, and Korea.

After extensive debate on the long-range program, an omnibus bill known as the Foreign Assistance Act of 1948 was passed; it received presidential approval on April 3, 1948. Title I of this act governed aid to Europe. It was called the Economic Cooperation Act of 1948. The other titles governed aid to the Children's Fund of the United Nations and aid to Greece, Turkey, and China.

The main features of the debate on aid to Europe concerned the duration and size of the commitment, the conditions on which aid was to be given, its impact on the United States economy, and the nature of the administration to be set up.

United States objectives, as stated in the Economic Cooperation Act, were to restore or maintain "principles of individual liberty, free institutions, and genuine independence," which rested "largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance." It was the judgment of the Congress that concerted efforts were necessary to achieve these objectives and to enjoy "the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers."

The broad purposes of the act are reflected in the obligations of participating countries. Each country, in addition to adhering to a multilateral convention to guarantee the jointness of the recovery efforts, was required to conclude an agreement with the United States

incorporating, where applicable, certain undertakings. These included —besides general undertakings to increase domestic production, to restore monetary stability, and to co-operate in reducing trade barriers —pledges to make efficient use of all resources, whether indigenous or received as aid; to help the United States in stockpiling; and to establish local currency accounts, commensurate with assistance received in the form of grants, to be used as agreed upon with United States authorities.

After determined attempts to reduce the totals, principally by the device of making the appropriations cover a fifteen-month instead of a twelve-month period Congress in June 1948 made the necessary appropriations under this authorization. As finally framed, the appropriation bill authorized the President if necessary to spend the 4.3 billion dollars provided for Europe during the first twelve months. In addition, 400 million dollars were provided for China, including 125 millions for military assistance, 225 millions for Greek-Turkish aid, 35 millions for the International Children's Emergency Fund, 70 millions for the International Refugee Organization, and 1.3 billions for the occupied areas.

While the debate in Congress was proceeding, the governments of the 16 participating countries and the commanders in chief of the Western zone in Germany had signed a convention containing various multilateral pledges of co-operation and had established an organization to put them into effect. This was known as the Organization for European Economic Cooperation (OEEC).

The Council of the OEEC met in July 1948 to consider how the funds provided by the ECA act should be allocated to the individual participating countries. Although Great Britain strongly favored bilateral negotiations between each participating country and the United States, the United States government equally strongly urged allocation by the OEEC itself. Agreement was reached that each OEEC country, with the advice of the ECA missions, would submit a specific annual program and a four-year program stated in terms of broad objectives, and that these would be screened by the OEEC and sent to Washington for final approval. After a consolidated program had received full sanction, each country was to negotiate directly with the ECA in Washington to determine the proportion of assistance to be furnished by grants and loans, and to approve procurement schedules. At the same time the OEEC took steps that later resulted in the negotiation of an Intra-European Multilateral Payments and Compensation Agreement.

In making its allocations for the first year, the OEEC proceeded on

the assumption that the intra-European payments agreement would make settlements in dollars unnecessary between the participating countries. Hard bargaining was required to reach agreement, and for a time there was a deadlock over the amount to be assigned to the Bizonal Administration in Germany. It was not until September that the allocations by countries were made, including the assignment of a total of 810 million dollars in drawing rights under the payments agreement. On October 16, 1948, the day on which the payments agreement was signed, the Council of the OEEC gave priority to the consolidation of national plans into a single master plan. This proved so difficult that it had to be postponed while an Interim Report was being prepared. This was published early in January 1949.

In these discussions basic differences in approach appeared between Great Britain and most of the continental countries. Great Britain urged extreme austerity and drastic import cuts, while the continental countries, led by France and Belgium, felt that this would destroy the tourist trade, reduce the productivity of labor, and produce political and social difficulties. They felt that the dollar deficit could be reduced by increased intra-European trade, extensive use of colonial resources, and a co-ordinated investment program without drastic cuts in imports.

The difficulties of drawing up the interim report led to a new development in the organization of the OEEC. It was apparent that numerous adjustments in national policy would be necessary to produce an over-all plan of European recovery, and that therefore the active participation of senior ministers in the work of the OEEC would be required. In February 1949 a Committee of Eight, including the Chairman of the Council, M. Spaak of Belgium and senior ministers of France, Italy, Turkey, Switzerland, Sweden, the Netherlands, and the United Kingdom, was created to meet in closed sessions and to act as a consultative group.

These developments within the OEEC illustrated the extreme difficulties of economic "integration" in Europe on the basis of national plans, which, according to the Survey of the Economic Commission for Europe for 1948, showed a strong tendency away from regional division of labor and towards national self-sufficiency and autarky. They also illustrated progress towards a common approach, which must be regarded by traditional standards as revolutionary. One of the fruits of this progress was the submission to the ECA in March 1949 of a request by the OEEC for 125 million dollars to modernize the steel industry in eight European countries.

Meanwhile many specific problems requiring United States policy decisions were being considered. The release, for purposes contributing to the success of the program, of counterpart funds deposited in local currency was a continuing problem. In the case of France, for example, these releases were vital for the balancing of the budget, and were made contingent on progress in financial reform. A second problem was the negotiation of loan agreements to assure that the 1 billion dollars provided under the act for such loans was fully utilized. In October 1948 procurements and grants to nine participating countries were temporarily suspended pending the conclusion of loan agreements. A third problem was the use of private channels for the procurement of supplies, and a fourth was the so-called "off shore" purchases, in particular the use of ECA dollars to finance purchases in Eastern Europe and purchases in other countries of commodities in short supply in the United States. In April 1949, for example, the ECA announced that Great Britain would no longer be allowed to use Marshall plan dollars for wheat purchases in Canada as long as American wheat stocks were large enough to satisfy all export demands. A fifth problem was created by the provision of the act requiring 50 per cent of ECA cargoes to be shipped, if practicable, in American vessels.

There were also the problems of procuring strategic materials needed by the United States out of counterpart funds, and of developing technical assistance programs in the OEEC countries themselves and in their colonial territories. For example, in December 1948 the Indonesian Minister in Washington formally requested the United States to discontinue ECA aid to the Netherlands on the ground that ECA dollars were being used to wage a colonial war against a freedom loving people. On December 22 the ECA suspended authorizations for the procurement of supplies intended for Indonesia. The difficult problems connected with intra-European trade have already been noticed. Finally, there was the constant necessity of counteracting communist attacks on the program as a whole in all the participating countries.

By September 1948 aggregate approved shipments to Europe and China under ECA had reached 1.7 billion dollars. Shipments were being rapidly accelerated and were changing in character from a preponderance of food to more industrial equipment and industrial raw materials. This shift was described by ECA officials as constituting the "big push" to lay the foundations for the increased European production of future years. Consequently, in November the President authorized the ECA to spend the full 5.3 billions in the 12 months ending in April 1949 instead of in the 15 months ending in June 1949. In Febru-

ary 1949 ECA requested a second authorization of 5.58 billion dollars for the 15 month period from April 1949 to June 1950, of which 1.38 billions was for the three months April to June 1949, and 4.2 billions for the year beginning in July 1949.

As finally passed in April 1949 the act authorized the full amount requested, although slight changes were made in some individual items. The act contained eight substantive amendments: (1) the withholding of economic aid to any country against which the United Nations Security Council has invoked sanctions (a compromise provision for dealing with the Indonesian problem); (2) a requirement to ship 50 per cent of ECA cargoes in American vessels of specified categories at United States market rates (a compromise between the ECA and the maritime interests); (3) an extension of the investment guarantee to include an amount equal to the investment plus profits; (4) a provision against the use of ECA funds to advertise the goods or travel services of participating countries in the United States; (5) a requirement that 12½ per cent, instead of the previous 25 per cent, of ECA wheat be in the form of domestically milled flour; (6) a provision for awarding marine insurance to American firms on a competitive basis; (7) the establishment of an information service designed to enable American small business to participate in ECA contracts; and (8) an authorization for the use of 54 million dollars of unexpended ECA funds for China in noncommunist areas up to February 15, 1950. This provision for aid to China was a token gesture reflecting strong congressional dissatisfaction with United States policy in China.

The President suggested late in April that the ECA funds appropriated for the next 15 months might be cut by 157.8 million dollars on account of price declines and in May a subcommittee of the House Appropriations Committee recommended a cut of 182.3 millions. This was rejected by the full Committee which on May 23, by a vote of 22 to 19, made a further cut of 15 per cent or 526 millions in the appropriation for the year beginning in July 1949. On the floor of the House a proposal was made and accepted to authorize the President to spend the whole amount recommended by the Appropriations Committee in 13½ rather than 15 months, thus restoring in effect most of the additional cut made by the full Committee. General hearings on the House bill by the Senate Appropriations Committee were concluded late in June. During these hearings further drastic cuts were recommended. At the end of June the hearings were reopened in order to give special attention to various aspects of British commercial policy and to the controversy over the renewal of the intra-European payments scheme.

Many of the problems to be dealt with under the European recovery program in the period ahead are of a continuing nature. These include the release and use of counterpart funds, the future development of programs of technical assistance, the development of the strategic materials program, and the many technical problems arising under the Intra-European Payments and Compensation Agreement. Moreover, there are several very general problems that require major policy decisions.

A joint communiqué by the foreign ministers of Great Britain and France and the Secretary of State in April 1949 stated that it was understood "that the German Federal Republic will negotiate a separate bilateral ECA agreement with the United States, and should participate as a full member of the Organization for European Economic Cooperation, thus becoming a responsible partner in the European Recovery Program." In view of the concern already being expressed in Europe over reviving German competition, and of the special security considerations that surround all major economic decisions on Germany, the terms of this agreement, and the role to be assigned to German representatives in the Council of the OEEC, its Executive Committee and its Committee of Eight, will require most careful consideration.

With the end of the first stage of recovery and the appearance of a buyer's market, availability of exportable commodities is no longer the major factor affecting the increase in exports of the OEEC countries. Price, quality, and other market considerations are becoming important. For this reason the problem of exchange rates has become urgent, and in June 1949 the National Advisory Council had this matter under consideration. The United States will have to decide how far it should go in taking the initiative in dealing with this aspect of European financial policy.

In recent months economic forces in Europe have been working in the direction of increased East-West trade despite the political division of Europe, and several important commercial agreements have been concluded by the OEEC countries and eastern European countries. At the Paris meeting of the Council of Foreign Ministers in May 1949, the Soviet Union revealed a strong desire for an economic *modus vivendi* between western and eastern Germany that would contribute to a larger volume of East-West trade, and the agreement to strive for this was one of the few positive accomplishments of the meeting. The question of ECA purchases from Eastern Europe may be a major issue during the remainder of the program.

The OEEC has not yet been able to develop a single master plan

for the next 3½ years, nor has it been able to resolve the difficulties relating to reductions in trade barriers within Europe and to the inconvertibility of European currencies. The most general of all the problems to be dealt with is to decide how strongly and in what ways if at all the United States should use ECA assistance to press for a radical program in the direction of European economic integration. This subject is discussed in Problem Paper III of this volume.

The problems of further aid to China and of the resumption of ECA aid to the Netherlands for use in Indonesia may at any time become urgent. But they are so overshadowed by their broader aspects that they are likely to remain dormant issues until major political decisions have been taken.

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C. TRANSPORT AND COMMUNICATIONS

During the postwar years an active effort has been made to develop an international approach to the solution of the technical and economic problems in the field of transport and communication. Three prewar bodies, the International Telecommunications Union, the Universal Postal Union, and the World Meteorological Organization have been brought into relationship with the Economic and Social Council as specialized agencies. An International Civil Aviation Organization has been established, and a proposal for an Intergovernmental Maritime Consultative Organization has been negotiated. The latter has

been ratified by Canada and is now before other governments, including the United States, for acceptance. A United Nations Conference for a new World Convention on Road and Motor transport is scheduled for August 1949, and a large number of other international bodies are dealing with specific problems or the problems of particular areas.

The collaboration of all these bodies is to a great extent technical, but many of the technical problems raise issues of foreign policy. The difficulties involved in this collaboration are illustrated by the fact that no less than 18 international conferences have been arranged in 1949 in telecommunications alone. In this field a major difficulty has been to reach international agreement in allocating short-wave radio frequencies among countries whose aggregate demands are several times greater than the number of channels available. Another, as yet only potentially an international problem, is how to deal with new technical devices for interference with short-wave broadcasts. This problem has been dramatized by the jamming of the Voice of America by the Soviet Union, contrary to the International Telecommunications Convention.

The major unsolved foreign policy problems of a nontechnical nature have arisen in aviation and shipping. This is so partly because of the commercial importance of these fields and partly because both aviation and shipping are affected by fundamental security considerations. Because the competitive position of the United States in international aviation and shipping has changed since the war, and because no single over-all national defense policy covering all major forms of transportation has been formulated, the conduct of United States foreign policy in these two major fields has been marked by grave inconsistencies.

The war greatly stimulated American production and the development of operational techniques in aviation and shipping. Under the combined war production plan the production of transport aircraft and merchant vessels was concentrated in the United States. In the young aviation industry this gave the United States a predominant position in the production of long-range aircraft and, for a period, also in long-range operations. The wartime expansion of the old established shipping industry, however, did not give the United States a similar competitive advantage, and this difference has been a factor in determining the United States attitude toward programs of international co-operation in each field.

More important is the fact that within the United States government, responsibilities for the development of the American international

transportation system have been divorced from the executive branch, which is responsible for foreign and military policy. It has been entrusted to two independent regulatory agencies, the Maritime Commission and the Civil Aeronautics Board. Each of these is charged with the duty of providing facilities that are adequate for national defense, but this responsibility has been stated in vague and general terms. No agency of government has the responsibility for giving effect to policies based on estimates of national defense requirements for transportation as a whole. The natural tendency has therefore been for each agency to interpret its own security mandate without adequate regard for either the possible international complications, or for the possible adverse effects of its actions in time of peace or future emergency on the intricately interrelated parts of the transportation system as a whole.

Even national defense requirements based on an over-all co-ordinated estimate of needs would far surpass the merchant marine and air transport capacity required to meet peacetime demands. A subsidy policy cannot by itself meet this problem because the difference between wartime and peacetime needs in shipping and aviation is too great, and because subsidies to one form of transportation may weaken the potential defense contribution of other forms. Whether the problem should be approached by ensuring stand-by capacity in accordance with precise estimates of need by the military, or by other means, and how far subsidies should play a role, is primarily a domestic problem. The solution adopted, however, will have international consequences, and until some over-all policy is laid down, an unsettling element will continually disturb the conduct of United States foreign transportation policy.

INTERNATIONAL AVIATION

The legal position of the United States in international aviation has been determined by its adherence to the Pan American Convention on Commercial Aviation (Havana 1928) and the Convention on International Aviation (Chicago 1944), both of which accepted the principle that every state has complete and exclusive sovereignty over its air space. The Chicago convention further committed the contracting parties to allow private and non-scheduled flying in one another's territory without prior permission. These flights were to be subject however to any regulations that the state flown over, might lay down, including its right to require landing. Scheduled international services, however, require special authorization from the states concerned, and the International Civil Aviation Organization (ICAO), of which the United States is a member, has no authority in this respect. Nor does

the ICAO regulate the routes, rates, frequencies, and capacities of services. The ICAO has executive powers in certain technical matters but only an advisory function on all economic and political problems of international aviation.

At the Chicago conference of 1944 the United States adopted a "free trade" attitude and supported the so-called Five Freedoms. The first two freedoms, the transit privileges, which allow foreign aircraft to fly over or land for refueling or other technical purposes in the territory of a state, were incorporated in the "International Air Services Transit Agreement" that has now been widely accepted. The other three freedoms, the traffic privileges, under which aircraft of one contracting state could discharge traffic from the home state or pick up traffic for the home state in the territory of another or carry traffic between foreign states, were also embodied in an American-sponsored "International Air Transport Agreement." But this agreement was not generally accepted, and even the United States renounced it in July 1946. American commitments are now made in bilateral agreements and through permits issued to foreign carriers by the Civil Aeronautics Board (CAB) subject to the approval of the President under the Civil Aeronautics Act of 1938.

Doubt existed for some time regarding the seat of final authority in United States foreign air policy in the event of a conflict between Executive agreements with foreign authorities and CAB action. The Supreme Court has ruled, however, that the President has complete control over the entry of foreign air services, as a part of American foreign policy.

At Chicago, in contrast to the United States position, Great Britain and others were in favor of an international authority to fix rates, capacities, and frequencies. Canada went farther and favored the fixing of routes. A compromise between British and American views was contained in the Bermuda Agreement of February 1946, providing for reciprocal United States-United Kingdom air services. The Agreement fixed routes between the contracting powers, adopted certain principles for the review of competitive conditions relating to capacity, and set up machinery for the intergovernmental review of rates. This represented a shift in United States policy away from the attitude taken at Chicago.

Subsequent to the Bermuda Agreement, the United States in other bilateral agreements went even further in accepting international control by undertaking to support the advisory opinions of the ICAO on

frequencies, capacities, and other economic problems as well as on rates. In keeping with this trend in policy the United States then joined in urging the adoption of a multilateral agreement to cover the economic principles of air transport, and the ICAO called a meeting at Geneva in November 1947. The United States was willing to enter a multilateral agreement on the model of the Bermuda Agreement, governing capacities, frequencies and rates, and in cases of dispute to accept the decision of the International Court of Justice under Article 36 (2) of the statute. But it refused to include routes in the multilateral agreement, insisting instead that these should be left to uncontrolled bilateral negotiation. The United States and the European countries now operating the most important air services insisted, however, that whenever a route was negotiated, the countries on the route must allow fifth-freedom traffic (traffic between foreign states). Some countries objected that this would not adequately "protect" local services, and they held out for the right of any country to refuse the fifth freedom. There was thus a clash between protectionist principles and the limited free trade principles of the Bermuda capacity provisions. It was primarily because of this issue that no agreement was reached at Geneva, and that the United States is now standing on its existing bilateral agreements.

The United States must now decide whether or not to change its attitude towards a multilateral agreement. This decision derives special importance from the fact that the existing system of bilateral agreements does not rest on very firm foundations. Although about forty agreements have been negotiated, they are subject to cancellation on one year's notice, and the interpretation of some of the most important provisions remains open to doubt. Many countries, not themselves active competitors in long-range flying, are becoming increasingly aware of the bargaining strength which control over their own air space gives them, and they are pressing for full recognition of their right to reserve to themselves commercial air traffic privileges within their own territories. This reservation may prove very disadvantageous to the major American long-distance airlines, which derive a major part of their revenues from "fifth freedom" traffic.

There is also evidence of growing resistance on the part of some American airlines to granting reciprocal privileges under bilateral agreements, especially as the capacity of other countries to take practical advantage of these privileges increases. Much opposition was aroused by the recent bilateral agreement with Canada which gives

Canadian airlines rights to fly four routes to the United States, including the important New York-Montreal route in exchange for continued United States rights in Newfoundland. As a result the question of allowing such agreements to be put into effect without congressional approval has been raised in both houses of Congress. Difficult questions have also been raised between the United States and some Latin American countries over commercial rights claimed by the United States under "fifth freedom" provisions in bilateral agreements and contested by the other parties to the agreements. As difficulties of this sort multiply, the question whether United States interests would best be served by making further concessions from its position at Geneva will become more urgent.

Not only economic but also political and security considerations enter into the problem. Assuming that the United States continues a policy of aviation subsidies to compete with those of other countries and to build up its air transport fleet for future emergencies, it will have to decide how these subsidies are to be distributed. Subsidies to domestic airlines may have adverse effects on the railroads through the diversion of traffic, thereby weakening their capacity to meet future emergencies. If for this reason air subsidies are given exclusively to international airlines, all the international dangers of competitive subsidies are increased. Competitive subsidies might become a heavy economic burden for some countries and a source of political friction in an international system regulated only by a network of bilateral agreements.

The question of international ownership and operation of trunk airlines remains on the agenda of the ICAO, but it is at present dormant. International operation of civil air services has been urged on the ground that it is necessary not only to remove civil political difficulties, but also to make air disarmament effective. Although this argument has not been accepted, the United States may eventually have to decide how far it is willing to go, through agreements pertaining to the international regulation of conventional armaments, in curbing its freedom to design, develop, and use aircraft for civil purposes.

A more immediate problem is whether, in order to compete effectively in world air commerce, the United States foreign air service should be organized on the present basis of several franchized companies, or whether a single company should operate in a given geographical region, or whether the chosen instrument policy of a single air transport enterprise should be adopted. This is a problem of long standing,

but it has become necessary to decide whether steps in the direction of the chosen instrument policy should be allowed piecemeal. This issue is specifically involved in the proposed merger of American Overseas Airlines (65 per cent owned by American Airlines) and Pan American Airways, a merger that cannot take effect until approved by the CAB and by the President.

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UNITED STATES SHIPPING POLICY

United States shipping policy is inextricably bound up with questions of national defense, and at the same time it must deal with deep-seated economic weaknesses in the industry. Because of its high costs, American ocean shipping is not competitive with that of other maritime nations unless a substantial segment is heavily subsidized. Furthermore, in sharp contrast to the prewar situation, coastal and intercoastal trade no longer offers substantial employment to American shipping, except for tankers. In proportion as available world tonnage increases and the prospects of a further expansion of the volume of world trade diminish or disappear, the economic difficulties of the industry will be intensified. This will make more urgent a constructive solution of the national defense problems involved in shipping policy.

All these problems were thrown into relief by the European recovery program, which required the transportation of a vast tonnage of goods financed by the United States government. When the ECA act was first passed in 1948, Congress rejected a proposal of the Executive to transfer by charter or sale American-owned ships to European countries.

This would have lowered costs and therefore conserved dollars in the transportation of goods and assisted in restoring European merchant fleets. Even with the ECA shipments the volume of world trade in 1948 was only about 90 per cent of the volume in 1938. This was being competed for by other maritime countries that have made great strides in reconstituting their merchant fleets. In May 1949, excluding American vessels in the National Defense Reserve Fleet, there were 82 million deadweight tons of ocean going merchant shipping in the world as compared with 80.6 million in 1939.

The economic problems of the industry remain unsolved and two basic and long-standing national defense questions remain unanswered: What constitutes a merchant marine "adequate" for national defense, and what minimum continuous flow of work for American shipyards is necessary to maintain shipbuilding skills essential to meet a future emergency?

In both world wars the United States had a breathing space of about two years in which the shipbuilding industry could recruit and train additional workers. This played a decisive part in providing the naval and mercantile tonnage required for victory. To move men and munitions in any full-scale war in the future, the United States and its allies will require a merchant fleet far larger than peacetime trade could support. Although a reserve of merchant vessels and the construction of special types such as tankers and large passenger vessels will be required during peace, a comprehensive building program will again be required for war. A substantial argument for using government measures to increase the size of the merchant marine in peacetime is that it will maintain the capacity to build vessels when the emergency occurs. In other words, the military justification for an adequate American merchant marine rests more firmly on the fact that it ensures a healthy shipbuilding industry than on the existence of the ships themselves.

The period from 1850 to about 1900 was singularly free from protectionist restrictions on international shipping. Coastal trade was reserved to national flags by most countries, Great Britain being a notable exception; but few subsidy measures were adopted that materially affected world shipping. The United States did not fare well in this age of free competitive enterprise; and, although certain United States vessels received an operating subsidy based on speed and mileage through the Ocean Mail Act of 1891, this was not enough to encourage the building of a merchant fleet.

The Merchant Marine Acts of 1920 and 1928 had as their objective the carrying of a greater proportion of American foreign commerce in American vessels. Despite these measures, construction in the depression years of the 1930's came virtually to a standstill. In 1936 a new Merchant Marine Act was passed that included subsidies for the construction and operation of ships. These subsidies were intended to absorb, within certain limits, the difference between American and foreign costs. If a foreign line in competition with an American line received a "fighting" subsidy, the Maritime Commission was authorized to meet it, although this was never done.

Sinkings of allied vessels during the second world war, combined with the vast American building program, left the United States in possession of about two thirds of the world tonnage at the end of the war. In spite of high operating costs, the outlook for freight rates and the subsidy policy, influenced American buyers to purchase about 700 vessels from the Maritime Commission by the end of 1948. Most of these were tankers and the faster dry cargo vessels. Foreign purchasers took about 1100 vessels. But vested American interests objected strongly to increased foreign competition, and in spite of a strong plea by the Secretary of State to extend authority to sell to foreign buyers to June 30, 1949, it expired on March 1, 1948.

After the war a number of nations were becoming ambitious to build and operate their own fleets. Ocean trade was becoming more and more the concern of governments and was threatening to become entangled again in the restrictions from which it had been freed a century ago. The United States is in a delicate position in its endeavors to check this tendency, since it is itself using government-owned ships in private operation, operating government-owned ships as government projects, subsidizing both the construction and operation of privately owned ships, and controlling the allocation of cargoes. Nevertheless, conversations among interested nations culminated in a conference convened by the Economic and Social Council of the United Nations at Geneva in February 1948, which drew up the constitution for an Intergovernmental Maritime Consultative Organization. One purpose of the Organization is to encourage the removal of discriminatory measures by governments and of unfair and restrictive practices by shipping concerns, although it is not to deal with matters that can be settled at the commercial level. The organization is to be recognized by the United Nations as the specialized agency in the field of international shipping. It will become effective when twenty-five nations have ratified its constitution.

Given as a basic assumption that the United States must maintain an adequate maritime defense potential at all times, important issues arise in defining the concept of adequacy and in determining the method of attaining it. There is disagreement, for example, on the balance that ought to be maintained between a reserve fleet and an active fleet in domestic and foreign trade. In May 1949 there were 1,881 merchant vessels of 18,700,000 deadweight tons in the reserve, and 1,566 of 17,730,000 deadweight tons in the active fleet, of which only about 1 million tons were employed in coastal and intercoastal trade. The decline in this trade is not only of major economic importance, but it deprives the United States of what was before the war a readily available and reliable source of defense shipping.

There are difficult problems in deciding what concessions should be made to the arguments for defense at the cost of uneconomical operations and on this the shipping industry itself is badly divided. Moreover, in deciding its minimum defense requirements the United States government must consider what reliance it is prepared to place on the merchant fleets of other nations, especially since an artificially big American fleet may damage potential allies such as Britain or Norway that are even more dependent than America, in peace or war, on a large merchant fleet. There are reasonable grounds for the argument that if the United States had had the lion's share of allied tonnage in 1939 the non-availability of American vessels prior to December 7, 1941 would have resulted in an Axis victory. Other nations must have regard for their own military security and to their command over tonnage. Since there is a limit to the tonnage that can be operated on the high seas in peacetime, United States shipping policy, even on security grounds, must consider the policies of other countries.

If subsidies to ocean-going ship construction and operation are to be continued, the question may be raised: What additional steps, if any, should the government take to support a merchant marine of the size considered necessary. In Public Resolution 17, passed in 1934, the Congress laid down the policy that export cargoes financed by government funds should be carried by American ships. This policy was modified in the shipping provisions of the Economic Cooperation Act of 1948, which required that 50 per cent of the gross tonnage of commodities procured in the United States should be transported on United States flag vessels to the extent that the latter were available at market rates.

The interpretation of these provisions led to a sharp conflict be-

tween the ECA and the shipping interests, and in the 1949 extension of the act the original requirements were strengthened. It was provided that 50 per cent of the cargoes financed by the United States, *regardless of origin,* should be shipped in American vessels of specific categories if the latter were available at *United States* market prices. The immediate issue was whether ECA dollars should be used indirectly to provide a subsidy, or whether, if additional subsidy was needed, it should be given openly as such. But an underlying issue was involved, which may arise in other forms after the ECA is completed—government direction of the movement of cargoes to support American shipping. This is fundamentally an issue of discrimination in international trade, and it is therefore highly significant to the development of foreign economic policy.

The treatment of these problems will influence the flow of work through American shipyards and the maintenance of the necessary cadre of skilled personnel for a program of building in the event of war. The needs for defense must first be analyzed and compared with the economic needs in peacetime for American ships and ship construction. Then it will be possible to determine whether a merchant marine is being subsidized because of the requirements of national defense, or because vested interests, consisting of labor unions, ship owners, builders and operators, desire to maintain it at an uneconomic level. Such an analysis is difficult, if not impossible, under the present decentralized administration of the various activities of the government in the field of transportation. The solution of the domestic problem of governmental organization in this field has therefore an important bearing on the solution of foreign policy problems in shipping.

Finally, the United States must decide whether or not to join the proposed Intergovernmental Maritime Consultative Organization. Refusal of the United States to join it would not prevent the international discussion of discriminatory shipping practices, since a forum for this discussion is available in the ECOSOC and its Transportation and Communications Commission.

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VII. HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

THE AMERICAN conception of human rights is to be found in the Bill of Rights of the Constitution. Thus when President Roosevelt in January 1941 called the "four freedoms" basic to the postwar world, he was giving expression to one of the oldest of American traditions. Mention of these freedoms reappeared in one form or another in the Atlantic Charter, and other allied statements of postwar aims. The encouragement of respect for human rights and fundamental freedoms without distinction of race, sex, language, or religion is set forth in the Charter as one of the chief purposes of the United Nations. This aim is restated in Article 55, and Article 68 requires the Economic and Social Council to establish a commission in pursuance of the aim.

But in the postwar world the promotion of human rights has met with new difficulties. Tyrannical government did not disappear with the destruction of the Axis dictatorships. On the contrary, traditional freedoms and institutions are being challenged by extreme "reform" groups of both the right and the left. Strengthened by the economic distress and social dislocation that followed the war, and supported by subversive propaganda and tactics, these militant groups are violating, in the name of the "new democracy" and of social security, the most fundamental civil rights. The destruction of democratic government and civil rights in some countries and the threat to them in others, have attached a new sense of urgency to the problem of protecting and advancing the fundamental freedoms. The problem is all the more difficult because countries that believe in upholding civil rights cannot act outside their own borders without being open to the charge of intervention in the internal affairs of other states.

A. INTERNATIONAL PROMOTION OF HUMAN RIGHTS

The international activities of the United States in encouraging the observance of human rights are primarily in the Economic and Social Council of the United Nations and its subsidiary body, the Commission on Human Rights. The Commission is authorized to submit to the Council "proposals, recommendations and reports" on such matters as an international bill of rights, the protection of minorities, the prevention of discrimination, and conventions on civil liberties and freedom of the press. The United States as a member of the Trustee-

ship Council is also involved in questions concerning the rights of dependent peoples. Furthermore, the observance of human rights receives the attention of all members of the United Nations in the General Assembly.

In the discussions, especially in the Assembly, of the Declaration of Human Rights, and of conventions on genocide, freedom of the press, and the gathering and transmission of news, basic differences in attitude have been revealed between the Soviet Union and its satellites and most of the other members of the United Nations. The Soviet bloc maintains the right of the state to exercise complete control over the individual in contrast to the democratic view that civil liberties include the right of the individual to be protected from tyrannical control by the state. This is the most general aspect of the cleavage of views on the problem of promoting human rights by international means.

A more particular difference of view, but one with general significance because it raised the question of defining a "fundamental right" in a practical context, was brought out in a dispute between India and South Africa. In this case India charged South Africa with discrimination in the treatment of its Indian population, and by so doing opened up the issue of the scope of the "domestic jurisdiction" clause in Article 2(7) of the Charter. The General Assembly considered the problem first in 1946 and again in 1947 and 1949, but no solution has yet been reached, and the problem is likely to come up again. This problem has been of particular interest to the United States, for a similar charge of discrimination has been made against American domestic policies. Until the issue of the scope of "domestic jurisdiction" is resolved, the limits of the possible extension of human rights by international action will remain in doubt.

The two problems that give the most general expression to the difficulties in extending human rights are discussed below under the headings Human Rights and Fundamental Freedoms, and Freedom of Information. It could be argued that the rights of labor should also have been discussed because of the general importance of the subject. But there is good reason for not accepting this view. American labor organizations act as free agents in their foreign activities, and their role is in many respects more important in international labor activities than that of the United States government. More important, however, is the fact that most of the substantive problems concerning labor that have come into the international field, such as communist penetration of labor movements, labor representation in international organi-

zations, or the attitude of organized labor to the European Recovery Program, are more appropriately considered with the broader political or economic problems of which they are part. For this reason labor problems did not appear separately in Section VI on economic relations; and in this section, labor rights are not considered separately from human rights in general.

INTERNATIONAL BILL OF RIGHTS

The drafting of an international bill of rights, the initial task assigned to the Human Rights Commission, proved to require a three-part agreement, first on a Universal Declaration of Human Rights, then on a covenant, and finally on measures of implementation. In the process of seeking agreement on these three parts of the subject, the United States has been faced with the multiple problem of adopting a policy on each of these proposed agreements on its own merits and in relation to the other two as well. The difficulties involved in reaching agreement even on the broad principles of human rights are formidable, and so far only the Declaration, which is drafted in very general terms, has been completed. Yet the adoption of the Declaration by the General Assembly in December 1948 was an historic event, since never before had the human rights and fundamental freedoms to which all men are entitled been enumerated and defined in an international instrument. The covenant and measures for implementation have proved to be even more difficult to draft than the Declaration, because the more specific content of these agreements brings out in sharp focus the basically different approaches of the authoritarian and of the democratic governments.

The Commission on Human Rights set to work on a bill of rights in January 1947, but it was not until the General Assembly session in the autumn of 1948 that a draft declaration was submitted for examination and revision by a special committee of the Assembly. In the committee, as in the preceding meetings of the Commission, differences among the delegates were so pronounced that 1200 different votes were needed to complete the document for plenary consideration. The Declaration, which sets forth civil, political, economic, and social rights, was finally approved 48 to 0, with the Soviet bloc, Saudi Arabia and the Union of South Africa abstaining. The Declaration is accepted by most states as a statement of basic principles on human rights, to serve as a common standard of achievement for all nations. The Soviet Union objected to it, however, on the ground that the

rights prescribed should be the responsibility of the individual states, and that therefore the provisions of the draft violated national sovereignty. It also objected to the Declaration on the grounds that it failed to assert the obligation of the state to provide adequate social security for labor, and that it contained insufficient protection for minorities. Saudi Arabia was opposed to a clause recognizing the right to change one's religion, and the Union of South Africa was opposed to the provisions on racial equality.

The argument of the United States in support of the Declaration has been that deliberate denials of basic human rights are fundamentally wrong, and have international repercussions. As Secretary Marshall pointed out to the Assembly: "Governments which systematically disregard the rights of their own people are not likely to respect the rights of other nations and other people and are likely to seek their objectives by coercion and force in the international field."

During its first year, the Human Rights Commission also adopted a draft covenant. This included civil rights only, and not even all the civil rights that had been incorporated in its first draft declaration. Since the covenant involved the crucial question of implementation, upon which its effectiveness rests, it was agreed that it should be in the form of a treaty to be formally ratified by member states, thus creating definite legal obligations. This was as far as the Commission would go and both documents were then submitted to the member states for comment. After considering the comments of the members, a drafting committee revised the draft declaration and covenant for the Commission meeting of May 1948, at which the draft declaration was approved for submission to the Economic and Social Council and thence to the Assembly. Agreement could not be reached, however, on the draft covenant and the arrangements for implementing it. In accepting the Declaration in 1948, the Assembly also directed the Commission to continue its work on the covenant and to recommend measures of implementation. In May 1949 the Commission, after considering these subjects again, was still unable to reach agreement, and it decided to resubmit the latest draft of the covenant to member states for comment. Member states were also asked to comment on a number of Australian and Soviet proposals on economic and social rights that had been among the most controversial items in earlier discussions. The draft will be revised at the next session in the light of these comments.

Having supported the Declaration, the United States is under a moral obligation to endeavor to achieve the defined aims within the

area of its jurisdiction. The United States government must also do whatever is possible to encourage other states to follow suit. This is part of its undertakings under the Charter as well as under the specific terms of the Declaration. Issues arise in connection with these obligations.

The covenant poses a different set of issues, the most important of which relate to the scope of the proposed treaty and the nature of the implementation measures. Because countries differ so widely in their concepts of human rights, especially at the stage of drafting concrete, legal guarantees, the likelihood of their reaching agreement will be greater the narrower the scope of this first covenant.

The United States may have to consider whether it might not be better to have no covenant at all than to support one in the United Nations that the Senate might fail to ratify. This is not a remote issue, because civil rights that are normally kept outside the competence of the United Nations by the domestic-jurisdiction clause of Article 2(7) of the Charter, would become of international concern by being included in a treaty; and even the most limited covenant would inevitably touch on questions that are among the most controversial domestic issues in the United States. The possibility that the Senate might refuse to ratify must therefore be recognized.

A similar issue faces the United States from the broader point of view of international acceptance and implementation, for a covenant brought into force without adequate means of effective action against violators might injure rather than promote the development of international law. Further doubt is cast on the wisdom of striving for a covenant that is not generally acceptable, by the fact that the very nations most notorious for their disregard of civil rights are least likely either to accept a United Nations document or to ratify any covenant accepted by the democracies. The difficulties inherent in the situation are shown in the problem of enforcing the human rights provisions of the peace treaties, which is considered below.

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FREEDOM OF INFORMATION

The problem of promoting freedom of information throughout the world has two aspects of special importance to the United States government. In the first place, it is traditional American policy to support the full and free exchange of ideas and information, domestically and internationally, as a fundamental element of democracy. The very basis of democracy, the right of opposition, depends on the rights to question, and to expound ideas even when they differ from those of the government. Freedom to obtain and to publish information is, therefore, one of the rights most cherished for its own sake in the Western democracies, and conversely it is one bitterly opposed by the totalitarian governments.

In the second place, the totalitarian governments challenge American interests through violent propaganda attacks, thus confronting the United States with the problem of finding some means of countering them. A solution is made difficult by the activities of the dictatorships in stifling all domestic freedom of communication with or from the outside world, as a means of preventing any opposition from developing. Private information agencies are powerless to penetrate this iron curtain and inadequate to counter the propagandist activities of the dictatorships abroad. The problem is therefore one for government to solve. The more the United States government can extend by international activities the area where freedom of information obtains, however, the less need it will have for large-scale programs to offset totalitarian propaganda. In a world where universal freedom of information existed, the United States could again follow a constructive information policy, and expound to foreign peoples through a world press and radio the ideals and objectives of United States policy. In these conditions it would be possible to return to the traditional system of relying on private channels as the main source of overseas information about the United States. As things are, the United States is faced with the dual problem of how best to use the dissemination of information abroad as an instrument of national policy, while preserving and extending the basic freedoms of information and of the press as widely as possible.

Postwar attempts by the United States to promote freedom of information have consistently encountered communist charges of

American war-mongering or cultural imperialism, with which have been coupled an insistence on the superior value of communist concepts of freedom of the press. The contrast between the authoritarian and the American views was sharply drawn at the United Nations Freedom of Information Conference at Geneva in March-April 1948, where neither agreement nor compromise was possible on the principles involved. The conflict between the Soviet and Western views began at the stage of drawing up the provisional agenda by a Human Rights Subcommission on Freedom of Information and the Press, and it persisted to the end of the conference. It has continued through the various stages of consideration by the Human Rights Commission, the Economic and Social Council, and the General Assembly.

At the conference the Soviet bloc charged the majority, especially the United States, with permitting its press to engage in "propaganda inciting to war" and in "false and distorted reports likely to injure friendly relations." This "offensive" was characterized by the United States delegation as a "concealed demand for censorship and suppression." Although this irreconcilable difference pertained to the basic issue of freedom versus control, there was also a large middle ground concerning legitimate safeguards against the abuse of freedom of the press. Here the United States often disagreed with the Latin American and middle eastern countries, as well as with the Soviet bloc, on the amount of permissible and desirable governmental control. The outcome was that in a draft convention on freedom of information and in an article for the draft covenant on human rights, freedom of thought and expression were subject to certain restrictive limitations, despite the United States opposition. Draft conventions on the gathering and transmitting of news, and on the right of correction, aimed at remedying false or distorted reporting, were also approved by the conference.

In the summer of 1948 the Economic and Social Council proved incapable of reaching accord on any of the three conventions and finally decided to transmit them to the General Assembly without recommendation. The General Assembly considered them in the spring of 1949, and the subject of permissible restrictions was debated once more, with the Soviet bloc, the Latin American delegations, and the middle eastern countries supporting a degree of control that the United States, Great Britain, France, and the Scandinavian countries opposed. The Assembly could not reach agreement on the draft convention on freedom of information and postponed further consideration until its autumn session. It finally approved (33 to 6, with 13 abstentions) a convention on the International Transmission of News

and the Right of Correction, in which the minimum requirements of the United States concerning freedom of the press were met. The Assembly decided not to submit this convention to member states for ratification until it had acted on the convention on freedom of information.

The Paris session of the Assembly recommended that the Subcommission on Freedom of Information and the Press, which had been responsible for preparing for the 1948 Conference, should be continued until the end of 1952, with expanded terms of reference to carry on the work of the Conference. In June 1949 the Subcommission adopted a program of study containing such topics as existing information agreements and the adequacy of news available to peoples; the implementation of freedom-of-information conventions and the pertinent provisions of the convenant on human rights, political, economic, and legal barriers to the free flow of information; and the dissemination of true information to counteract aggressive or discriminatory propaganda.

The gap between eastern and western views on the question of freedom of information remains as wide as ever. How wide this is was illustrated by the report of the United States delegation to the Freedom of Information Conference that the Western nations realized that attempts to compromise with the Soviet bloc were not only useless but extremely dangerous and had to be abandoned. As long as the gap exists, freedom of information will be impossible to extend through international means in the very areas where it is conspicuously absent. The issue of how to extend the principles of freedom exists for the United States as a practical matter only in parts of the world where there is still scope to work for the acceptance of them. In the rest of the world the issue is one of unilateral action or at most collaboration with a few countries by the United States to offset the propaganda at home and abroad of the totalitarian states. The specific issues relate to greater efforts to reach the peoples behind the iron curtain and to frustrate Soviet attempts to "jam" Voice of America broadcasts. Although it is important to counteract false information, care must be taken not to fall into fruitless controversy in which the tone is set by the authoritarian governments taking the initiative. The objective of placing before the world in general, facts and reasons relating to the position of the United States in world affairs must not be overlooked. This type of program raises questions of effective co-ordination, within the government and between governmental and private information

agencies, in order to make it an integral and effective part of foreign policy.

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B. SPECIAL PROBLEMS

In addition to the general problems of extending and increasing respect for human rights by international action, there are also more specific and restricted problems of human rights with which the United States is immediately concerned. The two discussed below, the enforcement of the human rights provisions in the peace treaties, and the part to be played by the United States in solving the problem of political refugees and other people displaced by the war, are special cases of these broader problems. The first problem was discussed in the General Assembly in the spring of 1949, but it has now reverted to diplomatic channels, where the United States and Great Britain are seeking to apply the peace-treaty formulas for dealing with treaty violations in the face of Soviet opposition. The second problem has been the concern of the United Nations from the early days of its existence, when discussions in the Assembly that preceded the decision to set up the International Refugee Organization (IRO) brought out the deep cleavage between the views of the eastern European and of the western European and American governments on personal political rights and freedom. The significance of the problem for United States policies and actions is the subject of consideration here.

HUMAN RIGHTS IN THE PEACE TREATIES

The United States is faced with the problem of trying to enforce the provisions that were written into the peace treaties to guarantee the observance of basic civil rights by the new governments of former enemy states. These treaty terms have been persistently violated by Rumania, Hungary, and Bulgaria, yet relations among the major powers have been such that no action has been taken to enforce the treaties. In these circumstances there is little direct action that the United States can take to curb the violations.

The Yalta Declaration on Liberated Europe reaffirmed "the right of all peoples to choose the form of government under which they will live" and declared the intention of the Big Three to concert their policies to assist the liberated peoples in solving their economic and political problems by democratic means. This general declaration of intention on the development of democratic rights and institutions has been reinforced by the terms of the five peace treaties so far signed. All of them contain similar provisions guaranteeing without discrimination "the enjoyment of human rights and of the fundamental freedoms, including freedom of expression, of press and publication, of religious worship, of political opinion and of public meeting." They also stipulate that the governments in question "shall not permit in future the existence and activities of organizations . . . which have as their aim denial to the people of their democratic rights." These provisions removed the protection of civil liberties in the five ex-enemy states from the purely domestic category and brought it into the sphere of international action. The change was all the more important because the governments concerned were not and have not yet become members of the United Nations and were not therefore bound by the general obligations in the Charter to observe human rights.

When the new governments in Rumania, Hungary, and Bulgaria were formed, the Soviet Union ignored completely the provisions of the Yalta Declaration, and it went to great lengths to ensure the establishment of "friendly" regimes. In Bulgaria and Rumania especially the electoral conditions were highly unsatisfactory, and the United States made numerous protests against the flouting of allied agreements. In Hungary, on the other hand, the first postwar election was on the whole free and the non-communist parties were successful at the polls; but within a few months the government established was "purged" and brought under the control of the pro-communists.

When the peace treaties were ratified by the United States in June 1947, the President rebuked Bulgaria, Hungary, and Rumania for their "measures of repression" and their lack of representative governments. The United States took the position, however, that the state of war should be formally terminated despite the unsatisfactory nature of the satellite governments, and the three governments were recognized. But the United States and the other Western nations have opposed the admission of these three countries into the United Nations on the ground that their non-democratic regimes have not fulfilled the necessary obligations.

Throughout 1947-48 the governments of these three countries became increasingly autocratic and sovietized, and the liquidation of opposition elements proceeded in all three until the communists were in complete control. The device used was charging the anti-communist leaders with treasonable dealings with local United States representatives as an excuse for persecuting them. The United States government repeatedly protested against these procedures, pointing out that the "crime" of which most political prisoners were accused, was simply an attempt "to act the role of political opposition in accordance with the Western connotation of that term in an operating democracy." It also denied all charges of improper conduct on the part of American representatives in the countries concerned. These attacks on political parties were accompanied by the ever-increasing suppression of organs of opinion, including the press and the churches, and by the denial of the ordinary civil rights of individuals.

The peace treaties provided that the heads of the American, British, and Soviet missions in the three countries should act together in matters of interpretation and execution for a period of 18 months from the effective dates of the treaties. Although this initial period terminated on March 15, 1949, disputes over the treaties that are not settled by direct diplomatic action must still go first to the three mission heads. If they are not settled by the latter within two months, they may then be referred by either party to the dispute to a commission composed of one representative of each party and a third member selected by their mutual agreement. If no selection is made within a month, the United Nations Secretary-General may be requested by either party to make the appointment. The majority decision of the commission is to be "definitive and binding."

On March 16, 1949 both the United States and Great Britain issued statements charging the three satellites with flagrant violations by commission and omission of their obligations under the treaties. It also

accused the Soviet missions in the countries with obstructing the implementation of the treaties. The United States expressly reserved all its rights under the treaties for the future, including "the right to invoke appropriate procedures for their interpretation and execution." These statements were followed on April 2 by vigorous American and British notes to the three governments charging them with "deliberately and systematically" denying the fundamental freedoms to their respective peoples through oppressive acts. The notes remarked that since the obligations of the government were expressly stipulated in the peace treaty, "no specious argument that the matters raised in the present note are purely of a domestic character can be accepted."

Meanwhile, the trials of church leaders in Bulgaria and Hungary aroused indignation throughout the world. Australia and Bolivia proposed to put the question of human rights in these countries on the agenda of the United Nations Assembly. The Soviet bloc opposed this move on the grounds that the question was "entirely within the realm of domestic jurisdiction" and therefore not subject to United Nations discussion; that since Bulgaria and Hungary were not members, they were not bound by the Charter; and finally, that the United Nations had no jurisdiction over the implementation of the peace treaties. The item was accepted by the Assembly, however, and representatives of Bulgaria and Hungary were invited to participate without vote in the discussions, but they declined to do so. A joint Australian-Cuban resolution sought to have an investigating committee appointed to inquire into the trials, but the Assembly finally adopted a Bolivian proposal to support Anglo-American efforts under the treaties. This was in keeping with the position of the United States that limited action was best for the time being because more vigorous action might "create greater intransigence on the part of those criticized and aggravate the position of those most deserving of our sympathy and our assistance." The Assembly resolution retained the question on its agenda for the next session.

On June 1 the Department of State published the "entirely unsatisfactory" replies to its April 1 notes. All three governments, in rejecting the notes, branded them as attempts to interfere in domestic affairs. They argued that their actions were taken in compliance with the treaty obligation to eliminate fascist elements and organizations, enemies of the state which they charged the United States with supporting. The United States reply in each case noted that a dispute had arisen over the interpretation and execution of the treaty, which the government in question had "shown no disposition to join in settling by direct diplomatic negotiations," and therefore, the United States

had decided to invoke the next procedures under the treaties. When the Soviet Union was requested to co-operate, however, it refused and instead supported the contentions of the satellites that they had fulfilled all their obligations, and that the United Sates charges constituted interference in internal affairs.

Secretary Acheson recently pointed out, that "by refusing to co-operate in these [treaty dispute] procedures the Soviet Government and its Balkan satellites have created a presumption of guilt against themselves." They have also, however, created an impasse, which it is difficult to visualize any method of breaking. Under the treaty procedure the disputes will remain, formally at least, before the three chiefs of mission in Sofia, Budapest, and Bucharest, until the end of July when the question of nominating representatives of a commission will come up. On the assumption that the satellite governments refuse to name their representatives, the United States will be faced with the issue of how next to proceed.

The General Assembly has kept the question open for its autumn session, and the United States will again have to decide what action by the United Nations it should support. The appointment of a United Nations commission of inquiry would undoubtedly be rejected by the satellite states, as happened in the Greek border case. This raises the issue whether it might not be better to refrain from appointing a body that will be unable to act, and instead to confine the action of the Assembly to discussion and censure. The advisability of taking the issue to the Security Council may also come up, although action of that body in view of the Soviet veto would seem to be a foregone conclusion.

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DISPLACED PERSONS

The core of this problem from the point of view of the United States is whether Congress is willing to modify the immigration laws to permit the entry of a larger number of displaced persons. This is so not only because of the importance of the United States as a place of refuge but because action by Congress will condition the influence that the American government can exert on other governments in grappling with the problem. Immediately after the German surrender there were some eight million refugees in European areas under occupation by the Western allies. Repatriation and resettlement have reduced this number to well under a million and for these the International Refugee Organization (IRO) has official responsibility. But international action in this case must be limited unless it is supported by national action. The existence of this "hard core" of refugees therefore poses a moral and practical problem for the United States and other countries where they might be resettled.

Displaced persons comprise three main groups: victims of the Nazi labor policy that forcibly transferred millions of foreign workers to the Reich during the war; survivors of the concentration camps and of other parts of the German system of racial and political persecution; and fugitives, chiefly from the Baltic states, before the advancing Soviet armies in Europe. Within a short time after the end of hostilities, nearly 6 million persons had returned voluntarily to their homes; and up to the beginning of 1949, approximately 1,400,000 more had been repatriated.

After prolonged and controversial discussion in the first Assembly of the United Nations and in the Economic and Social Council, the former voted in December 1946 to create the IRO to deal with the refugee problem. In September 1948, after it had become a specialized agency of the United Nations, the IRO Council laid down the substantive policies to be followed, and passed a budget for the next two years, at the end of which time the IRO is to be terminated.

The warfare in Palestiine had already resulted in a new class of refugees and the IRO Council evidently felt compelled to announce that it would be unable to assist Palestine refugees owing to budgetary limitations. During the next session in March-April 1949, however, the Director-General reported that the rate of new applications for IRO assistance would necessitate continuing the Organization until mid-1951, although he recommended the progressive termination of its functions before then.

The Western nations have been opposed to the principle of forcible repatriation, and individuals (with the exception of traitors, war criminals, and quislings) not wishing to return to their countries of origin were permitted to remain under allied, and later United Nations, care. Neither the Soviet Union nor any of the satellites belong to the IRO, since they support forcible repatriation and contend therefore that a displaced-persons problem of international concern no longer exists. So far Great Britain, Belgium, and France have accepted the largest number of immigrants, and while substantial resettlement henceforth will probably have to be sought outside Europe, the readiness of non-European countries to receive displaced persons varies greatly. The United States, for example, has the economic capacity and the sparseness of population to justify the absorption of large numbers, but there is strong emotional and political resistance to immigration.

In 1947 the President urged Congress to enact special legislation permitting the entry of 100,000 displaced persons annually for four years. Congress refused, but later it passed the Displaced Persons Act of 1948, thus permitting about 205,000 persons to enter the United States over a two-year period. The President signed the act with reluctance, terming it "flagrantly discriminatory," primarily on account of the complicated administrative tests that applicants for admission had to meet. The Displaced Persons Commission, which was set up under the act to supervise administration, recommended that the requirements should be liberalized on the grounds that they made the act difficult to administer and reduced the number of actual entrants. It also proposed a law more liberal in total numbers and in the period to be covered. In June 1949 the House approved a bill authorizing the admission of 339,000 refugees and extending the period to June 30, 1951, but the Senate has not yet taken action.

The problem of displaced persons is of importance to the United States primarily because of the basic principles of humanity and of human rights that are involved. It constitutes an issue on this broad basis because the United States has so often proclaimed its adherence to these principles. The total number of displaced persons, in relation to the populations of countries economically and physically able to absorb them, is so small that resettlement would constitute no serious social problem if it were faced with generous determination. The 1948 act was a step forward in resolving the issue of American responsibility for contributing to a practical solution of the problem,

and steps to liberalize the act are under way. It remains for Congress to justify in practice the support that it has given in principle to a solution of the displaced-persons problem.

When the IRO expires two years hence, if the member countries have not solved the problem through resettlement, they will be faced with an issue under which the choice of alternatives may not be easy. They may have to choose between closing the displaced persons camps and turning their inhabitants out, chiefly into the German and Austrian economies; or organizing some alternative means of caring for the remaining displaced persons, unless they are willing to continue the camps indefinitely.

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VIII. NATIONAL MILITARY POWER

FOR THE successful support of its international policies a country must have power, and its total power is the sum of its moral, economic, and military power. Although moral and economic power in some circumstances may be of supreme importance in maintaining national security, in the final analysis, national security rests on military power. The two terms "military power" and "national security" are not synonymous, and neither should be confused with "national defense" or "military preparedness." Nor should "military power" be confused with "military strength," which is the current strength of a nation's armed forces. Moreover, there must be a proper balance among the different elements of national power, for the adequacy or inadequacy of each element in a given situation affects national security.

In October 1945 the President of the United States stated that the national military strength should be adequate to perform four principal tasks: (1) to enforce the terms of peace; (2) to fulfill the military obligations under the United Nations Charter; (3) to co-operate in preserving the territorial integrity and political independence of the nations of the Western Hemisphere; and (4) to discharge the fundamental duty under the Constitution to "provide for the common defense" of the United States. This statement reflected the new role of the United States in international affairs that had resulted from the agreements for ending the second world war, and from American adherence to the Charter of the United Nations.

Developments since 1945 have caused the United States to re-evaluate the part to be played by military strength in providing for its national security. The first of the four tasks—the enforcement of peace—cannot be carried out unless the major nations agree on peace terms for Germany and Japan. The failure of the Soviet Union to collaborate in perfecting the collective security provisions of the United Nations Charter has deferred the execution of the second task and has caused the United States to seek other means of collective security under the Charter. To the third task, that of inter-American co-operation, has been added one of co-operating with another group of nations in the collective defense of the north Atlantic area. The fundamental duty of the armed forces in providing for the "common defense," which constitutes the fourth task, cannot be entirely supplanted by any

collective security arrangements, and it is likely to endure indefinitely. Nevertheless, emphasis is now placed on collective action under the expanded third task as one means of contributing to the common defense of the United States. National military power, therefore, may be considered to be composed of two sets of elements: one derived from international arrangements for military collaboration, and the other from the capabilities of the nation itself. The combination of these two elements constitutes the national military power of the United States.

A. THE INTERNATIONAL ELEMENTS OF NATIONAL MILITARY POWER

The experience of two world wars has shown that an aggressor, intent on conquest, can be defeated only by a coalition of the nations whose security is jeopardized. In providing for the "common defense," therefore, the United States cannot rely on its own military power alone. If a third world war were to occur, the United States would again have to associate itself with friendly nations, and arrangements for co-ordinated action need to be made in advance for two reasons: a demonstration of the determination of like-minded nations to act in concert is a deterrent to a potential aggressor; and advance preparation enables the associated nations to act promptly and affectively in their collective defense if an attack occurs. For these reasons, the United States has joined with other nations in the collective security arrangements of the Inter-American Treaty of Reciprocal Assistance (the Rio Treaty) and the North Atlantic Treaty. These are given separate treatment as problems below.

In addition to the Rio and North Atlantic treaties, which are multilateral agreements, the United States has entered into numerous bilateral agreements with other nations. They are intended directly to strengthen other nations against the dangers of external or internal aggression and indirectly to add to the security of the United States, and in some instances to increase the military power of the United States through military concessions such as the granting of rights for military bases. Other measures of international collaboration in the military field that will presumably be on a bilateral basis are now being considered under the Military Assistance Program proposed by the President in the spring of 1949. This program is also given separate treatment below.

A certain body of experience in guiding the formulation of the new program has been derived from the existing bilateral arrangements for

military assistance. They provide for the furnishing of military advice or equipment or both by the United States, and they vary in nature and importance and in the extent to which they have been carried out.

Military advice is furnished to most of the Latin American republics through military missions authorized by act of Congress, but existing authority for the provision of military equipment is very limited. The study of military collaboration between the United States and some countries is the function of special bodies, notably the Joint Mexican-United States and the Joint Brazil-United States Defense commissions, and the Permanent Joint Board on Defense, Canada-United States Military collaboration with Canada is especially close and extends to the exchange of information, common training projects, and the joint development and use of bases and facilities.

Outside of the Western Hemisphere, the United States has bilateral arrangements with Iran, Greece, Turkey, the Philippine Republic, the Republic of Korea, and China. In Iran the United States maintains two training missions, and a certain amount of military equipment has been supplied. In Greece and Turkey more extensive aid has been given, the total amounting to 625 million dollars, and further aid is contemplated. Surplus military property worth nearly 109 million dollars has been transferred to the Philippine Republic, and it is being given advice through a military advisory group Even while South Korea was still occupied by American forces, it was the recipient of military assistance, and a United States military group remained in Korea after the occupation forces were withdrawn. Military assistance to China has involved an extensive program, including lend-lease aid, the sale or gift of surplus equipment, and the China Aid Act of 1948. Most of the 125 million dollars appropriated under the act had been expended for military purposes by March 1949, when military assistance was suspended in view of the success of the Chinese communist forces, and the Joint Military Advisory Group that had been training the forces of the National Government was withdrawn.

The United States has also made bilateral agreements for the use of bases or base sites abroad. These agreements raise problems for the United States where their terms are not satisfactory, and proposals for additional agreements may be expected to raise new problems.

The Philippine Republic has leased for ninety-nine years five major army, navy, and air bases and ten auxiliary training and service establishments, although only a few are being used. The Chinese naval base at Tsingtao was used by the United States until it was captured by the communist forces.

In the Atlantic area, the United States still has the eight bases leased by Great Britain in 1940, though most of them have been demobilized. A recent arrangement with Great Britain permits the use of bases by United States transport aircraft in connection with the Berlin air lift and also by combat aircraft. The wartime agreement with Denmark for the use of bases in Greenland has been neither renewed nor abrogated, but the United States still maintains minor meteorological stations there. Iceland refused to extend the wartime agreement for base rights and agreed only that United States aircraft supporting the occupation forces in Europe could use its airport in transit. A similar situation exists in regard to the agreement with Portugal for the use of air facilities in the Azores. It may be expected that the existing arrangements with Canada for the joint development of bases principally for meteorological stations will be extended to provide for air warning, air-sea rescue, and fighter protection.

In the Latin American area the United States has made satisfactory arrangements for the use of bases in Peru, but negotiations with Ecuador for the use of bases in the Galapagos Islands have not been completed. An agreement negotiated with Panama for the use of bases in Panamanian territory for the defense of the Panama Canal was rejected by the Panamanian Assembly. Therefore, the United States is excluded from these important bases for the present.

In the event of an armed attack in the north Atlantic area, bases in the Mediterranean would assume the greatest importance. British bases at Gibraltar, Malta, and Cyprus are now available for limited use by the United States; and by agreement on the military level the United States may use the French base at Port Leyautey, French Morocco. By similar agreement with the British the United States has reactivated its wartime base at Mellaha, Libya, for air-transit purposes. An arrangement was made with Saudi-Arabia after the second world war for the construction of a large air field at Dharan by United States engineers using Saudi-Arabian funds. The agreement providing for the use of this field by United States forces expired in March 1949. A temporary agreement for its continued use, however, is now in effect.

The importance of these multilateral and bilateral agreements as sources of the international elements in the military power of the United States is enhanced by the threat of Soviet aggression. Their psychological effect, especially of the two multilateral treaties, adds directly to the military power of the United States. By inspiring confidence that no nation will stand alone if attacked, the treaties increase

the determination of all signatories not only to strengthen their military defenses but to proceed with the tasks of political and economic reconstruction. This will greatly reduce the possibility that nations will succumb one by one to communist pressure and cast in their lot with the potential aggressor—an achievement of direct military significance.

The Rio and the North Atlantic treaties have many features in common. Both are based on provisions of the United Nations Charter, the Rio Treaty being a regional arrangement under Article 52, and the North Atlantic Treaty a collective defense arrangement under Article 51. Both provide for reciprocal assistance, under the principle of self help and mutual aid, which extends beyond the military to the political and economic fields. Both provide that an armed attack on one signatory within a defined area will be considered as an attack on all, and both obligate all signatories to take action to assist the nation attacked. Each treaty creates a strong presumption that an armed attack on a signatory within a defined area will result in collaborative military action of all in collective defense. Neither treaty, however, makes such positive military action obligatory.

In the event of a threat to the security of any signatory outside the defined areas, both treaties provide for consultation, but neither treaty makes action, individual or collective, military or otherwise, obligatory on the signatories. Obligations to act are confined to situations that occur within the defined areas. The continent of North America north of the southern United States border, and a large area of the western Atlantic are common to the defined areas of both treaties. Since the United States is the only country signatory to both treaties, a special responsibility rests on it for co-ordinating the action under the two treaties, especially in the case of an armed attack in the area common to both.

Although the obligations of the Rio and North Atlantic treaties lay the groundwork for military collaboration in collective defense within the defined areas, the effectiveness of the two treaties in contributing to the military power of the United States or to the collective military power of the signatories depends on the manner in which the treaties are implemented. It is most important, so long as the danger of aggression exists, that the presumption of collective military action in the event of an armed attack be maintained and strengthened through mutual collaboration. Collective action by associated nations requires the acceptance of a common objective that all may loyally support. It also requires advance planning for the accomplishment of the ob-

jective, whatever its nature. Planning should provide for collaboration not only in the military but also in the political, psychological, and economic fields. In the military field, collaboration involves such matters as war planning; the standardization of organization, command, discipline, and arms; the use of common tactics; the employment of the same communication procedures and codes; and arrangements for the joint use of bases. Military collaboration is essential in some degree to all military operations involving joint action by the forces of associated nations.

Before a decision to engage in military collaboration is taken, its consequences must be carefully pondered. At least some of the military methods and skills of the collaborating nations must be exchanged; yet secrecy in many military matters is of such prime importance to national security that it must be carefully preserved to prevent disclosure even indirectly to a possible enemy. Furthermore, the danger exists that in the interest of military collaboration some commitments may be accepted that might not be in the national interest if war were to break out. Since the circumstances leading up to a conflict can only be a matter of conjecture, it is questionable whether any nation would be wise to agree definitely in advance to the employment of its armed forces in a specific manner or in a specific area. The wider the area of possible operations the more flexibility a nation requires in deciding on location and timing in committing its forces to action. For such reasons, therefore, the United States must consider the disadvantages as well as the advantages to its own security of the commitments involved in military collaboration.

It is hardly conceivable that the military action resulting from armed attack against a signatory of the Rio or North Atlantic treaties would be restricted to the geographic limits of the areas defined in the treaties. And since an armed attack outside the defined areas of the treaties could be expected to lead to global war if it seriously threatened the national security of any or all the signatories to either treaty, it would seem to be impracticable not to look beyond the geographic limits of the treaties and to consider plans under the terms of the treaties in the light of a world concept of strategy. The particular features of the two treaties and the problems that they raise for the United States are considered separately.

THE INTER-AMERICAN TREATY OF RECIPROCAL ASSISTANCE

The Inter-American Treaty of Reciprocal Assistance originated in the Act of Chapultepec of 1945. When this act was signed, the prospects

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PAR.
URU.
CHILE
ARGENTINA
WESTERN HEMISPHERE
SECURITY ZONE
ESTABLISHED BY RIO TREATY

for maintaining peace and security through international collaboration were encouraging. At the time of the negotiation of the Rio Treaty in 1947, however, the situation had radically altered. The threat to international peace arising from the actions of the Soviet Union, including its part in preventing the collective security machinery of the United Nations from functioning according to design, had become strikingly evident. This made the importance of the treaty in providing for the security of the American republics much greater than had originally been contemplated.

Since 1947 threats of aggression against the republics of Latin America have been overshadowed by events in Europe and Asia. In opposing the efforts of the Western nations to achieve political stability and economic well being throughout the world, the increasing recalcitrance of the Soviet Union has increased the fear of Soviet aggression against nations whose geographic position exposes them to armed attack. It is this fear that has induced the United States to join with Canada and ten nations of Western Europe in an agreement for the collective defense of the north Atlantic area.

Despite the urgency of dealing with these relatively more serious developments in Europe, the United States is still faced with the problem of determining what steps it should take to collaborate with the signatories of the Rio Treaty toward collective defense in the Western Hemisphere. In fact, an armed attack threatening the security of any of the parties to the North Atlantic Treaty would eventually become a threat to the security of the parties to the Rio Treaty. It is thus all the more important that the latter should be prepared for collaborative military action in collective defense. Although none of the Latin American republics is very strong militarily, the collaboration of some of them might be of the greatest assistance in the event of war. Adequately strengthened, they could provide for their own internal security, protect the lines of sea communications in the vicinity of their coasts, and maintain and operate air and naval bases within their territory for the joint use of the associated nations. They would thereby relieve United States forces for joint action with nations associated under the North Atlantic Treaty.

The United States must consider the extent of military collaboration with each party to the Rio Treaty in the light of such factors as its internal situation, its prospective willingness to collaborate in war, and its probable contribution to collective defense. Moreover, it must also consider machinery for planning contemplated by the Rio Treaty, and the provisions that make the use of armed force in the event of an attack optional with each signatory.

The Act of Chapultepec recommended that, following the establishment of peace, the American republics should negotiate a treaty. It also set forth the principles of American solidarity that should form the basis of the treaty. These may be summarized as follows: The act recognized "that every war or threat of war affects directly or indirectly all civilized peoples. . . ." It recommended the adoption of a "procedure of mutual consultation in order to find means of peaceful co-operation in the event of war or threat of war among American countries." In the event that "the peace, security or territorial integrity of any American republic is threatened . . . the Republics should proclaim their common concern and their determination to make effective their solidarity . . . using the measures which in each case the circumstances may make advisable." It declared that "any attempt on the part of a non-American state against the integrity or inviolability of the territory, the sovereignty or the political independence of an American State shall be considered as an act of aggression against all the American States."

On the basis of these principles, the act recommended that the treaty establish procedures whereby threats or acts of aggression may be met by sanctions short of the use of armed force, or by the use of armed force itself to prevent or repel aggression. It was believed that the need for such a treaty was demonstrated by the experience of the American republics in achieving the degree of military collaboration necessary during the second world war.

Before considering the specific provisions of the Rio Treaty, it should be observed that it differs in several outstanding respects from the North Atlantic Treaty. The Rio Treaty, in contrast to the latter, provides for collective defense against armed attack by a nation party to the treaty as well as by a nation not a party to the treaty. It also provides for collective action against aggression that is not an armed attack. Action includes sanctions short of the use of armed force, which are not only provided for, but are compulsory for all parties to the treaty upon the decision of the Organ of Consultation. On the other hand, the use of armed force by any party to the treaty is in no case obligatory. Finally, the Rio Treaty provides for a voting procedure among the nations party to the treaty.

Turning to the specific clauses of the Rio Treaty, "the high contracting powers agree that an armed attack by any State against an American State shall be considered as an attack against all American States and, consequently, each of the . . . contracting parties undertakes to assist in meeting the attack." The treaty further provides that "on the request of the state or states directly attacked and until the de-

cisions of the Organ of Consultation . . . [are given], each one of the contracting parties may determine the immediate measures which it may individually take in fulfilment of the obligation" to assist in meeting the attack; and that "the Organ of Consultation shall meet without delay for the purpose of examining those measures and agreeing on the measures of collective character that should be taken." A decision of the Organ of Consultation requires a two-thirds vote of the signatories that have ratified the treaty, and it is binding on all signatories "with the sole exception that no State shall be required to use armed force without its consent."

The foregoing provisions apply only if the armed attack occurs within the region described under Article 4 of the treaty. If the attack occurs outside of this region, there is no obligation upon any party to the treaty to assist the party attacked. Furthermore, the Organ of Consultation is required only to agree on the measures to assist the victim of aggression or those that should be taken for the common defense and the peace and security of the continent.

Advice on problems of military co-operation that arise "in connection with the application of existing special treaties [the Rio Treaty] on the subject of collective security" is furnished to the Organ of Consultation by an Advisory Defense Committee. This committee, composed of the highest military authorities of the American States, is established, not by the Rio Treaty itself, but by the Charter of the Organization of American States. The Committee is not in continuous session. It meets to deal with matters relating to defense against aggression at the same time as the Organ of Consultation, and to make technical studies or reports when convened by special procedures. The Charter of Organization of American States provided no working agency for the Advisory Defense Committee, but the Ninth International Conference of American States, which drafted the Charter at Bogotá, resolved to keep in being the Inter-American Defense Board, which was first established in 1942 to advise the foreign ministers of the American republics on measures of continental defense. The resolution called on the Board "to continue to act as the organ of preparation for collective self-defense against aggression" and "to carry out, in addition to the advisory functions within its competence, any similar functions ascribed to it" by the Advisory Defense Committee.

Under the Rio Treaty, therefore, military co-ordination commences in an advisory body, which may make recommendations to the foreign ministers of signatory nations and to the Advisory Defense Committee.

Even though the foreign ministers should approve the recommendations of this body, more exacting conditions must be fulfilled before collective military action in the event of an armed attack may be taken. The state attacked must request a meeting of the foreign ministers of the American republics, which will then act as the Organ of Consultation; the Advisory Defense Committee must act on the recommendations of the Inter-American Defense Board and make further recommendations to the Organ of Consultation; and by a two-thirds vote of the states that have ratified the treaty, the Organ of Consultation must reach a decision on the measures for collective military action. If such collective action should be decided upon, no party to the treaty unwilling to do so is required to join in the collective use of armed force.

In the course of the second world war the Inter-American Defense Board made a number of suggestions to the ministers of foreign affairs, many of which concerned the continuance of military collaboration during the postwar years. They covered such matters as military co-operation, the standardization of the organization and training of armed forces, the standardization of material, the production of strategic materials, the utilization of man power, security and sabotage, civil defense, the exchange of information, communications, transportation, anti-submarine defense, and naval and air bases. By bilateral agreement between the United States and other parties to the treaty, some of these suggestions have been accepted. The Inter-American Defense Board is now engaged in reviewing its studies and extending their scope in the light of the Rio Treaty.

Existing laws permit the United States to assign military missions to American republics and to accept limited numbers of students from them for training in United States military schools. These measures are being carried out. The general legal authority does not exist, however, to provide military equipment and munitions to them by government sale or transfer. Legislation to authorize the provision of such military assistance to other American nations including Canada has been introduced in Congress, but it has failed of enactment. The Military Assistance Program to be recommended by the President to the Congress may contain provisions favorable to more successful military collaboration with the Rio Treaty nations than has been possible so far.

The basic issue in regard to the Rio Treaty is the importance that the United States should attach to increasing its national military

power by strengthening the nations associated through the treaty. Although the relative importance of strengthening the north Atlantic group may be greater, there are, nevertheless, advantages in strengthening the Western Hemisphere group. The Latin American nations are both economically and militarily weak, and they can be strengthened only by outside assistance, which would have to come from the United States, because it occupies a position of leadership and because it has command of the necessary resources. American assistance might take the form of encouraging military collaboration among the parties or of furnishing them with military advice and military equipment, or both.

Military collaboration is a means of contributing to Hemisphere solidarity and of ensuring, so far as possible, loyalty to the common cause in the event of armed attack. By providing for the joint use of bases, the unrestricted transit of military forces, common security measures, and other essential military arrangements, it increases the military power of the United States. These are arguments for strengthening the Latin American nations. On the other hand, the cumbersome machinery of the Rio Treaty may be a serious obstacle to successful collaboration. When to this is added the possibility that plans for collaboration may be nullified by the action of the Organ of Consultation, or by the last minute refusal of one or more nations to use armed force to repel an armed attack, the prospects for adequate collaboration among twenty-one nations are not encouraging. It is true that the Rio Treaty does not discourage agreements among a few signatories; but while these might be most practicable they might not contribute much to Hemisphere solidarity or to effective military defense.

The provision of military assistance by the United States would encourage military collaboration and tend to ensure active co-operation in the event of armed attack. It would give the other Rio Treaty nations greater means of contributing to collective defense, which none now has in adequate amount. It would, moreover, alter the character of military collaboration to the advantage of the United States, possibly freeing its armed forces for use in other areas. Yet grave political considerations are involved in decisions to give military assistance to Latin American nations. Doubt has been expressed about the use that some nations might make of increased military strength, while the political expediency of aiding some and not others would require careful consideration. On the other hand, if the United States failed to give military assistance some nations might seek arms

and military advice from European nations to the detriment of American solidarity and collaboration.

The most important consideration in furnishing military assistance to the American republics, however, lies in the effect it would have on military assistance to the signatories of the North Atlantic Treaty. Under the proposed Military Assistance Program most of the military assistance that the United States is capable of providing is scheduled for the North Atlantic Treaty nations. This would have to be reduced if assistance were furnished to the Rio Treaty nations in any considerable amount.

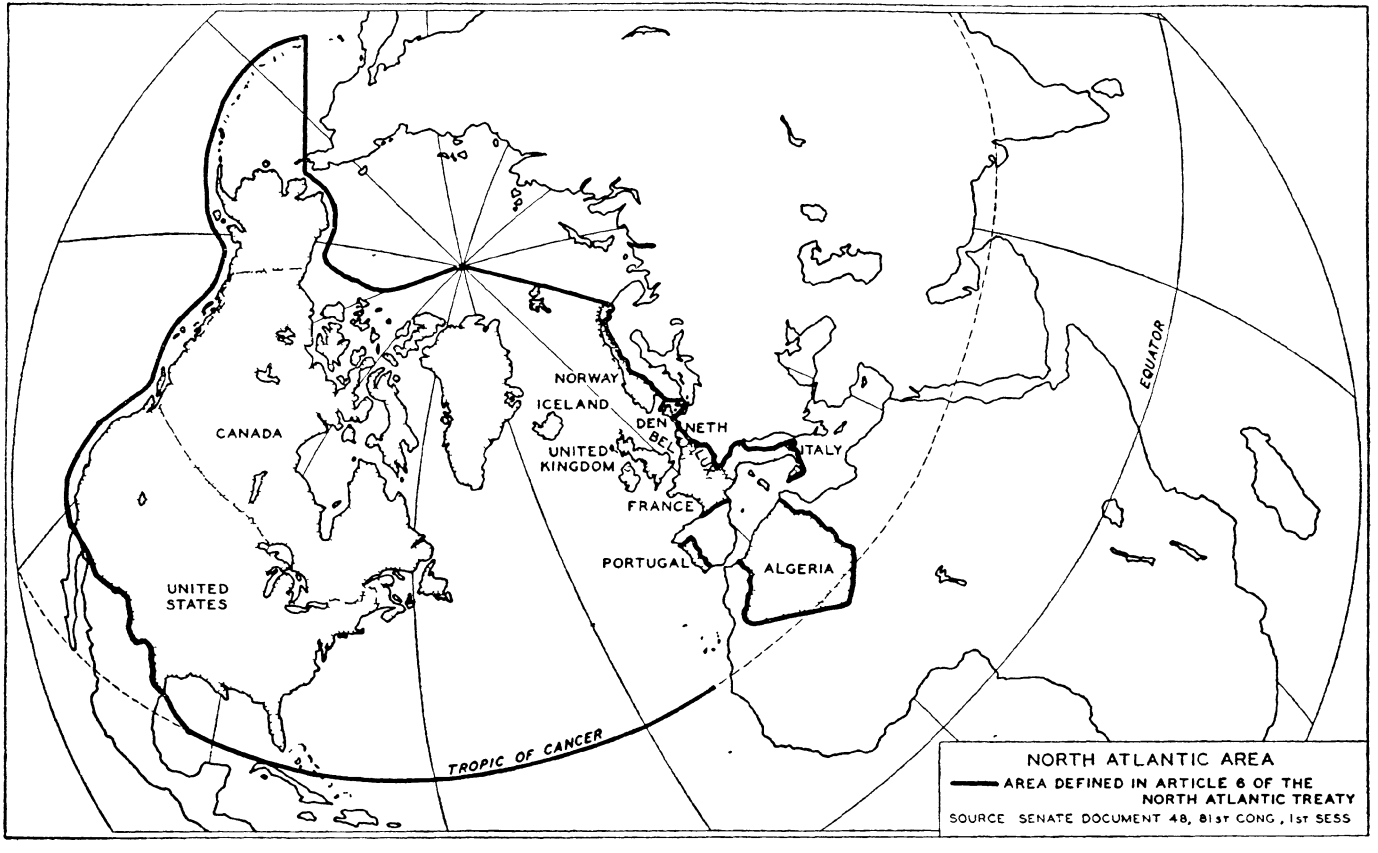
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THE NORTH ATLANTIC TREATY

The North Atlantic Treaty was signed by the United States, the United Kingdom, Canada, France, Belgium, Luxembourg, the Netherlands, Denmark, Norway, Iceland, Portugal, and Italy on April 4, 1949. At the end of June it had not yet been ratified by the United States, although ratification had been unanimously recommended by the Senate Foreign Relations Committee. The negotiation of the treaty was prompted by the growing threat of aggression by the Soviet Union against the nations of Western Europe. It followed the conclusion of the Brussels Treaty by five of the signatories of the North Atlantic Treaty who had entered into this earlier agreement for collective defense under the same threat to their security.

Participation by the United States in the negotiation of the North Atlantic Treaty was approved by the President after the passage of the Vandenberg resolution (S.Res. 239, 80 Cong. 2 sess.) in June 1948. This resolution placed the Senate on record as favoring the progressive development of regional and other collective security arrangements in


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NETH
BEL
UNITED KINGDOM
ITALY
FRANCE
PORTUGAL
ALGERIA
UNITED STATES
TROPIC OF CANCER
EQUATOR
NORTH ATLANTIC AREA
AREA DEFINED IN ARTICLE 6 OF THE NORTH ATLANTIC TREATY
SOURCE SENATE DOCUMENT 48, 81ST CONG., 1ST SESS

accordance with the United Nations Charter; the association of the United States with such arrangements as are based on self-help and mutual aid and as affect its national security; and, an expression of the determination of the United States to exercise the right of individual or collective self-defense against any armed attack affecting its national security.

The North Atlantic Treaty conforms with the terms of the Vandenberg resolution; it contributes to the maintenance of international peace and security and to the support of the principles of the United Nations. Although the treaty is directed against any aggression in the north Atlantic area, and mentions no prospective aggressor by name, it is accepted at the present time as being a measure of collective defense against possible aggression by the Soviet Union. By indicating the determination of the associated nations to oppose an armed attack, the treaty is intended to reduce the likelihood of attack. At the same time, it is to prepare for collaborative military action in repelling armed attack within the north Atlantic area.

The ratification of the North Atlantic Treaty by the Senate will present the United States with the problem of determining its position in implementing the treaty. The council to be established under Article 9 of the treaty is charged with considering the question of implementation. The United States will have to decide what organization under the council it will support, what functions and authority are to be assigned to the council, and what proposals it will make or support in the council and in the defense committee, which was also established by Article 9. The defense committee is specifically charged with making recommendations on Articles 3 and 5 of the treaty. Another issue for the United States is the position it will take on expanding the scope of military collaboration in the event that an armed attack in the area described in the treaty led to a global war.

The communist overthrow of the Czechoslovak government in February 1948 induced in the countries of Western Europe a general fear for their security at the hands of the Soviet Union. Determined to take immediate steps to ensure collective action against aggression, the governments of the United Kingdom, France, Belgium, the Netherlands, and Luxembourg committed themselves by the Brussels Treaty to supply "all the military and other aid and assistance in their power" in the event of an armed attack on any one of them in Europe. In March 1948 President Truman asked the American people

to support this treaty "by appropriate means," and expressed the hope that "the determination of the free countries of Europe to protect themselves will be matched by an equal determination on our part to help them do so." After the passage of the Vandenberg resolution in June 1948, the United States accepted the invitation of the signatories of the Brussels Treaty to discuss American participation in a collective defense arrangement for the north Atlantic area. The result was the North Atlantic Treaty.

In contrast to the Inter-American Treaty of Reciprocal Assistance, the North Atlantic Treaty makes no provision for punitive action of any kind against its signatories. By Article 4, the treaty provides only for consultation in the event of a threat, other than an armed attack, to the territorial integrity, political independence, or security of a party to the treaty. No voting procedure is laid down for the council, but all parties agree to assist a party or parties attacked in restoring and maintaining the security of the north Atlantic area.

Article 3 of the treaty prescribes that "the Parties, separately and jointly, by means of continuous self help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack." This article places a definite obligation on each party to the treaty to do its utmost to help itself and to do its share to help others to be strong, to the end that individually and collectively they may resist an armed attack. Strength is not limited to military factors, but, as Article 2 of the treaty indicates, involves moral and economic factors as well.

By Article 5 the "Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that if such an armed attack occurs, each of them . . . will assist the Party or Parties so attacked by taking forthwith, individually or in concert with other Parties, such action as it deems necessary, including the use of armed force, to maintain the security of the North Atlantic area." A strong presumption is created by this article that all parties to the treaty will respond to an armed attack by taking military action individually and collectively. The only obligation under the article, however, is for the parties to take the action that they deem to be necessary to assist the parties attacked to restore and maintain the security of the north Atlantic area. The recognition of an armed attack and the decision on the action to be taken, individually or collectively and including the use of armed force, are left to the judgment of the individual nations. Although the Defense Committee is charged with

recommending measures for the implementation of this article, no decision on the action to be taken need be made by any nation until an armed attack occurs.

The north Atlantic area is described in Article 6. Unlike the corresponding region in the Rio Treaty, the north Atlantic area is defined in broad terms only and is not given specific geographic limits. It should be noted, however, that the area does not include the eastern part of the Mediterranean Sea.

The establishment of a council, on which each party to the treaty is represented, to consider matters concerning the implementation of the treaty is provided for in Article 9. The Council is required to set up subsidiary bodies as necessary and to establish immediately a defense committee to recommend measures for the implementation of Articles 3 and 5.

The remaining articles of the treaty provide for the admission of new parties to the treaty, ratification, revision, and denunciation.

Probably the first issue to face the United States in the implementation of the North Atlantic Treaty will arise soon after the treaty comes into force. It concerns the organization and functions of the Council and its subsidiary bodies, including the Defense Committee. The organization will have to conform with the functions that the Council and its staff are to perform. In the case of governmental action the Council has advisory functions only. Its staff, however, will have planning and co-ordinating functions in the political, economic, and military fields, and may have administrative and operational duties as well. It would seem that the primary duty of the Council will be the determination of the objective to be accomplished through the collective action of the treaty nations. The common objective in peace would probably relate to the prevention of aggression; and in war, to the kind of peace that would follow. The United States must decide what peace and war objectives it will advocate or support.

The Defense Committee will be expected to arrive at a tentative strategic concept to support the common war objective, and to prepare and keep up-to-date, flexible military plans in accord with it. Here a difficulty may arise, since it will manifestly be hard to arrive at a strategic concept in discussions with twelve nations, each interested in its own inviolability. The United States will not only have to decide what strategic concept it favors, but it may also have to propose some procedure acceptable to the other nations to simplify the process of arriving at a common concept. The Defense Committee must decide

what is to be the organization of its staff in preparing effective plans for operations, intelligence, logistics, and other military matters; it must also decide what are to be the organization of the collective armed forces and the arrangements for their command.

Another issue that will face the United States arises from Article 3 and the principle of self-help and mutual aid. Self-help, so far as the United States is concerned, relates principally to the current strength of the United States armed forces, and is a national rather than an international element of national military power. The self-help of other countries is important to the United States, since it affects the amount and kind of assistance the United States may have to provide under the obligation of mutual aid. According to the principle of self-help and mutual aid, the United States, as well as all other parties, must exercise its own honest judgment of what it can and should do to develop and maintain its own capacity to resist and to help the others.

Although it has been argued that the North Atlantic Treaty obligates the United States to give military assistance to other parties to the treaty, this view is not accepted by the United States Secretary of State, who holds that the treaty obligates a signatory to do only what its honest judgment dictates in providing mutual aid. He has stated, however, that the United States can and should provide military assistance to help the other countries in the pact to maintain their collective security. It has also been held by the Secretary of State that the proposed United States Military Assistance Program for the fiscal year 1950 is not the result of the North Atlantic Treaty, which is not in effect, but is an independent action dictated by the security interests of the United States. Under Article 9 of the treaty, the Defense Committee is charged with recommending measures on self-help and mutual aid. After the treaty comes into force, the United States will have to consider the committee's recommendations in determining the aid it will furnish to other North Atlantic Treaty nations, but the decision on this matter will continue to rest with the United States alone.

The United States must also decide what it will request under the principle of mutual aid to develop its own national military power. The requests may include such matters as the acquisition of strategic materials, but one of the most important is likely to be arrangements for the use of bases. Countries with only minor military power have base sites that will be of the greatest importance in the event of an armed attack in the north Atlantic area. For example, Italy, Iceland,

and Canada have them in their own territory, and Denmark and Portugal have them in their possessions—Greenland and the Azores. Arrangements for the collective use of these base sites in war will add to the military power of the United States and to the collective military power of the treaty nations. A contribution to collective defense may also be made by a country denying bases to a possible aggressor, a case in point being Spitsbergen under the sovereignty of Norway.

The likelihood that an armed attack in the north Atlantic area will develop into a global war raises another issue for the United States. In implementing the North Atlantic Treaty a decision must be taken on the extent of the planning for global war that is to be undertaken by the Council and its agencies. Without some arrangements for planning under the Council, plans adequate to deal with this emergency might be completely lacking.

The necessity for planning may be illustrated by the strategic situation in the Mediterranean and Middle East. The security of the north Atlantic area, and particularly of Europe, requires that the North Atlantic Treaty nations control the Mediterranean and the Middle East. To maintain the vital sea and air communications through the Mediterranean to Turkey, the Levant, and through the Suez Canal to the Persian Gulf and Indian Ocean, and to ensure the availability of middle eastern petroleum, requires the exclusion of an aggressor from this entire area. The north Atlantic area, however, includes only the western part of the Mediterranean. Military plans for the defense of the Mediterranean and Middle East will of necessity extend far beyond the eastern limits of that area. Naval and air forces of the associated nations will have to keep lines of communications open, available bases will have to be supplied, and armed forces transported to the area. Moreover, collective political action will have to be taken to ensure the co-operation of countries not parties to the treaty but whose security is threatened. Similar strategic situations are likely to exist in the Far East and elsewhere to threaten the security of the North Atlantic Treaty nations, and they therefore enter into the decision on the extent of planning for defense.

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THE UNITED STATES MILITARY ASSISTANCE PROGRAM

In the inaugural address of January 20, 1949, the President proposed four principal courses of action for the United States, all of which were designed to contribute to world peace and to the security of the United States. The third of the four proposals was "to strengthen freedom-loving nations against the dangers of aggression." In amplifying this proposal the President referred to the Rio and North Atlantic treaties, the "primary purpose of . . . [which] is to provide unmistakable proof of the joint determination of the free countries to resist armed attack from any quarter. Each country participating in these arrangements must contribute all it can to the common defense." After expressing his belief that the certainty of effective resistance might deter an aggressor, the President stated that "we will provide military advice and equipment to free nations which will co-operate with us in the maintenance of peace and security." The policy proposed by the President was a further development of the policy resulting in military assistance to Greece and Turkey, intended to "help free peoples to maintain their free institutions and their national integrity against aggressive movements that seek to impose on them totalitarian regimes." Its immediate importance arose from the growing threat of aggression by the Soviet Union in Western Europe.

In support of the President's proposed policy, the executive branch of the government has developed a United States Military Assistance Program. This program has not yet been presented to Congress by the President, but the essential features of it have been made public. The program presents a problem of United States foreign policy that will have to be determined by the action of the United States Congress.

Since January 1949 the Department of State, acting at the direction of the President, has been co-ordinating the efforts of government agencies concerned with foreign assistance in shaping a unified, cohesive military assistance program. It provides for military assistance to other nations for the fiscal year 1950 only. Although the prepara-

tion of the program began before the North Atlantic Treaty was signed, it has taken account of the threat of aggression against the signatory nations, and it is intended to encourage and assist them to "build up their defense forces through self-help and mutual aid to a point where aggression cannot take place, either through internal disorders inspired from outside sources or under the guise of border incidents." The 1950 program is not expected to attain this aim in full, but only to provide the military assistance necessary to modernize and to introduce the proper balance into the equipment of the existing armed forces of the five signatories of the Brussels Treaty and of Denmark, Norway, and Italy. The program is not limited to these nations, however. It includes assistance to Greece, Turkey, and some other unspecified countries. Proposed expenditures by the United States for the program amount to 1,113 million dollars for assistance to the North Atlantic Treaty nations and 320 millions for the others.

Three kinds of assistance are contemplated in the program. A relatively small amount of dollar cash aid is to be furnished to the western European nations; arms and equipment are to be supplied directly; and technical and training assistance are to be provided. The purpose of granting dollar funds to the Atlantic Treaty nations is to increase their own production of military equipment and to speed the termination of their heavy dependence on the United States; to increase their capacity for self-help and mutual aid; and in some cases to contribute to their economic recovery by employing unused industrial capacity and unemployed labor. The direct supply of arms is to accelerate the rearming of these countries, since they cannot supply all their requirements from their own production without impeding economic recovery.

The amount of military assistance contemplated under the program for the western European nations has been determined by having regard to two principal considerations. The United States must be able to furnish the amount in question with no more than a slight financial and economic strain. And the recipient nations must have the ability to absorb the assistance without diverting their industrial and man-power resources from the tasks of economic recovery.

The intention is to combine all projects for military assistance and to cover the costs of the combined program under a single appropriation. The President would be given broad authority under this proposal to make flexible use of the appropriated funds in meeting emergency demands for military assistance as they arise, but the existing malpractice of dealing with demands piecemeal, with little or no co-ordination, would be corrected.

In administering the Military Assistance Program, it is proposed to delegate broad responsibility and authority to the Secretary of State; to delegate further a large share of the operation of the program to the National Military Establishment; and to provide that the National Military Establishment and the Economic Co-operation Administration act in an advisory capacity to the Secretary of State. This proposal is intended to contribute to the co-ordination of military assistance with the over-all foreign policy of the United States and to make it consistent with the goal of world peace.

The policy proposed by the President raises the important issue of the suitability of the policy of furnishing military assistance as a means of preventing Soviet aggression against the nations of Western Europe. This may be made an issue of United States foreign policy in the congressional debate on the ratification of the North Atlantic Treaty and on the Military Assistance Program It is contented by some that the program will have the opposite effect of provoking Soviet aggression.

Another issue concerns the relation of the Military Assistance Program to the North Atlantic Treaty. Under the principle of self-help and mutual aid set forth in the treaty, the United States is obligated to maintain its own strength and to help others to maintain theirs. In helping others, the United States is under no obligation, however, to provide military assistance. Nevertheless, it is the view of the executive branch of the government that the United States can and should provide military aid to assist other parties to the treaty in maintaining their collective security. After the North Atlantic Treaty has come into force, the interrelation of a military assistance program and the treaty may cause greater concern than under the 1950 program. This is because the provisions of Article 9 of the treaty require the defense committee to make recommendations on the implementation of Article 3 concerning self-help and mutual aid, and these will have to be considered by the United States.

The duration of the Military Assistance Program may also raise an issue in the future. The 1950 program is intended as a first step only in strengthening the treaty nations, and it leaves for later determination the amount of further assistance to be provided. The aim of the policy of military assistance over a longer period of time is not only to discourage aggression against the nations aided, but to strengthen them so that aggression could hardly be successful and would therefore be unlikely to be undertaken. The effectiveness

of the initial program, the subsequent strength of the recipient nations, and changing international relationships will all influence the solution of this issue.

An issue that will undoubtedly concern the Congress relates to restrictions on the use that may be made of the assistance provided. The decision on this issue turns on such matters as the efficient employment and maintenance of military equipment, and the security of secret military techniques. It will also be affected by the political consideration of what restrictions, if any, the United States should attempt to place on the use of its armed forces by a nation that has been strengthened by military assistance, to suppress an internal revolution not inspired or encouraged by another nation, or to suppress the attempts of colonial peoples to gain their independence. In connection with the issue of restrictions, the issue of penalties for their violation will also arise.

In addition to these broad issues there are others that relate directly to the proposed Military Assistance Program for the fiscal year 1950. The policy of concentrating military assistance in Western Europe rather than distributing it more widely to include Latin American or Asiatic countries may be questioned by the Congress The amount of military assistance may also be debated in its relation to over-all federal expenditures for the coming fiscal year. Some consideration may be given to a reduction in expenditures for the United States armed forces in compensation for the increased cost of foreign assistance. The adoption of a proposal of this kind would disregard the fact that military assistance under the 1950 program will take more than a year to be effective in strengthening the North Atlantic Treaty nations, while the reduction in expenditure on the United States forces will have immediate effect in decreasing their strength.

The proposal for a combined program with a single lump sum appropriation to be expended in emergencies at the discretion of the President may raise the question in Congress of how far it is willing to go in turning over to the executive branch of the government authority for the expenditure of large funds to implement this program. The proposal for administration by the Secretary of State may also raise the issue whether the program should be administered by some other agency of the government.

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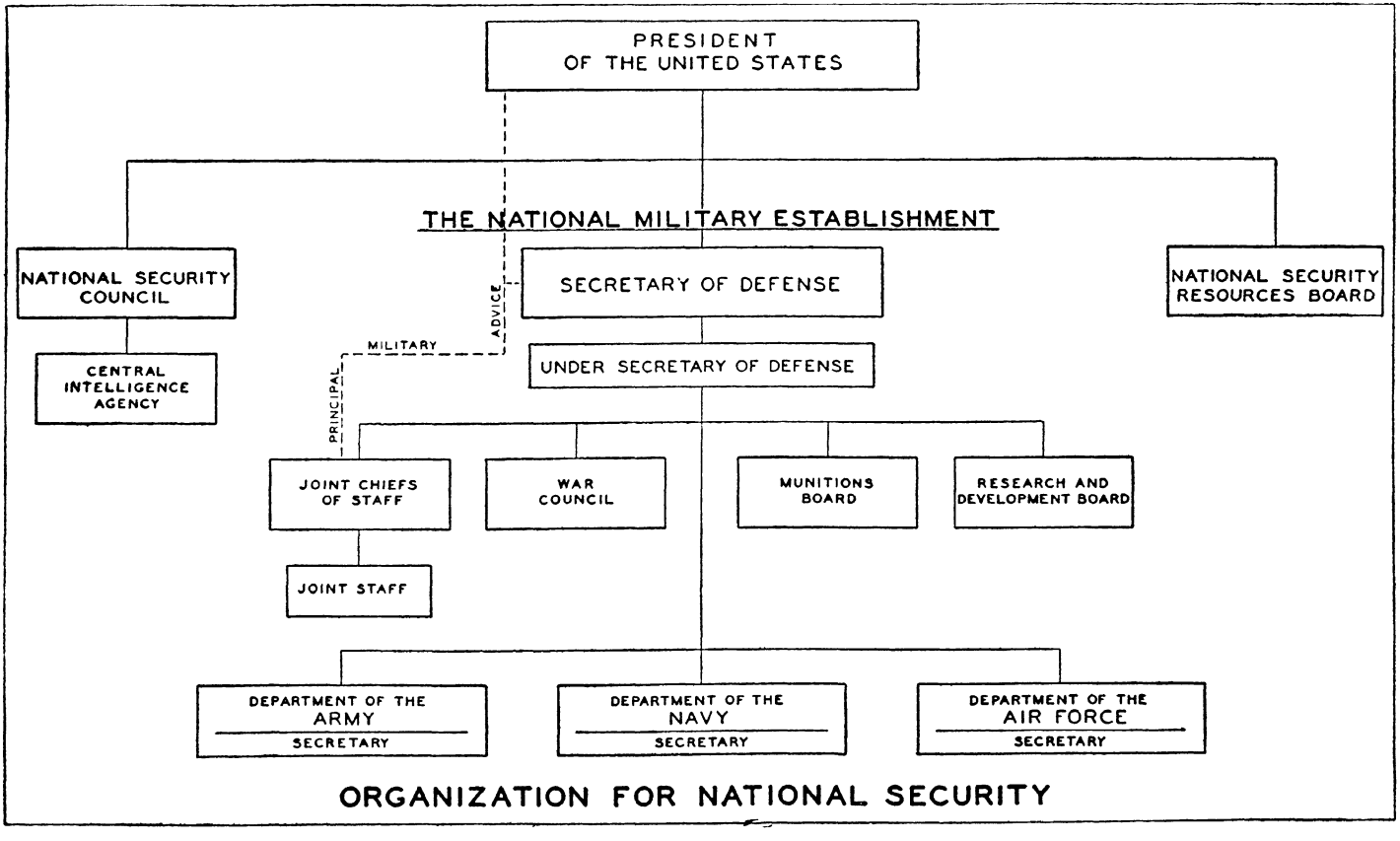
B. THE NATIONAL ELEMENTS OF NATIONAL MILITARY POWER

The essentially national elements of military power of the United States consist of the current strength of the armed forces, including their civilian components; overseas bases in territory under United States sovereignty or control; the merchant marine and civil aviation; the means for research and development; the system of intelligence; measures for the stockpiling of strategic materials and for the development of national resources; plans for military, industrial, and general civilian mobilization in the event of war; and plans for civil defense. The full effectiveness of these elements requires unity of purpose, understanding, and a high degree of moral strength in the American people.

The strengthening of the national elements of military power will also strengthen the international elements on which the United States must so largely depend for its own security. The merchant marine and civil aviation were discussed above in Section VI. Other national elements that constitute important problems at the present time are considered below.

ORGANIZATION OF NATIONAL MILITARY POWER

National security has always required a high degree of co-ordination in the formulation of foreign, domestic, and military policies, and in the employment of national power to support them. The responsibility for advising the President on co-ordination in these matters was placed on the National Security Council by the National Security Act of 1947. Although the functioning of this body has been effective, other features of the act, designed to unify the armed forces of the United States, have failed to accomplish their purpose adequately. Amendments to the act therefore are now under consideration by the Congress. The chart on page 281 shows the organization set up by the act "to provide for the establishment of integrated policies and procedures for the departments, agencies, and functions of the Government relating to the national security." The only legislative change in the act that has been made so far is the creation in April 1949 of the office of Under Secretary of Defense. Many other changes



ORGANIZATION FOR NATIONAL SECURITY

in the two-year-old law have, however, been contemplated, most of them to affect only the National Military Establishment.

Early in March 1949 the President asked Congress for legislation that would strengthen the National Military Establishment in general and the position of the Secretary of Defense in particular. He based his recommendations largely on the report that the Hoover Commission had submitted to Congress the month before. Measures to amend the 1947 act, incorporating the majority of the President's proposals, were introduced in the Senate on March 16 and in the House on March 28. Although the latter has not yet taken action, on May 26 the Senate passed the National Security Act Amendments of 1949, a bill on which the late Secretary of Defense Forrestal had testified favorably. Of the seven major provisions in the Senate amending bill, three were in accordance with the previous recommendations of the Hoover Commission and of the President.

The most significant provision was the stipulation that the Secretary of Defense is to "be responsible for exercising direction, authority, and control over the Department of Defense," instead of establishing "general policies and programs" and exercising "general direction, authority, and control," to which he was limited by the 1947 act. Another provided for a Deputy Secretary of Defense to replace the Under Secretary furnished by the April amendment. The third was the creation of the post of a non-voting chairman of the Joint Chiefs of Staff, to be the principal military adviser to the Secretary of Defense and to the President.

Other measures of the Senate bill raised the National Military Establishment to the status of "an Executive Department of the Government to be known as the Department of Defense," as had been requested by the President, and reduced the Army, Navy, and Air Force to subordinate, military departments. The service secretaries would be excluded from membership in the National Security Council, and their right of appeal to the President over the head of the Secretary of Defense would be withdrawn, a right specifically condemned by the Hoover report. Another finding of that report was reflected in the Senate's provision for a comptroller in the office of the Secretary of Defense, to act as chief fiscal officer for the entire Department.

Notwithstanding the weaknesses in the National Security Act as it now stands, the National Military Establishment in its first fifteen months under the act achieved many notable successes. Strategic plans, long and short range, were formulated; the 1950 budget for

the establishment was submitted to the Bureau of the Budget on an integrated basis; the roles and missions of the services were defined; progress was made toward co-ordinated military procurement; unified command over all major overseas theatres was established; and techniques for an annual legislative program were developed.

The major differences of opinion on the organization of national military power arise from two main issues inherent in the attempt to unify the armed forces: the authority of the Secretary of Defense, and the organization of the Joint Chiefs of Staff. Involved in the first issue are such questions as the membership of the National Security Council, the right of the service secretaries and military chiefs to deal directly with the President and with Congress, and the relations of the Secretary with Congress. The organization of the Joint Chiefs of Staff raises the questions of appointing a fourth officer as chairman, of the qualifications of the chairman, his relation to the President and the Secretary of Defense, and the powers he should have.

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STRENGTH OF THE ARMED FORCES

In the employment of national military power one of the vital problems to be solved is the attainment of the proper strength of the armed forces. The solution of this problem in the United States first calls for an estimate of the current need for military preparedness. The man power and material requirements based on this need must then be carefully weighed against competing claims on the national economy arising from other objectives of policy before the final decision is taken. The strength of the armed forces, including the personnel and their armaments and installations, is gauged only roughly by the number of men in the regular services and by the amount of equipment available for their use. The state of morale and training, the method of personnel procurement, and the size and effectiveness of the reserve components all affect the total strength. The suitability

of weapons and of other equipment, both in use and in reserve, is also important. Installations weigh heavily in the over-all strength not only according to their number but to their locations and development and the size of the civilian forces they employ. Other factors in gauging over-all strength are civil aviation, the merchant marine, and the disposition of the armed forces as required by military commitments and strategic plans.

The decisions of many officials in the government contribute to finding the answer to this vital question, but the military departments themselves take the first step. The Army, Navy, and Air Force submit their personnel and material requirements for the coming year to the Joint Chiefs of Staff, who review them in the light of existing strategic and logistics plans based on the state of international relations, the prospects of war, and the economic capacity of the nation to wage the kind of war that may be envisaged. Military considerations come first in this Joint Chiefs of Staff review; it is not until the recommendations are presented to the Secretary of Defense and to the President that they are balanced against other national and international requirements. They are then sent to Congress.

By specific authorization and the regulation of funds, Congress makes the final decision on the strength of the armed forces. It sets the number of personnel and prescribes the method of obtaining it. It controls the availability and suitability of armaments and installations, and it is also responsible for the adequacy of the merchant marine. The disposition of the armed forces, on the other hand, is a function of the President as Commander-in-Chief.

The authorized number of personnel in the armed forces for the fiscal year 1949, under the provisions of the Selective Service Act of 1948, was 2,005,882 officers and men and 161,000 one-year enlistees. Appropriations for that year, however, were sufficient to maintain only 1,758,400 officers and men in the services. As of December 31, 1948, there were 1,621,000 personnel on active duty, including the students at the service academies. The Navy and Air Force shares of this total had been met by voluntary enlistments, and the Army had had to draft about 30,000 men. In January 1949 the Army decided that it could meet its quotas without the draft, and it accepted few draftees in that month and none in the next. In March it announced that if voluntary enlistments continued at the current rate, the draft holiday would continue for the duration of the Selective Service Act, or through June 30, 1950.

The total appropriation and contract authority for the armed

forces in the year ending June 1949 amounted to 14.7 billion dollars; in the fall of 1948 the President indicated that he would put a ceiling of 15 billions on the military budget for the following year. The first, tentative estimates of the 1950 budget from the individual armed forces, however, came to 30 billions, a figure that was reduced by the Joint Chiefs of Staff and the Secretary of Defense to 16.9 billion dollars. This would have supported a regular military establishment of nearly 1,900,000 officers and men. When the President insisted on his 15 billion dollar limit, the National Military Establishment cut its budget to 14.7 billions, but made no provision for a universal military training program. The President added 800 million dollars on that account and nearly 300 millions to offset higher shipbuilding costs, which made the national defense budget 15.9 billion dollars the greatest in peacetime history.

In presenting the budget to Congress, the President explained that it was based "on a plan for a national defense position of relative military readiness coupled with a higher degree of mobilization preparedness." As passed by the House on April 13, the National Military Establishment Appropriation Act, 1950, provided for $15,909,116,800, thus exceeding the President's own recommendation. The House defense bill differed from the President's request in two important particulars—the strength and composition of the Air Force, and universal military training. Each of these represented an issue of long-standing significance.

In presenting his budget in the previous year, the President had insisted that balanced forces were necessary to the maintenance of a co-ordinated fighting team, and he had recommended an effective 55-group Air Force. The Congress, however, had supported a 70-group Air Force, and although the executive branch had expressed its willingness to compromise on 66 groups, the Congress provided funds to initiate 70 combat air groups of the latest design. In 1949 the disagreement between the Executive and Congress was still apparent. The President's 1950 budget provided for cutting present Air Force strength to 48 groups and ten squadrons, thus ensuring, he said "a balanced military program." The popularity of the Air Force concept of modern defense, however, produced overwhelming House support of a larger Air Force, and a bill authorizing 70 groups was sent to the Senate. This bill would provide for an immediate strength of 59 effective groups and an annual procurement sufficient to provide by the fall of 1951 the additional units required.

The composition of the Air Force as well as its over-all strength has reflected a gradual change in plans for the defense of the nation.

Although the actual and contemplated strength of the Air Force has varied from 48 to 70 groups of all types, the Air Force itself has continued to place greatest emphasis on strategic bombers. This was shown in the testimony before the House appropriations subcommittee in 1949, when it was stated by Air Force spokesmen that in scaling down from 70 groups, the department had tried to preserve the long-range striking force even at the sacrifice of tactical bomber and fighter support for ground forces.

The President's message accompanying his 1950 budget stated that his program gave "priority to air power and to strengthening the civilian reserve components." In view of the fact that "our concept of national defense places important reliance upon the readiness of civilian soldiers," he requested 800 million dollars for universal military training, a program urged by the National Military Establishment to provide a source of trained man power, not for the peacetime regular services, but for the reserves. Notwithstanding the statement of the Secretary of Defense to the effect that permanent legislation for universal military training was essential to the minimum acceptable degree of national security, the April House measure did not provide for it. The reserve components of the three services now number well over 2 millions, and of these 450 thousand trained with organized units last year. A universal military training program would eventually, significantly increase these numbers.

Although the current military strength of the United States was allowed to decline after the second world war, a valuable element of military power was preserved in the overseas base sites. In the Atlantic area the United States has sites under its own sovereignty in Puerto Rico and the Virgin Islands, in addition to leases on installations in Guantanamo, Cuba, and eight locations under British sovereignty. In the Pacific it has bases in Alaska, the Aleutians, Samoa, Guam, and the Hawaiian Islands; it also has long-term leases on certain sites in the Philippines. The United States government has indicated its willingness to act as the administering authority under a United Nations trusteeship for any islands that may be detached from Japan in the peace settlement. Of these the Marcus, the Bonins, the Volcanoes, and the Ryukyus are of great strategic importance.

The increase in the current military strength of the United States in the past year has combined with international elements to improve the security position of the United States. It cannot yet afford, however, to relax its efforts to become so strong that instead of inviting it will discourage attack. The first issue, therefore, is how strong the

armed forces must be, in the light of current international relations, the state of the national economy, and the adequacy of collective security arrangements.

The second issue relates to the composition of the armed forces. There is agreement that modern military strength is based on air power, but the proper balance between long-range strategic bombers and tactical aircraft has yet to be achieved. The roles to be played by ground and naval forces are also still a matter of discussion. Furthermore, consideration must be given to the means of ensuring that satisfactory personnel are procured in numbers adequate for both the regular and the reserve components that have been authorized. Factors affecting recruitment include the adequacy of military salaries, and the existence of universal military training and permanent selective service. These are now being debated, but like the entire military program, they will require frequent review.

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NATIONAL ECONOMIC POTENTIAL FOR WAR

The strength of the armed forces, including as it does the timely and adequate provision of military man power, armaments, and supplies, rests largely on the national economic potential for war. The latter depends on how much of the national economic resources must be allocated to essential civilian needs. Hence maximum efficiency in the use of the economic potential for war requires the peacetime preparation of plans for industrial and civilian mobilization and for civil defense, and their prompt execution in time of war

Before the second world war no nation fully realized the extent of the demands that modern war places on the national economy. Until 1947 only one officer in the United States government—the Assistant Secretary of War—was charged with the duty of planning for industrial and civilian mobilization. In July 1947, however, the National Security Resources Board was established under the National Security Act, and in the following November the board held its first meeting. Since the board, in addition to the chairman is composed of the secretaries of State, the Treasury, Defense, the Interior, Agriculture,

Commerce, and Labor, it should prevent much of the disorder and confusion that so detracted from the United States war effort in the first months of the second world war. As yet, however, no plan for industrial mobilization or for civil defense has been promulgated.

The National Security Resources Board is a presidential planning and co-ordinating agency; it is responsible for correlating military and civilian requirements with the available human, natural, and industrial resources. A staff, rather than an operating organization, it advises the President on the co-ordination of military, industrial, and civilian mobilization; it also provides guidance for the mobilization planning of all agencies of the executive branch of the government. In March 1949 the President transferred responsibility for the planning of civil defense from the National Military Establishment to the Board.

One of the major difficulties encountered by the Board has been the general misunderstanding of its function by government officials and the public. In its early stages it was commonly regarded as the nucleus of the agencies that would be charged with regulating war production, transportation, communications, food, housing, man power, and the many other factors involved in total war. The opposite view, developed later, was that the enacting legislation envisaged the Board as a planning and co-ordinating group only. Recent announcements by the President and the acting chairman of the Board have supported the latter as the official interpretation. Thus, in any future major conflict, the duties performed during the second world war by the War Production Board, the Office of Defense Transportation, the War Manpower Commission, the Office of Price Administration, and many other similar organizations, may be handled either by new agencies created for the purpose or by the expansion of activities now existing in other parts of the government, such as the Departments of Commerce, Agriculture, and Interior, and the National Military Establishment.

The Munitions Board, in the National Military Establishment, is one agency that may be so expanded. The main function of this board, set up as successor to the Army-Navy Munitions Board by the National Security Act of 1947, is to plan for the military aspects of industrial mobilization; to co-ordinate the procurement, production, and distribution plans of the three services; to determine priorities for the various segments of military procurement; to maintain liaison for the correlation of military requirements with the civilian economy; and to review material and personnel requirements pre-

sented by the Joint Chiefs of Staff. The Board also has the staff responsibility, under the guidance of the National Security Resources Board, for the stockpiling of materials "required for essential uses in a war emergency, the procurement of which in adequate quantities, quality, and time is sufficiently uncertain for any reason to require prior provision for the supply thereof." It must therefore maintain close relations with the National Security Resources Board and the Joint Chiefs of Staff. Planning activities must be fitted to current operating requirements, and strategic plans must be prepared with due consideration for all the manifold problems of supply.

Although the United States has as yet, nearly two years after the creation of the National Security Resources and Munitions boards, no fully-developed plans for economic mobilization, these two agencies have made substantial progress in many fields. The electric power needs of the United States have been surveyed; stockpiling and raw materials have been studied; and civilian requirements in case of war have been estimated, together with military requirements, and then weighed against total resources in steel, copper, aluminum, petroleum, and other key materials. A survey of the industrial capacities has been begun. Government-built munitions plants and large quantities of machine tools are being set aside, and up to 30,000 manufacturers of arms and military equipment have been allocated to the services for purposes of procurement planning.

Planning for civil defense is designed to minimize the interference of the more direct operations of war with the national war effort as a whole. For this purpose the National Security Resources Board is endeavoring "to utilize" several governmental organizations, such as the Federal Works and Security agencies, the Atomic Energy Commission, and the departments of Agriculture, Commerce, Justice, the Interior, and the Treasury. The National Military Establishment is directing the planning for civilian participation in air-raid warning systems, auxiliary anti-aircraft, and harbor defenses, and other measures against armed attack.

Many issues remain to be resolved before the United States can be assured of the optimum utilization of its economic potential in time of war. The first issue, which must be settled before any effective plan can be promulgated, is the kind of plan required. In the past, mobilization plans have been considered unsuitable because of their inflexibility. The government must now decide whether it requires a complete blueprint before war breaks out or merely an indication of the direction along which wartime activities should develop. This

decision will have to be made on various assumptions concerning the immediacy and duration of the prospective war. Some preparatory steps, however, must be taken now, and it seems clear that plans must be prepared for certain measures to be introduced only after mobilization has been ordered or as war becomes imminent.

Once agreement on the kind of plan has been reached, other questions will have to be answered. Should the United States plan to create new agencies or to expand existing peacetime agencies, for the assumption of wartime responsibilities? To what extent if at all should the United States rely on an unemployed reserve of man power and industrial capacity when war breaks out? Or should it alternatively in its preparatory measures assume full employment of resources and build up an industrial reserve for strictly wartime purposes? No estimates of man-power potential or its tentative allocation have yet been made, but these, in conjunction with answers to the preceding questions, will be necessary to plan for the increase in man power that will be needed in time of war.

Another important issue is the size and constituent parts of the stockpile of critical materials. Under the Stockpiling Act of 1946 it was planned to acquire by 1951 a stockpile that was valued at about 2,100 million dollars in 1946 and had risen in value to 3,767 millions by February 1949. Only 821 million dollars' worth of material had been delivered to the pile by the end of 1948, and of this total, all but 171 millions represented transfers from prewar stocks and wartime surpluses. In February 1949, half-way through the five-year period, the chairman of the Munitions Board estimated that only 22 per cent of the ultimate objective had been reached. This was so despite the fact that the objective was "no more than a minimum insurance policy against absolute stoppage of our industry in a major war." To make matters worse, the present stockpile is not merely inadequate in amount but the constituent parts are not well-balanced, for surpluses of some key items exist side by side with shortages of others. The removal of this deficiency is essential if the economic potential for war is to be maximized.

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PART THREE

PROBLEM PAPERS

INTRODUCTION

THIS CONCLUDING part of the volume contains three papers, each of which deals with an important problem confronting the United States in the midsummer of 1949. The three problems were selected from those discussed in Part Two, but they are given here a more detailed treatment that is designed to make them illustrative of papers used by government officials in the formulation of foreign policies.

The process of policy formulation takes place in several stages and at several levels. Whenever the government must come to a decision on a problem, the officials concerned must first determine whether possible action falls within the framework of a previously established policy or whether it requires the formulation of a new policy. If a new policy is necessary, the formulation of it constitutes the next stage of the policy-making process. In either case, a further stage follows of determining the best means of giving effect to the policy, bearing in mind that the measures undertaken may directly react on the policy, and possibly on the problem itself. Finally, occasions frequently arise for a periodic or *ad hoc* review of the established policy or of measures taken to give effect to it, in the light of further study, or difficulties of implementation, or changed circumstances, or any other pertinent factors. In practice, these stages frequently overlap, but they are clearly distinguishable, and they all require basically the same type of analysis.

The problem under consideration must be identified and described from the viewpoint of the general and specific objectives of the United States that are relevant to it. It must then be analyzed with reference to its origin, its importance to the United States, and its development. This must be followed by an examination of the main issues to which the problem gives rise; of the several alternative courses of action open to the United States for the resolution of each issue; and of the principal implications of, and arguments for and against, each particular course of action. All this must be done in the light of the guiding principles and objectives of United States foreign policy; the state of public opinion; the attitudes of other governments; the relation of the particular problem to other problems confronting the United States; and the numerous other factors at home and abroad that condition the conduct of foreign relations. When these elements are brought together in written form, the resulting document is a "problem paper."

There is no single method employed throughout the government for the preparation of the necessary materials, although there is similarity among the methods used. The problem papers presented here are a

composite of a number of these methods and are designed to be representative of governmental procedure in general. There are, however, several important differences between official papers and those presented here. For example, papers prepared in the government reflect the use of confidential and oftentimes highly secret information, whereas the papers in this volume are based entirely on information available to the public. Another difference is that the papers presented here stop with the analysis of the issues and alternative courses of action, whereas official papers are carried a step further, which is to recommend to policy-deciding officials a preferred course of action. Since the purpose here is to demonstrate a technique of analysis and discussion rather than to reach conclusions, this final step is omitted from the problem papers that follow, which are designed to aid the reader in reaching his own conclusion and in keeping in mind the courses of action rejected and the reasons for so doing.

Many readers or users of the problem papers may, of course, desire to take this next step and to make up their minds on which of the alternative courses of action they would regard as preferable. What we are trying to emphasize is that this selection should not be made until the problem is subjected to a rigorous examination on the lines suggested in the problem papers.

The main purpose of the problem papers is to enable those who use them to put themselves in the position of government officials charged with the duty of exploring possible courses of action for giving effect to an already determined policy. The officials may or may not agree with the policy, but their immediate task is to find ways of applying it, rather than to review it. In the same way, the study and discussion of each problem paper in this volume are intended to proceed within the framework of the existing official policy on the problem under consideration, with primary emphasis on the various ways open to the government of the United States of implementing the policy. This does not necessarily imply that either the authors or the users of the paper approve the official policy.

After going through this process, the users of the problem papers may desire to proceed to a review of the existing policy. This would be extremely helpful to an understanding of the policy-making process as a whole, provided that the review itself is conducted on the basis of a thorough consideration of possible alternative policies that might be adopted, and of the implications and the principal advantages and disadvantages of each alternative.

I. THE PROBLEM OF AMERICAN ASSISTANCE TO UNDERDEVELOPED AREAS

THE PROBLEM is, in giving effect to a new program of assisting the peoples of economically underdeveloped countries to raise their standards of living, to determine where the major emphasis of the program should be placed, to select the most effective means of carrying it out, and to make it contributory to other aims of United States foreign policy.

A. NATURE OF THE PROBLEM

Assistance to underdeveloped areas was the fourth of the major courses of action in American foreign policy set forth by the President in his inaugural address of January 20, 1949, and plans to carry it out have consequently become known as the Point IV program. The other major courses of action were support of the United Nations, programs of world economic recovery, and the strengthening of freedom-loving peoples against the dangers of aggression.

THE CONTENT AND SETTING OF POINT IV

In view of the importance of the President's statement for the development of United States policy and action, it is quoted here in full:

> Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.
>
> More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.
>
> For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.
>
> The United States is pre-eminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.
>
> I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.
>
> Our aim should be to help the free peoples of the world, through their

own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a worldwide effort for the achievement of peace, plenty, and freedom.

With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.

Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guarantees to the investor must be balanced by guarantees in the interest of the people whose resources and whose labor go into these developments.

The old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.

All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies—hunger, misery, and despair.

The President laid particular stress on three points of general significance: the material resources that the United States can afford to use for the assistance of other peoples are limited; the imponderable resources of the United States in technical knowledge that can be shared with underdeveloped areas are growing and inexhaustible; and the program for making the benefits of scientific advances and industrial progress available will be an integral part of an over-all program of peace and freedom.

Before the inaugural address many activities relevant to the new program were already being carried on by agencies of the United States government, in some cases in co-operation with private agencies and international bodies. The effect of the address has been to elevate these activities to a new position of importance at a time when there is a growing need for the reformulation of the role of the United States as the principal international creditor and the major economic power.

Four main factors have created this need, the first of which is the

almost universal drive for development by all countries that regard themselves as "underdeveloped." Two special features of the drive raise major policy problems for the United States: the pronounced feeling in Latin American and middle and far eastern countries that American assistance has unduly favored Western Europe; and the need of colonial and dependent peoples for economic assistance to aid them in achieving self-government or independence.

Second, the need has arisen because the world economy is in an unusual condition of unbalance, owing to the fact that production in many areas has not recovered from the effects of the war. Balance-of-payments problems abound, and in some cases it has appeared that increasing productivity in underdeveloped countries might contribute to a solution. Since the lack of balance is reflected in a "dollar shortage," the provision of capital by the United States for development abroad would give immediate relief. This is the largest element in the third factor that has created the need for reformulation of policy, the inability of the United States government to meet all the demands upon it for economic and financial assistance.

The final factor is more intangible: it is adumbrated in the President's reference to "the old imperialism—exploitation for foreign profit," which reflected the emotions and political attitudes of capital importing countries rather than the historical record of foreign capital in economic development. The history of the role of foreign capital or capitalists in economic development is not adequately described in terms of "exploitation." Immense benefits have been derived in areas that have attracted foreign capital and skills, and the abuses of "exploitation" by foreign capital have not been demonstrably greater than those associated with domestic capital. Neverthless, the President gave expression to a new sense of international responsibility, which developed during the war, for the living standards of less fortunate peoples.

OBJECTIVES OF THE PROGRAM

In recent years it has been the policy of the United States to foster economic co-operation among nations and to remove the economic causes of international friction. These are regarded as indispensable conditions of a peaceful world order. American policy has sought to translate the principle of economic co-operation into action, through UNRRA, the specialized agencies of the United Nations, including the projected International Trade Organization (ITO), the European recovery program, and in many other ways. The announcement of the Point IV program was, therefore, in one sense only a further development of established policy. In another sense, however, it was

a new departure—it was the first time that any government has made the economic development of other countries a major feature of its foreign policy.

As a part of United States foreign policy the Point IV program is designed to serve the primary interests of the United States, of which four were emphasized by the President in his message to Congress of June 24, 1949 on Point IV legislation: (1) to have new and stronger nations associated with us in the cause of human freedom; (2) to strengthen the United Nations and the fabric of world peace; (3) to contribute to restoring the economies of free European countries and (4) to increase our trade and economic stability by increasing the output and national income of underdeveloped countries.

The development of the program in furthering these four primary interests will touch on other aspects of foreign policy and raise a number of difficult problems.

In his inaugural address the President declared that "democracy alone can supply the vitalizing forces to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies—hunger, misery and despair." Many underdeveloped areas do not now enjoy and some do not even aspire to political democracy in the Western sense of the term. Yet their participation in the program is implied by its economic objectives. Should it be assumed that the benefits of the program will create conditions in which democracy will develop naturally, or should the presence or absence of democratic institutions be a factor in determining the distribution of assistance?

A kindred question also arises from the President's references to free and peace-loving peoples. It seems imperative to approach the program with a clear conception of how "free" and "peace-loving" peoples should be defined. How should the line be drawn between underdeveloped areas that are, and those that are not part of the free world? In distributing aid should the interests of the United States in strengthening the free countries of Europe override its interests in helping countries the economies of which are "primitive and stagnant"? The answer depends in part on what view is taken of the relation of a program for raising standards of living throughout the world to United States security policy.

The question of how to draw the line between free and peace-loving countries and other countries also has a direct bearing on the United States policy of strengthening the United Nations and the fabric of world peace. Should all the members of the United Nations be re-

garded as peace-loving countries since that is a requirement of membership, or should some other definition be adopted for the purposes of Point IV? The question is important in the light of the President's directive to use the United Nations and the specialized agencies whenever practicable in the execution of the program.

If the Point IV program stimulates production in underdeveloped areas, it will involve the purchase of capital equipment and manufactured goods not only from the United States but from Europe. This will enable European countries to increase their total imports, including more raw materials and semifinished goods from underdeveloped countries. The diminished dependence on the United States associated with this increased activity would improve the balance in the world economy. On the other hand, the removal of obstacles to the flow of private capital investment might be accompanied by the production in underdeveloped areas of high-cost manufactures that are competitive with European and United States products and need protection to survive. United States foreign economic policy does not envisage an increase in trade barriers. Care must therefore be taken to guard against a conflict between some aspects of the Point IV program and established United States foreign trade policy. Decisions may be necessary on this aspect of the problem. Should, for example, development surveys include recommendations on the commercial policies of the receiving countries and should specific projects be screened for consistency with the objectives of United States commercial policy? Or again should development projects be scrutinized from the point of view of United States policy on restrictive business practices? The answers will depend on whether it is accepted that particular American business interests should be subordinated into the general interest.

The United States has a legitimate interest in maintaining and expanding its exports. The abnormal postwar volume of exports is already declining, and it would seem to be inevitable that the decline will continue as the "dollar shortage" problem approaches solution. This is bound to necessitate difficult adjustments in certain sectors of the economy, and pressures may develop to use the Point IV program in providing outlets for exports from these sectors. To allow such pressures to influence the geographic distribution of assistance would mean sacrificing the program to sectional and short-term considerations, and would be out of harmony with the emphasis placed by the President on making the interest of the receiving country the touchstone of the program.

Pressures may also arise for tariffs or other devices to keep the

products of assisted countries out of United States markets. To yield to such pressures would be to stultify the program. The long-run economic benefits of the program to the United States are to be sought not in providing export outlets for particular sectors of the American economy, while resisting the efforts of the receiving countries to pay for them in goods; they are rather to be sought in the general expansion of trade that follows economic development. As standards of living in underdeveloped areas rise, both the desire for, and the capacity to purchase, many United States products will increase. The principle at stake is whether the long-run interests of the United States as a whole are to be sacrificed to the more obvious present gains of sectional interests.

The principle is also at stake in another way. All over the world efforts are being concentrated on increasing production of types that are "dollar-saving," and the same objective might enter into the Point IV program. But production that is dollar-saving at the moment may not be the type that in the long run is best suited to the capacity of the area or to the permanent establishment of a balanced world economy, and it would be sacrificing the more fundamental interests if the short-run advantages were sought.

The foregoing questions involve the broad objectives of the program. Equally difficult problems will arise in its planning and execution.

GENERAL APPROACH TO PLANNING AND EXECUTION

In presenting the Point IV program before the Economic and Social Council (ECOSOC), Assistant Secretary of State Thorp introduced a very broad concept of economic development; it included changes in cultural patterns and administrative techniques and improvements in the level of education in addition to transfers of techniques in agriculture, transport, communications, and industry. This broad concept implies a long-range program, and if it is adopted, it will affect the emphasis to be placed on the various types of technical assistance and on investment, and therefore the critera to be used in giving assistance.

In his recommendations for legislation the President put the emphasis mainly on technical assistance. Capital assistance by the government is not referred to, and for stimulating the flow of private capital reliance is placed on investment treaties and on a modest experimental program of investment guaranties by the Export-Import Bank. In his accompanying message the President described the relation be-

tween capital and technical assistance in these terms: Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful.

The underdeveloped countries, on the other hand, make much of the point that if the use of technology is to spread in a receiving country it must be accompanied by large quantities of materials and equipment. In general they are impatient, and they expect and even demand spectacular results from the assistance to be rendered, ignoring the fact that they may be confronted with problems such as over population that extend beyond the range of technical assistance however broadly it may be defined. It may therefore be necessary to decide whether political considerations will require deviations from the rule that the program should be long-range relying heavily on self-help and domestic capital formation in the receiving country.

Finally, large-scale technical assistance for economic development might be associated with a high degree of economic planning in the recipient countries and in the allocation of assistance between countries. It is therefore necessary to decide whether the Point IV program contemplates an institutionalized approach that involves a great deal of planning, or whether the emphasis is to be on releasing the more or less un-co-ordinated energies of private enterprise.

In his message to Congress the President emphasized that "we are at the beginning of a rising curve of activity, private, governmental and international, that will continue for many years to come." It is inevitable that so vast a program, and especially one still in the formulative stage, should throw up many questions not only on the means of executing the program but on the scope and characteristics of the underlying problem. It is not to be expected that the nature of the Point IV problem in all its aspects will be sharply and clearly defined at the outset. A satisfactory formulation of the problem may be achieved only in the process of taking policy positions on a series of specific problems that appear in implementing the program. Only the general objectives have been stated and only the general means are visible.

B. DEVELOPMENT OF THE PROBLEM

There is hardly any aspect of the postwar foreign economic policy of the United States that has not been affected by the aspirations of the so-called underdeveloped countries to industrialize and to diversify their production. Almost all underdeveloped countries have looked to the United States for some form of assistance. The calls for assistance have been based on widely different ideological preconceptions, and they have had to be considered in conjunction with a variety of political problems.

In Latin America assistance for economic development has been part of the good neighbor policy and of the regional co-operation built up in the inter-American system. It has not silenced the Latin American complaint that the United States has concentrated unduly on building up Western Europe. In colonial territories aid has necessarily been related to the main objectives of the European recovery program, but it has also had to be in harmony with the American policy of supporting the aspirations of dependent territories for self-government. Thus the United States has been confronted with difficult problems; for example, in connection with the Economic Co-operation Administration assistance to the Netherlands for use in the Dutch East Indies. In the Far East economic aid has had to be considered in conjunction with the new role of Asiatic countries in world affairs and in the Middle East with the rise of Arab nationalism. In Eastern Europe, the fourth great area in which the drive for economic development is of major importance, American assistance has been conditioned by all the problems associated with the East-West conflict.

NEED FOR AN OVER-ALL POLICY

After the war ended it became evident that an over-all policy of United States assistance for economic development would sooner or later be needed. The depression of the 1930's and the second world war had important consequences in stimulating industrialization in countries that were largely producers of agricultural products and other raw materials. Many governments became convinced that economic and social progress could be attained only by greater diversification of production, by improved technology, and by greater industrialization. Largely as a result of the war some underdeveloped countries in the past decade have made substantial progress in industrialization. This was more marked in a few Latin American countries than in India, China, and the East Indies.

The problem of assistance to underdeveloped areas that confronts

the United States involves more than the continuation of progress already made. The programs of all underdeveloped areas have certain common characteristics. They emphasize heavy industry and power developments, in sharp contrast to the traditional emphasis on light manufacturing and processing and on the essential transportation and other basic facilities. They also emphasize large-scale individual projects, and will require complementary investments, which cannot be carried out without active government financing or operation. The development of the "fomento" corporation in Latin America is a clear example. Industrial planning on an ambitious scale in countries where facilities are not available for domestic capital formation meets with difficulties, not the least of which is the great need for dollar assistance. For example, estimates of Latin American needs are put at 5 billion dollars and of "essential needs" in the Far East at 30 billions. Demands of this magnitude clearly cannot be met in any short period by the United States government or by existing international financial agencies. Even under the most favorable conditions for releasing the flow of private foreign investment, they could be met only over a considerable period of time.

Economic development, if it is to be successful, must be based on scientific and technical knowledge of the resources, potentialities, and requirements of the area; it must be related to the physical welfare and intellectual development of the people. This is the lesson of experience in the British colonies, and it has been duplicated in the French colonies. It may be responsible for the recently organized Office of Scientific Colonial Research in the French Overseas Ministry.

There is much experience to indicate that great improvements in productivity can be achieved in all underdeveloped areas by technical assistance that does not require large-scale transfers of capital. The United States has for some years been providing such assistance to Latin American countries on a co-operative basis, but until the inaugural address of the President no thought was given to the formulation of a global policy for the same purpose.

UNITED STATES PROGRAMS

The two main programs of United States technical co-operation that were in operation at the time of the inaugural address were being carried on by the Inter-Departmental Committee on Scientific and Cultural Cooperation (SCC) and by the Institute of Inter-American Affairs (IIAA).

The SCC Program

The SCC Committee consists of a representative of each of the twelve United States government agencies that are now conducting co-operative programs with other Latin American countries. The Department of State appoints the chairman, and the operating funds are annually appropriated to that Department. Programs may be submitted by any agency and, after review by the Department of State, they are included in its budget request. Since 1941 the Department has also been authorized to carry out cultural activities that no other agency is equipped to handle.

The activities of the SCC Committee are subject to two major policies: first, that no projects are undertaken without tangible evidence of reciprocity and willingness to co-operate on the part of the other governments; and second, that maximum use is made of the services of private agencies. In the fiscal year 1947-48, 76 per cent of the costs of scientific and technical co-operative projects, including in-service training, and of educational and cultural co-operation, including cultural centers, American sponsored schools, and the exchange of specialists, teachers and students, were borne by other countries and 24 per cent by the United States. The State Department assisted in the exchange activities of approximately 400 organizations and institutions, including industrial concerns. In 1948 the resources of about 25 technical bureaus in 10 federal departments were drawn upon. The technical assistance projects included agricultural demonstration and experimental stations in 14 countries to develop such products as rubber, cacao, coffee, cinchona, insecticidal crops, medicinal plants, tropical fruits, and palm oil; civil aviation missions in 7 countries; geologic investigations on strategic ores in Central America and in 11 countries outside that area; child health and welfare activities in 9 countries; assistance and preparation for the 1950 census of the Americas in 19 countries. In all, the program for the current fiscal year includes projects of 27 different types in 16 countries.

The IIAA Program

The second major program of technical assistance is carried out by the Institute of Inter-American Affairs, a wholly government-owned corporation, chartered by the Congress in August 1947, with a board of directors appointed by the Secretary of State to serve at his pleasure. It is the successor of two earlier government corporations, the Institute for Inter-American Affairs and the Inter-American Educational Foundation, Inc., which had been organized during the war by the Coordi-

nator of Inter-American Affairs. The work of the Institute is confined mainly to co-operation with the other American republics in the fields of public health, education, and food supply. On July 7, 1949 a bill extending the life of the Institute for five years with an annual appropriation of $5,000,000 was passed by the Senate and sent to the House.

After a program has been approved, the Institute carries out its functions, in five steps. First, it negotiates a basic country agreement, which has the status of an executive agreement not requiring Senate confirmation. The agreement establishes the time period of the program and provides for a co-operative service in the host country. Second, it establishes the co-operative service or *"servicio,"* which is organized as a bureau in one of the ministries of the host country. As a rule, the director is the chief of a field party from the Institute, and the staff includes technicians from the United States and from the host country. The *servicio* is financed through a joint fund provided by the host country and the Institute. Its special function is to explore new problems, areas, and techniques, before handing the tasks of operation and administration to the appropriate ministry. Third, the Institute arranges for the financial contributions to the joint fund. Fourth, it draws up a series of project agreements covering the various tasks to be performed. Fifth, it negotiates completion agreements, which provide a complete record of the work done, the financial contributions made, and the problems encountered and solved.

Health and sanitation projects, including health centers, hospitals, nursing schools, laboratories, dispensaries, and clinics, have been undertaken in all the Latin American republics except Argentina and Cuba. The educational program has been concentrated on elementary and secondary education and on vocational training and has been in effect at various times in 14 countries. Owing to lack of funds, an agricultural co-operative program in each of the republics has not been possible, although programs have been maintained at various times in 10 countries, 4 being active at present in Peru, Paraguay, Haiti, and Costa Rica.

Other Technical Assistance Programs

The United States government has also been concerned with technical assistance in connection with other programs. In addition to providing substantial material and financial assistance, the Philippine Rehabilitation Act of April 1946 provided for the training of up to 850 Philippine nationals in United States agencies over a period of

five years. Training was to be undertaken by the Public Roads Administration, the Army Corps of Engineers, the Public Health Service, the Maritime Commission, the Civil Aeronautics Administration, the Weather Bureau, the Coast and Geodetic Survey, and the Fish and Wildlife Service.

Technical assistance is also a feature of the European recovery program. The Economic Cooperation Act of 1948 authorizes the Administrator to procure and furnish assistance in the form of technical information, and 6 million dollars was appropriated for this purpose in 1948. The part of the act that provides for stimulating the supply of strategic materials also offers scope for giving technical assistance. Apart from the assistance that is being supplied to metropolitan economies, aid to colonial territories may constitute precedents for the Point IV program. Such aid includes a survey by a team of agricultural experts of agricultural practices and training procedures in Africa, a soil survey, and a study of mechanized rice cultivation in British Guiana.

In connection with a long-range plan for aerial mapping of British overseas territories, a temporary shortage of technical personnel was encountered, and topographical engineers were requested through the ECA. Similarily, a group of geological engineers was requested to expedite geological surveys of colonial territories. It is also planned to give technical help to the British in surveying alternate routes and in making engineering studies of a rail connection between Rhodesia and Kenya. Large parts of Africa have been rendered nearly uninhabitable by the tsetse fly, and programs for controlling this pest may contribute immensely to human welfare and economic improvement over wide areas. Finally, British colonial administrators have reached the conclusion that planning for the future development of West Africa cannot be effective without malaria control, and technical assistance in establishing a malaria service in Nigeria is being planned.

Government Preparations for Point IV

The President, following his inaugural address, asked the Secretary of State to confer with the heads of other agencies in outlining an approach to the Point IV program. General interdepartmental consultation was begun by the Executive Committee on Economic Foreign Policy, and by representatives of other agencies with a major interest in the program. An interdepartmental steering committee of eight departments and agencies was set up under the chairmanship of Assistant Secretary of State Thorp. The National Advisory Council on International Monetary and Financial Problems (NAC) was charged with this special responsibility for making recommendations on the

investment aspects of the program. The fact that the NAC was charged with this responsibility indicated that a line would be drawn between technical assistance and investment.

An important part of the preparation within the government has been consultations with the numerous private agencies that have been associated with one or another of the technical assistance programs now to be expanded. In this connection, it was necessary to explore the many methods for sharing knowledge and skills that have already been extensively and successfully used. These include: (1) basic studies of the economy to be developed, (2) the provision of experts to advise governments, private organizations, and business enterprises; (3) the joint financing and administration of foreign government operations in particular fields (*servicios*); (4) research and experimental centers and laboratories; (5) demonstration projects; (6) the operation of business enterprises, (7) on-the-job training; (8) the provision of, and instruction in the use of, sample materials and equipment, (9) consulting with and advising foreign visitors, (10) the publication and translation of specialized reports, (11) financial assistance to schools and universities in the United States and abroad; (12) the exchange of students and teachers, (13) the provision of United States libraries and film services, and (14) special technical staffs attached to diplomatic establishments abroad. The programs relate to the development of agriculture, water and mineral resources, and to the training of labor. Technical assistance is being given or planned in 20 or 30 different fields—including surface transportation, civil aviation, health, education, social security, statistics, public administration, finance, housing, telecommunications, postal science, hydrographic and geodetic surveys, weather, and national park services. These various programs of technical assistance by the United States offer guidance for similar action on a global scale as envisaged in Point IV.

Proposed United States Legislation

In February 1949 an administration bill was introduced in the House of Representatives to remove the ceilings on United States contributions to the specialized agencies of the United Nations that had been imposed by earlier legislation. On June 24, 1949 the President recommended the enactment of two other measures in giving effect to the program as a whole.

One, to be known as the International Technical Cooperation Act of 1949, was to authorize the expenditure of funds for "technical cooperation programs," and to provide for their administration. This proposed measure defined the objectives of the program on the lines

of the inaugural address, and provided that in carrying them out the participation of the United Nations, the Organization of American States, their related organizations, and of any other international organization should be sought whenever practicable. It gave the President authority to administer the program, to delegate his authority to the Secretary of State or any other officer or official of the United States government, and to establish in the Department of State an Institute of International Technical Cooperation. The President was also to have authority to terminate United States support for and participation in technical co-operation programs when they no longer contributed effectively to the objectives set forth.

A special feature of this measure was that it excluded from the definition of "technical cooperation programs," activities under the Philippine Rehabilitation Act of 1946, the Foreign Assistance Act of 1948, and the International Aviation Facilities Act of 1948, as well as activities in occupied areas and activities under the United States Information and Educational Exchange Act of 1948 that are not specifically related to economic development. The effect of these provisions would be to keep the funds appropriated for technical assistance by these acts under the exclusive control of their respective administrators, but to leave open the possibility of allocating to them additional Point IV funds for the purpose of expanding their technical assistance programs.

In his accompanying message the President recommended a first year appropriation of 45 million dollars including 10 millions already requested in the 1950 budget for activities of this character. This was to cover both United States appropriations for programs of international organizations and direct assistance to other countries.

The second measure recommended was a simple amendment to the Export-Import Bank Act of 1945, giving the bank authority "to guarantee United States private capital invested in productive enterprises abroad which contribute to economic development in foreign countries against risks peculiar to such investments." Indicating that this was a necessary supplement to investment treaties that were being negotiated, the President stated: "This guarantee activity will at the outset be largely experimental. Some investments may require only a guarantee against the danger of inconvertibility, others may need protection against the danger of expropriation and other dangers as well. It is impossible at this time to write a standard guarantee. . . . The Bank has sufficient funds at the present time to begin the guarantee program and to carry out its lending activities as well without any

increase in its authorized funds. If the demand for guarantees should prove large, and lending activities continue on the scale expected, it will be necessary to request the Congress at a later date to increase the authorized funds of the Bank."

THE ROLE OF THE UNITED NATIONS

The strength of the drive for economic development since the war and for international assistance in promoting it has been reflected in the activities of the United Nations in a variety of ways. It has been a major theme in the debates of the ECOSOC and of the Economic and Employment Commission and its two Sub-Commissions. It has been the subject of numerous resolutions in the General Assembly and a primary concern of the regional commissions. The drive was prominent in and influenced the outcome of several of the conferences for drafting articles of agreement for specialized agencies notably the Bretton Woods Monetary and Financial Conference and the Havana Conference on the International Trade Organization. In addition the Secretariat of the United Nations has been deluged with instructions, some of them mutually inconsistent, to undertake studies in this field. It has also been directed to assume some operating functions in connection with technical assistance.

Thinking in United Nations Bodies

A good indication of the thinking prior to the inaugural address in United Nations bodies on the subject of economic development is given by the deliberations of the Sub-Commission on Economic Development at the close of its second session in June 1948. The Sub-Commission had been instructed by the Economic and Employment Commission (1) to inform the Commission as early as possible regarding studies, field surveys, and projects of technical assitance relating to economic development that were being undertaken or planned by the Secretariat and by intergovernmental agencies; (2) to study the need for an international code on foreign investment to protect the economic and social interests of the receiving countries as well as the interests of public and private investors; (3) to make recommendations on the organization of international co-operation in research relating to production and development, the conservation of resources, and the adoption of improved methods of production and technical processes; and (4) to make recommendations for implementing the mutual responsibilities of members under international agreements governing the supply of facilities for economic development, including capital funds, materials and equipment, advanced technology, and trained personnel.

The Sub-Commission was also instructed to make recommendations on the furnishing of technical assistance directly through the United Nations. At the same time the United Nations Secretariat was asked to provide on request, in co-operation with the specialized agencies, technical advice to governments to enable them to plan and carry out balanced programs. The groundwork was thus laid not only for programs of technical assistance but also for recommendations bearing directly on the supply of capital funds and capital goods.

At its first session the Sub-Commission emphasized industrialization as the decisive element in economic development It also reached the conclusion that since technical facilities already existed in the specialized agencies, and in view of the international political implications of technical assistance, the latter should be organized under the auspices of the United Nations. At its second session, which was primarily devoted to technical assistance, it reaffirmed these views and instructed the Secretariat in its studies to emphasize the obstacles to industrialization. With regard to technical assistance it drew up a statement of basic principles that was later incorporated in a resolution of the General Assembly.

This statement of principles is relevant to the Point IV program. The terms on which assistance was to be granted were as follows. (1) the receiving country was to take the initiative in requesting it, (2) it should be designed to meet the needs of the country concerned, (3) it should not be used to interfere in the economic or political affairs of the country concerned; (4) it should be given only to or through governments; (5) countries requesting it should first do as much as possible to define the nature and scope of the problem involved; (6) local personnel should be utilized and instructed to the maximum extent practicable; and (7) it must be of high quality and technical competence

The Sub-Commission stressed the view that the United Nations agencies should not be passive but should take the initiative in economic development. After surveying existing facilities, it concluded that additional assistance should be given, if requested, in the fields of manufacturing industries, mining and metallurgy, power development and public utilities, road and other inland transport, public works and building activity, and mechanical and civil engineering. It suggested that the proposed International Trade Organization should pay particular attention to rendering technical assistance in these fields. It also made numerous suggestions concerning the possibility of regulating internationally the distribution of industrial raw materials, capital equipment and auxiliary materials, using methods similar

to those already employed in connection with food and other commodities in short supply.

The accuracy with which the Sub-Commission reflected the majority opinion of the Assembly is shown by the passage of two resolutions at the third meeting of the Assembly in December 1948. One of these, passed by a vote of 51 to 0, recommended that the ECOSOC and the specialized agencies give further urgent consideration to the problem of the economic development of underdeveloped countries in *all* its aspects, and directed the ECOSOC to include in its next report a statement not only on measures already devised by it and the specialized agencies but on proposals for additional measures. It also endorsed an ECOSOC resolution expressing the hope that the International Bank would take immediate steps to adopt all reasonable measures to facilitate the early realization of development loans, particularly those in areas economically underdeveloped. The other resolution, passed by a vote of 47 to 6, assigned to the Secretary-General operating functions of four kinds: (1) the organization of international teams to advise governments on economic development; (2) the provision of facilities for the training abroad of experts from underdeveloped countries; (3) the making of arrangements for the local training of technicians through visits of foreign experts; and (4) the provision of facilities to assist governments to obtain technical personnel, equipment, and supplies. This resolution incorporated the main principles that had been drawn up by the Sub-Commission to govern the provision of assistance, and $288,000 was appropriated for the purpose.

United Nations Programs

The United Nations activities relating to economic development that were undertaken in response to the drive of the underdeveloped countries described above have taken five major forms First, technical missions have been sent to individual countries. One such mission was brought together from several specialized agencies to carry out a broad economic survey of Haiti. Another was sent by the Food and Agriculture Organization (FAO) to develop a comprehensive program for Greece. Second, the United Nations has provided some equipment and supplies, mainly medical supplies, laboratory and teaching equipment, seed and publications, which have for the most part been financed by funds left over from UNRRA. Third, methods of giving assistance in technical research and information have been developed, examples being the creation of international clearance centers such as the Epidemiological Intelligence Service of the World Health Organization (WHO); the distribution of a wide range of technical

publications; and laboratory investigations, such as the international Hylean Amazon Institute or the FAO investigations into deep-well irrigation, sheep breeding, and drainage in the Near East. The fourth form of activity is international training, which has included several hundred fellowships, in-service training, regional schools and courses, and the international exchange of research personnel. Finally, the United Nations has assembled or projected a number of international conferences, committees, and panels to exchange technical information of particular types, such as the World Statistical Congress of 1947 and the projected United Nations Scientific Conference on the Conservation and Utilization of Resources.

Actual operations have been carried out by the FAO in its three major fields of agriculture, forestry, and fisheries, and by the Economic Commission for Europe in the field of industry and transportation. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has a diversified program of education and technical training; and technical assistance in many fields relating to labor and employment has long been furnished by the International Labor Organization (ILO). Several missions of the WHO are currently operating in various countries, particularly in mapping campaigns against tuberculosis and malaria. WHO is also active in procuring medical supplies and literature and has had great success in stopping a cholera epidemic in Egypt. The United Nations itself is working out technical assistance programs in the fields of public administration and statistics, and its advisory social welfare services are now in their third year. The advice given and preparatory work undertaken in connection with the operations of the International Monetary Fund and the International Bank represent important forms of technical assistance.

Point IV in the United Nations

On February 25, 1949 Assistant Secretary of State Thorp introduced the Point IV program at the eighth session of ECOSOC. In a speech that emphasized the long-run nature of the program, he pointed out that, looked at in the large, economic development means the continuous improvement and utilization of the resources and productive capacities of a people for their own benefit. He emphasized the fact that economic development embraces not only manufacture but agriculture, mining, transportation, communications, power, and the skills and capacities of the people, as well as the expansion of all the distributive machinery required for the exchange of goods. He also stressed that the bulk of the capital for economic development must come from the people themselves and that the solution of the basic

problems of the economic development of a country may involve changes in the economic, political, and social institutions of the country. This, he said, implied that economic development requires the establishment of internal order, security, and justice, the creation of monetary, credit, and fiscal systems, the creation of a system of communication and transportation, the spread of literacy and the higher learning in the arts and sciences, the provision of health and social services, and the assessment and protection of natural resources. To accomplish all this, Mr. Thorp concluded, will require in many countries spectacular changes in both the attitudes toward government and the habits of government personnel.

Mr. Thorp made the following concrete proposals for further study within the United Nations:

> First, I suggest that the Secretary-General, working through the Administrative Committee on Coordination so that all interested Specialized Agencies can participate, be asked to prepare, for consideration by the Council at its Ninth Session, a concrete program for enlarging the activities of the United Nations and the Specialized agencies in the field of technical assistance for economic development. The report should also bring to the attention of the Council important problems such as the availability of competent experts and suggestions as to possible priorities among types of projects. In order to avoid overlapping, consultation should be held with the Organization of American States and with those countries or groups of countries which are already carrying on substantial programs in this field.
>
> Second, I suggest that the report cover ways and means for arranging for financial expansion in connection with such projects. The regular budget contributions are based on a fixed percentage. We would hope that there could be some expansion in the regular budget for this type of activity. However, and beyond that, consideration should be given to the establishment of special projects budgets which would permit special contributions for purposes of technical cooperation within the United Nations or within the United Nations and the Specialized Agencies. It is possible that many countries might make their contribution in the form of goods, services, and local currency. In order to safeguard the cooperative nature of the enterprise and the international character of the organization sponsoring it, no one country should be expected to assume all or most of the financial burden of the expanded program.
>
> Third, I suggest that the report also include recommendations for the coordination of planning, execution, and control in this field I have already stressed the importance of concurrent projects. Obviously, there must be some method of assuring comprehensive and coordinated planning and action among the various agencies concerned in carrying out technical assistance programs.

This presentation of the problem was accorded a somewhat mixed reception. The representatives of underdeveloped countries indicated that in their view it did not place sufficient emphasis on industrializa-

tion and on the investment and capital part of the problem, and that it placed too much emphasis on the essential slowness of the development process. Their attitude was typified by the statement of Mr. Malik of Lebanon, who asked a number of questions, all subsidiary to the one main question whether this process was to be left to be "unplanned evolution of nature, or whether the coming years were to be filled with original, active, regenerative planning and execution of many programs." He asked in particular what criteria would determine the order of priority of the various countries and of the various programs in a given country, and whether political considerations would be taken into account. He expressed doubt that technical assistance would achieve satisfactory results unless it went hand in hand with the delivery of equipment in adequate quantity. Having adduced several reasons for believing that the flow of private capital could not make a satisfactory contribution to the development of underdeveloped countries, he asked whether it would not be advisable to "consider the possibility of a comprehensive plan on the government level and inspired by the principals of the European Recovery Program."

As a result of this debate, the ECOSOC on March 4 passed two formal resolutions One incorporated Mr. Thorp's suggestions, adding only that the report to be drawn up should give due attention to considerations of a social nature that directly condition economic development. The other, submitted by Chile with Indian support, requested the Secretary-General, in co-operation with the specialized agencies, to prepare for the ninth session of ECOSOC a report setting forth methods of financing the economic development of underdeveloped countries and of stimulating the international flow of capital for this purpose.

In March and April 1949 the Sub-Commission on Economic Development devoted its third session primarily to methods of financing economic development. A great deal of attention was given in its debates to the problem of increasing, mobilizing, and appropriately channeling domestic financial resources for economic development, and it was fully recognized that the local government would have the responsibility of preventing measures taken for this purpose from having inflationary effects. But from the point of view of the problems involved in the Point IV program, more importance attaches to the Sub-Commission's discussion of foreign finance.

Private foreign investment was subjected to an attack by the Soviet representative, but of more interest, as reflecting opinions held in many

underdeveloped countries, were the points made by the chairman of the Sub-Commission, Mr. Rao of India. He complained that private foreign investments, by and large, seek areas where there has already been a measure of economic development and do not tend to pioneer into countries most in need of development. They are primarily motivated by maximum profit considerations and do not provide a systematic plan for the development of economic resources. As a rule, they have taken the form of stimulating the production of primary products for export. They have been distributed with a view to strengthening political, racial, colonial, and imperial ties rather than according to needs. By their very nature, their distribution cannot be planned according to place, time, region, or function.

Mr. Rao added that direct government lending could not be separated from politics and that international financing was to be preferred. On account of its limited funds and its adherence to the principles of sound banking and liquidity, the International Bank could not be relied upon to make an adequate contribution. He therefore felt that there was a gap in international financing, which should be filled by a new international financing institution modeled on UNRRA.

A criticism of special interest for the Point IV program was Mr. Rao's strong disapproval of bilateral investment treaties on the ground that it was difficult for governments of capital importing countries to resist pressures both from special interests at home and from the governments of capital exporting countries. As a consequence he felt that many such governments would not be able to conclude equitable treaties.

Because of the differences of opinion within the Sub-Commission, notably on the subject of the global planning approach suggested by the chairman and in the role to be played by private finance, its report was in some respects inconclusive. It was severely criticized by the Economic and Employment Commission at its fourth meeting (May 9-26, 1949) for giving too much stress to industrialization as a factor in economic development, and for not giving enough stress to ways and means of overcoming the reluctance of private capital to flow to underdeveloped countries. The Commission, moreover, saw no need for a new international institution to finance development. These criticisms clearly reflect a more sober and realistic approach to the whole problem.

On June 2, 1949 the Secretariat published its report on a coordinated United Nations program of technical assistance, which

consisted of a general summary statement by the Secretariat and a series of separate statements concerning their own programs by the specialized agencies. The report was not in any sense a single co-ordinated program, and in its preparation there was evidence of a considerable unwillingness on the part of the specialized agencies to make joint recommendations involving changes in their own programs. It was also difficult to reach agreement on the future co-ordination of programs. The report suggested the formation of a Technical Advisory Committee (TAC) within the United Nations and other procedures of co-ordination, but frankly stated that these suggestions represented a compromise between the divergent views of the specialized agencies. The total cost of the combined programs was estimated at 35.8 million dollars for the first year, and 50.8 millions for the second year.

Five days later the Secretariat published its report on methods of financing the economic development of underdeveloped areas. This was also in the form of a general commentary by the Secretariat and appended reports by the specialized agencies. Of these the FAO report was the most elaborate, and also contained the largest figures, namely 8 5 billion dollars per annum in needed international funds for economic development throughout the world outside Canada and the United States, of which 4 billions per annum were needed for underdeveloped areas. The report of the International Bank was strongly worded in support of the conservative principles of economic development repeatedly advocated in its Annual Reports. The observations of the Secretariat were noteworthy for the number of ways suggested for inducing, cajoling, persuading, and compelling increased domestic savings and their application to economic development.

OTHER DEVELOPMENTS SINCE THE INAUGURAL ADDRESS

Several other developments in connection with Point IV have occurred since the President's inaugural address. The most significant of these are summarized below.

Special Pronouncements on Private Capital Investment

Two important pronouncements have been made on the treatment of private foreign investment that further emphasize the contrasting views described by the Sub-Commission on Economic Development. Late in April 1949 the United States Council of the International Chamber of Commerce made public and submitted to President Truman a Draft Code of Fair Treatment for Foreign Investments. The code had been under consideration for two years by representa-

tive businessmen of 32 nations working as a committee of the International Chamber of Commerce. It stipulates that a nation shall take no discriminatory political, legal, or administrative measures designed to hamper investments in its territories by foreign nationals; and that the same treatment shall be given to foreign and domestic investments, except in the case of domestic investments immediately concerned with national defense. It stipulates further that the treatment extended to foreign nationals shall be not less favorable than that applied to a country's own nationals in respect of the legal and judicial protection of their person, property, rights, and interests (including the levying of taxes). And finally, it stipulates that, subject to such restrictions and exceptions as may be authorized by the International Monetary Fund, signatories shall guarantee to foreign nationals freedom to transfer current payments arising out of their investments, including payments for amortization and depreciation, interest and dividends, and, in the case of direct investment, profits.

In addition to these main stipulations, it also contains provisions governing the composition of boards of directors and of executive and technical staff; the expropriation, purchase, sale, and assignment of movable and immovable property; and the possible reference of disputes to an International Court of Arbitration.

The second pronouncement was by Prime Minister Nehru of India early in April. Although it does not fully conform to the proposed international investment code of the International Chamber of Commerce, it appears to mark a slightly more liberal attitude than that shown by the Indian representative at the Havana Conference for the ITO. The principal features of Nehru's statement of policy are as follows: (1) to impose no restrictions or conditions on foreign interests in India that are not applicable to similar Indian enterprises; (2) to expect all undertakings, Indian or foreign, to conform to the general requirements of the industrial policy of the Indian government; (3) to allow foreign interests to earn profits subject only to regulations common to all; (4) to place no restrictions on the withdrawal of foreign capital investments but to make remittance dependent on the availability of foreign exchange; (5) in the event of concerns compulsorily acquired by the Indian government, to provide fair and equitable compensation and reasonable facilities for the remittance of the proceeds; (6) as a general rule to retain the major interest in the ownership and effective control of undertakings in Indian hands, but to allow foreign control for a limited period if this is in the national interest; and (7) to allow the employment of non-Indians

in posts requiring technical skill and experience when Indians of the requisite qualifications are not available, but to train and employ Indians for such posts as quickly as possible.

In addition to these two pronouncements on the treatment of foreign capital, there was one important pronouncement on the availability of capital from private American sources. In response to the President's inaugural address, the National Association of Manufacturers prepared an elaborate report on capital export potentialities after 1952 and submitted it to the Secretary-General of the United Nations in March 1949. This report indicates that if a favorable climate for investment is created the United States could export about 2 million dollars annually of private capital without injury to the American economy. It has been questioned, however, whether this sum would be adequate to perform the international investing functions of the world's main foreign lender.

Arrangements with Brazil

A joint Brazil-United States Technical Commission (commonly referred to as the Abbink Commission) made its report in February 1949. This Commission was established by the Brazilian and United States governments in 1948 for the purpose of analyzing the factors in Brazil that are tending to promote or retard economic development. The report is a comprehensive survey of all aspects of the Brazilian economy and represents the most ambitious bilateral undertaking of this particular type that has been participated in by the United States. It was the subject of discussion on the occasion of President Dutra's visit to Washington in May 1949, from which resulted the following agreements bearing directly on Part IV: (1) for technical discussions to begin later this year, to carry out the recommendations of the joint Brazil-United States technical mission for accelerating the economic development of Brazil through government spending, the development of its resources and the control of inflation; (2) for negotiations to begin immediately on a treaty to stimulate the flow of foreign private investment into Brazil; (3) for talks on a convention to avoid double taxation between the two countries; (4) that the United States would make every effort to meet requirements of Brazil for trained technicians and specialists; (5) that the United States would continue to give "most attentive consideration" to requests from Brazil for assistance from the International Bank and the Export-Import Bank in financing development projects;

and (6) for the negotiation of a cultural treaty between the two countries.

Developments in ECA

Under the Economic Cooperation Act of 1948, the administrator was given authority to gurantee the transfer into United States dollars of local currency received as income or as return of capital on new investments, but the amount of the guarantee was limited to the dollars invested in the project with the approval of the administrator. The 1949 amendment of the act renewing ECA operations for another year removed this limitation on the amount so that both the income and the original investment could be fully covered. It did not, as desired by the House of Representatives, extend the guarantee to cover losses incurred by seizure, confiscation, destruction by riot, revolution or war, laws, ordinances, regulations, decrees, or administrative actions that prevented altogether the further transaction of business. In approving the extension of the guarantee to cover these "political risks," the House Foreign Affairs Committee considered, but did not accept, a proposal by the American Bar Association that the guarantee should also cover losses due to government laws and regulations that prevented further "profitable" operation of the business.

Finally, on March 23 it was announced that a colonial development division should be established in ECA to give effect to Point IV by providing new sources of raw materials in colonial territories. Since there was already a working group for overseas territories within the Organization for European Economic Cooperation (OEEC), this was a logical development. It placed the ECA in a better position to co-operate not only with the OEEC, but also with offices independently established by Belgium, France, and the United Kingdom for the exchange of information and joint action in many specialized fields in the territories under their administration in Africa.

C. MAIN ISSUES AND ALTERNATIVES OF ACTION

The policy problems that arise in connection with the Point IV program are usually numerous and complex. The program is new and must be fitted into an already existing pattern of foreign economic policy. Because it is global in conception, it must be influenced by the widely differing political relations that exist between the United States and other countries or groups of countries. The program also

involves a complex of technological, economic, and political problems, and it deals with a subject that can be defined in a wide variety of ways. There is, for example, as yet no precise definition of an underdeveloped country or area. The translation of the President's proposal into a practical program of action therefore requires a clear delineation of the nature and scope of the activities to be undertaken.

The first step is to decide what emphasis is to be placed on the transfer of technical knowledge and skills as such, and on investment. Should the Point IV program be confined to the field of technical assistance, leaving the problem of stimulating the flow of capital to be treated separately? The transfer of technology is in many respects closely connected with investment; and this, taken in conjunction with the established United States policy of relying in the future on private foreign investment, makes this an important question. The answer to it affects many other specific problems under Point IV, and therefore this question is the first main issue to be considered below.

The second clarifying step is to consider a number of problems that arise because of the great diversity of methods and channels through which technical knowledge and skills can be transferred. Many of these problems have already been considered in the execution of existing programs, and a solid foundation has been laid for Point IV to build upon. Some of them, however, have not yet been given much consideration, although they may require policy decisions in connection with Point IV. Two of these—the encouragement of migration and the availability of patent rights—may be cited to indicate the wide range and diverse types of action that may have to be considered.

In the history of economic development, technological skills and knowledge have often been transferred by migrating skilled workmen and small entrepreneurs who took their skills with them. The possibility might be explored of taking steps under the Point IV program to encourage migration, perhaps of men in middle life, who, while not outstandingly successful at home, could put their technical training to good use in underdeveloped countries.

The second example refers to patents. In some cases the transfer of knowledge and skills may be handicapped by limitations placed on the use of patented information. It is highly improbable that much of the technology needed in the earlier stages of the program is of this kind, but the problem may in time become important. Many

special issues are involved, but they fall into two main classifications: the use and interchange of government-owned or -controlled patents; and the use of privately owned or licensed patents.

None of the special problems of technical assistance can be dealt with effectively, however, unless general criteria are developed to govern the type of advice and assistance to be given. The question of what these criteria should be is, therefore, the second main issue to be discussed.

These two issues involve technological and economic, and to some extent political, considerations. In postwar conditions, moreover, it has not been possible for the United States to separate completely foreign economic policy from security considerations. The economic objective of the Point IV program is to raise the standard of living in economies that are clearly underdeveloped as compared with the economies of advanced industrial countries. This is a global objective, but it is questionable whether it can be pursued independently of security considerations. The extent to which it may be necessary to adjust the Point IV program to United States security requirements is, therefore, the third main issue to be considered.

The aim of strengthening the United Nations is fundamental in United States foreign policy; and although the position taken on these first three issues will affect the role to be assigned to the United Nations under the Point IV program, this is an issue in its own right. The fourth main issue, therefore, is the use to be made of the United Nations Organization or of its specialized agencies.

Whatever decision is taken on the preceding issue, numerous problems of United States relations with the receiving countries will arise. One arises from the fact that many underdeveloped areas are in colonial or dependent territories. It is a long-standing objective of United States policy to support the aspirations of colonial peoples for self-government; but it is also a major objective of the European Recovery Program to strengthen the economies of the colonial powers. The operation of Point IV in dependent territories therefore has certain special features that justify making it the fifth main issue.

But other questions bearing on the relations between the supplying countries or international agencies, and the receiving countries, must be raised. There is the general question of applying the principal of noninterference in the domestic affairs of other countries. How far, for example, should the United States go in promoting in other countries a climate favorable to economic development? This applies

especially to action by the United States or even by the United Nations to bring about changes in cultural patterns and in the administrative techniques of government in recipient countries. Activities or advice of this kind touch closely on national pride and sovereignty and raise many difficult problems of international relations.

Another question bearing on relations with receiving countries arises from the fact that it has not been the policy of the United States to give unconditional assistance to other countries. On the contrary, it has consistently adhered to the principle of self-help wherever American assistance has been granted. This principle was again stressed by the President in connection with Point IV. Many issues may therefore arise in connection with the undertakings by countries receiving assistance.

One of these concerns the relation of the Point IV program to the commercial treaty program. The United States is engaged in a comprehensive effort to extend and modernize its system of basic Treaties of Friendship, Commerce and Navigation (FCN), which lay down the legal rights of the nationals of one country in the other country, including the fundamental arrangements under which they may enter, travel, and conduct business. The question is whether the attitude of a country toward the conclusion of an FCN treaty with the United States should be a test of its suitability to receive assistance under Point IV. It must be remembered that these treaties take a long time to negotiate and that their advantages may be greatly diminished if they are negotiated under pressure.

A decision must also be reached on the question whether recipient governments should be required to enter in advance into a general agreement covering all the technical assistance to be secured under the program, or whether separate agreements should be made for each individual project or program. If separate agreements are to be used, it must be decided whether such undertakings as the following should be included: (1) to pay a fair share of the costs of the program; (2) to consolidate all the development activities that are being carried on by the receiving government; (3) to follow through the recommendations and to report regularly, (4) to employ, whenever appropriate, the *servicio* type of arrangement that involves the establishment of a government bureau to carry out the program; (5) to give full publicity and to permit observation by impartial observers representing the United States or the United Nations agency concerned; (6) to inform or consult the United States or the United Nations agencies

concerned before doing anything that might involve duplication, and (7) to co-operate with other countries participating in the program in the mutual exchange of technical assistance and information. In countries where there is a considerable degree of political instability, the further question arises whether the undertakings should be endorsed by the government in power only, or also by political opposition groups.

The financing of technical aid programs has been selected for treatment as a sixth main issue in this paper, but it must be borne in mind that this is only one aspect of the more general problem of conditional aid.

The next two main issues relate to investment. Whether or not aid and investment are treated separately, a wide range of specific issues must be faced in the investment field itself. There is some evidence that willingness to invest abroad may be increasing in the United States, but it is far from being strong enough to overcome the existing obstacles to private investment on a major scale. At the present time American private capital, if it goes abroad at all, usually goes in the form of direct investments that are related to domestic supply problems in the United States (as in the case of oil and mining), or to the expansion of lines of manufacturing already engaged in by the investing enterprise (as in the case of sewing machines). The Rockefeller enterprises in Venezuela are an exception to this and may prove in a sense to be pilot ventures. It is argued that no adequate machinery exists for judging the prospective profitability or the relative priorities of investment opportunities in underdeveloped countries, and that general economic surveys do not serve this purpose. The question therefore arises whether the government should take active steps to discover and appraise investment opportunities, thereby assuming to some extent an entrepreneurial function, perhaps by sponsoring the creation of a development corporation.

Various proposals have been made for the organization of development corporations to provide the entrepreneurial element that is said to be necessary to make the Point IV program a success. One such proposal is for a United Nations development corporation, with a capital of several hundred million dollars, perhaps to be lent by the International Bank. A corporation on this scale, it is claimed, might open up opportunities for private investment because its own development activities would lead to increases in national incomes. Another proposal is for a new international bank that would in effect be

controlled by the United States but would be a United Nations agency and would be concerned not only with economic development but with anticyclical lending. An alternative proposal is to establish a development corporation as a subsidiary of the International Bank, to assume the most risky part of equity financing. It would "sweeten" projects until they had matured and then pass them on to private investors, local or American. It has also been proposed that there should be a private international development corporation. A somewhat different suggestion with the same objective in mind is that funds should be appropriated to the Export-Import Bank for development purposes.

A serious deterrent to the flow of private capital has been the tendency of many underdeveloped countries to stress governmental lending and their apparent confidence that sooner or later loans would be forthcoming from the United States government. There is now some evidence that this attitude may be changing. The possibility that the various reservations attached to the resolutions of the Bogotá Conference on the subject of private investment may be eliminated by interpretative notes acceptable to the United States is a hopeful sign. Nevertheless, policy decisions must be taken on the future scope of government lending before this deterrent is completely removed. It is open to consideration, for example, whether United States government loans should be limited to closely circumscribed types of projects under private execution in order to increase the opportunities for private investment.

Another important policy problem arises in connection with the possible stimulation of American private investment through tax adjustments. The primary issue here is whether tax adjustments for the purpose of stimulating foreign investment should merely equalize the attractiveness of foreign and domestic investment from a tax standpoint, or whether they should give positive advantages to foreign investment.

Two devices have been suggested that have broad implications for the program as a whole and introduce certain novel problems of economic policy: special investment treaties, and an experimental system of guarantees to investors as means of stimulating the flow of private capital. The central issues that are raised by investment treaties and guarantees are, therefore, the seventh and eighth of the ten main issues treated in this paper.

There remain the problems of administering the program, which constitute the ninth and tenth issues. Of these, the one relates to the

kind of administrative organization to be selected, and the other to methods of ensuring that the assistance will contribute effectively to the economic progress of the recipient country, and will be in accord with the criteria developed for granting or withholding aid.

1. THE TREATMENT OF TECHNICAL ASSISTANCE AND INVESTMENT UNDER THE PROGRAM

The issue is whether or not the Point IV program should be confined to the field of technical assistance, leaving the problem of stimulating the flow of capital to be treated separately.

This issue is of primary importance because the decision taken on it will affect many other more specific issues. The Point IV program as announced by the President and as presented to the ECOSOC by the United States representative is first and foremost a technical assistance program, but a great deal of the public discussion of the program has centered on the problem of stimulating the international flow of capital. This is due partly to the fact that the transfer of many kinds of knowledge and skill cannot take place independently of the investment process, and that even if independent transfer is possible they cannot make their maximum contribution unless accompanied or followed by investment. The emphasis on investment is also partly due to the fact that many of the most difficult unsolved problems in economic development are related to the role to be played by American private foreign investment. The first two alternatives raised are obviously closely related, and they may be considered together.

Alternative One is to treat technical assistance and the stimulation of the investment process as inseparable.

Alternative Two is to keep them entirely separate.

There are several considerations in favor of the first alternative. Technical assistance that is designed to make a major contribution to raising standards of living is likely to require the importation of materials and equipment on a scale much greater than can be financed as part of the technical assistance programs. A small amount of assistance may be required in any case for materials and equipment or even for launching small pilot projects, but if technical assistance is directed toward large schemes of economic development, it must be regarded as only one essential step in a process that will require sooner or later considerable capital imports. It is argued, therefore, that technical assistance should be integrated with capital import programs to ensure that the progress stimulated by providing technical assistance

is not checked before it yields large-scale results. It is also argued in favor of this alternative that every kind of technical assistance is incapable of bearing full fruit unless it is joined with the practical know-how and operating and managerial skill that can be transferred only by the investment process itself.

It can be forcibly argued against this alternative, however, that the technical assistance programs of the United States and of international agencies have demonstrated that technical assistance alone can make very substantial contributions to economic development. It is generally agreed in the United States and in the United Nations that primary reliance for economic development must be placed on the better organization, use, and direction of the human and material resources of a country. This means improved administration, including the provision of better health, financial and fiscal organization, and the dissemination of modern techniques and technological knowledge. Hence the relatively small quantities of goods needed to carry out technical assistance programs could be imported without foreign capital investment.

Examples might be cited in which improved agricultural or other credit arrangements, combined perhaps with import priorities, amply sufficed to generalize the use of new methods introduced through technical assistance programs. Moreover, in so far as investment opportunities are created by the introduction of improved technology, foreign capital may be attracted without deliberate planning in conjunction with the original technical aid programs. If such unplanned capital imports are felt to be undesirable for some reason, they can be prevented by the governments of the underdeveloped countries under their existing sovereign powers.

Certain special considerations may also be advanced in favor of the alternative of complete separation. The United States has a stated policy of returning to and keeping in private hands the responsibility for foreign investment and the conduct of international trade. Under the SCC and UNESCO programs it has emphasized the importance of making the greatest possible use of the initiative and the resources of private agencies of all kinds. The United States government has been urged to make positive declarations of policy to the effect that it will not be the source of technical assistance or financing under Point IV but that the sources must be private.[1] It would be easier

[1] The Report of United States Council of the International Chamber of Commerce on Point IV, released to the press on April 26, 1949, placed first among its eight points the following recommendation:

to encourage private sources if the technical assistance and investment aspects of the Point IV program were treated as distinct, though closely related, aspects of United States foreign policy.

With the separation of technical assistance and investment, the danger of institutionalizing the program to excess would be reduced, and greater scope would be given to individual initiative. It would also be easier to co-operate with the United Nations in technical assistance programs, while at the same time preserving complete freedom of action regarding proposals for investment through the United Nations system that would require large-scale American contributions.

The selection of either of the foregoing alternatives would require a clear-cut decision affecting the approach of the United States government to the Point IV program. There is, however, another alternative, which might avoid some of the dilemmas posed by the other two.

Alternative Three is to maintain the present distinction drawn by the United States government between the two, but to provide for close and effective liaison between the government agencies concerned with each of these two major aspects of the program.

The arguments in favor of this alternative rest mainly on the view that wise decisions on technical assistance must inevitably be based to some extent on a judgment of the probable future course of investment. It is argued that in many cases decisions to extend technical aid ought to depend on the availability of capital for investment. While technical assistance may be provided without any necessary presumption of American investment, decisions to provide assistance may depend on the amount of investment required to permit the assistance to yield full value, and in the arrangements planned by the receiving country for making the investment, whether from domestic or foreign sources or both. If the arguments in favor of the first alternative are rejected, it may still be desirable to provide for liaison between the two organizations in order to preserve the minimum necessary co-ordination and the maximum flexibility and effectiveness in administration.

"An unequivocal statement on the part of the United States Government that it does not itself intend to supply, and in fact cannot supply, foreign countries with the technology and capital which they require to develop their resources and skills; that it looks primarily to private enterprise to provide these things; and that its efforts will be concentrated on getting maximum private participation in the program."

2. TYPE OF ADVICE AND TECHNICAL ASSISTANCE TO BE GIVEN

The issue is to determine the basic criteria that should govern the type of advice and assistance to be given.

The criteria in question, whether adopted at the outset or gradually developed in the course of experience, will profoundly affect not only the execution of the program, but its very nature and objectives. This issue is therefore fundamental.

It would be possible, of course, to supply technical assistance on the basis of the ascertained economic requirements of the receiving country without regard to the long-run effects either on the political and social institutions of the receiving country or on the objectives of United States foreign policy. The simplicity of such a policy, however, is more apparent than real, since much would depend on how "requirements" were defined. Moreover, it would be irresponsible to embark upon a long-range program that would be certain to affect the political and social institutions of other countries and the objectives of the United States without taking these effects into account. The essence of the problem is to determine, after these effects have been taken into account, where the United States should place the emphasis in giving advice and assistance.

Alternative One is to place the emphasis on technical assistance designed to further long-run economic development by methods that are consistent with the principles of United States foreign policy, keeping in mind the effects on the political and social customs and institutions of the receiving countries.

Under this alternative the advice and assistance to be given would have to meet, first of all, the test of appropriateness, not only to a particular project, but also to the general environment and stage of economic development of the receiving country. It is quite possible that missions composed of top engineers from other countries might seriously mislead underdeveloped countries in their choice of technology to be imported. The most advanced techniques and capital equipment in the United States, for example, are of a labor-saving character, whereas many underdeveloped areas require capital-economizing and even material-economizing methods. Moreover, decisions relating to the selection of technical assistance to be rendered are not by any means exclusively engineering or technological decisions. They must be made on the basis of proved economic considerations that extend beyond technology. Often American standards and definitions of efficiency would be highly inefficient in underdeveloped

countries. They might result in products far too costly to find a local market, especially on a scale that would benefit the masses of the people.

Furthermore, the type of technical assistance that is associated with the creation of small enterprises, using equipment that may be quite out of date in the United States, may be precisely the type that can be best utilized in underdeveloped areas. Often the most productive form of technical knowledge that can be exported is elementary knowledge in administrative fields such as income tax collection and postal administration, or medical administration, or such agricultural knowledge as is provided by the extension services of the United States Department of Agriculture. The bottlenecks to development are often found not in top-level engineers but in semi-skilled labor, foremen, and other intermediate ranks in industry.

Advice and assistance would also, under this alternative, have to meet the test of consistency with the principles of United States foreign policy. These include, for example, the strengthening of the United Nations, the promotion of United States security, the reduction of barriers to trade, public and private, the satisfaction of the aspirations of dependent peoples for self-government, and the enjoyment by all peoples of basic human rights.

The advantage of adopting the rule that all advice and assistance given under the Point IV program should be in accordance with these two criteria is that, from the United States point of view, sound social and economic judgment in the planning of technical assistance programs would be combined with the maximum promotion of United States objectives. One disadvantage would be the inherent difficulty of applying consistently the two criteria. Another, more important, is that this alternative carries an overtone, if not of imperialism, at least of dictation. There is much evidence that the test of appropriateness is likely to be applied quite differently by the United States and by the underdeveloped countries, many of which would feel that their "economic independence" was threatened if Point IV assistance was forthcoming only when it contributed to the objectives of United States foreign policy.

Alternative Two is to place the emphasis on the expressed wishes of the receiving country.

Under this alternative the United States would not substitute for the judgment of the governments of the receiving country its own judgment of the type of advice and assistance that is in the long-run interest of these countries. Any possible suggestion of imperialism

or dictation in the program would therefore be minimized if not eliminated, and in the beginning at least, the risk of political friction would probably be avoided.

On the other hand, this alternative would have serious disadvantages. While the United States is formally committed to the principle of noninterference in the domestic affairs of other countries, it cannot, as the major creditor country, divest itself of responsibility for the long-run consequences of its actions in aiding their development as part of its foreign policy. The form taken in one country by economic development with United States assistance may have serious repercussions on other countries and on the world trading system, as well as on legitimate American interests. In some countries it may, unless care is taken to prevent it, produce violent changes in their customs and institutions. Such changes might defeat the main purpose of the program, the furthering of peace and prosperity. For the United States to assist in changing the economic pattern of a region in accordance with the expressed desires of the ruling authorities without taking account of the possibility that social evils might follow would be to assume a grave responsibility. This suggests another alternative.

Alternative Three is to place the emphasis on technical advice and assistance designed to help receiving countries economically, while protecting them against adverse social repercussions.

This is not a wholly independent alternative since it can be used in conjunction with the first, and in many cases with the second, alternative. It might involve insisting that the rights of free labor be guaranteed, that adequate housing accompany industrialization, and that persons displaced by economic change be afforded alternative opportunities for employment and training to fit them for it. Advice and assistance in providing these and other protections against the social repercussions of economic progress would become an integral part of the program. If, when the need for it was clear, such advice and assistance was rejected, other types of economic assistance might have to be withheld.

The principal advantage of this alternative is that it would ensure that advice and assistance would not aim solely at increasing the economic potential of the area assisted, but also at improving the standards of living of the people while the increase was taking place. It would give the assurance that the effects of the program on the basic human values would not be disregarded, and that the educational and cultural problems involved would be given careful consideration.

Its principal disadvantage is that the United States might be drawn too far into making decisions involving the internal policies of other countries.

3. ADJUSTMENT OF THE PROGRAM TO UNITED STATES SECURITY REQUIREMENTS

The issue is to determine the way in which the Point IV program should be related to the requirements of the United States in security matters.

The security interests of the United States are served by activities that make war less probable or increase its capacity to wage war. In his message to Congress the President spoke of the expectations that progress has aroused in the peoples of underdeveloped countries, and of the feelings of frustration and disappointment that the failure to meet these expectations would create. It can be argued that the broader the geographical extent of the Point IV program and the larger the number of countries included in it, the greater will be its contribution in minimizing these dangers and reducing the probability of war.

On the other hand, the Point IV program might contribute most to the capacity of the United States to wage war if assistance were strictly limited to countries that can be definitely counted on to side with "the cause of human freedom." The capacity to wage war could also be increased by so administering the program that it contributed directly to the economic war potential of the United States. This possibility has not been included in any official pronouncement. It will have to be given consideration as a matter of course, however, when priorities in assistance are being established.

There appear to be two major alternatives of action that involve a choice of the weight to be given to security considerations.

Alternative One is to adapt the program to the concept of an irreconcilably divided world and to use it to strengthen one part of it.

Alternative Two is to administer the program with a view not only to strengthening the noncommunist world, but also to positive action for attracting additions to the free world.

Under the first of these alternatives, American technical assistance would be concentrated in areas where increased production would make a direct contribution to the United States economic potential for war, or in countries associated with the United States in regional security arrangements. This course of action would be intended to give maximum effect to the parts of the inaugural address that

stressed the strengthening of free and peace-loving peoples. It would strengthen the noncommunist world and reduce the danger of defections from the free world to the communist world. It might have the additional advantage of reducing the risk of strengthening the economic potential for war of countries whose political policy is hostile to the United States.

This course of action, however, would accentuate the division of the world into two hostile groups. It would risk the loss of the idealistic appeal of the program by diminishing its emphasis on improving the economic welfare of less favored peoples wherever they may be found. It would also sacrifice the freedom to decide economic problems on strictly economic grounds.

These serious disadvantages would be avoided by selecting the second alternative, which would minimize the danger that charges of imperialism might be brought against the program. By greatly widening the area of international co-operation, it would increase its potentialities for raising productivity, improving standards of living, and contributing to a balanced world economy. To achieve the main objectives of this alternative it would be necessary to administer the program with a minimum of specific security safeguards. Calculated security risks would have to be taken, but it can be argued that they would be small in any case, and would diminish with improvements in international relations.

Under either of these alternatives the detailed administration of the Point IV program would be subordinated to some concept of security. This might not be desirable and could be avoided by a third alternative.

Alternative Three is to leave the administrators of the program free to carry it out on its own merits, subject only to such directives as may be thought necessary by the agencies of government primarily responsible for security policy.

Under this alternative the administrators of the Point IV program would be directly responsible only for promoting its economic and social objectives. Activities such as the stock-piling of strategic materials and the promotion of their production abroad would be separate undertakings. It would be possible, moreover, to solve some of the security problems involved in dealing with "iron-curtain" countries or countries of uncertain allegiance, by imposing on all receiving countries conditions of full co-operation and reciprocity. It would be for them, as for any other country, to decide whether to agree to

full publicity, the admission of observers, undertakings to co-operate with other countries, and similar conditions. If the security policy of the United States required a deviation from the rules, for example to enable special assistance to be given to Yugoslavia, the decision would not be made by the agency responsible for administering the Point IV program. Security policy would be related to Point IV, in the same way that it is related to other aspects of foreign economic policy.

4. USE OF THE UNITED NATIONS

The issue is to determine the extent to which it is practicable for the United States to build up the United Nations as a planning, co-ordinating and operating agency in the field of Point IV.

The President has directed that the Point IV program is to make the maximum practicable use of the United Nations Organization and the specialized agencies. It is therefore imperative to determine how "maximum practicable" use of the United Nations is to be defined.

The two reports recently submitted by the United Nations secretariat on a combined program of technical assistance by the United Nations and the specialized agencies, and on financing economic development, have revealed some of the grave obstacles to effective and co-ordinated action by the United Nations. Yet the drawing up of these reports is only the latest evidence of a tendency on the part of many member countries to find some way of giving the United Nations a positive and directive voice in the field of economic development. Three alternatives suggest themselves at the outset.

Alternative One is to encourage and support this tendency in the ECOSOC and its commissions, and to commit the United States to give the financial and other support required to make the recommendations of these bodies effective, both by expanding the existing activities of the specialized agencies and by establishing special-project budgets.

Alternative Two is to make the maximum use of the United Nations for research, co-ordination, and planning, without any expressed or implied commitments of a financial character.

Alternative Three is to make it clear that the United States will retain a completely free hand, not only on its support of, and contributions to, special-project budgets and the expansion of the activities of the specialized agencies, but in all phases of preliminary research

and planning work that might influence the character, scope, and objectives of the program.

Each of these alternatives would commit the United States in principle to an approach to the United Nations in connection with Point IV. The first has the advantage of giving maximum support to the United Nations. To adopt it would also have substantial propaganda value in the "cold war" between East and West. From a longer-run point of view, it can be argued that this alternative would provide the best assurance of developing the mutual trust and confidence without which Point IV cannot be converted from its present modest beginnings into a program of international co-operation for improving the economic condition of millions of people. On the other hand, it might imply such a loss of control by the United States that it would be difficult, if not impossible, to adjust the program to other objectives of United States foreign policy. It might also be difficult to keep the operating activities of the United Nations from encouraging so far on the field of capital investment that large-scale intergovernmental lending would be necessary, contrary to basic United States policy. For these reasons this alternative is not likely to win the majority support of American public opinion

The second alternative would give considerable support to the United Nations while reaping political advantages of a domestic character. Congressional and public support for the program might be increased by a positive assurance that the United States would not, by participating fully in the research and planning activities of the United Nations, be assuming a "moral commitment" to appropriate funds or give other kinds of material assistance. This alternative might have the disadvantage, however, of seeming to give support to the United Nations with one hand while withdrawing it with the other.

The third alternative would involve the minimum of international co-operation and the maximum reliance on bilateral agreements between the United States and other countries and on the activities of private American groups. The advantages of selecting this alternative would be the retention of control by the United States; the avoidance of a top-heavy organizational structure in administering the program; and the encouragement of the natural tendency of countries needing technical and financial assistance to come directly to the United States, or to the International Bank, in which the United States has a substantial voice. The disadvantages are that this attitude might be interpreted as being contrary to the policy of strengthening

the United Nations and would therefore run counter to the opinions or feelings of large sections of the American public that are already disturbed by what they regard as a tendency to "by-pass the United Nations"; and that it would open the Point IV program to propagandist charges of American imperialism. It can also be argued that such a degree of aloofness from the United Nations would not be necessary to safeguard American interests, since the United States would have a strong voice in the negotiation of all Point IV agreements between the United Nations and the receiving countries.

It must also be recognized as a practical matter that if the third alternative is selected, the freedom of the United States to choose between bilateral and multilateral programs will not always be complete. A large number of projects are already in operation, and any further programs in the same areas would have to be co-ordinated with existing programs. Where they are under multilateral arrangements, a shift to the bilateral method would be difficult and disturbing.

The disadvantages of laying down in advance a fixed policy governing the use of the United Nations suggest another alternative.

Alternative Four is to adopt a policy of considerating each program for technical assistance separately to determine whether it should be carried out by the United States in direct relation with the receiving country, or by a group of contributing and receiving countries, or by the United Nations.

The adoption of this alternative would raise the question of what criteria should be used to determine whether a program should be bilateral or multilateral. At least three aspects of this question would have to be considered. It might be argued that, since officials of the United Nations believe that experience of the United Nations shows multilateral programs to be the more acceptable politically and psychologically to receiving countries, this consideration should tip the scales against a bilateral program. Economically insecure countries do not want to be dependent on a single economically powerful country. It might also be argued that certain types of programs of technical assistance are inherently best suited to multilateral planning and operation. This might be the case, for example, with projects covering wide areas or in which the experience of one area is valuable in another, and with projects requiring the co-operation of many countries.

On the other hand, it might be argued that certain types of technical assistance programs are inherently unsuited to multilateral operation, either because the arguments in favor of the multilateral method do not apply or because they are overridden by arguments that appeal to

American interests. This might be true of projects to which the United States was the main contributor; or of projects that would, if carried out by the United Nations, make available to iron curtain countries important intelligence or political opportunities not otherwise available to them. It might also be true of projects that the United Nations was unable to carry out effectively either because no appropriate or adequately equipped specialized agency existed, or because the projects were in nonmember countries. Finally, it might be true of projects that would serve a specific foreign policy objective of the United States, such as exclusively United States anti-malaria programs in areas of strategic importance; or that would, if initiated by the United Nations, require the services of American technicians to an extent deemed prejudicial to American security.

5. OPERATION OF THE PROGRAM IN COLONIAL AREAS

The issue relates to procedure in planning or operating Point IV programs in countries or areas that are in, or are in the process of emerging from, a colonial or dependent status.

In colonial territories it is as a rule necessary to work through the metropolitan powers. The major colonial powers—Great Britain, France, Belgium, the Netherlands, and Portugal—are all members of the OEEC, and technical assistance programs in several of their dependent territories are in operation or are being planned through the ECA. The primary objective of the European recovery program is not, however, the improvement of standards of living of the peoples of colonial or dependent territories, but rather the strengthening of the economies of the western European countries and the solution of their balance of payments difficulties. These two objectives are not necessarily inconsistent The greater fund of experience in meeting the economic problems of primitive or relatively underdeveloped economies is possessed by the colonial administrators of the great metropolitan powers. In many cases the best record of success in raising standards of living in underdeveloped areas stands to their credit.

Nevertheless, the association in the European recovery program of certain objectives that belong primarily to the Point IV program with others that are not directly related to that program raises a number of critical questions. For example, the United States government should consider whether the Point IV program is to be used to encourage the aspirations of the colonial peoples for independence, and what its position would be in the event of conflict between the aims of the

colonial peoples and of the metropolitan powers. This might be an especially acute problem if the government of a territory, the status of which was changing, turned to the United States for large-scale Point IV assistance.

Some important underdeveloped areas are under United Nations trusteeship, although they are being administered by colonial powers. This is the case with the large territories under the administration of Great Britain and Belgium that stretch across almost the whole of Middle Africa. It may be possible to develop Point IV programs in these trust territories without encountering the political difficulties that are sometimes met with in colonial territories. A precedent may exist for administering Point IV programs in these territories, based on the new forms of co-operation that have been developed in certain colonial areas to deal with problems of economic development. The outstanding example is the Caribbean Commission, in which quasi-independent local governments co-operate with metropolitan governments in solving the problems of the region. Commissions of this type might be used in connection with Point IV problems in other colonial areas. Several alternatives for approaching some of these problems may be distinguished.

Alternative One is to strengthen and expand existing programs of technical assistance in colonial areas, and to utilize existing agencies for initiating new programs in these areas.

Alternative Two is to continue to develop programs of technical assistance under existing agencies in colonial areas, and in addition to carry out supplementary though co-ordinate programs in these areas under Point IV.

Alternative Three is to appropriate all funds for technical assistance in colonial areas to the agencies charged with the administration of Point IV, and to carry out all such programs under their direction.

The third of these alternatives has one substantial advantage. It would be possible to allocate all technical assistance funds for, and to establish priorities in, colonial areas purely and simply from the point of view of the objectives of Point IV. This advantage would have to be sacrificed if the President's recommendations on Point IV legislation are accepted by the Congress without change, since they expressly exclude the transfer to Point IV of the activities of ECA in technical assistance.

It would, however, be consistent with the legislation recommended by the President to delegate the administration of all Point IV funds

to be utilized in the colonial territories of OEEC countries to the ECA administrator. This would, in effect, mean the selection of the first alternative, which would have the possible disadvantage of appearing to identify the program with the political objectives of the United States, and lead to the charge that the program is not what it purports to be.

The adoption of this first alternative would mean that the planning and administration of broad technical assistance programs—such as exploratory surveys of mineral resources, agricultural surveys, the basic planning of transportation projects, health programs—would be carried out in co-operation with the ECA by the metropolitan country concerned. The American programs of technical assistance in these areas would remain subject to the terms of the ECA act. Guarantees to private investment would still be offered as provided for in the act and further activity by the International Bank would still be expected. The possibilities in this direction are substantial, as is evidenced by the negotiations for an International Bank loan to the British Colonial Development Corporation and the British Overseas Fund Corporation. A loan would assist a large number of projects in British dependent territories, containing various combinations of local and British participation.

The advantages of this alternative are that it would allow the concentration of projects having a Point IV character in areas where they are significant for other objectives of United States foreign policy and that it would avoid many of the political difficulties of appearing to interfere with economic policy in areas where other governments have primary responsibility. It would also have the advantage of utilizing the knowledge and experience of the colonial civil service of the metropolitan powers, and would permit the immediate exploration of possibilities of basic development undertakings in other colonial areas similar to those now being developed by the British. On the investment side it would have the advantage, by utilizing the International Bank, of bringing many dispersed individual projects under a single international supervising authority without sacrificing a large measure of American control.

Alternative two provides a possible middle ground. Its principal advantage is that it provides a safeguard against subordinating all programs of technical assistance in the OEEC countries to specific ECA objectives, including the strengthening of the economies of the metropolitan powers. Its principal disadvantages are administrative. It would create a divided authority in the initiation and supervision of programs

in these areas, and it might necessitate independent agreements outside the ECA that would complicate United States relations with the metropolitan powers.

All three of these alternatives assume a substantial development of activities of a Point IV character in colonial territories. If this assumption is not made, another alternative might be available.

Alternative Four is not to make colonial territories a major field for Point IV programs, but to place the emphasis on the development of pilot projects in the United Nations trust territories.

Under this alternative Point IV funds would not be allocated to the ECA, and supplementary programs would not be developed in OEEC territories. Technical assistance programs in these territories would be carried out exclusively with ECA funds. Point IV assistance to dependent peoples would be directed to the trust territories, with the probability of greatly strengthening the trusteeship system of the United Nations. It might be possible to demonstrate the feasibility of matching or improving on the best colonial practices under international auspices. This alternative might also have the advantage of increasing the confidence of dependent peoples everywhere in the integrity and sincerity of the Point IV program in promoting their ultimate interests. It would have the disadvantage of distributing priorities to technical assistance programs in colonial areas on grounds that are not primarily economic, and it would neglect the immediate interests of some dependent peoples.

6. FINANCING TECHNICAL AID PROGRAMS

The issue is to determine the principles to be laid down and the methods to be employed for meeting the financial costs of technical assistance.

This is an urgent policy problem since the principles to be followed will have both direct and indirect effects on almost all programs of technical assistance. Maximum control by the United States or by the international agency concerned would be afforded if the programs were administered on a grant basis. In his message to Congress, however, the President ruled out this possibility entirely: "In every case whether the operation is conducted through the United Nations, the other international agencies, or directly by the United States, the country receiving the benefit will be required to bear a substantial part of the expense." The problem therefore is how to give effect to the principle of cost-sharing.

There are three alternative principles that can be adopted.

Alternative One is to require the recipient country to pay the local costs, and to meet on a grant basis the dollar or other foreign currency costs, which may be considerable even if technical assistance is kept separate from capital investment.

Alternative Two is to require the recipient country to pay not only the local costs but all or part of the dollar or other foreign currency costs, if it is in a position to do so.

Alternative Three is to insist that the recipient country pay all the costs but to provide some special international financial facilities for meeting them.

A general advantage of all these alternatives is that insistence on payment will often furnish proof of the ability and willingness of the underdeveloped country to organize itself for effective use of the assistance. It will also contribute to the self-respect of the receiving country and to the genuine co-operative character of the undertaking. This has been a valuable feature of the cost-sharing arrangements under the SCC and IIAA programs. The contributions of the receiving country under these programs have increased in proportion as their real advantages have become apparent.

Alternative one, however, has the disadvantage of applying a rigid rule to countries differently situated. In some cases the requirement of meeting all local costs might be so burdensome that it would prevent the initiation of useful projects. In other cases a country may be in a position to pay, in addition to the local costs, all or most of the foreign currency costs, thus releasing funds for employment in other projects or areas. This is also true of alternative two, which has the additional disadvantage of not being fully in accord with tested practices of the Institute for Inter-American Affairs.

Under a policy recently reaffirmed by its directors, the Institute does not limit its dollar grant funds for use only by countries that are short of dollars, nor does it limit them to the amount and type of purchases made in the United States. The principles on which the policy of the Institute rests are that dollar grants even to dollar-rich countries like Venezuela are desirable in securing the initiation and continuation of useful programs and in retaining some United States control over them. Alternative two would disregard the practical experience that has led to the acceptance of these principles by the Institute. On the other hand it has the important psychological and technical advantage of permitting the receiving country to choose where it will go for aid. Moreover, in proportion as technical assistance programs are paid for by the recipient country the whole program

can be expanded, unless the real limiting factor on technical aid programs under Point IV proves to be availability of technical personnel.

The special advantages of alternative three are also both psychological and technical. It might be desirable for the United States government to put at the disposal of the International Bank a sum of money to be lent to countries purchasing technical assistance. Service charges might be moderate and repayment conditions long-term. An advantage of this alternative would be that the Bank would undoubtedly require the underdeveloped country to make an integrated plan for using the technical assistance. Financing through the Bank might also free the underdeveloped country from a sense of dependence on, or fear of domination by, the United States. There is substantial evidence that the large voice of the United States in the Bank has not robbed this institution of its basic international character in the eyes of borrowing countries. Since the Bank is a United Nations agency, this alternative would also make it possible to tap sources of technical assistance throughout the world, which is highly desirable not only from a political but from a purely technological point of view. A possible disadvantage is that the Bank might not take a sufficiently liberal attitude toward financing programs that could not be regarded as resulting in "bankable" projects.

Since none of these alternatives may be applicable to all recipient countries and to all programs, it may be desirable not to make a definite and final choice between them.

Alternative Four, therefore, is to insist on the principle of cost sharing, but not to proceed on any general formula, leaving cost sharing arrangements to be negotiated in each case.

This has the advantage of flexibility and adaptability, but it might be open to various forms of intentional or unintentional or alleged discrimination.

In connection with all these alternatives a special problem arises of how the costs to the recipient should be financed when American private agencies carry out technical assistance programs approved by the United States government.

7. *INVESTMENT TREATIES*

The issue is whether the United States should seek to stimulate the flow of private investment by negotiating a series of special investment treaties with underdeveloped countries, and if so, what it should seek to include in them.

The subject of the treatment of United States enterprise abroad is covered in FCN treaties, but to expedite matters it may be desirable to

lift this subject from these general treaties and to deal with it in special investment treaties. The latter would not, of course, be regarded as a substitute for FCN treaties, but the questions of what they should contain and when and how they should be negotiated are matters of urgency in developing the investment side of the Point IV program.

These questions are related to various other issues; for example, whether the negotiation of an investment treaty, in cases where no FCN treaty exists, should be a prerequisite for the granting of guarantees by the United States government to American investors. Since such a condition would inevitably cause delay in the granting of guarantees, the United States government might give guarantees without waiting for an investment treaty, but on the condition that a FCN or an investment treaty would be negotiated within a stipulated period of time. Finally, it may be asked whether the stimulation of the flow of private investment requires that the American business community be assured that investment treaties will be enforced by all the means at the disposal of the United States government. These are problems of tactics and procedure that cannot be dealt with effectively until the primary problem of what the treaties should contain has been solved.

Alternative One is to negotiate investment treaties with the limited objectives of assuring fair and equitable treatment for United States enterprises and reasonably open access to investment opportunities, while recognizing the right of countries to exclude unwanted investments.

Under this alternative the treaties might contain assurances of prompt, adequate, and just compensation in the event of expropriation. The treatment in general might be guaranteed to be as favorable as that granted to domestic enterprise and to be nondiscriminatory as between foreign enterprises. Explicit recognition might be given to the sovereign rights of the receiving country to decide what investment it would accept and what safeguards it would impose against interference in its domestic political affairs.

This alternative would secure from independent underdeveloped countries the maximum assurances on which it was possible to reach agreement in the multilateral negotiations at Bogotá with the Latin American states. The treaties would probably not contain any recognition of the Calvo doctrine, which is supported at least in theory by many of these states, and according to which a government is denied the right to intervene diplomatically on behalf of its nationals in the event of unjust treatment. Treaties of this kind should be easy to negotiate and, by emphasizing the rights of receiving countries, they

would have the further advantage of persuading these countries of the sincerity of United States objectives as stated in the Point IV proposals. The disadvantage of this alternative is that investment treaties that went little, if any, further than incorporating the principles agreed upon at Bogotá would not in fact be regarded by many potential investors as sufficient protection.

Alternative Two is to negotiate "hard-boiled" investment treaties that would enforce the principle of open opportunity and spell out in detail the United States interpretation of fair and equitable treatment.

Under this alternative the treaties might contain stipulations of the following types, in addition to the general assurances of the first alternative: (1) a guaranteed minimum flow of foreign exchange on account of financial obligations; (2) the acceptance of the principle that investments are entitled to a fair return; (3) protection against operations being made unprofitable by unreasonable tax legislation; (4) freedom to employ attorneys-in-fact, managers, and key employees without regard to nationality, who would have the right to enter and remain in the country for a specified period; (5) no obligatory participation of a specified proportion of local capital; and (6) the reference of disputes to an International Court of Arbitration.

The advantage of this alternative is that it would provide the maximum stimulus to the resumption of the flow of private American capital. If such treaties could be negotiated they would indicate a thoroughgoing acceptance on the part of the underdeveloped countries of the benefits of drawing to the fullest possible extent on the greatest single reservoir of new capital and technological know-how. The major disadvantages of this alternative are that several of these stipulations would require the underdeveloped areas to accord more favorable treatment to foreign capital than federal or state governments of the United States are willing to accord; and that the attempt to include them would be fiercely resisted by most of the underdeveloped countries. Some form of economic or political compulsion might be necessary to obtain this type of treaty, which would be regarded as containing many elements of the economic imperialism denounced by the President in his inaugural address.

Alternative Three is to try to find some middle ground, such as including guarantees of transferability of profits and other returns into dollars up to specified limits, while not insisting either on the open-door principle or on provisions ruling out the compulsory participation of local capital.

This alternative might be an acceptable compromise between hith-

erto irreconcilable views, which have impeded satisfactory arrangements for the entry of large amounts of private capital into underdeveloped areas.

Alternative Four is not to insist on the negotiation of investment treaties in any case in which the government of an underdeveloped country is pursuing a unilateral policy containing the minimum safeguards necessary to ensure fair and equitable treatment.

Under this alternative it would be necessary to determine whether unilateral policies of this kind would be adequate to stimulate the flow of private investment for development. A policy of relying on a unilateral policy of fair treatment would have the advantage of eliminating all forms of foreign pressure, thus avoiding many sources of international friction. The disadvantages are that unilateral policies are subject to change because they do not establish rights such as would be contained in investment treaties, and that no assurance exists that they will remain free from elements inimical to the flow of private capital.

8. INVESTMENT GUARANTEES

The issue is whether or not a system of government guarantees should be introduced into the Point IV program, and if so, what its general character should be.

Among the possible methods of stimulating the flow of private foreign investment is the inauguration of a system of guarantees by the United States government designed to protect American investors against the special risks of foreign investment. Although this may appear to be a matter of concern solely to the United States, it might in fact have repercussions in foreign relations. The many difficulties surrounding this problem are indicated by the cautious approach to it in the President's message to Congress. These difficulties are partly domestic and partly international.

On the domestic side, many businessmen fear that if the United States government gives guarantees it may to some extent become a partner in and have rights of access to the books of the enterprise, and acquire the power to exercise control. Moreover, enterprises carrying on established activities abroad fear that guarantees for new investments would introduce a privileged class of competitors. Finally, if guarantees were given at all, it would be extremely difficult to avoid giving them to capital that would flow out in any event.

On the international side, it would be necessary to determine whether the guarantees should be exclusively by the United States, or whether foreign governments should be asked to share the substantial risks involved, since they would also share in the benefits to be

derived. It might be necessary or desirable to secure from foreign governments assurances that the investment to be guaranteed was acceptable to them. A problem would also arise regarding facilities for the disposal of the local currency or assets acquired by the United States government in connection with guaranteed investments. If the United States required that generous facilities should be provided, the local government would not be likely to accept guaranteed investments; while if only meager facilities were required, the accumulation of dubiously liquid international claims might become a source of international ill-will.

All these difficulties would be avoided by refraining from giving guarantees. In his message to Congress, however, the President recognized that inconvertibility of currencies and the so-called political risks, which it would be the objective of a guarantee system to overcome, are real and serious obstacles to the renewed flow of private capital. And if the recommendations for an experimental use of guarantees by the Export-Import Bank are accepted, a choice will have to be made between several alternative ways in which the guarantee system may be developed.

Alternative One is to inaugurate a system of guarantees covering only the risks of transfer and of expropriation without compensation, and limited to an amount equal to the new dollar investment.

Alternative Two is to accept the first alternative but to extend the guarantee to the transfer of interest and profits up to a limited amount.

Alternative Three is to combine with either the first or the second alternative the additional coverage of the so-called political risks of burdensome restrictions on the conduct of business in underdeveloped countries.

The first alternative would cover the two risks that are of the greatest concern to potential investors, but it would not cover certain other "political" risks. It is argued in favor of the second alternative that the legitimate interest of the investor in converting local currency extends not only to the principal of his investment but to the earnings as well, and that without guarantee of convertibility for earnings much new investment might be prevented. On the other hand, it would be extremely difficult for the authority granting the guarantees either to estimate earnings or to allocate them between old and new investments. More important, perhaps, is the fact that the guarantee might be interpreted by the receiving government as an indication of what the United States authorities considered a fair return, and any earnings beyond this amount as evidence of exploitation. This would put the United States government in the awkward position of appearing to put

a ceiling on profits regardless of risks involved and would militate against the revival of investment.

There are many ways in which a hostile government can make it impossible for a foreign enterprise to continue to operate profitably or even to operate at all. These include the regulation of labor, exchange rates and prices, the establishment of high minimum wage rates, and discriminatory or confiscatory taxation. Alternative four has the advantage of giving additional assurances of reasonable treatment in all these respects. Its disadvantage arises from the great difficulty of distinguishing between the ordinary business risks that should be assumed by the enterprise and risks that are purely political in character.

Under all these alternatives the United States government would have to deal with several subsidiary and difficult problems. It would have to decide whether the guarantees should be made available under a set of general rules or negotiated under separate contracts with each potential investor. The method of separate contracts would have the advantage of flexibility, but it would be open to charges, however unjust, of discrimination and favoritism. It would be necessary to determine the basis of charges to be made for guarantees and to decide whether the fees should be uniform or varied as between different countries and enterprises. The desirable objective of charging fees high enough to make the guarantee system self-liquidating might be irreconcilable with the objective of preventing them from being a deterrent to investment.

9. ADMINISTRATIVE AGENCIES

The issue is to determine which of the possible methods of administering the numerous activities that combine to make up the Point IV program will be mose effective.

The administration of the activities that are to be accelerated or expanded under the Point IV program is at present fairly widely decentralized. The activities of the United States in technical and scientific co-operation with Latin American countries are carried on, under State Department auspices, by the Inter-Departmental Committee on Scientific and Cultural Cooperation and the Institute for Latin American Affairs. Programs of technical assistance in Europe, including the guarantee system, are the responsibility of the ECA, the activities of which in this field may also extend to southern Korea and China. The responsibility for technical assistance to Greece and Turkey was taken over by the ECA in July 1948. The Philippine Rehabilitation Act of 1946 is separately administered and the joint Brazil-United

States Technical Commission was an independent bilateral venture. The foreign investment policy of the United States, including the formulation of policies to be pursued by United States representatives in the International Fund and the International Bank, is the responsibility of the National Advisory Council on International Monetary and Financial Problems. Various departments have interests in the programs of technical assistance of the specialized agencies of the United Nations, for example, the Department of Agriculture in the activities of FAO. The Assistant Secretary of State for Public Affairs is charged with the responsibility for co-ordinating three activities independently organized: The Office of International Information, the Office of Educational Exchange, and the American side of the activities of UNESCO.

In the legislation that has been recommended, the President would be given full powers to carry out the Point IV program. He would be authorized to exercise his powers through the Secretary of State or any other official of the United States government. The Secretary of State, in turn, would be authorized to establish an Institute of International Cooperation within the Department of State. Other arrangements, however, may be considered by the Congress.

Alternative One is to establish a new agency on the model of the ECA and to concentrate the administration of the program in its hands.

Under this alternative a new independent agency would be created, not for a special emergency task, but for the implementation of a long-run objective of American foreign economic policy. The administrator and the Secretary of State would, if the precedent of ECA were closely followed, keep each other fully informed in all matters, including prospective action, relevant to their respective responsibilities. In the event that differences of opinion developed, these would be referred to the President. Many duties now being discharged by the Department of State and by numerous other departments and agencies of government would be of direct concern to the administrator, including the negotiation of FCN or investment treaties and activities relating to the United Nations and its specialized agencies. In particular, the administrator would be concerned with aspects of American foreign policy that now fall within the authority of NAC. Moreover, the funds to be administered under the new agency would be not only relatively small in total amount, but they would have to be divided among a great number of individual projects of a highly diversified character. A rather elaborate intragovernmental reorganization would have to be carried out to give the new agency adequate control over the operations of Point IV as a whole.

These are serious disadvantages, and strong reasons would have to be advanced to justify the choice of this alternative. There are several such reasons. If Point IV is to be a single over-all program with clear objectives, with definite criteria for establishing priorities, and with the capacity to see that technical assistance is of the appropriate type, effectively utilized and properly associated with investment, some central operating and planning agency is needed. If in addition the general conception of the program to be administered requires a substantial amount of American forward planning and initiative, the argument for this alternative is strengthened.

Alternative Two is to follow the principle of diffusion and to leave a considerable amount of autonomy to all of the agencies now concerned with technical assistance, with perhaps an over-all co-ordinating committee under the chairmanship of the Department of State to lay down general policies.

This alternative gives maximum scope for the further development of a large number of loosely related operations, each with its own fund of experience and competence. It requires the minimum amount of governmental reorganization. It would probably safeguard to a greater extent than other alternatives the basic principle of enlisting the help and co-operation of private agencies in particular projects where they have shown independent interest and initiative.

The principal disadvantage of this alternative is that it might result merely in an acceleration of existing programs, with perhaps some expansion in size and geographical distribution. It would be difficult to argue that this was in any real sense a single over-all program.

Alternative Three is to accept the recommendations of the President.

Under this alternative some of the administrative flexibility of the second alternative would be retained but the main administrative agency would be the Institute for International Cooperation. This Institute would, in effect, be an expanded Institute for Inter-American Affairs with authority to operate in parts of the world designated by the Secretary of State. It would be able to make full use of the tested techniques and procedures that have been developed in Latin America and to adapt them to new situations.

This alternative would not provide the degree of co-ordination between the technical assistance and the investment sides of the program that would be possible under the first alternative, although it would leave with the Secretary of State the responsibility for conducting one of the major parts of long-run foreign policy without the cumbersome arrangements for liaison that would be necessary with an independent agency.

10. PROCEDURES OF AGENCIES RESPONSIBLE FOR THE POINT IV PROGRAM

The issue is to determine the procedures that should be adopted by the agencies administering the program to ensure that the advice and assistance to be transferred are appropriate to the economies and institutions of the receiving countries.

This issue is likely to arise at an early stage in the preparation of a program of technical assistance, or in connection with the planning and financing of individual projects that are not part of any general scheme of development.

Alternative One is to carry out and keep up to date economic surveys of all the major underdeveloped areas and to require preliminary screening of all programs of technical assistance in the light of this information.

Alternative Two is to require economic surveys to be undertaken each time a program of technological assistance of sufficient importance is presented, and to withhold approval of the program until its contribution to the over-all economic program of the area can be critically examined.

The adoption of the first alternative would require a preliminary solution of the problems raised by the multiplicity and extremely uneven character of the economic surveys now being carried out. Economic surveys are being made by United Nations missions, by the International Bank, and, as in the case of the Joint Commission for Brazil, bilaterally by the United States and the government to be assisted. Surveys are also being carried out in colonial territories in conjunction with the European recovery program. The first alternative would not require and it might be hampered by this duplication of effort. It would require, however, that the United States agency charged with the administration of Point IV should have at all times a clear picture of the economic potentialities and needs of the major underdeveloped areas and of the proposals of their governments for development. To test the economic validity of the various plans and projects, it would be necessary for the agency to sift the mass of available information and to supplement it continuously. In countries where surveys have been made by the International Bank, it might be possible to arrange for consultation on the programs contemplated.

Under this alternative the United States government would be forewarned of utopian or unrealistic requests from underdeveloped countries, and it would be in a position to establish priorities among the more realistic programs and projects. It also has the advantage

of ensuring that a basic United States point of view would be developed on the type of economic development that should be promoted through technical aid and that assistance would not be dissipated on projects of low priority. Finally, it has the advantage of enabling the agency in charge of the program to take the initiative in calling to the attention of governments in underdeveloped areas projects suitable for development.

But this first alternative has several substantial drawbacks. It would greatly increase the burden of work and the responsibility of the agency in charge of the program. It would institutionalize the process of giving the technological assistance to a relatively high degree. It might commit the United States to think of economic development in terms of over-all planning to an extent inconsistent with the fullest utilization of private initiative, ingenuity, and resource. It might also produce an administrative bottleneck in Washington harmful to prompt and effective action.

Some of the advantages of having the agencies responsible for the program act as screening agencies would be retained under the second alternative. But this alternative would reverse the logical order of things, which is to look into the general situation first and to plan the individual programs in the light of the over-all requirements. It would have the advantage, however, of concentrating the energies of the agency in charge of the program on specific proposals and of escaping the danger of dissipating them in general studies that might never be needed.

Alternative Three is to have the agencies in charge of the program act, not as screening agencies, but in a consultative and advisory capacity to both the receiving governments and the governments supplying the assistance.

This alternative would minimize the authority of the United States government to direct technical assistance toward projects that have priority from the standpoint of over-all planning. It would, however, permit of the maximum administrative flexibility. To be effective, it would require organized consultation rather than merely *ad hoc* consultation at the request of the various interested parties. It would have the advantage of interfering to the minimum with technical asistance given through the specialized agencies, the activities of which the United States government might have decided on general grounds to expand and support. A disadvantage is that it might lead merely to the un-co-ordinated, and even indiscriminate, acceleration of miscellaneous activities rather than to a program of economic development in any real meaning of that term.

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II. THE PROBLEM OF INDONESIA

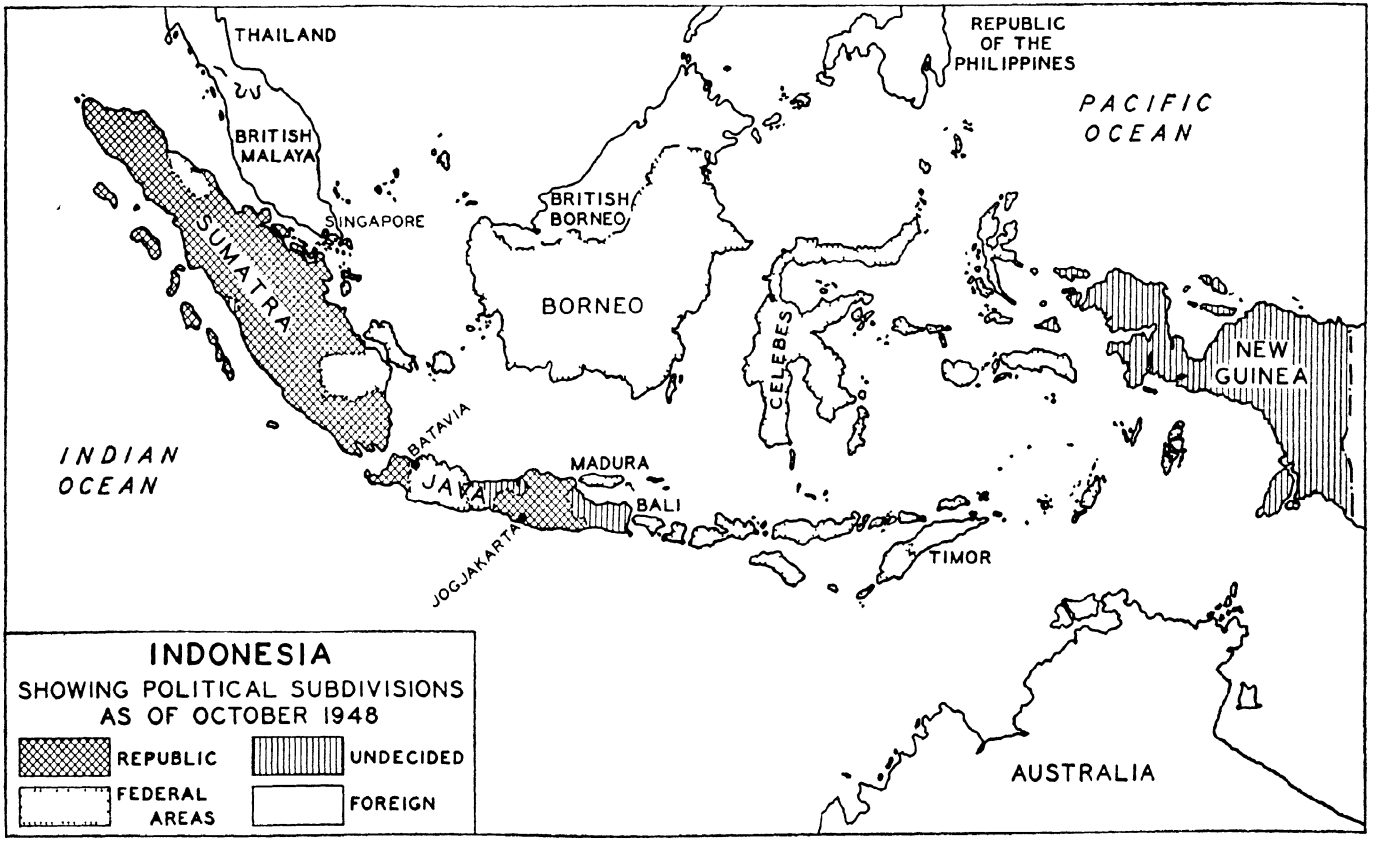
THE PROBLEM for the United States in Indonesia is how best to contribute to a settlement of the differences between the Indonesian Republic and the Kingdom of the Netherlands that will recognize the national aspirations of the Indonesians, respect the rights of the Dutch, uphold the authority of the United Nations, prevent the island from falling under the control of a militant communist minority, and otherwise safeguard the interests of the United States.

A. NATURE OF THE PROBLEM

The problem of Indonesia has arisen out of the failure of the Netherlands government and the Republic of Indonesia to reach agreement peacefully on the question of sovereignty in the area. The new Republic of Indonesia was set up in the Netherlands Indies just prior to the reoccupation of the islands by the allies at the close of the second world war. This brought into existence a rival claimant to the political authority previously exercised by the Netherlands. Despite the subsequent conclusion of two agreements between the Netherlands and the Republic, under the good offices first of the British government and then of the United Nations, differences regarding the practical application of agreed principles have blocked the implementation of the agreements, and intermittent hostilities have ensued.

In December 1948 the Dutch, as a result of drastic military action, occupied the Republican capital and took the Republican leaders into custody. Following this action, the Security Council on January 28, 1949 adopted a resolution calling for the immediate cessation of hostilities and for steps to be taken looking to the establishment of a sovereign federation in Indonesia, an objective to which both parties had committed themselves in the agreements already concluded between them. After a delay of over 3 months, on May 7, 1949 delegates of the two disputants reached an accord, which, if confirmed and implemented by the Republican government, will bring about a cessation of hostilities and the resumption of amicable negotiations for a political settlement.

Indonesia, with an area of approximately one quarter and a population of over one half that of the United States, is the most important of the remaining colonial empires. Its situation, astride the sea channels between the Pacific and Indian Oceans and commanding trade routes that connect Europe and the Middle East with the Far


THAILAND
BRITISH MALAYA
SINGAPORE
SUMATRA
BRITISH BORNEO
BORNEO
CELEBES
REPUBLIC OF THE PHILIPPINES
PACIFIC OCEAN
NEW GUINEA
INDIAN OCEAN
BATAVIA
JAVA
MADURA
BALI
JOGJAKARTA
TIMOR
AUSTRALIA
INDONESIA
SHOWING POLITICAL SUBDIVISIONS AS OF OCTOBER 1948
REPUBLIC
UNDECIDED
FEDERAL AREAS
FOREIGN

East and Australasia, is of great strategic significance. In the prewar days its natural resources and trade were an important source of the wealth of Holland and a considerable factor in world trade. Its exports included six important strategic commodities: petroleum, tin, rubber, quinine, bauxite, and palm oil. The rehabilitation of the Indonesian economy and the fuller development of its potential resources, many of which are as yet untouched, would lead to an expansion of trade with the Western world that would be an important factor in assisting European recovery.

Since the war, national movements among dependent peoples in three countries—Indo-China, Madagascar, and Indonesia—have resulted in armed conflict with the metropolitan authority, but only the Indonesian case has been considered by the United Nations. This case therefore has special significance in that it may establish precedents and principles with far-reaching implications for the position of other colonial powers, for the national aspirations of all dependent peoples, for the scope of the jurisdiction of the Security Council, and for future collaboration between the West and the East in general. To many members of the United Nations, including perhaps the United States, as well as to dependent peoples, this aspect of the case may transcend in importance both the issues between the two parties and the economic and strategic issues at stake in the world at large.

The United States is committed to an interest in the Indonesian settlement, not only indirectly by its traditional sympathies with the aspirations for self-determination of dependent peoples and by its broad objectives of security, but also directly by its obligations under the Charter of the United Nations and by the resolution of January 28, 1949 that it proposed, jointly with three other powers, to the Security Council. Since this resolution, as subsequently qualified by the Council directive of March 23, still remains to be carried out, the United States government is faced at the moment with the problem, not of devising an acceptable plan for the future constitutional status of Indonesia, but rather of facilitating the implementation of an accepted plan. None of the issues that were critical prior to May 7, 1949 can be regarded as having been permanently resolved by the accord then reached. At best they may be considered as dormant for the time being. Consequently, the United States must be prepared to take a position on the issues since they would become active again if the new negotiations should fail to yield a definitive settlement.

Fortunately, the Netherlands government, the Indonesian Republicans and Federalists, and the United Nations are all agreed on the ultimate objective, which is the establishment of a sovereign, federated

United States of Indonesia under the Crown of the Netherlands. The issues in the problem, therefore, relate only to intermediate steps, transitory arrangements, and modes of implementing agreed principles. If these issues can be resolved on the basis of free negotiation between the parties, it will enable the United States to escape the conflict that might otherwise arise between its policies, on the one hand, of supporting the aspirations for self-government of peoples qualified to exercise it, and, on the other hand, of cementing its relations with the Netherlands and the other Western colonial powers in the pursuit of common aims in Europe. The resolution of these issues would also tend to ease the difficulty of combating communist expansion in Southeast Asia, a problem the seriousness of which has been magnified by recent communist gains in China.

B. DEVELOPMENT OF THE PROBLEM

Indonesia, as the Netherlands Indies are now officially named, comprises the large islands of Java, Sumatra, Celebes, the greater part of Borneo, the western third of New Guinea, about one half of Timor, and a myriad of smaller islands set in a vast expense of waters on both sides of the equator between the Pacific and Indian Oceans. Dutch Borneo is four fifths as large as Texas, Sumatra is as large as the Middle Atlantic and the New England states combined, Dutch New Guinea is about the size of Colorado, and Java together with its close satellite Madura is almost the size of Wisconsin. Indonesia has an aggregate land area about one eighth less than the United States east of the Mississippi.

CHARACTER OF INDONESIA AND EARLY INFLUENCES

In many of the islands, climate and soil are exceptionally favorable for the development of a tropical plantation industry, and in the years before the war Indonesia became an important source of world supply for many plantation products. In 1939 it produced 91 per cent of world production of cinchona bark and contributed the following percentages of world exports of important plantation products: pepper 86, kapok 72, agave 38, rubber 37, hard fibers (for cordage) 33, copra 27, palm oil 24, tea 19, sugar 6, and coffee 4 per cent. Java, together with Madura, ranks sixth in world production of rice, although its output is largely consumed in Indonesia. Petroleum, tin, and bauxite are important in world production of these minerals, tin being 17 per cent and petroleum nearly 3 per cent of world production in 1939.

The population of Indonesia shows great diversity of race and of levels and types of culture. In the hinterland of New Guinea the

frizzly-haired Papuans still maintain racial and cultural isolation, and in the interior of Borneo and other islands there are many peoples who are still in a primitive tribal state. The great majority of the civilized native inhabitants, however, who number perhaps 95 per cent of the total population, are probably various blends of wavy-haired strains with remote Indian affinities and straight-haired Mongoloid strains. Although some 125 linguistic groups may be listed, most of the civilized inhabitants speak kindred languages belonging to the Austronesian (Malayo-Polynesian) family; and Malay, which has been designated by the Republic of Indonesia as the official language, serves as a medium of communication between the racial groups. According to the census of 1930, the Javanese of central Java comprise 47 per cent, the Sundanese of western Java 14 per cent, and the Madurese[1] of Madura and northeast Java 7 per cent of the total population. Five other native ethnic groups number more than one million people each. There are also well over one million Chinese, who have established themselves in the islands in modern times and eventually have come to occupy a dominating position as middlemen in local business, just as the Dutch have dominated international trade, large-scale industry, and plantation estates.

In prehistoric times the ancestors of the civilized inhabitants had developed a social system adapted to the exigencies of irrigated rice culture. These required a higher degree of organization for collective action than was necessary in most other contemporary societies that were not dependent on water control for agriculture. A system of local self-government based on the communal village and an enduring body of laws and customs was also evolved.

Indonesian culture has been profoundly influenced by India, with which there appears to have been intercommunication even in prehistoric times. Soon after the beginning of the Christian era, the close trade relations established by the Indian merchants with the islands led to grafting the Brahmino-Buddhist culture of India on to the indigenous culture; flourishing "Hinduized" kingdoms were set up in Sumatra and Java. The many Buddhist monuments found in Java, notably the magnificent stupa of Burobodur, were the work of a Buddhist dynasty, the Shailendra, that emerged in Java in the 8th century. Beginning in the eleventh century, however, the political upheavals in India caused by the inroads of the Mohammedans practically isolated the two areas, and Indian culture in Indonesia, cut off

[1] In the transcription of Malay words where the Dutch orthography calls for oe, j, tj and dj, in this paper u, y, ch and j respectively are used, in accordance with British usage.

from its source, fell into decay. After the fourteenth century, Hinduism and Buddhism both gave way to Islam, except in Bali where Hinduism is still extant. It was chiefly from the Mohammedan sultans that the European conquerors took over authority.

THE DUTCH IN INDONESIA

The Dutch connection with Indonesia dates from the year 1596, when a fleet belonging to the East India Company, which had been formed the year before, reached Sumatra, nearly a century after the Portuguese appeared on the scene. Within a few years the Dutch were everywhere in the ascendancy over the Portuguese, who were finally evicted from the Moluccas in 1641. The Dutch established the center of their influence in Java, but they fanned out in all directions. In 1795 the (Dutch) East India Company, which had theretofore enjoyed a monopoly of trade, was liquidated. When the Dutch were reinstated in the islands in 1816 after the interruption of their rule during the Napoleonic wars, a policy of direct administration was adopted. Thereafter they gradually consolidated their control over the entire extent of the Netherlands East Indies.

From the outset of their venture in the East Indies until the beginning of the present century the Dutch, more than any other contemporary colonial power, had been more preoccupied with commerce. They devoted themselves assiduously to the development of the economic resources of the islands, especially in Java. Many of the plantation products that became mainstays of the economy, such as tobacco, rubber, cinchona, coffee, tea, and cocoa, were not indigenous in origin, but they were introduced by the Dutch and their cultivation was adapted to local conditions. In 1938 Dutch investments amounted to 4 billion guilders (2,200 million dollars or one-sixth of the national capital) and in favorable years 14 to 16 per cent of the national income was dependent upon the Indies.

In their discussions of their direct rule the Dutch refer to three periods. The first of these, the Culture Period, with its forced labor, taxes in produce, monopolies, consignments to the Netherlands, and state profits, was superseded in the 1870's by the Liberal Period, characterized by free enterprise, private production, and private profits. The turn of the century introduced the Ethical Period, which revealed increasing Dutch concern for the welfare and political advancement of the native peoples and was later characterized by the growth of an Indonesian nationalist movement. Although the election of village chiefs is a very old institution, since 1920 a number of new democratic institutions have been introduced, among them the regency and

municipal councils, provincial councils, and a People's Council. The latter functioned as a representative and legislative body and was composed of 30 Indonesians, 25 Dutch and 5 others (Chinese and Arabs). Property and literacy qualifications limited the franchise to a small fraction of the total male population and gave a marked advantage to the Dutch and Chinese citizens because of their superior economic and literacy status. Before the war the ratio of Dutch to natives in the higher ranks of the civil service, though still markedly in favor of the Dutch, was gradually falling. Subversive nationalist activity was suppressed, but a police force of only 30,000, of which no more than 1100 were whites, for a population of 70 million did not suggest, or lend itself to, the methods of a police state.

The Dutch administration contributed to the welfare of the population not only by providing political and economic stability but also by promoting productive industry and by improving social and labor conditions and public health. As a result the population of Java increased from 4.5 millions in 1815 to 48 millions in 1940. The ownership of land was restricted to the native population, and native culture and laws were respected. In the school year 1938-39 enrollment in elementary schools had reached well over 2 millions, while 54 thousand were enrolled in secondary, intermediate, and vocational schools, and over one thousand in four universities. The percentage of literacy was rising and in 1940 was estimated at 17 per cent of the population of over 10 years of age. The Dutch themselves have recognized many shortcomings in the educational system, such as the failure to combat illiteracy effectively, a misplaced emphasis upon book knowledge at the expense of mental development and training for citizenship, the failure to relate education to the Indonesian environment, and the maintenance of separate systems for the Indonesians and Europeans. The diversity of languages, necessitating separate teaching staffs and text books, and Muslim prejudices against female education are the principal handicaps to the reduction of illiteracy. The cost of an educational system that would have provided common school education for all, and higher education for numbers adequate to serve the needs of a modern society for leadership, might have been prohibitive without a marked increase in the average productivity of the population.

The Dutch people at home, as they emerged from the despoliation and wreckage of the German occupation, counted heavily on their reinstatement in, and reconstruction of, the Indies to help in their own recovery. Moreover, Dutch national sentiment, which takes great pride in the long record of progressive achievement in Indonesia, has a deep attachment to the Indonesian connection. This sentiment was

strengthened by the cost in Dutch lives of the attempt to defend the islands against the Japanese invaders and by the tribulations suffered during the Japanese occupation by the many thousands of Dutch residents, who for the most part remained in the territory when the Japanese attacked. The reinstatement of its authority in the Indies confronted the Netherlands government not only with the demands to satisfy nationalist aspirations but also with difficult problems of reconstruction and of an orderly transition to a new regime.

EMERGENCE OF THE INDONESIAN REPUBLIC

Neither the limited participation in government that the Dutch had granted the Indonesians nor the amendment of the Netherlands constitution in 1922 declaring the equality of the overseas territories and the home country served to deter the development of a nationalist movement in parts of Java, Madura, and Sumatra during the war years. The movement was stimulated by the loss of prestige that the Dutch had suffered in conseqence of the successes of Japanese arms, by a feeling that Dutch rule had left the Indonesians helpless against Japanese oppression, and by the new-found self-confidence of the Indonesians, born of experience in fending for themselves during the Japanese occupation. The desire for independence was fanned by systematic Japanese propaganda against so-called Western "imperialism," and native leaders willing to collaborate, such as Sukarno and Hatta, were vested by the Japanese with a semblance of authority and were shown marked favors. In the spring of 1944 the Japanese government made definite promises of independence, which pleased the more intellectual elements and the Mohammedan leaders. A year later, when faced with inevitable defeat, the Japanese sponsored the organization of a committee for the preparation of independence. Prominent among its members were Sukarno and Hatta, who became respectively President and Vice-President of the Republic of Indonesia, which was proclaimed by the committee on August 17, 1945, two days after the Japanese had accepted the Potsdam Proclamation as a basis of surrender.

Six weeks later, on September 30, British forces landed in Batavia to accept the surrender of the Japanese forces in Indonesia and to release allied prisoners and internees. In the meantime, Lord Mountbatten, the allied theater commander, had charged the Japanese with the responsibility of preserving law and order and maintaining the status quo. On September 3 he had ordered them to disband the Republic of Indonesia immediately, but by this time the Republican government was well under way and Japanese arms were widely

distributed among the population, including the extremist and lawless elements. If the allies could have taken over authority more promptly, it is possible that the subsequent disorders might have been avoided, and there might conceivably have been no Republic today.

Although the British landings were unopposed, the arrival later of Dutch contingents precipitated hostilities by the Republicans. In Java and Sumatra, the British did not extend their occupation beyond a few important centers; elsewhere the Republic continued to exercise authority. In Borneo, Celebes, and the islands east of Java, however, allied authority was quickly restored, and Dutch control was re-established in July 1946. In the same month, a conference of native representatives was held at Malino, Celebes, where the groundwork was laid for converting Indonesia into a federation in which it was proposed that East Indonesia, Borneo, and the Republic of Indonesia comprising Java and Sumatra would be equal partners. The Dutch were able to make rapid progress in economic rehabilitation in the non-Republican areas.

The situation in the Republican areas was eased when the Republicans were persuaded to negotiate with the Dutch. Both sides had much to gain from a settlement that would ensure good relations and the continuation of Dutch technical and financial assistance. The Republicans for their part recognized that their leadership was woefully weak in trained administrative and professional personnel and that their was a dearth of capital in native hands. It is worthy to note that although many poor Chinese immigrants made fortunes in Indonesia, the natives seemed to lack the powers of application that are necessary to success in business; and notwithstanding their exclusive privilege of owning land and their greater local knowledge, relatively few were in the ranks of the wealthy.

While negotiations were proceeding, the Ukrainian representative to the United Nations brought the situation in Indonesia to the attention of the Security Council in January 1946, alleging that British, and even Japanese, troops had been used against the Indonesian population, and calling on the Council to carry out an on-the-spot investigation. The proposal was rejected after the United States representative had expressed the view that no constructive purpose would be served by such an investigation and that it might even prejudice the negotiations then going on between the Dutch authorities and the Indonesian Republicans.

The negotiations, which were protracted, culminated in a draft agreement in November 1946 at Linggajati, Java, providing for the *de facto*

recognition of the Republic of Indonesia, which was to include Java, Madura, and Sumatra. The agreement also provided that the Netherlands government and the Republic of Indonesia would co-operate in forming by January 1949 a sovereign democratic state on a federal basis, embracing all of the Netherlands East Indies and to be called the United States of Indonesia. The other component parts were to be Borneo and East Indonesia. The agreement was without prejudice to the rights of the population of any territory to decide by democratic procedure that its position in the United States of Indonesia should be otherwise defined. It was further provided that a Netherlands-Indonesian Union would be established, under the Dutch Crown. The draft agreement encountered opposition in both the Netherlands and the Republican government but was finally signed on March 27, 1947.

The conclusion of this agreement did not put an end to the crisis. Many problems remained unsolved, including the question of the power to be exercised by the Crown as the head of the Netherlands-Indonesian Union. There was controversy not only between the Republicans and the Dutch but also between the Republicans and the non-Republican Indonesians. The latter believed in the federal principle rather than in a unitary state and have evinced no desire for incorporation in the republic, which had no jurisdiction outside of Java, Madura and Sumatra. Moreover, bitter disputes arose over restrictions on trade and commerce that had been instituted by the Dutch and over the retention by the Dutch of military contingents in the territory of the Republic. Efforts to compose these differences ended in a complete impasse. After the Republican cabinet had rejected an agreement calling for a joint "gendarmerie," which negotiators on both sides had initialed, tension increased and was marked by the burning of bridges and other structures by the Republicans.

In July 1947 the Netherlands authorities took military action, which they described as a temporary "police" measure of strictly limited character, rendered necessary by the inability of the Republic to maintain order, and not to be taken as implying an abandonment of the Linggajati Agreement. In taking this action the Dutch maintained that the actions of the Republicans, especially the holding of Dutch hostages, had not been regulated under the Linggajati Agreement and that the arbitration provision of that agreement therefore did not apply.

BEGINNING OF UNITED NATIONS ACTION

The Indian and Australian governments, in letters addressed to the President of the Security Council of the United Nations on July

30, 1947, separately called attention to the situation in Indonesia. The Indian government asserted that the Dutch forces had without warning begun large-scale military action against the Indonesian people at a time when negotiations were actually proceeding for the implementation of the Linggajati Agreement. The Security Council was asked to take the necessary measures provided under the Charter of the United Nations to put an end to the situation, which, the resolution asserted, endangered international peace and security and was covered by Article 34 of the Charter. The Australian communication proposed that the Security Council call upon the parties to cease hostilities forthwith and to commence arbitration in accordance with Article 17 of the Linggajati Agreement.

INDONESIAN CASE BEFORE THE SECURITY COUNCIL

In the development of the Indonesian case in the Security Council, France, Belgium, and Great Britain, concerned about the extensive investments of their nationals in rubber and copra plantations and about their trade with Indonesia, have been disposed throughout to take an attitude sympathetic with the Dutch. As colonial powers they also have an understanding of the difficulties encountered in the advancement toward self-government in the backward areas. In the case of Great Britain, sympathy for the Dutch has been somewhat tempered by a recognition of the need to satisfy the legitimate nationalist aspirations of dependent Asiatic peoples, as they have been satisfied in India, Burma, and Ceylon.

India, having itself only recently become completely independent, has been a foremost supporter of the Indonesian Republican cause. Syria, bound to Indonesia with the additional bond of the Islamic religion, and the Philippine Republic, have been predisposed in the same way. These three countries have been supported by the Soviet Union, Poland, and the Ukraine, which attacked the Western democracies, especially the United States, on the ground that they were attempting to perpetuate colonialism in Indonesia and to thwart the nationalist aspirations of its people. Nevertheless, when the Dutch again took military action against the Republic in December 1948, the official "line" in the communist press was that President Sukarno and Vice-President Hatta were traitors to their country in suppressing a communist revolt and that they were now suffering a just retribution.

Australia, for which propinquity creates a lively interest in the problem of Indonesia, has also sided with the Republicans, in part because it seems to be imbued with the ideas that its own influence

regionally will be enhanced if the peoples of Southeast Asia cease to be dependent on European governments, and that the development of these peoples to democratic maturity will present opportunities for profitable co-operation.

The natural sympathy of China with the nationalistic aspirations of fellow Asiatics is tempered in this case by concern for the fate of the large Chinese community in the islands. This foreign community has suffered much in loss of life and destruction of property from the inability or unwillingness of the Republican regime to extend adequate protection.

The United States, in determining its position on the Indonesian case, has been faced with the dilemma created by a possible clash between its interests in Europe and its interests in Asia. On the whole, it has adopted a position probably nearer midway between the two sides than has been adopted by any other power that has played a leading part in the deliberations of the Security Council.

The conflicting interests of the powers severely limited the action that it was possible for the Security Council to take when it took up the case on July 31, 1947. The Indonesian case is thus an illustration of a problem that frequently arises in connection with action by the Security Council. On August 1 the Council adopted a resolution calling upon both parties to cease hostilities forthwith, to settle their disputes by peaceful means and to keep the Security Council informed about the progress of the settlement. On August 25 it adopted a joint Australian-Chinese proposal to establish a consular commission of observers, comprised of representatives in Indonesia of the governments of member countries, which was to report to the Council on the situation. It also adopted a United States proposal that the Council should tender its good offices to the parties and should express its readiness to assist at their request in a settlement through a Good Offices Committee, which was to consist of three members of the Council, one selected by each party and the third to be designated by the two thus selected. On the other hand, it rejected an Australian proposal for arbitration of the dispute, and also a Soviet amendment to the Joint Australian-Chinese resolution, which called for the establishment of a commission of representatives of all states members of the Security Council to carry out the task of supervising a "cease-fire" order. If the Soviet amendment had been adopted, a Soviet representative would have come onto the Indonesian scene, and although it was favored by a majority of the Council, it was defeated by a French veto. The Soviet and Indian delegates complained that the

decisions reached by the Council were tantamount to the acceptance of the Netherlands point of view.

A Belgian proposal that the Security Council should request an advisory opinion of the International Court of Justice on the competence of the Council to deal with the Indonesian question was supported by the United States representative. But he explained that this was because he had doubts, not on the competence of the Council under the United States resolution on the Good Offices Committee, but on the right of the Council to impose a specific solution. Other representatives insisted, however, that the question was not legal but political and moral, and therefore outside the competence of the Court. When the matter came to a vote the Belgian resolution was defeated. The Netherlands representative, who had been invited to take a seat at the Council table, had consistently taken the position that the Charter provisions were inapplicable to the case, that the matter was within the domestic jurisdiction of the Netherlands, that there was no danger to international peace and security in the situation, and that the fact that a matter is of international concern does not of itself confer jurisdiction on the Security Council under the Charter of the United Nations.

Consular Commission and Committee of Good Offices

In September and October 1947 reports from the consular commission at Batavia that had been formed in pursuance of the joint Australian-Chinese resolution revealed that sniping and clashes between patrols were still occurring. It was stated that this was because the Republicans did not accept the Dutch line of demarcation, which was based on their advance positions, and within which the Dutch had declared their intention to restore law and order and to disarm all armed organizations. The commission found that as long as this situation continued it would be impossible to obtain the complete observance of the cease-fire order, and it charged that no attempt had been made by either side to reach agreement on the means of giving effect to the order.

In the meantime, the Committee of Good Offices of the Security Council has been formed, in accordance with the United States resolution of August 25. The Netherlands selected Belgium as a member, the Indonesian Republicans Australia, and the two thus selected chose the United States as the third member. In mid-October, the representatives appointed by the three powers left for Indonesia.

During October and November the Security Council considered various proposals, including a resolution by the Soviet Union calling

for the immediate withdrawal of Dutch and Indonesian troops to the positions they had occupied prior to the beginning of military operations; and one by Australia calling for their withdrawal 25 kilometers behind the positions they had occupied on August 1. These resolutions were rejected after long and frequently acrimonious debate. Finally, on November 1 an amended United States resolution was adopted that called upon the Netherlands and the Republic to consult, direct with each other or through the Good Offices Committee, on means of implementing the cease-fire order. It also contained a warning to both parties that incitement to hostile action, as well as action itself, would be a violation of the resolutions of the Security Council.

In Java the Good Offices Committee, after establishing contact with the Dutch and Republican authorities, arranged on December 8 for negotiations to begin. The meetings took place on board the U.S.S. *Renville,* which had been made available by the United States government after the Dutch and the Republican representatives had failed to agree on a location for the meeting on land. The Good Offices Committee informally offered a detailed program for a military truce and a set of principles to serve as the basis for a political settlement. From this program evolved the Renville Agreement, which was accepted by both parties on January 17, 1948.

Terms of the Renville Agreement

The Renville Agreement consists of three parts: a truce plan; a set of 12 principles designed to provide the basis for a final political settlement; and a set of six additional principles agreed to some days later.

The truce plan provided for stand-fast and cease-fire orders to be issued simultaneously by both sides. These were to be fully effective within 48 hours and were to be applicable to their respective forces along a "status quo" line, which was defined as corresponding to the boundary line described in a Netherlands government proclamation of August 1947; and to territories that had been established as demilitarized zones between the "status quo" line and the forward positions of the two opposing forces. It was further proposed that the establishment of these demilitarized zones would not prejudice the rights, claims, or positions of the parties under resolutions of the Security Council. There were numerous other provisions relating to the restoration and maintenance of peace and order, to the resumption of trade and intercourse, and to the evacuation of armed forces from the demilitarized zones to within their own lines.

The 18 principles that form the second and third parts of the Ren-

ville Agreement deal with the substance of political objectives and with the procedure for achieving them. The central objective is the establishment of a sovereign and independent United States of Indonesia, in equal partnership with the Kingdom of the Netherlands in a Netherlands-Indonesian Union under the Dutch Crown. Within the United States of Indonesia the Republic of Indonesia will have the status of one of the component states in the federation. Pending the transfer, after a stated interval, to the United States of Indonesia, sovereignty throughout the Netherlands Indies will remain with the Netherlands. During this interval, however, the Netherlands may confer appropriate powers on a provisional federal government in which all states will be offered fair representation.

The two parties were to pledge themselves to guarantee freedom of assembly and speech, with the qualification that this would not include the advocacy of violence or reprisals. They were also to make decisions concerning changes in the administration of any territory only with the consent of the inhabitants, whose security and freedom from coercion were to be ensured. It was contemplated that free discussion of the vital issues would proceed for six months to a year, after which free elections would be held to allow the people to choose their political relationship with the United States of Indonesia. A plebiscite was to be held in Java, Madura, and Sumatra to determine whether this territory was to form a part of the Republic of Indonesia or of some other state within the union. Once the boundaries of the new states were delineated, a constitutional convention was to be held of representatives of all states, chosen by democratic processes in proportion to population. A reservation, similar to the one in the Linggajati Agreement, left any state that chose not to ratify the constitution of the United States of Indonesia free to negotiate special relationships with the latter and with the Kingdom of the Netherlands.

Other principles related to the restoration, as soon as practicable, of economic activity by co-operation between the two parties; and to the gradual reduction of the armed forces of both parties after the signing of the political agreement. They also provided for the Committee of Good Offices to continue to assist in the settlement of political disputes in Java, Madura, and Sumatra; for the Committee to observe the plebiscite in these islands on the request of either party; and for each party to give serious consideration to any request by the other that the United Nations should provide an agency to observe conditions up to the time of the transfer of sovereignty.

Political Discussion in March-June 1948

In a resolution adopted by the Security Council on February 28, 1948, the Good Offices Committee was requested to pay particular attention to the political developments in western Java and Madura and to report to the Council at frequent intervals.

Political discussions did not begin until March 16, 1948, and were suspended on June 16 without anything having been accomplished. The immediate cause of the suspension was that the Dutch would not discuss a plan offered jointly by the United States and Australian members of the Committee of Good Offices (but not by the Committee as a whole) for bridging the gap between the parties. On the other hand the Dutch had their own proposals for the constitutional organization of the United States of Indonesia. The representatives of the Republic, who had accepted the principles of the joint American-Australian plan for negotiations, withdrew from discussions that they considered to offer no fruitful prospects. This plan offered a solution for the vexed problem of the delineation of state boundaries prior to the holding of plebiscites or elections. It called for the indirect election of delegates, with representation in proportion to population, to a body that would be both a provisional legislative assembly and a constitutional convention. The provisional parliament would delineate the states of the new United States of Indonesia and elect the President, who would then appoint a Prime Minister to form a cabinet responsible to the provisional parliament. The cabinet would have full powers of self-government, including the command of all Indonesian armed forces.

PRINCIPAL DIFFERENCES BETWEEN THE PARTIES

The breakdown in negotiations between the two sides was attributable fundamentally to deep-seated mutual distrust, to the failure to decide definitely whether principles agreed to became applicable immediately or not until a political agreement had been concluded, and to conflicting interpretations regarding the concrete application of those principles. But the main open and specific differences related to disputes over the practical application of the principle of Netherlands sovereignty during the interim period pending the establishment of a United States of Indonesia; the organization by the Dutch of separate states in Dutch-occupied Republican territory; the formation by the Dutch of a provisional federal government and the political consultations on the subject that were held between the Dutch and non-Republican native groups; and Dutch restrictions on trade and commerce as it affected the Republic.

Conflicting Interpretations of Sovereignty

The question of reconciling the *de facto* authority of the Republic, which was recognized under the Linggajati Agreement, with the sovereignty of the Netherlands over all Indonesia, which was accepted as one of the Renville principles, presented serious difficulties. The position was well described in the following message of July 24, 1948 from the Good Offices Committee to the Security Council:

> In effect the Republic is an autonomous area with its own independent government, finances, currency, army and flag, exercising sole actual authority within its present confines, but encompassed by the sovereignty of the Netherlands which takes practical form in the Netherlands control of surrounding waters and adjacent lands. The Republic declared its independence on 19 August 1945 and has never repealed the declaration. While accepting the sovereignty of the Netherlands as one of a number of principles forming the basis of the discussions looking toward political agreement, the Republic gives no indication of being prepared to surrender independence it exercises until the Republic merges with a sovereign United States of Indonesia . . . which shall exercise authority over Indonesia.
>
> The Netherlands regards the Republic only as a Government and the Republican-controlled areas as having no claims to any particular status other than under the Truce Agreement. The Netherlands regards its sovereignty over the whole of Indonesia as an unquestionable right which entitles it to exercise all functions pertaining to the sovereign power in the interest of the whole of Indonesia.

The Netherlands government has consistently held that the Republic did not possess the attributes of sovereignty as recognized in international law, and that the Linggajati Agreement was not a treaty between two states in international law but an accord of a type that a government makes with subjects or a group of subjects within the sphere of domestic law. The Netherlands government has contended moreover that the foreign relations of the Republic are conducted in violation of the principle contained in the Renville Agreement, that sovereignty pending the transfer to a United States of Indonesia remains with the Dutch. The conflict on this issue is fundamental in many other subjects of controvery especially the Dutch efforts to organize separate states in Dutch-occupied Republican territory; Dutch political consultations with non-Republican Indonesian representatives on the formation of an interim government and Dutch restrictions on trade and commerce.

Organization of Separate States

Paragraph 1 of Article 4 of the Linggajati Agreement provides that "the component states of the United States of Indonesia shall be the Republic, Borneo, and the Great East without prejudice to the rights

of the population of any territory to decide by a democratic procedure that its position in the United States of Indonesia shall be otherwise defined."

Following the Dutch "police action" of July 21, 1947, as a result of which extensive areas of Republican territory in Java, Madura, and Sumatra came under Dutch control, representatives of the peoples of these areas with Dutch encouragement held a series of conferences. As a result of the conferences, provisional states, detached from the Republic, were formed. These included a State of West Java, to which transfer of power was formalized under decrees of September 23, 1948; a State of South Sumatra, established by decree on August 30, 1948; a State of East Sumatra; and a proposed state of East Java. The Dutch efforts in this matter have been pointed to by critics as evidence of a policy of divide and rule.

From the facts reported by the Good Offices Committee, it is difficult to judge the extent to which these states emerged in response to popular demand. In the case of the Third West Java Conference, for example, the Dutch made available to the Committee statistics from 10 of the 15 West Java regencies, showing that of the population of 6.6 millions, 884 thousand were qualified male voters, of whom 471 thousand actually voted. In many areas elections were not held for various reasons, such as disrupted administration and communications. The Republicans charged not only that there was no active or expressed public demand for these conferences but that there was considerable opposition to holding them. They charged further that Republican delegates had been subjected to intimidation, that their adherents in Batavia had been given only three days' notice of the holding of elections, and that meetings of Republican groups had been forbidden. Account must be taken of the difficulty of applying Western standards of democratic procedure in a land where the overwhelming majority of the population is illiterate, where the only effective way of making public announcements is by word of mouth, where disturbed conditions and disrupted transportation and communication facilities restrict the freedom of movement and travel, and where democratic procedures at best have not extended far beyond the conduct of village affairs. It has not been shown that those who speak for the Republic owe their positions to popular elections. In fact, no parliamentary elections have ever been held in the Republic.

The Republican government has persistently contented that such political developments in Java, Sumatra, and Madura are in contradiction of the Renville principles, and that the Dutch have, by

proceeding unilaterally, presented the Republic with a series of *faits accomplis* and seriously prejudiced the position of the Republican government. The Dutch replied that the creation of these states, in conformity with the Renville principles, was only provisional in nature and that the definitive delineation of states would have to await the holding of plebiscites to which all parties had agreed. Moreover, they have argued that any over-all settlement based on the Renville principles would have to contain provisions concerning the whole of Indonesia, which implied consultations with the representatives of territories outside Java, Sumatra, and Madura as well as with the representatives of the Netherlands-controlled territories in those islands. They denied that the position of the Republic has been prejudiced in any of these territories.

Formation of Provisional Federal Government

A Provisional Federal Netherlands Indies Government was formally installed on March 9, 1948 at Batavia under the presidency of the Dutch Acting Governor-General. It consisted of 15 executive heads of departments, civil and military, of whom 8 were Dutch and 7 non-Republican Indonesians. On May 1 the Provisional Federal Government issued invitations to 13 heads of states and chairmen of councils that had been organized throughout Indonesia, but not including the Republic, to attend a federal conference at Bandung, Java, on May 27. The Republicans protested that both these actions were in violation of the Renville principles.

The Good Offices Committee on June 4 forwarded to the Security Council a report on the Bandung Conference that was based on a letter from the Republican delegation and on the comments of the Netherlands delegation on this letter. The Netherlands position was that the Bandung Conference was merely consultative, as was evidenced by the nature of its organization and the wording of the invitations to the participants. It was argued that certain of the Republic's allegations were unfounded and had been caused by a lack of confidence in the good faith of the Netherlands. While the Netherlands government reserved the right to consult whomever it deemed necessary regarding the future of Indonesia, this did not mean that decisive steps or binding decisions would be taken as a result of the consultations. In accordance with this position, the recommendations of the Bandung Conference would have no binding authority, but would merely be for consideration within the framework of the Renville principles. Neither the holding of the conference

nor anything in its structure was in contravention of the letter or of the spirit of the Renville principles.

In its rejoinder, the Republican delegation refused to accept the statement that its actions were based on a lack of confidence. It declared that, even if the Netherlands government had the right to consult whomever it deemed necessary, the consultation need not have taken the form of an impressive and elaborate conference. And it maintained that a remark by the Lieutenant Governor to the effect that the Dutch could not wait indefinitely for the Republic clearly indicated that the conference had more than a consultative significance.

The conclusion of the Good Offices Committee was that, if its understanding of the Netherlands' position was correct and the conference was merely consultative, having no power to make decisions or recommendations on matters under discussion between the Netherlands government and the Republic, then a discussion of the conference under the auspices of the Committee was not required.

Dutch Restrictions on Trade and Commerce

The Republicans have complained that the restrictions imposed by the Dutch on trade and commerce, which they describe as a "blockade," are designed to strangle the Republic, and are injurious to the economic well-being of the Republican areas. To this the Dutch have replied that their measures, as far as they refer to sea-going traffic, are in force throughout Indonesia; that the commerce of the Republic is merely subject to a routing and licensing system, the aim of which is to promote legitimate trade, and that the measures were similar to those in force in many countries for the protection of their economies under abnormal war and postwar conditions. They have stated that the Republicans for face-saving reasons rejected offers for the direct barter of textiles and other necessities. Furthermore, many commodities are not even subject to licensing. They argue that prior to the adoption of licensing measures produce and equipment belonging to Dutch and foreign interests were looted on an enormous scale, for sale abroad below market rates with the support or connivance of the Republican government. In fact, nothing substantial was available for export except looted property. The result was claimed to be disastrous for the national economy of Indonesia because neither imports nor the full equivalent in foreign exchange was received for the exports, and it was disastrous for the people whose livelihood depended on the looted plants.

The Dutch contended that if economic conditions were to improve,

this practice of looting and stripping the country had to be stopped, and likewise that, if armed conflict and the infiltration of arms were to cease, the importation of war material had to be stopped. They insisted that the bad economic conditions were attributable to the bad administration, lack of authority and lack of credit of the Republican government.

Following the suspension of the negotiations for a political settlement on July 23, 1948, economic and political conditions in the Republic steadily deteriorated, the political tension between the Netherlands and the Republic increased, and a mounting strain was put on the truce. In the summer of 1948 the Netherlands cabinet resigned after elections had been held to approve an amendment to the constitution, and about two months elapsed before a new cabinet was formed. This is a partial explanation of the delay in the resumption of negotiations at Batavia. Reluctance on the part of the Republicans to apply for trading permits, which they considered might imply recognition of the Netherlands regulations, led to the practical cessation of trade to and from the Republic. Critical shortages of equipment developed, health services were impaired, and plantations and estates, the products of which are highly important to world economic recovery, were neglected or given over to food crops. Each party charged that the other had violated the Truce Agreement.

EFFORTS TO RESUME NEGOTIATIONS

In September 1948 a revolt of communists who were followers of the Moscow party line broke out in the Indonesian Republic. It was suppressed only after considerable loss of life and destruction of property had occurred and after dissident communists, belonging to the Tan Malakka faction, had given support to the Republic. Supporters of the Republican cause have made much of the resolute action of the Republican government on this occasion as evidence of its uncompromising attitude toward communism. The Dutch, on the other hand, have used it to support their contention that there were too many weapons in irresponsible hands, and that the Republic had called in Satan to drive out Beelzebub.

The members of the Committee of Good Offices, acting singly and collectively, and within the limits of "good offices" procedure, constantly endeavored to bring the parties to the point where they could resume full-scale negotiations. On September 10 the United States delegation gave the Dutch and the Republicans a "draft agreement for over-all political settlement," in the form of a confidential oral

note. Nothing came of this because the Dutch insisted that, as a condition precedent to negotiation, the Republicans should promise to ensure the observance of the military terms of the Truce Agreement and to endeavor promptly to implement its economic terms. The Republicans took the position that if a political agreement were reached it would bring about a radical improvement in the situation; that political discussion should be resumed without delay on the basis of the United States draft; and that negotiations regarding the implementation of the truce should be held concurrently.

In October the Netherlands Minister for Foreign Affairs visited Java and gained the impression that the deadlock could perhaps be broken. Late in November a special delegation of the Netherlands cabinet, including the Ministers for Foreign Affairs and for Overseas Territories, visited Java to hold discussions with the Republicans and the Federalists with a view to attaining a final solution. Although the delegation had a number of conferences with Indonesian leaders, it failed to accomplish its purpose and on December 5 it returned to The Hague.

The Committee of Good Offices received from the Republican and the Netherlands delegations their respective accounts of the talks held, a report of which, together with the conclusions of its Committee, was cabled to the Security Council. The Republicans charged that the instructions to the Netherlands Ministers were restricted to investigating whether the Republic would in principle accept the Netherlands terms and did not constitute a serious attempt to negotiate an agreement with the Republic. They also alleged that the Netherlands government intended before the year was out to form an Interim Federal Government excluding the Republic and dispensing with formal negotiations under the auspices of the Committee of Good Offices.

In reply, the Dutch emphasized that effective co-operation to combat infringements of the truce could not be expected from the Republic since it had shown itself unable to exercise effective control over its own armed forces. They argued further that the Republican point of view on the powers of the high representative of the Crown, especially over the armed forces, during the interim period was fundamentally irreconcilable with Netherlands sovereignty; and that the Republican refusal to recognize Netherlands sovereignty during the interim period nullified their acceptance of the United States draft agreement as a basis for negotiation. For these reasons they concluded that they must now proceed to the promulgation of the decree

setting up an Interim Federal Government that had been drafted on the basis of consultations with the representatives of the Federal territories. The Netherlands government expressed "regrets that negotiations under the auspices of the Committee [of Good Offices] at this stage are futile" in that the Republican government does not "in fact recognize either the truce or the Renville principles, and a basis for agreement is fundamentally lacking."

The conclusions of the Committee of Good Offices were that the collapse of the direct talks had served to aggravate the dangers in a situation that was already grave; that the formation on January 1, 1949 of an Interim Federal Government as scheduled, without the inclusion of the Republic, would greatly complicate a negotiated settlement and might create serious unrest in Indonesia; that the Committee saw no possibility of bringing the parties together in bona fide negotiations; and that it had no confidence that even the existing unsatisfactory enforcement of the truce could be maintained.

SECOND DUTCH "POLICE ACTION" AND ITS CONSEQUENCES

The apprehensions of the Committee were borne out when, on December 18, the Dutch resorted to a second "police action." A memorandum delivered on the same day by the Netherlands government to foreign representatives at The Hague charged that the Republican government did not recognize the Truce Agreement or the Renville principles. It stated that the Netherlands government had reached the conclusion that further discussions directly with the Republic or under the auspices of the Committee had become futile. The memorandum also stated that the failure of the Republic to co-operate in the implementation of these agreements prevented the creation of the United States of Indonesia on the proposed date of January 1, 1949; that internal conditions had become more critical as the result of violence against individuals and of the infiltration of armed bands, which were trying to impede the organization of territories outside *de facto* Republican control; and that the Netherlands government had been obliged to authorize measures that were necessary to re-establish conditions of peace and security in the whole of Indonesia.

The Netherlands government reaffirmed that the purpose of the action was to create conditions in which the people as a whole could freely express their political aims by democratic processes, without being exposed to intimidation by irresponsible elements. It expressed its appreciation of the efforts of friendly powers to induce the Republican government to reverse its attitude, and in this connection

referred to a letter of December 14 from the Republican Vice-President and Prime Minister (Mr. Hatta) reiterating his personal desire, which the Netherlands government said it had never doubted, to make further efforts to reconcile the views of the two parties. The memorandum observed, however, that an official statement of the Republican government expressed views on the basic issues that were irreconcilable with Premier Hatta's declaration; and that the intended departure for India of President Sukarno and six members of his cabinet established beyond doubt that the highest Republican authorities were unwilling to enter into further discussions with the Netherlands government.

The Netherlands government finally pointed out that for these reasons no intervention by international organizations or friendly powers could be of further assistance, and that it had no alternative but to carry out, on the basis of its undiminished responsibility as the sovereign power in Indonesia, such measures as were indispensable to the creation of a sovereign Indonesia linked with the Netherlands in a Netherlands-Indonesian Union. The Netherlands government declared that while it would revoke none of its formal pledges on the future of Indonesia it would not permit communist or other extremist groups to prevent the vast majority of the Indonesian population from realizing their aspirations.

Cease-Fire Order

The Dutch commenced military operations at dawn on December 19, 1948. They bombed an airfield near Jogjakarta, the Republican capital, which their parachutists captured in a few hours without resistance. The Dutch occupied the city and took the principal Republican leaders into custody. In a few days the Dutch had control over the chief Republican strongholds in Java and Sumatra and over most of the remaining Republican territory.

On December 19, the Commission of Good Offices sent a cabled report from Batavia to the Security Council asking it "to consider on the basis of the utmost urgency the outbreak of hostilities," which was declared to be in violation of the Renville Truce Agreement. The cable was signed by the United States member and the deputy Australian member, but not by the Belgian member or the principal Australian member, who were isolated at Kaliurang, and unable to communicate with Batavia. No notice of the Dutch repudiation of the truce agreement was received by the Committee of Good Offices as a whole or as far as is known by the Republic in Jogjakarta prior to

the Dutch Police action, and the notice to the United States member was received only one hour prior to the deadline given for action and after telegraphic communications with Jogjakarta had been cut.

On December 22 the United States delegate at the United Nations asked the Security Council to issue a cease-fire order and to demand the withdrawal of Dutch and Republican troops to the positions they had held before the renewal of fighting. In presenting his proposal, Mr. Jessup declared that his government failed to see any justification for the renewal of military operations, especially as this resort to force had occurred after a period of seven months during which the resources of the Committee of Good Offices had not been utilized. He observed that if, as the Netherlands government alleged, violations of the Truce Agreement had been so widespread and persistent, the violations should have been reported directly to the Security Council before the Truce Agreement was renounced. While urging that the Good Offices Committee should be instructed to prepare a report that would enable the Security Council to assess the ultimate responsibility as between the two parties for the failure of the Committee's efforts to effect a peaceful solution, he said that the action now proposed should be taken without awaiting further reports from the Committee. In conclusion, he emphasized that both parties had failed to comply with the previous cease-fire order and expressed the fear that the renewed outbreak of hostilities in Indonesia would prove to be a grave threat to international peace.

The Netherlands representative told the Security Council that his government considered it incompetent to deal with the Indonesian case since this was an internal Dutch affair, that it did not endanger international peace and security, and that the Netherlands was determined on its course no matter what the cost or consequences. The Indonesian representative took the position that the Dutch had started a war that would last for years unless stopped immediately.

On December 24 the Security Council adopted a resolution calling for an immediate cease-fire order and the release of the Republican leaders seized by the Dutch, but it rejected the United States proposal for ordering both sides to withdraw to the lines specified in the Renville Truce Agreement. A few days later, after the Dutch delegate had declared that his government was still considering the cease-fire order, that the Indonesian officials were not prisoners but were in "protective custody," and that his government would state its position on the following day, the Council adopted a Colombian resolu-

tion asking foreign consuls in Java to investigate the extent to which the Dutch had compiled with the Council's orders.

On December 29 the Netherlands representative informed the Security Council that hostilities would cease in Java by the year-end and in Sumatra two or three days later. By that time the Dutch had gained their important military objectives, and Indonesian resistance thenceforth was confined to guerrilla operations and terrorist activities.

Suspension of ECA Aid to Indonesia

In the meantime, on December 22, the United States had suspended economic aid destined for Indonesia, pending the clarification of the situation. As of December 15, 1948, the Netherlands East Indies had received 62 million dollars and the Netherlands itself 287 millions in procurement authorization from the ECA. In announcing the suspension, the ECA explained that its policy had been based on the conviction that increased production and export of many Indonesian raw materials would stimulate recovery in the Netherlands and Western Europe as a whole. Well over one half the ECA procurement authorizations had been for textiles, wheat flour and rice, commodities that had provided an incentive to increased production and had directly benefited the Indonesian population. No procurement authorizations had been issued for military purposes. In the present situation, however, there was no reasonable assurance that United States aid would continue to be distributed efficiently and that it would contribute to economic recovery in Indonesia and in Europe. Therefore, pending a clarification of the situation, the economic assistance program for Indonesia was discontinued.

Economic conditions in Dutch-controlled areas had so far improved in 1948 that Indonesia as a whole balanced its visible trade accounts, although exports were still about 20 per cent below the 1938 mark, and Indonesia was still dependent on ECA aid to meet its deficit with the dollar area, principally the United States and Japan. Exports of tin were 152 per cent, of bauxite 171 per cent, and of rubber 91 per cent of the 1938 volume. These had been a steady source of foreign exchange and were produced largely in Dutch-controlled areas. On the other hand, plantation products such as sugar, tea, tobacco, and pepper, which were largely produced in the disturbed area, made a very poor showing. A sharp spur to recovery in the Dutch-controlled areas was given by ECA aid, the suspension of which must necessarily

affect adversely the welfare of the inhabitants of the greater part of Indonesia.

United States Statement in the Security Council

An important statement was made by the United States representative on January 11, 1949 to the Security Council, expressing the view that the military action taken by the Dutch was in conflict with the Renville Agreement and with the resolutions of the Security Council of August 1 and November 1, 1947. In the opinion of the United States delegation, these two resolutions had been adopted under Article 40 of the Charter of the United Nations and, therefore, in accordance with Article 25 of the Charter, the Netherlands government was under an obligation to comply. It was noted that neither the United States government nor the Committee of Good Offices considered that the Dutch had complied with the orders of the Council to cease fire and to release prisoners, notwithstanding the assurance from the Netherlands representative that this had been done.

The United States representative said further that the continuation of military action by the Netherlands forces until all their military objectives had been achieved could not be regarded as complying with the cease-fire order, the purpose of which was to make possible a settlement of the dispute by peaceful means. He pointed out that the Republican officials have not been freed since their movements were limited to the Dutch-controlled island of Banka and they were not permitted to establish and maintain contact with other officials of their government. He charged that, even before resuming military action against the Republic, the Netherlands had pursued a policy that had weakened the Republic and had worked unnecessary hardship on the population. It had isolated the Republican government economically and politically, and had presented it with a prefabricated interim administration for Indonesia with which it was to be associated but which it had no part in forming. He said that the United States government considered these actions, together with the failure of the Netherlands to enter into *bona fide* negotiations since May 1948, as indicative of its reluctance to utilize the procedure for pacific settlement that the United Nations had made available. The actions were in conflict with both the spirit and the letter of the Linggatjati and Renville Agreements.

Mr. Jessup declared that the problem of Indonesia remained a matter of international concern with which the Security Council must continue to deal. It could not be solved by starting from the assumption that the fruits of the illegal use of force were to be kept. He contended that the Republic was a political entity, the largest single

political factor in the projected federation, and that this heart of Indonesian nationalism could not be destroyed by any amount of military force. Real peace in Indonesia, he foretold, could be achieved only by a settlement of the political issues under the auspices of the United Nations on the basis of the Linggajati and Renville Agreements. He also took occasion to refer to the obstructive tactics of the Soviet Union in attempting to thwart a peaceful settlement, and he pointed out that the Soviet Union did not want an independent Indonesia but an Indonesia under the control of a communist minority taking its orders from Moscow.

The Netherlands Ambassador to the United States, Dr. Van Kleffens, in an address on the following day before the Overseas Press Club in New York, referred to what he termed a widespread misunderstanding of the Dutch position. He explained that the issue in Indonesia was freedom with order versus freedom without order; that so long as the Dutch were responsible for public safety in Indonesia they felt it their duty to prevent disorder from becoming chronic, a condition from which only the communists could benefit. Referring to the charge of the United States representative to the Security Council that the action of the Netherlands government was a violation of the United Nations Charter, the Ambassador asked why the Security Council had refused to submit the question of United Nations jurisdiction to the International Court of Justice. He stated that the Republic covered only one third of Indonesia; that in other states, containing the majority of the population, economic rehabilitation was in full swing; and that the quarrel was not with the political leaders of the Republic but with armed gangs that prevented the leaders from coming to mutually agreeable terms with the Dutch.

Security Council Resolution, January 1949

At the invitation of the government of India, a conference of representatives or observers from 19 governments of Asian, East African, and Australasian states was convened on January 20, 1949 in New Delhi to consider the Indonesian question. The conference passed a resolution recommending to the Security Council a plan for the solution of the question. The resolution was practically identical with one adopted by the Security Council on January 28, the main difference being the greater latitude allowed by the latter in the date for bringing a United States of Indonesia into being.

The resolution of the Security Council, introduced jointly by the United States, Cuba, China, and Norway, laid down a four-point plan for the progressive achievement of a federal, independent, and sovereign United States of Indonesia.

First, it called on the Netherlands government to cease military operations immediately, on the Republican government simultaneously to order its adherents to cease their guerrilla warfare, and on both parties to cooperate in restoring peace and order.

Second, it called on the Netherlands government to release immediately and unconditionally all political prisoners arrested by them since December 17, 1948; to facilitate the return to Jogjakarta of Republican officials in order that they might discharge their responsibilities in the restoration of peace and freely exercise their appropriate functions, including the administration of the Jogjakarta area; and to afford reasonable facilities for the effective functioning of the Republican government and for communication and consultation with all persons in Indonesia.

Third, it recommended that negotiations be undertaken as soon as possible with a view to (1) the establishment not later than March 15, 1949 of an interim federal government, (2) the completion by October 1, 1949 of elections for an Indonesian constituent assembly, and (3) the transfer at the earliest possible date, but not later than July 1, 1950, of sovereignty from the Netherlands to the United States of Indonesia. These progressive steps were consistent with the plan drawn up by the Dutch.

Fourth, it provided that the Committee of Good Offices should henceforth be known as the United Nations Commission for Indonesia. It was to be given broad powers to assist the parties in negotiations or in other measures to implement the resolution. It was to make recommendations to the Security Council on matters within its competence, including recommendations on the nature and powers of a United Nations agency, to be established after an agreement has been reached between the parties, and to remain in Indonesia until sovereignty is transferred to a United States of Indonesia. It was also to have the authority to consult with the representatives of non-Republican areas in Indonesia and to invite them to participate in the negotiation of an agreement. The Commission, or such other United Nations agency as might be established under the resolution, was to be authorized to observe the elections that were to be held throughout Indonesia. In the case of the territories of Java, Madura, and Sumatra, it was to make recommendations to ensure democratic elections and to guarantee freedom of assembly, speech, and publication.

On the day after the resolution was passed, Netherlands Foreign Minister Stikker said in The Hague that if the Security Council reso-

lution were allowed to stand he could foresee only chaos in Indonesia and subsequently in the Netherlands. He ascribed the resolution to a lack of faith in the spiritual forces and values of the West and to a basic mistrust of the formal pledges of the Netherlands government to create a sovereign United States of Indonesia to which sovereignty would be transferred. He called attention to the dangers inherent in the situation, since the United Nations had no army, navy, air force, or police, and the American member of the United Nations Commission on Indonesia, who would hold the balance of power, had no police at his disposal to see that the decisions of the Commission were carried out.

DEVELOPMENTS GROWING OUT OF THE COUNCIL ACTION

The Security Council resolution of January 28 created difficulties for the Netherlands government, which led to the resignation of Overseas Minister Sassen and his replacement by the more moderate Van Maarseveen. A course of action was worked out that represented partial compliance with the Security Council resolution; it speeded up the arrangements for a Netherlands-Indonesian Union to provide for the transfer of sovereignty to a United States of Indonesia by May 1, 1949, but it did not permit the Republican leaders to return to Jogjakarta for the time being. It was reported that the Netherlands government hoped that this program would give such evidence of Dutch good intentions that the United Nations Commission would overlook the deadline of February 15 that it had set for agreement on an interim federal government.

Netherlands Proposal for Round-table Conferences

Shortly thereafter, the Netherlands government notified the United Nations Commission of its proposal to hold a round-table conference at The Hague on March 12 in an effort to accelerate the transfer of sovereignty to a representative federal government. It was stated that invitations had been sent to Sukarno, President of the Republic, and to the chairmen of the assemblies for federal consultation, which comprised Indonesian states outside the Republic. The Commission was also invited to attend "so that it could render assistance to achieve positive results." This proposal, and a decision to remove the remaining restrictions on the liberty of movement of Republican leaders, were made public.

Although the invitation to the round-table conference was warmly welcomed by the federalists, it was rejected by the Republican leaders. Dr. Palar, spokesman of the Republic before the Security Council,

criticized the Netherlands proposal as being a clear rejection, and an outright defiance, of the Security Council resolution. The United Nations Commission, in a report made public on March 1, stated that it could not accept the Netherlands invitation, which it regarded as constituting a counterproposal or substitute for the provisions of the four-point plan of the Security Council. The Commission charged that the Netherlands government had failed to take the first steps necessary to comply with the Security Council resolution, and it gave warning of "the progressive deterioration of the situation in Indonesia and of the augmented danger to world stability which must result."

The report included a statement by the military experts of the Commission dated February 26, which stated that warfare, both guerrilla and on a more organized basis, was continuing. The experts also pointed out that, although sections of the population had welcomed the return of Netherlands control, in other sections unrest and uncertainty continued; and that, despite improvement in economic conditions in certain Netherlands-controlled parts of the country, wide areas still remained in a chaotic state.

Netherlands Letter to Security Council

On March 2, the Netherlands representative to the United Nations in a letter to the President of the Security Council affirmed that there was complete identity between the aims of the Security Council and those of his government in regard to Indonesia; and that there could be differences of opinion only about the procedure best suited to attain the desired results and to bridge the short period of time that this would require. He reiterated the statement announced by his predecessor, that his government would carry out the Security Council resolution to the extent that it was compatible with the responsibility of the Netherlands government for the maintenance of real freedom and order in Indonesia.

The letter outlined the Netherlands program for dealing with the situation as follows. The Netherlands government intended to cooperate with the United Nations Commission and to promote discussions in an effort to attain as quickly as possible the common goal of all parties. It would restore full freedom of movement to the Republican leaders, subject only to military restrictions that applied to everyone in certain areas. The Indonesian parties invited to the round-table discussions would be free to decide on the size and composition of their delegations. No rules had been laid down for voting at the round table, since no settlement could be put into effect that was not freely accepted by all parties. The Netherlands government would, in con-

sultation with the other parties, consider on its merits any solution that might be put before the conference.

The letter also explained that it would be necessary to form a federal government for the whole of Indonesia that would command sufficient authority to take over sovereignty from the Netherlands and to bind Indonesia to the execution of whatever agreements it made. This was all the more necessary since the transfer of sovereignty under the plan would take place before the holding of elections. It also explained that it would be for Indonesia itself to decide how the federal government was to be constituted, with due regard to the relative strength of the different groups in the population; and that it was impossible for the Netherlands government to fix unilaterally a date for the transfer of sovereignty, since this would depend on the wishes of the other parties concerned. It was foreseen that it might not be possible to reach complete agreement at the conference on all details before the transfer of sovereignty took place, but it was stated that outstanding points might well be covered by transitional arrangements.

The plan of the Netherlands government, it was pointed out, would make it possible to transfer sovereignty more than a year earlier than was foreshadowed in the Security Council resolution, and the Netherlands government, by leaving it to Indonesia to organize its own political life after the transfer, would make an important contribution toward diminishing the possibility of further controversy. The Netherlands representative therefore appealed to the Security Council to further the realization of the plan, which offered the quickest and most effective way of establishing a democratic United States of Indonesia, and enduring, voluntary co-operation between the Netherlands and Indonesia.

The United States representative made a statement to the Security Council on March 10 in which he stated that little progress had been made in the implementation of the Council resolution. With reference to the Netherlands decision on restoring freedom of movement to the Republican leaders, he observed that it did not appear that these leaders were free to visit or to have contact with their adherents in their own territory and that thus they were not offered the unconditional freedom contemplated in the Council resolution. He noted that the Netherlands had indicated that it was not prepared to restore the Republican government to its capital at Jogjakarta, and he pointed out that until the Republican government could resume governmental responsibility, it could not assume the responsibility that the negotiation of a just and lasting agreement would require.

The United States representative emphasized that if Indonesia was to receive early independence, as envisaged in the Netherlands plan, a beginning must be made now by the re-establishment of the Republic. He called attention to the fact that the President of the Republic had indicated to the Netherlands authorities that he was not in a position to accept their invitation to the proposed round-table conference unless certain prior conditions were fulfilled, which included restoring the Republican government to Jogjakarta. In conclusion, he expressed the view that, if the parties reached agreement on the terms of holding the proposed conference at The Hague, the latter would be consistent with the basic purposes of the Council resolution of January 28, and the United Nations Commission for Indonesia could participate.

Decision to Hold Preliminary Conference

On March 23 the Security Council accepted a Canadian formula for a preliminary conference betwen the Dutch and the Republicans under the United Nations auspices as a first step toward settling the dispute. This preliminary conference would look to agreement on the restoration of the Republican government to Jogjakarta, on the discontinuance of Netherlands military operations, and on the time and conditions for holding a conference at The Hague to negotiate a final settlement. Appropriate instructions were sent by the Security Council to the United Nations Commission for Indonesia, which issued invitations to the Netherlands government and the Republican leaders to discuss a settlement for Indonesia. These invitations were accepted by both sides, and in mid-April talks were begun in Batavia.

In the meantime, two developments occurred that may spur the Netherlands government to make further concessions in order to achieve a quick settlement. First, the General Assembly of the United Nations decided last spring at the request of the Australian and the Indian governments, to put the Indonesian case on its agenda. Although under the United Nations Charter, the General Assembly cannot make formal recommendations on a matter that is before the Security Council, it can discuss the situation and indicate its views as an expression of world opinion. Second, on April 19 the United States Congress approved an act to amend the Economic Cooperation Act of 1948 making it mandatory for the Administrator for Economic Cooperation to terminate the provision of assistance whenever he determines that it would be inconsistent with the obligations of the United States under the Charter of the United Nations to refrain from giving assistance to any state against which the United Nations is taking preventative or enforcement action. This amendment, which

is merely a reassertion of an obligation already assumed by the United States under Article 2, paragraph 5 of the Charter, was inserted as a substitute for a proposal by certain members of the Senate that would bar assistance to any foreign government failing to comply with orders or requests of the Security Council.

The United Nations Commission for Indonesia issued a statement on April 21, which disclosed that the Netherlands government was prepared to allow the Republican government to return to Jogjakarta, provided that a binding commitment was given that guerilla warfare would cease and that agreement was reached on the time and conditions for the proposed Hague conference. According to press reports, the Indonesian delegate to the United Nations, Mr. Palar, indicated that the Republican government was still scattered and could not make commitments until it was once again operating at Jogjakarta.

Meetings in Batavia

The Republican and Netherlands delegations met in Batavia on May 7, under the auspices of the United Nations Commission for Indonesia, and made statements, endorsed by their respective governments, that appear to remove the principal difficulties in the way of proceeding with the negotiation of a definitive settlement. The statements indicate that an agreement was reached on the basis of a compromise proposal to the original Canadian resolution, offered by the United States member of the United Nations Commission.

The chairman of the Republican delegation stated that he had been authorized by President Sukarno and Vice-President Hatta to give their personal assurances that they favor: (1) the issuance of an order of the Republican armed adherents to cease guerrilla warfare; (2) co-operation in the restoration of peace and the maintenance of law and order; and (3) participation in a round-table conference at The Hague with a view to accelerating the transfer of sovereignty to the United States of Indonesia. The President and Vice-President undertook to urge the adoption of these proposals by their government as soon as possible after its restoration at Jogjakarta.

The chairman of the Netherlands delegation stated that, in view of the undertakings announced by the chairman of the Republican delegation, he had been authorized to agree that the Republican government return to Jogjakarta, where it was to be free and to be given facilities within the Jogjakarta area to exercise its functions. The Netherlands also agreed to the setting up of one or more joint committees under the auspices of the United Nations Commission. These would make investigations and preparations preliminary to the return

of the Republican government to Jogjakarta, study and give advice on measures to stop guerrilla warfare, and co-operate in restoring and maintaining peace and order. The Netherlands government reaffirmed its willingness to discontinue immediately all military operations, to release unconditionally all political prisoners who had been arrested since December 17, 1948, and to refrain from the establishment, expansion, or recognition of states on territory that was under Republican control prior to December 19, 1948. The Netherlands government favored the existence of the Republic as a state, which would take its place in the United States of Indonesia and would be allocated one third of the members in a provisional representative body for the whole of Indonesia when that body is established. Finally, he stated that the Netherlands government was prepared to do its utmost in order that the round-table conference might be held immediately after the Republican government returned to Jogjakarta, when means of accelerating the unconditional transfer of sovereignty to the United States of Indonesia would be discussed.

In consequence of this accord having been reached, the General Assembly decided to defer further consideration of the question of Indonesia until its fourth regular session in September 1949.

On June 23 a formal meeting of the delegations of the Netherlands and of the Republic of Indonesia was held in Batavia, under the auspices of the United Nations Commission for Indonesia. It was attended by the chairman and members of the B.F.O. (Assembly for Federal Consultations) representing areas in Indonesia outside the Republic. The Chairman of the Netherlands delegation, Dr. Van Royen, announced that his government was ordering the evacuation of the Netherlands forces from the Jogjakarta area to commence on the day following and that if the evacuation encountered no hindrance the Republican government would be able to return there on or about July 1. It was also announced that in consequence of an agreement between the Netherlands and Republican delegations on practical means of implementing the cessation of hostilities, in which the members of the B.F.O. concurred, the Republican delegation was now in a position to make proposals to its government for the cessation of hostilities in accordance with the Security Council resolution of January 28. Finally, the parties agreed on the time and conditions of the proposed Round Table Conference at the Hague, and they issued a memorandum on the subject.

The memorandum stated that the aim of the Round Table Conference was to bring about a just and lasting settlement in Indonesia

by reaching an agreement for the transfer of real, complete, and unconditional sovereignty to the United States of Indonesia (U.S.I.). The participants of the proposed conference undertook to strive to convene it by August 1, to complete it in two months, and to ratify the resulting agreement within six months, to enable the transfer of sovereignty to be completed before the end of the year. Procedural rules and an agenda were laid down. The agenda included a provisional constitution for the U.S.I., a Charter for the transfer of sovereignty; the fundamental principles of the Statute of the Netherlands-Indonesian Union; the observation by the United Nations Commission for Indonesia of the implementation of agreements; foreign relations; the right of self-determination of the peoples; contracts with self-governing regions; nationality and citizenship; financial, economic, and cultural relations; military agreements and the withdrawal of Netherlands forces; the exchange of High Commissioners; the status of civil servants functioning at the time of the transfer of sovereignty; and new Guinea.

It is apparent that certain steps must be taken before a definitive settlement can be reached. The accords of May 7 and June 23 must first be confirmed by the Republican government after it is re-established at Jogjakarta; the provisions of the accord in regard to the cessation of guerrilla warfare must be effectively carried out; and an agreement must be negotiated at the proposed round-table conference at The Hague. Although there is little likelihood that the Republican government will fail to confirm the accord, it might be unable to control its guerrilla adherents and a powerful group who are avowed orthodox Marxists even though they reject Soviet overlordship. Consequently, the round-table talks might conceivably fail to produce an agreement. Thus, the accord cannot be regarded as having finally disposed of any of the issues in the problem of Indonesia that were present before it was reached.

C. MAIN ISSUES AND ALTERNATIVES OF ACTION

The issues presented in the problems of Indonesia relate to the best means of stopping the conflict between the Dutch and the Indonesian Republicans and of achieving a peaceful settlement of their differences. Within the area where there is already agreement between the two parties, there is no issue for the United States. The two parties, for example, are committed to the objective of forming a United States of Indonesia as a sovereign and independent federal state, but linked to the Netherlands under the Crown. Some features of the proposed association remain to be settled; for example it will presumably differ

from the relationship between a dominion and the mother country in that the head of the United States of Indonesia will be a president and there will be no governor general appointed by the Crown. But in substance the constitutional arrangements have been agreed upon and the United States is not required to consider whether some other constitutional status might be preferable.

The issues that concern the United States, which is obligated to support the United Nations, relate to the position it should take in the Security Council and to the action, if any, that it can usefully take independently of the United Nations but consistent with the Charter of the United Nations. Issues for the United States also arise from its interest in national security and in peace and justice.

The issues that have so far arisen in the Security Council are largely procedural, since they relate essentially to means of stopping hostilities and of bringing about a resumption of peaceful negotiations between the two parties. The achievement of these two purposes, however, will not of itself solve the problem of Indonesia, for until the issues of substance that separate the parties are resolved, there can be no permanent peace and stability in that area. Under Article 33 of the Charter of the United Nations, the parties to a dispute are called upon first to seek a solution by peaceful means of their own choice. (There has, however, been no judicial ruling on whether the Dutch and Indonesian Republicans are *parties* to a dispute in the meaning of Article 33 of the Charter.) The negotiations recently resumed may fail to yield a solution on all of the essential issues. It is possible that the parties might fail to comply with the provisional measures recommended by the Security Council for preventing an aggravation of a threat to international peace as contemplated in Article 40. In this event the Security Council might feel called upon to consider the imposition of economic sanctions or the employment of armed force to give effect to its decisions, as provided in Articles 41 and 42, respectively.

The United States should, therefore, be prepared to take a position both on the essential issues of substance that block a settlement between the Dutch and the Indonesian Republicans and on the procedural issues that affect progress. In choosing between alternative courses of action the United States cannot consider the substantive and the procedural issues independently of each other. For example, in the case of a substantive issue, it might not wish to support an alternative with which the two parties are unlikely to comply unless they are forced to do so because the Security Council imposes economic sanctions or

proposes military measures. Conversely, the United States might be prepared to support the imposition of sanctions that were necessary to secure the enforcement of a substantive measure only if it were convinced that the measure was in the interests of peace with justice and fair-dealing and was clearly founded upon the authority of the Charter of the United Nations, especially the application to the case of Article 2, paragraph 7 relating to matters of domestic jurisdiction, and Chapter VII dealing with action with respect to threats to the peace, breaches of the peace, and acts of aggression.

There are a number of general considerations that the United States must take into account in its over-all approach to the problem of Indonesia. The United States may be expected to favor decisions that are most likely to be accepted and effectively implemented by both parties, that are the most equitable as between the respective claims, and that are calculated best to serve the interests of all concerned. It may be assumed that a solution acceptable with good-will to both parties is likely to be a viable solution. If a mutually acceptable solution cannot be achieved, it may then be deemed necessary to consider action that would involve the application of pressure by the United Nations. In this event, it will be all the more incumbent on the United States to make as sure as possible that the proposed solutions conform to the dictates of unbiased judgment and give promise of serving the best interests of all concerned.

If justice is to be done, questions of law and of fact have to be examined, such as the question of the jurisdiction of the Security Council, which the Dutch and the Belgians, supported by the United States, have asked the Council in vain to refer to the International Court; or the extent of the popular support enjoyed by the Indonesian Republicans in the areas over which they claim jurisdiction. A serious difficulty in assessing accurately the situation in Indonesia arises from the confusion that prevails in regard to many essential facts. Even the United Nations Commission for Indonesia, nothwithstanding the facilities extended to it by the Dutch and the Republicans, does not appear to have made extensive independent investigations. For example, it has not made surveys in federalist territories but has concentrated mainly on Java.

In determining what measures are likely to serve the best interests of all concerned, a multitude of factors have to be weighed, such as how to safeguard the legitimate interests of the Dutch, the Republicans, the non-Republican Indonesians, and outside parties; or how to create conditions that are essential to economic recovery and to the

re-establishment of political stability, including the removal of the threat of a communist coup. The United States must also keep in mind the attitudes of other powers in order to judge what action the Security Council can be expected to approve.

In deciding what position it should take, the United States will quite properly give due consideration to its own interests. From this point of view the United States may be faced with an issue created by the fact that Indonesia is a dependency of a western European country, and that what happens in Indonesia has an important bearing on public sentiment, future political groupings, and economic well-being, not only in Asia but also in Europe. Consequently, in taking a position in the Indonesian settlement, the United States might find itself in the dilemma of having to choose between contributing to its objectives in Europe and in Asia.

1. UNITED STATES OBJECTIVES IN EUROPE AND IN ASIA

The issue is for the United States to decide whether, in action concerning Indonesia, it should support the position of the Western colonial powers or of the Asiatic peoples when their positions are irreconcilable.

United States objectives in Europe and in Asia are fundamentally identical, since they are to create conditions of political and economic stability, in the enhancement of its own security and prosperity. In Europe, the United States is seeking to attain these objectives through measures designed to aid in the economic recovery and to strengthen the collective security of nations that are committed to peaceful courses. Conditions in Asia do not lend themselves to as much collaboration in the programing of assistance as is possible in Europe, and the United States is assisting individual countries in which it considers that aid can be effectively used. This difference in method does not affect the underlying objectives.

Despite the identity of United States objectives in the two areas, difficulties arise from the fact that the Indonesian question has two sets of protagonists. In general the Netherlands is supported by the other Western colonial powers, and also by Canada and the Argentine and the Indonesian Republicans are supported by the Asiatic nations. The different objectives on the two sides make it impossible to satisfy all the claims and desires of the one except at the expense of the other, and according to which side goes unsatisfied an obstacle may be put in the path of United States objectives in Europe or in Asia.

Alternative One is to support the objectives of the Asiatic peoples. The adoption of this alternative, it is contended, would maintain and enhance United States prestige among Asiatic nations, which have traditionally regarded the United States as the champion of the aspirations to self-determination of dependent peoples. The pledges in the Atlantic Charter gave rise to hopes that an allied victory in the second world war would be followed by the realization of the nationalist aspirations of many dependent peoples. If these hopes should now be disappointed, the United States might incur much of the blame on the ground that Dutch authority could not have been restored without the tacit consent of the most powerful nation in the Pacific. It is argued that, in these circumstances, the United States could hardly escape condemnation if it should support measures in Indonesia that are regarded by Asians as extinguishing native hopes of freedom.

In support of this alternative, the view is advanced that it is entirely beside the point whether the Indonesian Republicans do in fact enjoy the support of popular majorities in the areas where they claim jurisdiction or whether their leaders are capable of giving the people good government. According to this view, the Asiatic approach to the subject is essentially emotional, and their desire for political and social equality with Europeans and Americans blinds Asiatics to other considerations. For the United States to take a position that would seemingly deny the claims of equality might be prejudicial to its efforts to exercise leadership among Asiatic nations for the purposes of promoting collective security and of preventing the spread of communism. It is argued that, whether or not the formation of a formal association would be practicable or desirable, the United States needs the friendship and support of the Asiatic nations for the same reasons that it needs support in Europe for the general objectives of its foreign policy.

The adoption of this alternative would also, it is held, be consistent with the purpose of trying to avert the creation of an Asian bloc of nations antagonistic to the Occident, which would be a new international cleavage, detrimental to the interests of the United States and of the world at large. The temper of the deliberations on Indonesia in the Pan-Asian Conference held in January 1949 at New Delhi, India, suggests that the possibility of an Asian bloc may be no idle fancy. Doubts have been expressed, however, whether such a grouping, even if it materialized, would be cause for serious concern in the light of the fears entertained throughout Southeast Asia of Chinese penetration and absorption. It is true that fear of China might be a serious obstacle to the attainment of full-scale unity in Asia, but it would

increase the possibility of a partial South Asian bloc developing, inspired by the concept that this area is the Balkans of Asia, with China cast in the dominating role that the Soviet Union plays in Europe. It might even be that a South Asian bloc comprising India, Pakistan, Burma, Siam, and the Philippine Republic, together with nationalist groups from Indo-China, Malaya, and Indonesia, because of its greater cohesiveness, would be more uncompromisingly antagonistic to the Western world than a more broadly based Asiatic bloc.

A further advantage claimed for this alternative is its positive effect in checking the extension of Soviet influence and the spread of communism. It would deprive the Soviet Union of valuable ammunition for propaganda to discredit the Western powers in the eyes of Asiatics and thus to facilitate the conversion of the latter to communism. The argument is that only by putting the principle of self-determination into practice can we expect to build up among the Asian peoples faith in democracy, and to make their confidence in the Western powers strong enough for them to be proof against Soviet propaganda and to be persuaded to model their development on Western institutions.

The point is made that the vigorous nationalist aspirations of the Indonesians cannot be suppressed with bayonets, and that as long as these aspirations remain unfulfilled it is illusory to expect the people to help in creating the conditions of stability and prosperity that are the best antidote to the virus of communism. The restoration of these conditions would help to solve the problem of economic recovery in Western Europe as well as in the Far East, since Indonesia is important in the triangular trade with Europe and the dollar area. Finally, the fulfillment of the nationalist aspirations of the Indonesian people is held to be indispensable to the achievement of the long-range objective of laying the foundations of enduring stability and peace with justice in Indonesia and in Southeast Asia as a whole.

The arguments in favor of adopting this alternative are challenged on a number of grounds. It is objected that to base United States policy on the fear of giving ammunition to Soviet propaganda might lead to the pursuit of courses detrimental to American interests, and that in any case nothing would be likely to stop Soviet efforts to discredit the United States and Western democracy short of the adoption of a policy of complete subservience to Moscow.

Some observers, who are no less apprehensive than the proponents of this alternative lest Soviet dominance be extended to Indonesia, and who are likewise impressed with the urgency of bringing about

a revival of Indonesian production and trade, believe that a policy of acceding to the claims of the Indonesian Republicans would increase rather than decrease the danger from communism and would delay economic recovery indefinitely. They contend that the Republican leaders lack the administrative experience and talent, the sense of responsibility, and the assured support that are essential to good government, sound and progressive economic policies, and the suppression of communist activities. For this reason, to concede outright to the Republican leaders the areas over which they seek to assert sovereign jurisdiction would result in a continuation of economic chaos and would soon make these areas ripe for communism.

It is argued further that tutelage under the Dutch, with their 350 years of experience in the islands, should be continued for some time in the interest of the inhabitants; and that this being so, the United States, by supporting the alternative under consideration, would be working against rather than for its own real interests in Asia. This argument is premised upon confidence in the complete good faith of the Dutch in respect of their unequivocal pledges to effect constitutional changes in Indonesia through democratic processes, which means the establishment of a government responsive to the will of the people. It is contended that if the Dutch are given an unembarrassed opportunity to carry out their intentions, their good faith will soon be demonstrated to the world, and that the United States will then no longer have to fear the alienation of Asiatic good will and Soviet barbs in this connection.

Alternative Two is to support the objectives of the European colonial powers.

The adoption of this alternative is held to be an essential corollary of the efforts of the United States to promote western European economic recovery and political solidarity, which are important in achieving world prosperity and in preventing the spread of communism.

It is argued that it would be in ill-accord with United States aims in its program of aid to Europe if changes were made in Indonesia that did not offer the maximum prospect of economic recovery, including a flourishing trade with Europe. Trade with Indonesia is important not only directly for its raw materials and for the markets and the carrying trade that it provides for Western Europe but also indirectly for the help it can give in solving the problem of "dollar scarcity." It is argued further that it would be inconsistent with the aims of the North Atlantic Treaty if the United States adopted a course in Indonesia that might arouse the resentment of the Dutch,

impair their morale, and weaken them materially, thus detracting from their value as an effective ally. These considerations would likewise apply, although to a lesser extent, to the Belgians, the French, and the British, who would be similarily affected by the failure to restore trade with the East Indies.

In any case, the United States would have to consider whether any action that it might propose to take would be in conflict with its obligations under the North Atlantic Treaty. Article III of the Treaty provides that the parties, by continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack. The question might therefore arise whether the adoption by the United States of a course of action that was calculated to weaken the Dutch capacity to resist armed attack was not contrary to this provision. Again, Article IV provides that the parties will consult together whenever, in the opinion of any of them, the territorial integrity or political independence of any of the parties is threatened. The question arises whether developments in Indonesia threaten the integrity of Dutch territory.

The arguments against the adoption of this alternative are based on the view that it would be dangerous to underestimate the force of nationalism in Indonesia and in other dependent areas in Asia, or to disregard the possibility that the failure to accede to nationalist aspirations might perpetuate the conditions of unrest, instability, and chaos in the Far East. It is suggested that the dangers in the situation, and the strength of the counterarguments on them, have been immeasurably increased by the communist successes in China.

Alternative Three is to take a flexible position that would be designed to prevent the development of a situation where the United States would have to make a final choice between supporting the Asiatic peoples and the Western colonial powers.

It is argued in favor of this alternative that it would enable the United States to further with consistency its global objectives both in Europe and in Asia. It is suggested that even if it proves impossible for the two sides to reconcile their positions now they will almost surely find an amicable accommodation when they recognize more fully their interdependence and common interest in a stable and prosperous Indonesia. It would therefore be the part of wisdom, it is maintained, for the United States to temporize whenever possible to avoid prejudicing either its European or its Asiatic interests. On the other hand, situations may arise in which temporizing would jeopardize the interests of the United States, and it is argued that by judging

a particular issue on its merits the United States would not compromise its reputation for being fair and friendly to both sides.

The possible consequences in concrete cases of the decision taken on this general issue will appear in the following discussion on the more specific issues.

2. *ACTION BY THE UNITED NATIONS FOR THE CESSATION OF HOSTILITIES*

This issue relates to the position that the United States should take in the Security Council in the event that hostilities are continued or revived, thereby jeopardizing the resumption of amicable negotiations.

The resolution of the Security Council of January 28, 1949 called on the Dutch and the Indonesian Republicans to bring about the immediate cessation of hostilities and recommended measures for achieving the expressed desires of both parties for the establishment of a federal, independent and sovereign United States of Indonesia. Some of the specific provisions of this resolution were modified by a subsequent directive of March 23, and others have been rendered inoperative by the course of events or have been superseded by the terms of an accord reached on May 7 between the two parties. The accord will not have disposed of any of the fundamental issues of the problem, however, until hostilities have ceased and the proposed round-table discussions at the Hague have produced a definitive settlement.

The continuance of hostilities might be fatal to the success of the proposed round-table discussions and thus a possibly last chance for an amicable settlement would be lost. This might occur if the Republicans were unable to enforce the cease-fire order on all of their followers, or if the Dutch resorted to a third police action.

Alternative One, which is relevant only in case the Republicans are judged the offenders, is to favor authorizing the Dutch to act on behalf of the Security Council in restoring order or to resume freedom of action.

It is argued that a failure of the Republicans to make the cease-fire order effective would demonstrate their inability to control all of their followers and to assume the responsibilities of government; and that consequently no further consideration should be given to their claims. This course is advocated on the ground that it would be the most expeditious and decisive means of restoring order and of proceeding with the establishment of a United States of Indonesia.

Against this, however, it is pointed out that under the conditions now existing the difficulties of making cease-fire orders effective are

enormous and that even the Dutch would encounter serious difficulty in restoring order. It is contended, moreover, that it would be unfair to penalize the people of the Republic as a whole for the actions of small unruly minorities and that a course of greater patience is called for.

Alternative Two, which is relevant only in case the Dutch are the offenders, is to favor resort to sanctions against the Netherlands under Article 41 of the Charter of the United Nations.

The adoption of this alternative, it is held, would be likely to force the Dutch to comply with the decision of the Security Council; and if order were restored and a settlement reached, this would increase the prestige of the United Nations. The argument in favor of this alternative rests on the assumption that the Republicans, freed from Dutch interference, would be able to restore order and to establish a stable and effective government. There are some who consider this assumption unwarranted in the light of existing conditions, therefore they are against the second alternative. It is maintained that as a result of taking the action contemplated in this alternative, the Security Council might find itself with a more serious problem of disorder on its hands. It might then feel obliged itself to take over the responsibility for restoring order, but it would lack the facilities for doing so. Finally, the imposition of sanctions would create a precedent for United Nations intervention in other colonial areas, including Alaska, Hawaii, and Puerto Rico, and would involve the danger of extending the invasion of spheres of supposedly exclusive domestic jurisdiction to the more general internal affairs of nations.

It is pointed out also that the first two alternatives are impracticable in view of the likelihood that supporters on the Security Council of the Republicans and of the Dutch respectively would veto such drastic action against either.

Alternative Three is to favor continued efforts to bring about the cessation of hostilities through a joint committee of the two parties, under the United Nations Commission for Indonesia, which was set up in pursuance of the accord of May 7, 1949.

The adoption of this alternative would be less likely to be frustrated by an adverse vote on the Security Council. Other advantages claimed for this alternative are that it would not be likely to arouse either Republican or Dutch resentment and that even though complete tranquility in Indonesia would probably be unattainable in the near future the greatest hope for the future lies in keeping the negotiations going as long as is necessary to affect an amicable settlement.

On the other hand, if co-operation between the two parties failed to work smoothly, there might be serious delays in restoring peaceful conditions.

Alternative Four is to favor no action by the United Nations.

The argument in favor of this alternative is that the inter-position of the United Nations in this matter is likely to aggravate rather than to alleviate the dispute, and that to involve the United Nations in a situation where it is powerless to act decisively is injurious to its authority and prestige. The adoption of this alternative would not rule out efforts by individual nations, such as the United States, to persuade the two parties through moral pressure to continue their co-operation as envisaged in the third alternative. In the absence of such efforts, co-operation by the parties might break down and lead to a long period of chaos; for even if the Dutch were to resume freedom of action, it is far from certain that they would be able soon or eventually to control the situation.

3. PROBLEMS OF POLITICAL SETTLEMENT

If the two parties should fail to reach agreement on any of the points essential to a political settlement, an issue would arise for the United States in deciding what course it should take.

If peace and order are restored to a substantial degree, the scene would be set for the holding of the Round Table Conference at the Hague, which is to be convened about August 1, 1949. It will include the Dutch, the Indonesian Republicans, and the Indonesian Federalists, and observers from the United Nations Commission for Indonesia. Some of the difficulties that have heretofore stood in the way of a settlement have been removed by the adoption of a plan for the establishment of a United States of Indonesia (U.S.I.) to which sovereignty would be transferred as soon as a political agreement can be reached. This will dispose of the vexed question of a conflict of sovereignties during the functioning of an interim federal government, to which it was originally contemplated that powers would be transferred step by step. A deadlock threatening the success of the Round Table Conference, however, might arise out of any of the important items in the agenda that was approved on June 23, 1949, at a meeting in Batavia. These include the nature and scope of the provisional constitution of the U.S.I.; the charter for the transfer of sovereignty; the statute of the Netherlands-Indonesian Union; foreign relations; the right of self-determination of the people; nationality and citizen-

ship; financial, economic, and cultural relations; military agreements and the withdrawal of the Netherlands forces; the exchange of high commissioners; the status of civil servants functioning at the time of the transfer of sovereignty; and New Guinea.

Alternative One is for the United States to take a position on the merits of the matter in dispute and to support a particular solution.

An argument in favor of this alternative is that it might enable the United States to assert positive leadership in obtaining a solution that it considered just, or that best served its own interests. The objection is made, however, that any advantage gained by the United States through the adoption of a solution for which it had pressed would be offset by the blow to international confidence in the impartiality of the United States in working for world peace.

Alternative Two is to adopt a neutral position.

Proponents of this alternative argue that the United States is not primarily concerned in the relative merits of alternative solutions of these problems, even though the solution of them is essential to a political settlement in Indonesia. What is required above all in the interests of the United States is a settlement that both parties can agree upon and regard as workable. It is held that such a settlement is more likely to be reached quickly if the principles are not distracted by the interference of third parties and are not allowed to believe from the attitude of the latter that it will be to their advantage either to prolong the negotiations by haggling tactics or to break them off. An argument against this alternative, however, is that other third parties might not adopt a hands-off policy and the outcome of the settlement might be influenced contrary to the objectives of the United States. To meet this objection, further alternatives suggest themselves.

Alternative Three is to keep the matter before the United Nations.

It is argued that the Security Council has already had a measure of success in dealing with the Indonesian case, in that its action has brought about the return of the Republican government to Jogjakarta, and that it should be used to see the matter through. Opponents of this alternative, while agreeing that the United Nations should be used where it can be effective, consider that in this case the Security Council is unlikely to be able to agree upon the imposition of sanctions, and that the United Nations cannot be effective. To continue the case before it would therefore expose it to a loss of prestige.

Alternative Four is to try to keep the Security Council as far in the background as possible, but to rely mainly on international machinery of arbitration and conciliation, including the United Nations Commission for Indonesia (U.N.C.I.).

The argument in favor of this alternative is that such machinery, especially the U.N.C.I., can work more unobtrusively than the Security Council or the General Assembly in the debates of which emotions might be aroused that would be detrimental to the progress of direct negotiations by the parties. The desirability of restoring to international machinery of arbitration and conciliation other than the U.N.C.I., which is functioning continuously in this case, involves a question of judgment on when this would be desirable. For example, if a breakdown in negotiations had actually occurred, the case for invoking such machinery would be stronger than if conversations were still proceeding, though actual progress might be negligible.

4. ECA AID TO INDONESIA

The issue is whether or not a change should be made in present United States policy of continuing ECA aid to the Netherlands while suspending allocations that were for use in Indonesia.

This issue arises in connection with the question of what action, if any, the United States might appropriately take outside the United Nations to further a settlement, either by giving support to recommendations made by the Security Council or otherwise. The possibilities that most readily suggest themselves lie in the economic field. For example, ECA aid might be granted or withheld as a means of inducing the Netherlands or the Indonesian Republicans to comply with the decisions of the Security Council. At the present time, ECA aid is being given to the Netherlands government for purposes of rehabilitation in metropolitan territory, but since December 22, 1948 allocations for the Netherlands East Indies have been discontinued. If the United Nations should take preventative or enforcement action against the Netherlands, the United States would be under an obligation, in accordance with the provisions of Article 2, paragraph 5, of the Charter of the United Nations, to refrain from giving any assistance to the Netherlands.

Alternative One is to withhold some or all aid to the Netherlands pending a settlement in Indonesia entered into by both parties.

It is claimed for this alternative that it would offset the alleged superiority of the Dutch in bargaining power, on the assumption that delay in reaching a settlement penalizes them less seriously than it does the Republicans. The Dutch would be placed under an equal impulsion with the Indonesian Republicans to negotiate, thus minimizing the possibility that the latter might be forced into an unfair settlement. Furthermore, this would relieve the United States of the onus

of financing a government whose policies in Indonesia have been subject to criticism in a section of public opinion in the United States and in Asian nations generally.

Opponents of this alternative, on the other hand, argue that it would be clearly inconsistent with the objectives of the ECA program in general, and of promoting solidarity among the Western democracies in particular, which is the underlying purpose of the North Atlantic Treaty structure. It would indicate a lack of faith in the renewed and explicit pledges given on May 7, 1949 by the Netherlands government to grant complete, unconditional, and early independence to Indonesia. An additional argument against this alternative is that there are inherent objections against the unilateral imposition of sanctions by the United States. Moreover, if the Indonesians were judged to be at fault it would be manifestly unfair to penalize the Dutch.

Alternative Two is to continue to suspend allocations of ECA aid to Indonesia until a settlement has been concluded.

It is argued that this alternative would provide adequate leverage on the parties to come to an agreement, because the present policy is strong enough to impel the Netherlands to make a speedy and just settlement in Indonesia; and that it would be less detrimental than the first alternative to the European program of the United States. Objections to this alternative are based on the fact that the allocations to the Netherlands government for use in Indonesia have been a vital factor in the rapid recovery in Dutch-controlled areas during the past year, and that if they had been continued, those areas, which comprise a large part of Indonesia, would shortly have become wholly self-sustaining. Indonesia would then have been able to contribute materially to western European recovery, since Europe derives substantial amounts of foreign exchange from Indonesian trade and commerce.

In this connection, it is held that the restoration of a self-supporting Japan, to which United States policy is committed, would also be assisted by the economic rehabilitation of Indonesia. It has been estimated that so great is the economic potential of the islands that an export surplus of half a billion dollars annually could be expected and that nowhere else are such promising returns offered for ECA aid. Furthermore, attention is called to the fact that these allocations have enabled the United States to acquire valuable additions to its stockpiles of strategic raw materials, such as palm oil, quinine, tin, rubber, and bauxite.

Alternative Three is to restore the ECA allocations of the Netherlands Indies.

Apart from the general advantages of this course of action, which appeared as objections to the preceding alternative, the further argument is advanced that since the Netherlands government has now committed itself to a plan that offers a just and practical basis for a settlement with the Republicans, there is no longer any reason for continuing to suspend the allocation of ECA aid for use in the Netherlands Indies. Against this it is contended that, in view of the widespread criticisms in the United States of Dutch policy in Indonesia, the allocation of aid might jeopardize congressional support for the whole ECA program. It is also suggested that, even though allocations in the past have not included items for military use, the fact that they are placed at the disposal of the Dutch for distribution in Indonesia gives the Netherlands government an advantage over the Republicans in bidding for the support of native populations. Finally, it is emphasized that if no settlement in Indonesia should result, the funds would be wasted.

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III. THE PROBLEM OF EUROPEAN INTEGRATION

The problem is to determine what degree of economic, military, and political integration in Europe the United States should be prepared to favor and what measures it should adopt to this end.

A. NATURE OF THE PROBLEM

For several centuries national divisions and power rivalries in Europe have periodically been the cause of warfare. The United States may be said to owe in part its independent existence to these conflicts, but it was not much affected by them otherwise until very recent times, when it became involved in two major wars, world-wide in scope though European in origin. Long before the remedy for discord and disunity in Europe became a significant American preoccupation, European minds had grappled with the problem, and they have produced a variety of proposals for the unification, integration, federation, or confederation of separate national states to form a single harmonious whole.

ORIGIN OF THE PROBLEM

The outbreak of the second world war led to renewed discussions of the consequences of national divisions in Europe, and various proposals for integration were made among the allied European governments. It is possible that interest was revived in the old ideas of integration by Hitler's concept of a "New Order" to be imposed on Europe under German hegemony, in which many foes of the Axis saw the germs of an attractive ideal if only it were fathered by the forces of good rather than of evil. The new impetus to integration was especially strong in the governments-in-exile representing the smaller countries of Europe, the very existence of which depends on a stable European order. Polish and Czechoslovak representatives, for example, held extended discussions on the possibilities of closer union between the two countries, and Belgium, the Netherlands, and Luxembourg actually concluded a Customs Union Agreement in September 1944.

Whatever wider possibility this development might otherwise have had, enthusiasm for it was dampened in the United States and Great Britain, even during the war, by the discovery first that the Soviet Union was hostile to the federation of states on its borders, and later that it was opposed to any idea of federation in Europe. In these circumstances the ideal of achieving European unity had to be strictly

limited for the time being to the nations outside the Soviet sphere. After the war even these nations were under the shadow of subversive movements calculated to reduce them piecemeal to the status of satellites of the Soviet Union. Most of them were too exhausted economically, and some of them too divided politically, to offer resistance to internal or external pressure. At this stage, a problem was created for the United States because its interests became directly involved through the communist threat to world peace and hence to American security. In the formulation of United States policy for dealing with the problem, western European integration became increasingly prominent.

Two strands of influence are interwoven in the development of United States policy. The first is the view, widely diffused among the American public, that the principles of the United States Federal Constitution, having successfully solved on a continental scale the complex economic and political problems of a people of diverse racial and cultural origin, may likewise be applied to solve the problems of continental Europe. In so arguing, little thought is given to the validity of the analogy, now or historically; and to the greater difficulties of creating in Europe than in America the community of sentiment that is indispensable to political union. However imperfect the analogy may be, the argument contains an instinctive feeling or intuitive judgment that concerted action in some form of association is essential to cure European ills.

A more conscious conception of this same idea provided the second strand in the formation of the European policy of the United States. The need for concerted action in Europe, perhaps for concerted action between Europe and the United States, raised the question of the relation of possible action to the principles of the United Nations Charter, and it was decided that American security interests would have to be protected in a manner consistent with the Charter. The European policy of the United States was explicitly identified with the principles of the Charter when President Truman in asking Congress in March 1947 for financial aid to Greece and Turkey stated that "totalitarian regimes imposed on free peoples by direct or indirect aggression undermine the foundations of international peace and hence the security of the United States [and that] in helping free and independent nations to maintain their freedom, the United States will be giving direct effect to the principles of the Charter of the United Nations."

The President advocated that the United States should adopt the policy of granting the necessary assistance "primarily through economic and financial aid which is essential to economic stability and

orderly political processes." This so-called Truman Doctrine thus contained the germ of the European recovery program, but it made no allusion to integration among the free nations of Europe. The latter question came to the fore in June 1947 when Secretary Marshall spoke at Harvard.

Secretary Marshall referred to the prospect of "economic, social and political deterioration of a very grave character" in Europe. The impact of this situation on American interests was described, not as a direct threat to military security, but as a barrier to world-wide "political stability and assured peace" with the possibility of "disturbances arising as a result of the desperation of the people concerned." He repudiated the idea that the United States should act unilaterally to arrest the deterioration, and stated that "the role of this country should consist of friendly aid in the drafting of a European program. The program should be a joint one agreed to by a number, if not all the European nations." The United States government had every reason to press for a co-ordinated, or at least all-embracing, European program because of the great disadvantage of appealing to Congress for appropriations on a piecemeal basis. This was evident from the criticism directed against the sudden demand on Congress for aid to Greece and Turkey.

Marshall did not make the specific charge that the Soviet Union and its communist parties in Western Europe were deliberately prolonging economic chaos for their own political ends, although this idea was strongly suggested by the statement that "recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon." His major declaration of policy was that American economic assistance "is not directed against any country or doctrine but against hunger, poverty, desperation and chaos" with the purpose of reviving "a working economy in the world so as to permit the emergence of economic and social conditions in which free institutions can exist." He promised American co-operation to all European governments willing to assist in the task of recovery, but he issued the warning that "any government which maneuvers to block the recovery of other countries cannot expect help from us . . . [and that] . . . furthermore, governments, political parties or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States."

Both the diagnosis and the proposed remedy in the Marshall statement were thus cast primarily in economic terms, and the only specific

reference to American economic interests as such was in the statement that, "the consequences to the economy of the United States should be apparent to all." But the political implications were clearly outlined, and even the military consequences were indicated by the reference to the danger of "disturbances" and to the absence of "assured peace," coupled with the scarcely veiled warnings to "governments, political parties or groups which seek to perpetuate human misery." Subsequently, it was the violence of the efforts by the Soviet Union to wreck the European recovery program that created a military security problem of the utmost urgency and brought out sharply the political and military implications of the Marshall proposals.

AMERICAN OBJECTIVES

Broadly stated, the major objective of United States policy in Europe at present is the development of an integrated community of free nations, economically, politically, and militarily strong enough to resist piecemeal or wholesale absorption by the Soviet Union, and capable of serving in case of necessity, as the first line of defense against Soviet attack. It has been repeatedly stated that this objective is in full harmony with the principles of the United Nations Charter, and that its attainment would contribute greatly to realizing the principal purpose of the Charter, the establishment of a peaceful and stable world order.

The specific objective sought by the American European recovery program was initiative and co-operation among the European nations themselves in drafting a joint recovery program based on the requirements of the situation and providing for the utmost mutual aid in order to make American aid effective. The "friendly aid" provided by the United States was first in the form of advice to the original Committee of Sixteen European nations in Paris, in which the principle of mutual aid was interpreted by the United States as meaning the creation of a strong intergovernmental committee—preferably of cabinet rank—with sufficient authority to commit member governments to a joint program of integrated European recovery. The principal elements in the plan were conceived as being a great productive effort, a drastic reduction of tariff barriers, possibly even extending to full customs union, the co-ordination of national investment programs and an approach to a multilateral system of payments.

These objectives of policy were not stated in studied fashion from the beginning. The first emphasis was on getting European production going again. But after a while dissatisfaction began to be expressed with failure of the Organization for European Economic Cooperation

(OEEC) to achieve a greater degree of integration. This was shown in the 1949 ECA act, which declares it to be "the policy of the people of the United States to encourage the unification of Europe." The act also strongly hints that the goal of European economic co-operation should be the establishment of a European customs union, though the language is not explicit:

> Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through their joint organization to exert sustained common efforts to achieve speedily that economic cooperation in Europe which is essential for lasting peace and prosperity.

There has been little if any disposition to question whether a European customs union would be in the immediate or ultimate interests of the United States.

Military integration in Europe did not become an explicit objective of United States policy until some time after the economic proposals were launched. In an approach to a United States policy, however, the same principle of European initiative, self-help, and mutual aid was made the basis of official United States support for military integration in Western Europe. The initiative in negotiating the five-power Brussels pact that binds Great Britain, France, and the Benelux countries in a fifty-year alliance came from British Foreign Minister Bevin, but the negotiations were carried out, as Secretary of State Acheson has stated, "with encouragement from the United States." The day following the signature of the pact in March 1948, President Truman called it a "notable step toward peace" and stated that the European determination to take the necessary measures of self-defense would be matched by American determination to render to Europe the support required.

Certain steps have already been taken in the attainment of this objective: American observers from the Army, Navy, and Air Force have been assigned to the combined defense headquarters of the Brussels powers at Fontainebleau; the North Atlantic Treaty has been signed; and Congress had been requested for an appropriation of 1,130 million dollars to provide military assistance to the Atlantic pact countries. Secretary Acheson described these practical measures as designed to assist the United States "in attaining the fundamental goal of our foreign policy: the preservation of international peace, and the preservation of the security of the United States."

In addition to its active sponsorship of economic and military meas-

ures of European integration, the United States has officially declared that it favors political integration as well. Most of the statements made have been very broad, without specifying either the kind or the extent of integration desired. They have usually been coupled with the explicit declaration that this is a problem for the European states to solve, and that the United States has no intention of intervening in what is an exclusively European affair. In the economic and military fields, although the degree of integration achieved may be in doubt, European initiative and co-operation have been sufficient to give at least the semblance of satisfying objectives of the United States, despite the lack of precision in defining these objectives. But in the political field there have been greater difficulties, for political integration is more nearly a matter of all or nothing. For this reason, quite apart from the question whether American objectives in the political field have been stated more or less vaguely than in the other two fields, it has not been possible to go far in creating even the semblance of political integration, notwithstanding the formation of the Council of Europe and the popular enthusiasm for the "European Movement."

Despite the lack of precision in the statement of the objectives of the United States in the political field, some policy statements imply the desirability of a federated Europe on the model of the United States of America. The Fulbright Resolution adopted by the United States Congress in March 1947 declared that "Congress favors the creation of a United States of Europe within the framework of the United Nations." United States Ambassador Caffery, in addressing a French federalist group on March 24, 1949, said that the United States government not only favored the "closest integration of the free countries of Western Europe" but that it viewed a federal Europe as the "logical and necessary culmination of economic and military co-operation" already developing among the European states. He concluded: "It behooves Europeans to work hard and move fast in building their union —you can count on American backing."

These statements would imply that it is the policy of the United States to encourage the political integration of Europe as the only means of ultimately achieving economic prosperity and military security. Although such statements indicate the approval of the United States of full federation to create "the United States of Europe" in its own image, Secretary Acheson stated recently that the United States has taken the position that it should not endorse any "specific form of political unity" because "the promotion of unity was primarily a matter for the Europeans themselves." He praised the newly created Coun-

cil of Europe, however, as "a welcome step forward toward the political integration of Europe."

United States objectives in Germany are frequently stated within the context of the major policy objective of closer European integration. The aim of the United States of creating a peaceful, self-supporting Germany has been shared by Britain, but many practical proposals for attaining it have been opposed by France (and sometimes by Britain) because of the fear that German economic recovery might lead to new acts of German aggression. American policy has, therefore, sought to allay French fears and to secure French co-operation, both by concessions to France on the German question as such, and by encouraging Franco-German rapprochement within the wider framework of a European association.

The policy has met with success in producing agreement on the German problem itself and on the principle of bringing about "the closest integration, on a mutually beneficial basis, of the German people under a democratic federal state within the framework of a European association." The statute of the Council of Europe now provides for a category of "associate member" to make possible the accession of Germany.

MEANING OF INTEGRATION

A wide variety of language has been used in describing the goals or processes of integration. This may reflect a confusion of thought concerning the nature of the objective sought and of the processes of achieving it. The difficulty centers in the meaning and purpose of political integration.

Political integration may mean an organic act of union, in which case the purposes relate to all the objectives of man in the political form of association. In this meaning of the term, political integration would come as near as possible to being an end in itself. No country or group of countries would pursue political integration in this sense merely to improve their relations with third countries. But political integration may also be thought of as a facilitating device in achieving other objectives. If for example, the economic objective of a customs union can be achieved only by a certain mechanism of political association, the latter may be created solely for the purpose of attaining this economic objective instead of for its own sake. The form of the political association may or may not imply an organic act of union. If it does, its importance is so much greater than the economic objective from which it is derived that it would be wholly unrealistic to pretend that it is merely a part of the facilitating mechanism. If it does not, the

facilitating arrangements between the participating countries are probably assimilable to treaty forms and no purpose is served by introducing a new term such as "integration."

At one end of the scale, the terms "federation," "federal union," "United States of Europe," are used to designate political integration of the type that implies the merging of separate national sovereignties into a single central government or superstate, leaving to the present national governments a degree of local authority comparable to that exercised by the separate states of the United States of America. In the middle of the scale, "confederation," a term rarely if ever employed at the present time, denotes a much looser federal structure, reserving most of the important attributes of sovereignty to the member states. At the other end of the scale, the least binding relationships are indicated by the terms "co-operation" or "association."

Co-operation implies a method of obtaining agreed action by co-equal members of an association rather than integration in the sense of unification. In general, present European activities in the economic, military, and political fields may be most accurately described as association acting through co-operation. These may provide the vehicle for the processes that are loosely described as "integration" or "unification" in the search for closer association or "closer unity," without either imposing or excluding ultimate complete union in a federal state. The statute of the Council of Europe emphasizes the need for "closer association."

The Council of Europe, it should be noted, involves no general surrender or emasculation of sovereignty. In fact, this political development in Europe involves no organic change in the relations between states. It may multiply their opportunities for association, but it does not subject them to the will of any supranational organization. Each state remains free to exercise its sovereign powers as it chooses on each specific act of co-opertion that may be proposed. This is the age-long method of treaty associations between two or more states. Unlike the concept of political union, it requires no common parliament, which would involve a clash of interests much greater than occurs within a homogenous national group and would therefore put a correspondingly greater strain on representative institutions and democratic government.

Unlike the OEEC in the economic field and the Brussels and North Atlantic Treaties in the military field, the Council of Europe represents in the political sphere a movement of exclusively European initiative and development. The official United States position of benevo-

lent neutrality toward the Council of Europe was expressed by Secretary Acheson on February 8,1949 in the following statement to a joint meeting of the Senate Committee on Foreign Relations and of the House of Representatives Committee on Foreign Affairs:

> The form and nature of these developments along economic and political lines, must if they are to be strong and lasting, come from the people of Europe themselves. Only they, themselves, can work out their own salvation through their own efforts. Our role . . . must be to encourage and support those efforts.

At the same time, however, policy statements of the United States have tended to assume that neither economic development nor military security in Europe can be assured without a greater degree of political integration than now exists. Secretary Acheson on May 11, 1949 characterized the statute for the Council of Europe as "a welcome step forward toward the political integration of Europe" and praised the signatories "for their realization that a free Europe, to remain free and attain a higher level of well-being, must be a united Europe." His statement raises the question, however, of what the United States attitude should be in the event that Europe failed to advance further on its own initiative along the path thus indicated. At some stage United States policy-makers must decide what degree of economic, military, and political integration or unification in Europe is required for the realization of United States objectives, and what means are to be used in achieving it.

The answer to these questions may require a more precise formulation of the objectives themselves than has yet been forthcoming, the need for which will be evident in the discussion of the main issues and alternatives that are examined in the final section of this paper. In discussing the issues, the scope of the problem is confined to Western Europe. But the arguments relating to integration in Western Europe apply *mutatis mutandis* to proposals for integration over a wider geographical area. The nature of the problem, and therefore of this paper, reflects the lack of clarity in official statements of objectives and of policy. While the issues with which this paper deals are broad in scope, they nevertheless require specific decisions, the nature of which will go a long way toward clarifying both the objectives and the basic policy of the United States.

B. DEVELOPMENT OF THE PROBLEM

Movements dedicated to European integration have a long history and have displayed great diversity, but until recently they have

attracted little popular following and even less official support. They have all been inspired by the aim of consolidating a peaceful European society to eliminate the traditional menace of war, or at least to provide united defense against an aggressor. It is significant that the most advanced proposals have come from nonofficial movements within the smaller or more exposed countries and France. But there have been a few official proposals as well.

At the Paris Peace Conference in 1919, the French delegation officially proposed a draft covenant for the League of Nations, embodying the principle of an international army commanded by an international general staff whose decisions would be binding on the political authorities of the central executive body, and within the territories of member states. These proposals were rejected outright by the American and British delegations as involving the creation of a superstate and the violation of their respective national sovereignties. In 1930 French Foreign Minister Briand circulated to 26 European governments a memorandum proposing the creation of a European Federal Union, but the world economic crisis and the rise of Hitler to power in Germany removed this proposal from the agenda of the League of Nations. At the eleventh hour in June 1940, Prime Minister Churchill offered France "indissoluble union" and "common citizenship" with Great Britain, but it was too late to stem the tide of French defeat and capitulation.

It is natural that the scale and destructiveness of the second world war should have given renewed impetus to the federal idea. The United Nations Charter does not contemplate federation, but Article 52 permits the creation of regional arrangements for peace and security, and the Economic and Social Council was responsible for the creation of the Economic Commission for Europe (ECE) as an agency for the co-operative rehabilitation of that continent. The limited cooperation of the Soviet Union in that body and its obstructionist attitude toward the European recovery program in general, combined with its expansion in the East and subversive tactics in the West, have given the western European movement for integration its present emphasis on economic and military security. Practically all European nonofficial organizations emphasize the fundamental objectives of defense against the threat of communist subversive activities within the countries of Western Europe and of Soviet aggression on their borders. They disagree only on the political forms of action required to achieve these objectives. Some of the movements insist that full political federation is essential in order to achieve economic and military integration.

The new factor in the movement for European integration is the active interest of the United States, whose influence, exerted in pursuit of its own foreign policy objectives, led directly to the creation of European organizations for co-operation in the economic and military spheres. In the economic sphere the Organization for European Economic Cooperation (OEEC), originally composed of 16 nations—Great Britain, Eire, France, Belgium, the Netherlands, Luxembourg, Iceland, Denmark, Norway, Sweden, Portugal, Italy, Switzerland, Austria, Greece, and Turkey—is the direct consequence of former Secretary of State Marshall's proposals of June 5, 1947. In the military sphere, the alliance of Great Britain, France, Belgium, the Netherlands, and Luxembourg, through the Brussels Treaty, was in large measure prompted by official encouragement from the United States. Subsequently the United States, together with Canada, Iceland, Norway, Denmark, Portugal, and Italy, became associated with the Brussels group in the North Atlantic Treaty.

In the purely political sphere, American influence has been less direct. It has consisted exclusively of giving encouragement to apparently spontaneous European movements that produced the statute of May 1949 for the creation of the Council of Europe. The Brussels Treaty powers, originally formed with strong American encouragement, took the lead in this development, and they were joined by Ireland, Denmark, Norway, Sweden, and Italy. This new political development appears to owe more to the impulsion of nonofficial European movements, however, than to the pressure of United States policy.

The history of recent developments in the movements toward European integration is dealt with below under separate headings relating to the three main aspects of the problem.

ECONOMIC INTEGRATION

The earliest official action toward integration was taken without outside prompting, by three of the smallest and most shattered countries of Western Europe, and it was confined to the economic sphere. In September 1944 Belgium, the Netherlands, and Luxembourg combined to form a customs union, called BE-NE-LUX, a name compounded of the initial letters of the participating states. The participants quickly discovered that the establishment of a common customs frontier could not of itself establish a free flow of goods, which remained blocked by import quotas, by artificial prices supported by government subsidies on particular articles, and by disparities in the foreign exchange value of their respective currencies. They therefore

decided in June 1948 that full economic union must be their goal and set January 1, 1950 as the date for its accomplishment.

On the whole, the economic results have been disappointing and the obstacles remain serious. The Benelux countries have postponed the date for economic union until June 30, 1950, partly because of the continued obstacles to harmonizing their own internal economic policies, partly because of their conviction that these obstacles can be overcome only within a wider framework of economic union embracing France and western Germany. As they see it, the whole of Europe must ultimately face permanently reduced living standards unless there is a great increase in the productivity of labor, and they believe that this is a matter of markets as well as of technology. In their view the inability of industry to plan on a scale adequate to justify immediate expenditures on known cost-saving techniques and equipment is becoming the chief barrier to economic progress. They have concluded therefore that Benelux as originally planned is not enough, and that greater sacrifices of the interests of particular industries, as well as greater subordination of national interests, must be made the price for achieving greater economic advantages over a wider European area.

The European Recovery Program and the OEEC

While events were moving in Europe, American influence and economic assistance were being applied to promote the same idea. So far, the results in the direction of European economic unification have been modest, although they have been substantial in alleviating the more critical features of European economic deterioration. In the Marshall proposals American aid was made conditional on European initiative and co-operation. Great Britain and France immediately took up the challenge, and meetings were held with the Soviet Union in Paris in June 1947. But the Soviet Union promptly excluded itself, and later its satellites, on the ground that the Marshall proposal and the suggested European response to it constituted a violation of the sovereignty and independence of the European states. A group of 16 nations, Great Britain, Eire, France, the three Benelux countries, Iceland, Denmark, Norway, Sweden, Portugal, Italy, Switzerland, Austria, Greece, and Turkey, nevertheless met in Paris during August and September to study the American proposal. Subsequently, military government representatives from Trieste, from the Anglo-American Bizone, and from the French zone in Germany were added to the group, bringing the total membership to 19. This body, initially called the Committee of Sixteen, became known ultimately as the Organization for European Economic Cooperation (OEEC).

The initial report of this group in September 1947 fell far short of the basic American concept of European co-operation, and Mr. Clayton, United States Assistant Secretary of State for Economic Affairs, described it as incapable of gaining the support of American public opinion or of the American Congress. A major point of criticism was the failure of the European Committee to tackle the problem of tariff barriers. The draft International Trade Charter, which had been adopted at the Geneva Conference on August 22, 1947, aimed at the progressive elimination of restrictions on international trade. It was the view of the American experts that in pursuit of this aim the European beneficiaries of American aid should take at least the first steps for the creation of a European customs union.

In response to American criticism, the Committee of Sixteen revised its report in several important particulars, including the scaling-down of the estimates of American assistance required for the four-year period. Consideration was given to the problem of stabilizing currencies, and the OEEC was created as a permanent organization to study the implementation of the program as a whole. The assurance was also given that most of the countries concerned were committed to study the possibilities of a European customs union. These revisions rendered the report satisfactory to the executive branch and to Congress as a basis for inaugurating the European recovery program under the Foreign Aid Act that established the Economic Cooperation Administration (ECA).

Customs Unions

Little progress has been made so far in the formation of a customs union for Europe. In Paris, a Benelux spokesman pointed out that a customs union, to be effective, must be extended to embrace complete economic union, which involved a prior understanding between the principal branches of industry in the various countries concerned. It was on the Benelux initiative that 13 of the 16 nations represented at Paris (Norway, Sweden, and Switzerland abstaining) decided to create a committee to study the problem. Norway and Sweden subsequently joined this group in March 1948.

France went a step further than this and announced its willingness to conclude a customs union with any country the economy of which could be combined with that of France in a "viable ensemble." It also stated that France and Italy would immediately undertake negotiations with that end in view, and in the hope of achieving complete "harmony" between the two national economies in five to eight years. A treaty, signed in March 1949 but not yet ratified, provides for the

establishment of a common Franco-Italian tariff regime within one year of the effective date of the treaty, and subsequently for the progressive suppression of restrictions that prevent the free circulation of goods and persons between the two countries. At the end of six years, economic "fusion" will have been achieved to the extent of allowing the unimpeded movement of goods and people.

The Scandinavian countries have shown little enthusiasm for a customs union, but Denmark, Finland, Norway, and Sweden have recently been studying the problem of improving the co-ordination of their production to meet their joint needs in a number of individual cases—rolled steel, electric power, nitrates, sugar, and salt—and the problem of providing co-operative enterprises in the field of transportation. The Scandinavian Air Lines System has operated successfully for several years as a joint Danish-Norwegian-Swedish enterprise, and this is regarded as a strong argument for the establishment of large economic units in land transportation and shipping.

More general Scandinavian economic co-operation, however, is still in the study stage, and neither the Benelux nor the Franco-Italian agreements for economic union contemplate giving immediate effect to union in the full sense. On the basis of prewar figures, the Benelux group should constitute the third most important unit in international trade, ranking immediately after the United States and the United Kingdom, and therefore union would signify more than might be expected from the smallness of the countries. But here again temporizing seems to be necessary. In view of the present difficult economic position of the Netherlands, Belgium must extend credits to the Netherlands in order to inaugurate the "preunion" phase, and the attainment of "real economic union" has been expressly made conditional not only on continued ECA aid but of "certain objectives to be realized through OEEC."

The problems besetting Franco-Italian economic union are equally difficult. The Italian economy labors under the heavy handicaps of overpopulation, inadequate natural resources, low productivity, and low wages. It is in many respects competitive rather than complementary with the French economy. The balance of advantage in economic union, therefore, in the short-run would appear to be Italian, although in the longer-run both countries might gain from the French absorption of surplus Italian labor. This is the probable explanation of the emphasis in the Franco-Italian agreement on the free movement of persons as well as of goods between the two countries. Nevertheless, wage disparities might be expected to constitute an immediate problem, and in fact a committee report of May 1949 to the French Eco-

nomic Council condemned the agreement, not only on the ground that 'the French and Italian economies are more competitive than complementary" but because France would become seriously involved in the chronic unemployment problem of Italy. The report, therefore, questions the ability of France to absorb the surplus Italian labor.

It would probably be a mistake to attribute exclusively economic motives to the French in taking the initiative in this agreement. Indeed, the fundamental motivation for the Franco-Italian treaty may be even more political than economic. The French government has laid particular stress on the closest possible ties with Italy in the prewar period, and it has championed Italian interests in many fields, notably Italian trusteeship over its former colonies. It has been reported that the French are determined for political and economic reasons to prevent the renewal of the prewar dependence of Italy on the German economy.

For both political and economic reasons, the French are also disposed to limit the economic strength of Germany. The Benelux countries on the other hand are anxious to revive their close prewar economic relations with Germany and are therefore disposed to favor a greater restoration of German economic strength than the French. In these circumstances the reported desire of the Benelux countries to extend their proposed economic union to western Germany, France, and presumably Italy, is likely to encounter political and economic cross-currents of considerable complexity.

Progress of OEEC

Little headway was made until recently in carrying out American proposals for an integrated program of recovery that were made at the time of the first report by the European Committee of Sixteen in September 1947. It appeared for a time that the British government was opposed to vesting too much authority in the Committee, for fear that Great Britain might thereby become too deeply involved in continental affairs to the prejudice of its economic and political ties with the British Commonwealth. Two examples of British policy were cited in support of that view. For a long time the British government refused to appoint a representative of cabinet rank to the OEEC Council. Perhaps even more significant was the British effort to deprive the OEEC of any authority to allocate American aid among the nations of Europe, and to have the allocations determined by bilateral negotiations with the United States.

The American government refused to agree to this procedure and insisted that the European organization must accept the responsibility

for allocation as part of the principle of joint action and mutual aid. The British government not only accepted this decision with good grace but, together with the other nations concerned, it recently agreed to the creation of an Executive Committee of cabinet rank. This committee, which met for the first time on February 18, 1949, is composed of Prime Minister Spaak of Belgium, who is already chairman of the OEEC Council; Chancellor of the Exchequer Cripps of Great Britain; Foreign Minister Schuman of France; Foreign Minister Sforza of Italy; Foreign Minister Petitpierre of Switzerland; Foreign Minister Sadak of Turkey; Foreign Minister Unden of Sweden; and Finance Minister Hirschfeld of the Netherlands. Its purpose is to serve as a consultative group, meeting with the chairman of the Council at least every two months in closed session. The British member characterized this Committee as inaugurating a new technique for international co-operation by providing for periodic meetings of senior cabinet ministers of eight different countries, who may co-operate without publicity, like a national cabinet.

The new committee has not done much in its first meetings, however, to carry out the American proposal for a single integrated plan of European recovery. Indeed, the hope of achieving such a plan in the near future had been virtually abandoned before the Executive Committee was created. In March 1949 it was reported that the Committee would recommend to the OEEC Council an over-all plan for the reduction of dollar imports and for the revision of the existing payments agreement, which was to have facilitated intra-European trade allocations of conditional dollar aid combined with a system of grants or drawing accounts between creditor and debtor European countries. The Committee was also expected to propose more extensive measures for stabilizing currencies and for eliminating adverse trade balances with the non-European world. Finally, it was reported that the Committee would recommend negotiations for the "co-ordination of investments" in order to promote the expansion of national industries without overlapping and to avoid the creation of surplus productive capacity.

Whatever actual recommendations the Committee makes must be approved by the OEEC Council, and ultimately, to become effective, by the governments of the participating countries. Thus, despite all the agencies for European economic co-operation that exist, and despite the Benelux and Franco-Italian agreements, the actual amount of economic unification in Europe today is not very great. The natural obstacles inherent in the complex pattern of economic relations that

has grown up within traditional political boundaries are not likely to be overcome quickly; and any rapid change would have to be accompanied by a radical transformation of the political system with which the obstacles are interwoven.

In a broader sense the European economic system includes the United States and involves American economic interests. Some economic groups in the United States have already complained that they have been injured, or at least not helped, by the European recovery program, and Senator Vandenberg has had to remind them that the major objective of the program must be to fill the needs of the recipient countries and to restore European productivity, rather than to achieve the expansion of American exports.

There have also been expressions of alarm in the United States concerning the long-range effects of the complete economic unification of Europe. If complete union is to be achieved, it should be by the division of labor and specialization on the most efficient basis, with the elimination of inefficient production in some countries and the expansion of more efficient production in others. Some American observers have expressed fears, however, that the necessary readjustments may be accomplished by cartel agreements for the allocation of markets, which might not only involve uneconomic production in Europe but the restraint of American competition in world markets. The danger to American interests is probably greater from the possibility that the encouragement of a customs union or a low-tariff group in Europe might be at the cost of a high tariff against the outside world, including the United States, although this does not appear to have aroused public apprehension as yet. Apprehension regarding American long-term economic interests might act as a brake on American official policy in supporting economic union in Europe.

Another American dilemma has already been described in the House of Commons by British Foreign Minister Bevin, who pointed out that the United States, the champion and stronghold of the free enterprise system, is insisting on state planning in Europe on a gigantic scale. It would be incongruous if pressure from the United States pushed Europe into measures of government control that they otherwise would not adopt. Yet this might well be the consequence of straining for "co-ordination" of national programs or of urging an increase in government investment beyond the amount that is considered to be wise in the judgment of the government concerned, as in the case of recent advice given by the ECA to Italy in its study of that country.

It would appear that emphasis on over-all planning by governments and among governments to achieve western European integration may also have had the consequence of taking the attention of the United States government away from the supreme importance of restoring stable and interconvertible currency systems. Yet the restoration of intra-European convertibility of currencies would be one of the greatest manifestations of economic integration. All experience supports the conclusions of theory that only when currencies are linked in a single system can the diverse parts of the individual economies function as a whole. The essential condition for this single-system type of functioning is continual adjustments and readjustments in individual industries through the medium of a highly fluid monetary mechanism that allows influences to be imparted from one country to another.

Economic Commission for Europe

The latest report by the United Nations Economic Commission for Europe, covering the year 1948, emphasizes the persistence of the major unsolved economic problems despite the very marked increase in European production during the year. The report also forecasts the future consequences of these fundamental difficulties, both for Europe and for the United States. It finds, for example, that planning, conducted as at present very largely on a national basis, is tending to reduce rather than to increase the advantageous specialization of industry.

Referring to current discussion of the integration of the European economy, the report states: "The indications are that the current trends are in the opposite direction and may lead to future disintegration of the European recovery." Moreover, despite the improved rate of European capital formation and increased volume of investment, the report finds probable progress in these developments during the next ten years "far from adequate to secure any really substantial improvements in living standards." Again, although Europe has increased its exports while diminishing its imports, the critical dollar shortage remains an insoluble problem within the framework of current United States policy. On the basis of this policy, the report states, the United States "faces the anomalous prospect that by the end of the [European recovery] program, it will have surpluses and excess production capacity in the commodities for which it helped develop substitute sources of supply; its own exports to Europe will be reduced below the depression-shrunk level of 1938; and Europe will still be short of dollars."

The organization responsible for this discouraging report is the only vehicle for co-operation between Western and Eastern Europe.

The ECE has committees working in coal, inland transport, electric power, industry and materials, housing, steel, timber, and agriculture. So far its greatest success has been in the achievement of certain economic agreements throughout Europe, especially those concerning rail and road transport and the short-term arrangements for the allocation of coal.

It is about to make new efforts to increase East-West trade. Like its parent body, the United Nations, however, the ECE must ultimately depend for its effectiveness in this direction on great-power relations. Whatever the ECE may accomplish in removing some of the political obstacles to East-West trade, none of its present activities contemplate any acts of association that approach integration or much less "organic union." In certain practical tasks of economic reconstruction it has proved invaluable as a clearing house and co-ordinating body for mutually advantageous arrangements at the technical level in a politically divided Europe. More progress along these lines is probably possible, but the ultimate limits imposed by political division are likely to be reached fairly soon. Even for the area of Eastern Europe, the ECE report notes the effect of political factors and comments on the possibly serious consequences of the "abrupt slashes" in trade with Yugoslavia by the Cominform countries. The crippling effect on European recovery of the East-West division is a major theme of the report.

Whatever may be the final diagnosis of Europe's persistent economic ills, the violence of the attacks by the Soviet Union on the European recovery program, coupled with manifestations of an aggressive policy in other fields, has increasingly directed European and American attention to the problems of military security. In one of its aspects, the European recovery program was the application of economic measures to ward off the communist danger. The use of strikes and sabotage by the Soviet-created Cominform to cripple economic recovery in France and Italy did not diminish the attention paid in the West to economic measures, but it threw into high relief the problem of military unification in Western Europe to protect the hard-won economic gains from Soviet aggression.

MILITARY INTEGRATION

The nucleus for the military unification of Europe is the Brussels Five Power Treaty signed in March 1948 by Great Britain, France, and the three Benelux countries for a fifty-year period. In April 1949 this military association was greatly extended by the signature in Washington of the twenty-year North Atlantic Treaty, including all the original

signatories of the Brussels pact, and, in addition, the United States, Canada, Iceland, Denmark, Norway, Portugal, and Italy.

From the point of view of military unification, the Brussels pact group is the really important nucleus, and the most significant aspect of the wider alliance is the formal association of the United States with this nucleus. Canada has undoubtedly important contributions to make, but the other new associates are chiefly important at present for the strategic bases they may provide in case of necessity. Italian armaments are severely restricted by the peace treaty, and the other countries are too small or too weak to possess armed forces of significant strength.

The Anglo-French Problem and the Treaty of Dunkerque

Even the Brussels Treaty falls far short of genuine integration in that some of its present defense arrangements, involving both organization and personnel, are based on compromises between the conflicting interests and viewpoints of the two principal members, France and Great Britain. These Anglo-French conflicts lie at the root of the problem of western European integration in all its aspects, economic and political, as well as military.

Fundamentally, the conflicts derive from the different mentality developed in different geographical positions. France is essentially a continental and Britain an insular power, and the best illustration of the effect of this difference between them is that while Great Britain has not been invaded for the past nine centuries, France has been invaded three times in less than a century. Both are colonial powers, but up to the present their relations with their overseas dependencies have been fundamentally different. France has governed its dependent empire by an administration centrally controlled in Paris. In the British case, however, the most important parts of the Empire, the Dominions, are not dependencies at all, but constitute together with Great Britain a commonwealth of sovereign nations, between which co-operation depends on mutual consent and accommodation.

In the political and military sphere, the Dominions are on the whole chary of undertaking commitments in Europe, and the British government is usually careful, therefore, to consult the Dominion governments on the acceptable extent of its own commitments. In the economic sphere, Britain, the colonies, and most of the Dominions provide the basis of the sterling area, now officially designated as "Scheduled Territories," which is centrally administered through the British Exchange Control. Britain, all the Dominions, and the colonial dependencies constitute a special trading area symbolized by the system

of Imperial Preference in tariff rates that was established by the Ottawa Agreements.

The effect of the preoccupation of Britain with Dominion political and economic ties has already been noted in the discussion of initial British reluctance to partcipate to the fullest extent in the OEEC, or to endow that body with the necessary authority to allocate American economic aid. Two other factors were probably responsible for British reluctance to endow OEEC with executive power. In the first place, there was a feeling that Britain might be outvoted by countries that were not willing to apply British standards of austerity in keeping down imports and encouraging exports. The British therefore were inclined to make a bid for United States sympathy, and perhaps for preferred treatment, in the distribution of aid rather than trust to a group decision in Europe. In the second place, experience during the brief period of sterling convertibility in 1947, when foreign central banks countenanced a run on sterling, made the British authorities reluctant to give too much authority to OEEC countries over the transferability of sterling balances, which was prerequisite to the establishment of a European multilateral payments system.

By way of contrast, French representatives advocated a much stronger support of the authority of OEEC, going as far as a customs union and even full economic union, and in the early days the French were highly critical of what appeared to them to be the equivocal character of British policy. Much of the sharpness of this initial criticism has since been dulled by the greater degree of British co-operation in the OEEC, and perhaps by an increased understanding of the real difficulties both of the British position and of the problem of European integration. But there remains a residue of criticism, openly expressed in the specific complaint that the British austerity program constitutes a blow to French luxury exports and therefore to French recovery, and tacitly in the general suspicion that British co-operation in European affairs is based on the principal of limited liability and is likely to be sporadic and uncertain rather than consistent and reliable.

This suspicion tends to be particularly active where considerations of French military security are involved, and it has affected French policy in all postwar negotiations. During the war and the early postwar period it was, naturally, the traditional German menace that weighed most heavily on the French. Even now the fear of German aggression has not been entirely effaced by the emergence of the apparently more imminent Soviet threat. On the contrary, the French have tended to interpret Anglo-American policy toward Germany as a

dangerous effort to rebuild German economic strength and military potential in order to restrain Soviet aggression, and they have maintained that this policy contained the double danger of provoking the Soviet Union and of regenerating German capacity for aggression.

This view has been considerably modified by recent French governments under the dual influence of Soviet aggressiveness and Anglo-American concessions to French views on Germany. The fundamental position, however, has never been wholly abandoned. No French government could afford to neglect such considerations, and least of all the coalition governments that have maintained a precarious stability in France for the past three years against the constant menace of the Gaullist extremists on the Right and the communist extremists on the Left.

De Gaulle's own security policy as President of the Provisional French Republic in 1944 was exclusively continental. In December 1944 he sought and obtained in Moscow a Franco-Soviet Treaty of Alliance and Mutual Assistance against Germany for a twenty-year period. After the German surrender, his government insisted on the complete separation from Germany of the Ruhr and the Rhineland, to be placed under the international control, and of the Saar, to be attached economically to France.

It is true that General de Gaulle, in presenting the Franco-Soviet pact for the approval of the French National Assembly, disclaimed any intention on the part of France to isolate itself from Great Britain and the United States, but he emphasized the continental aspects of the alliance between two states whose interests nowhere conflicted. At the same time he paid tribute to both Great Britain and the United States. Of Britain he said, "France cannot conceive of either victory or security with respect to Germany for the future without an effective military alliance with London." Nevertheless, de Gaulle's extreme German policy soon put him at odds with all the Big Three, and his regime was marked by the worst period in Anglo-French and Franco-American relations since the war.

The successive coalition governments for nearly a year following the voluntary retirement of de Gaulle in January 1946 were too weak and too distracted by their internal constitutional problem to show much initiative in international affairs. Moreover, until the adoption of the constitution of the French Fourth Republic in October 1946, all governments were "provisional." Even the adoption of a definitive constitution did not bring immediate stability, however, because de Gaulle has ever since consistently attacked the constitution from the outside,

while the communists have tried to undermine it, first from within the government until they were expelled by Ramadier in May 1947, and since that time by creating uproar in the National Assembly and by strike action designed to paralyze the French economy. As the veteran Socialist leader, Leon Blum, put it, with the adoption of a constitution France passed "from the Provisional to the Precarious."

Leon Blum himself, however, as head of a homogeneous Socialist government bridged the transitional period and regained French initiative in international affairs. He brought to life the negotiations for an Anglo-French military alliance that had languished for several months, and at the same time received valued assurances concerning certain aspects of British policy on Germany that had caused alarm in France.

The negotiations were brought to a conclusion by the Ramadier government that succeeded the brief ministry of Blum in January 1947, when Georges Bidault was again at the Quai d'Orsay. The fifty-year Anglo-French treaty of alliance, signed at Dunkerque on March 4, 1947, was primarily a military treaty directed against the threat of renewed German aggression, although it contained a clause requiring "constant consultation on all questions affecting the economic relations" of the two countries. The military security provisions of the treaty were sharpened, as a result of French insistence, to require common consultation and common action to meet not only a "German policy of aggression," as originally proposed by the British, but any "German initiative likely to make possible such a policy."

The treaty likewise involved no conflict with the Anglo-Soviet or the Franco-Soviet treaty of alliance. All three treaties were explicitly drafted to take account of the United Nations Charter, and all were expressly directed against Germany, although the official Soviet organ, "Pravda," pretended to discover in the Anglo-French treaty an anti-Soviet maneuver. All three treaties were of the conventional military alliance type, with no provision for permanent organs of consultation, or for even rudimentary integration of the separate national military forces.

Background of the Brussels Treaty

The year intervening between the signing of the Dunkerque Treaty in March 1947 and the Brussels Five Power Treaty in March 1948 was marked by the complete breakdown of four-power negotiations on the European peace settlement and the beginning of the "cold war" between the Soviet Union and the Western world. After the failure to make progress in the Moscow meeting of the Council of Foreign

Ministers in March and April 1947, United States policy-makers evidently decided that nothing could save Western Europe from ultimate Soviet domination except economic recovery and integration, largely financed by the United States.

The relevance of the European recovery program to the problem of military integration lies in the violence of Soviet counteraction, which was designed not only to destroy the efficacy of American economic assistance to Western Europe, but to paralyze the economic and political systems of the Western countries in preparation for ultimate communist dictatorship. This was the clear warning conveyed by the establishment of the Cominform in Warsaw in September 1947 and by the carefully synchronized strike and sabotage action carried out in France and Italy during November and December 1947 under Cominform direction. The year closed with the breakdown of the meeting of the Council of Foreign Ministers in London in consequence of the failure to break the deadlock on the German treaty.

The appeal for military integration in face of this new threat was first made by British Foreign Minister Bevin in a speech to Parliament in January 1948, in which he emphasized the impossibility of four-power co-operation so long as one of the powers "proceeds to impose its political and economic system on the smaller states." He hailed with approval the initial steps in economic co-operation already taken by western European nations in response to the Marshall proposals, and he argued that the time was "ripe for a consolidation of Western Europe." He proposed to begin with a treaty binding Britain, France, and the Benelux countries as an important nucleus that might later be expanded to include "other historic members of European civilization." He specifically referred to the "new Italy," and added that Germany, too, must eventually "find her place," but "not before her recent victims."

The reference to Germany, though logical in the new international situation, was premature. It stirred anxiety and resentment, not only in France but in the Benelux countries as well. After the breakdown of the meeting of the Council of Foreign Ministers, the French government agreed with misgivings to tripartite conversations in London with Great Britain and the United States in search of a solution of the Western German problem without the Soviet Union. But the French were fearful both of widening the breach with the Soviet Union and of being faced with Anglo-American proposals on Germany dangerous to French security.

The French feared Anglo-American designs for the re-establishment of German management or ownership in the Ruhr and for the creation

of a West German federal state with strong central powers of government. The French had long since abandoned the extremist demands for the complete separation of the Ruhr and the Rhineland from Germany, but they still demanded international control of both the production and the distribution of Ruhr output and carefully circumscribed powers for the new German central government. Their original demand for the inclusion of the Saar in the French economic system was readily agreed to by the United States and Great Britain, though not by the Soviet Union.

In accepting the Bevin proposal for the negotiation of a five-power security treaty, the French government emphasized that it reserved all its rights on the German question. The Benelux countries for their part, while ready to sacrifice their historic policies of neutrality for the sake of the more solid assurances offered by the new pact, insisted that they be admitted at least on a consultative basis to the tripartite discussions on Germany.

Thus conversations took place simultaneously on a six-power basis regarding Germany and on a five-power basis regarding a new security treaty for Western Europe. Both sets of negotiations began in February, and the six-power agreement, or "recommendations," of the London Conference on Germany was not completed until early June. By contrast, the fifty-year five-power pact was completed and signed in Brussels on March 17, 1948, three days before Marshal Sokolovsky, by walking out of the Allied Control Council in Berlin, terminated the quadripartite government of Germany. Undoubtedly the German negotiations were more complicated and the opposing views on Germany more difficult to reconcile, but a dramatic impulsion was given to the security negotiations by the virtually bloodless *coup d'état* that installed the Communist party in absolute control of Czechoslovakia during the latter part of February.

The communist seizure of Czechoslovakia had a more profound repercussion in France than in almost any other European country because of the strong cultural ties between the two countries and the strong French admiration for Czech democracy. It probably dispelled the last illusion of most noncommunist Frenchmen on the possibility that France might adopt a mediating role in the growing conflict between East and West, and at the same time it left the French more profoundly disturbed than ever by their exposed continental position.

Permanent Defense Organs under the Brussels Treaty

The Brussels pact is not exclusively a treaty of military alliance. It strengthens the currents of economic co-operation already flowing in

the OEEC by binding the signatories to eliminate conflicts in their economic policies, to co-ordinate production, to encourage commercial exchanges, to develop harmony in their social services, and also to promote cultural exchanges. In the political and military sphere, moreover, the treaty goes far beyond the simple alliance formula of the Dunkerque Treaty, originally proposed by the British, by establishing permanent organs of consultation, and thus providing the framework for genuine military integration.

The defensive provisions as set forth in Article IV are of a general character. They bind the signatory powers "in accordance with the provisions of Article 51 of the Charter of the United Nations [to] afford . . . all military and other aid and assistance in their power" to any one of them that is "the object of an armed attack in Europe." Article VII likewise emphasizes the general scope of the alliance by establishing a Consultative Council of the signatories "so organized as to be able to exercise its functions continuously" and subject to immediate call to permit consultation "with regard to any situation which may constitute a threat to peace, in whatever area this threat should arise." This article, however, likewise envisages the specific contingency of "a renewal by Germany of an aggressive policy," and this reference to Germany, taken in conjunction with the collective declaration in Article VI that none of the signatories has conflicting obligations under other treaties, must probably be viewed as an effort to tone down the more obviously anti-Soviet orientation of the Brussels Treaty. Both the Anglo-Soviet and the Franco-Soviet treaties were specifically directed against Germany, and bound each signatory to avoid participation in coalitions or alliances directed against the other.

The Consultative Council established by the treaty consists of the five foreign ministers, meeting normally four times a year, but with a permanent commission in London. The five finance ministers have likewise met periodically, and the last of these meetings, held in Paris in mid-October 1948, was devoted to the study of joint rearmament problems. But the real core of the military integration program is provided by the meetings of the defense ministers and by the Permanent Military Committee established by them in April 1948.

Sessions of the Military Committee in London during the summer of 1948 evolved the plan for a Permanent Defense Organization, with headquarters at Fontainebleau in France, with British Field Marshal Viscount Montgomery as chairman; French General de Lattre de Tassigny as Commander-in-Chief of Ground Forces; British Air Marshal Sir James Robb as Commander-in-Chief of Air Forces; and French Vice-Admiral Janjard as Flag Officer for Western Europe. This

combined headquarters staff was also to include high-ranking officers from the armed services of the Benelux countries. The model was provided by the unified command structure of the Anglo-American combined headquarters that directed allied operations during the war. The emphasis on unification is conveyed by the names attached to the new headquarters; "Uni-Force" to the over-all command, "Uni-Terre," "Uni-Mer" and "Uni-Air" to Ground, Naval and Air Force commands respectively.

These arrangements appear to represent a compromise between conflicting British and French views on strategy, organization, and personnel, complicated by a public intervention by General de Gaulle. The original plan was to have Montgomery's headquarters in London, and on September 30, 1948, the British government considered the plan sufficiently settled to announce publicly the release of Montgomery as Chief of the British Imperial General Staff to assume his new duties. Official confirmation of his new appointment, however, was withheld as the result of a last minute request by the French government. There were basic objections in France both to the appointment of a British general, perhaps especially Montgomery, to over-all command of continental defense forces, and to the location of defense headquarters outside the continent itself. It is not clear to what extent the French government shared these objections, but they had evidently been warned that General de Gaulle intended to express them vigorously in a press conference on October 1, and they were certainly aware of the potential effectiveness of such an appeal in view of French fears for their prestige and of the underlying continental distrust of a non-continental power.

De Gaulle described the proposed organization as no solution at all, and while disclaiming any intention of criticizing either Great Britain or Montgomery, for whom he professed the highest admiration, he asserted that "Europe should be defended in Europe, not in London, and the center of European defense should be in France." Two days later it was reported that General Juin, French Resident in Morocco and Inspector-General of the French Forces in North Africa, had declined the post of Commander-in-Chief of Western European Ground Forces under Montgomery's over-all command.

It is not without irony that General de Lattre de Tassigny, who accepted the post, enjoys much the same reputation as Montgomery for personal idiosyncrasies; and it is a matter not for gossip but for serious consideration whether two men of similar personal tendencies but different nationalities can achieve effective teamwork in their key positions. Moreover, the compromise solution, placing the head-

quarters at Fontainebleau and giving to the French over-all Naval Command in addition to command of the Ground Forces, has not silenced de Gaulle's criticisms. In November 1948 he described the organization as "fundamentally unacceptable" because it left the defense of France to aliens; and in his speech on May 1, 1949, de Gaulle said that the defect of present defense arrangements was to "center defense around Britain, which is an island, instead of around France."

Background of the North Atlantic Treaty

The Brussels powers themselves were aware that without American participation and support their defense structure would remain shaky and inadequate for lack of equipment. Some of the officials involved in the original negotiation of the treaty are reported as having declared that its main purpose was to provide the necessary minimum of mutual aid in Western Europe as the basis for asking American support, and that after the signing of the Brussels Treaty, French Foreign Minister Bidault offered to go to Washington to discuss common defense with Secretary Marshall. According to the same report, Bidault was told that it would be unwise to press the matter at that time. The Europeans concluded that Washington wished to postpone action until after the presidential election of November 1948.

The official approval of the United States of the Brussels pact was expressed in a number of ways; and there were clear indications that the United States government intended to associate itself with the western European states in common defense measures. On April 27, 1949 Secretary Acheson stated to the Senate Committee on Foreign Relations concerning military aid in support of the North Atlantic Treaty that the Brussels Treaty had been signed "with encouragement from the United States." The day following its signature President Truman called it a "notable step toward peace" and stated that European determination in measures of self-defense would be matched by American determination to render Europe the support required. Senator Vandenberg's resolution, adopted by a Senate vote of 64 to 4 on June 11, 1948, approved of the "progressive development of regional and other collective arrangements for individual and collective self-defense in accordance with the purposes, principles and provisions of the [United Nations] Charter [and] association of the United States by constitutional process with such regional and other collective arrangements as are based on self-help and mutual aid, and as affect its security."

The Department of State announced in July 1948 that conversations had begun in Washington with the diplomatic representatives of the

Brussels Treaty powers "concerning problems of common interest" in relation to the Vandenberg resolution, and that the conversations were expected to continue. Secretary of the Army Royall announced on July 20 that a delegation of United States Army, Navy, and Air Force officers, headed by Major General Lyman L. Lemnitzer, had been sent to London to act as observers at the meetings of the Brussels Permanent Military Committee. When this Committee's plan for a Permanent Defense Organization was adopted, American observers were attached to the different echelons of the new defense headquarters at Fontainebleau.

Out of these tentative and exploratory moves the wider project of a North Atlantic security pact was evolved. The complete story of the negotiations has not been made public, and it is therefore impossible to state with certainty how Canada, Iceland, Denmark, Norway, Portugal, and Italy first came to be associated with the pact. According to statements made to a reliable American journalist in Paris in October 1948, however, European officials were informed the preceding April that the United States regarded the Brussels group as too narrow a combination to join, and were therefore urged to consider the inclusion of Canada, Iceland, Norway, Portugal, and Eire. The European officials were reported as having been reluctant at first thus to increase their existing commitments and to spread more thinly the military equipment they hoped to receive from the United States.

Canada had been closely associated with the diplomatic discussions in Washington, however, and had also sent military observers to the London sessions of the Permanent Military Committee of the Brussels powers. On November 4 Canadian Minister of External Affairs Pearson proposed that Iceland, Eire, and the three Scandinavian countries be invited to join with the five Brussels pact powers, the United States and Canada.

In the meantime, the Brussels defense ministers and the Consultative Council had elaborated a statement of their requirements for military equipment and had drafted a proposal for an alliance to link the United States and Canada with the Brussels group. On December 10 the Department of State revealed that the diplomatic discussions of the previous summer in Washington, which had recessed in September, had been resumed. These negotiations produced by early March 1949 the final draft of the treaty and the completed list of original signatories. On April 4, 1949 the North Atlantic Treaty was signed in Washington by representatives of the five Brussels pact powers, the United States, Canada, Iceland, Denmark, Norway, Portugal, and Italy.

It is a matter of public knowledge that both France and the United

States desired the adherence of Italy because of the special importance of that country in their respective foreign policies, whereas the Brussels group, except for France, was lukewarm because the weak military condition and exposed position of Italy might make it more of a liability than an asset. There has been no published report, however, of any serious difficulty in reaching agreement on this point. The Scandinavian countries and Iceland, the former dependency of Denmark, together with Portugal, are of obvious strategic importance for the bases they might offer, although all these countries were assured that the United States sought no special base privileges in addition to the general and mutual obligations of the pact. Of the Scandinavian countries, only Sweden held aloof in conformity with its traditional policy of neutrality. The entry of Portugal raised questions of some delicacy because of its traditional ties and present treaty with Franco Spain, but Portugal sought and obtained a statement from the Spanish Foreign Minister that Spain would not oppose its action. Eire declared that it could never associate itself in an alliance with Great Britain, so long as that country maintined the iniquitous "partition of Ireland," an argument that ignored the will of Northern Ireland to maintain its state of separation but illustrated the multiplicity of difficulties in obtaining collaboration between nations even in the most vital matters.

All signatory countries entered the pact in the face of protests by the Soviet Union. Norway, the only one of the countries involved that has a common frontier with the Soviet Union, was singled out for special pressure. The Soviet Union in questioning the intentions of Norway regarding the Atlantic pact, which is described as "opposed to the United Nations," demanded specific assurances that Norwegian bases would not be granted to the Atlantic states. The Norwegian reply disclaimed any intention of making bases available for aggressive purposes, but was otherwise noncommittal. The Soviet Union rejected the reply as "insufficient" and offered a nonaggression treaty, which Norway declined on the ground that it would add nothing to the principles of the United Nations Charter.

Although France and Great Britain also received strong individual Soviet protests against their partcipation in the pact as a violation of their respective treaties with the Soviet Union, the major Soviet attacks were contained in the Soviet White Paper of January 29, 1949, and in the memorandum of protest submitted on March 31, 1949 to the United States, Canada, and the Benelux countries. In substance these documents charged that the Atlantic pact is an aggressive treaty aimed

at the Soviet Union in violation of the United Nations Charter and of a long list of other treaties and agreements. The official Soviet attacks were supplemented by a series of carefully orchestrated statements by communist leaders in the West repudiating the North Atlantic pact and indicating their full support of the Soviet Union in the event of war.

The North Atlantic Treaty and the Principle of Mutual Aid

Like the Brussels pact, the North Atlantic Treaty is general in scope for the areas affected, but unlike the Brussels pact, it contains no specific reference to the contingency of a renewed threat of German aggression. In Article 5 the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all, and they further agree that, in the event of such an attack, each, in accordance with the principles of self-defense contained in Article 51 of the United Nations Charter, "will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

Article 6 defines the nature and geographical limits of the armed attack referred to in the preceding article, "to include an armed attack on the territory of any of the Parties in Europe or North America, on the Algerian departments of France, on the occupation forces of any Party in Europe, on the islands under the jurisdiction of any Party in the North Atlantic area north of the Tropic of Cancer or on the vessels or aircraft in this area of any of the Parties." Again, like the Brussels pact, the North Atlantic Treaty is carefully drafted to accord with the provisions of the United Nations Charter and contains in Article 8 a counterpart of the Brussels declaration that none of the parties is bound by other international engagements contrary to the obligations assumed in the new treaty. The North Atlantic Treaty is for 20 years as compared with 50 years for the Brussels treaty.

The formal association of the United States with a European alliance in peacetime is a revolutionary departure from traditional American foreign policy and was certain to raise difficult questions concerning the exclusive constitutional right of the United States Congress to declare war. The Senate debate, precipitated by Senator Donnell on February 14, 1949, revealed a reluctance to accept any limitation on that right, either by automatic treaty provisions to that effect, or by moral commitments resulting from the treaty provisions.

Secretary Acheson, in constant consultation with the Senate Committee on Foreign Relations and with his European colleagues, therefore evolved the formula that, in the event of an armed attack, each signatory will take such action "as it deems necessary, including the use of armed force, to restore and maintain" security.

The Senate has likewise shown anxiety concerning the commitments arising under Article 3 of the treaty binding "the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid [to] maintain and develop their individual and collective capacity to resist armed attack." In view of European needs for effective armament, which were publicized by the statements of President Truman and Secretary Acheson that a military assistance program would be submitted separately to Congress, Senate leaders expressed the fear that prior approval of the treaty itself would bind them in advance to acceptance of the military assistance program. Secretary Acheson, who was at first ambiguous on this point, dealt with it in a forthright manner in his statement of April 27, 1949 to the Senate Foreign Relations Committee. He announced to the committee that the proposed military assistance program would ask for an appropriation of 1,130 million dollars for Atlantic pact countries, in addition to 320 millions for other countries, including Greece and Turkey; and he defended the request as designed to assist the United States "in attaining the fundamental goal of our foreign policy: the preservation of international peace and the preservation of the security of the United States." He added:

> Article 3 does not bind the United States to the proposed military assistance program, nor indeed to any program. It does bind the United States to the principle of self-help and mutual aid. Within this principle each party to the pact must exercise its own honest judgment as to what it can and should do. . . . The judgment of the executive branch of this Government is that the United States can and should provide military assistance to assist the other countries in the pact to maintain their collective security. The pact does not bind the Congress to reach that same conclusion, for it does not dictate the conclusion of honest judgment. . . . Thus, if you ratify the pact, it cannot be said that there is no obligation to help. There is an obligation to help, but the extent, the manner and the timing is up to the honest judgment of the parties.

French Foreign Minister Schuman, in his press conference of April 8 following the signing of the pact, emphasized the importance of Article 3 from the continental point of view. The Atlantic pact, though an admirable assurance to the signatories that they would not be left to face an attack alone, was in itself not enough: the pact needed to be given not only substance and reality but "immediate reality," and

he added: "Beginning at once, we must prepare for the possibility of resisting an attack or an invasion. Article 3 of this pact itself provides for this."

The North Atlantic Treaty and the German Question

But the French Foreign Minister gave almost equal prominence to the German question. Having called attention to the fact that the meeting of the foreign ministers in Washington for the signing of the pact had provided the occasion for final agreement by Great Britain, France, and the United States "on all questions which were undecided concerning Germany," he commented that no French government a year earlier could have gone as far as he on the present occasion, even though he himself had been the French Prime Minister at the earlier date. He touched lightly on, without recalling in detail, his own difficulties and those of Foreign Minister Bidault in securing the ratification of the London Agreement of June 1948, by the narrow margin of 297 to 289 votes with 26 abstentions, in the French National Assembly.

A subsequent agreement in December 1948 created a special International Ruhr Authority. This had been preceded early in November by Law No. 75 issued by the United States Military Government in Germany and by a similar law in the British zone, providing for interim German ownership of the German coal, iron, and steel industries. The French had not been happy about this change in the status of German heavy industry and de Gaulle and the communists both seized the occasion to embarrass the government, the former describing it as the "gravest decision of the twentieth century." The issue was settled by Anglo-American assurances, incorporated in the Ruhr agreement, that the question of ultimate Ruhr ownership was "in no way affected by the discussions or the draft agreement." The French, for their part, made it clear that they would insist that the International Authority for the Ruhr should be empowered to exercise close inspection and supervision of management and policy when the occupation had ended. French fears were further allayed by the agreement in January 1949 to establish the Military Security Board, the sphere of activity of which was to extend to "the necessary prohibition and limitation on German industry."

Prior to the signature of the Atlantic pact these limitations on German industry and the number of industrial plants to be retained in Germany as essential to German and European recovery were still unresolved questions. In addition, there remained the basic political problem of the Occupation Statute governing the relations of the

three Western powers collectively to the prospective new Western German government for which a Basic Law (or Provisional Constitution) was being drafted in Bonn. Finally, tripartite agreement was required to govern the relations of the three Western powers with each other in exercising their collective authority. Agreements on all these subjects were reached in the discussions of the three foreign ministers in Washington. The French Foreign Minister expressed his satisfaction both with the fact of general agreement and with its contents as providing "a useful basis for our future action in Germany."

It should not be assumed, however, that complete unity of purpose has been achieved among the Western powers on the place of Germany in Western Europe. The Department of State, in publishing the "Agreement as to Tripartite Controls" on April 26, 1949, cited the agreed principles of the three governments recorded in the minutes of their meetings as envisaging that "the German Federal Republic will become a party to the Convention for European Economic Cooperation," and stated further that "a major objective of the three Allied governments is to bring about the closest integration, on a mutually beneficial basis, of the German people under a democratic federal state within the framework of a European association."

An overhasty interpretation of this general phrase might suggest that the three allies are considering the inclusion of the new German state in the North Atlantic Treaty. That the French are by no means ready to agree to such an interpretation may be inferred from Foreign Minister Schuman's statement that "it is also to a large degree in relation to Germany that the Atlantic pact, which we signed this week, will find its application." Germany can hardly be treated simultaneously as the presumed object of the pact and as one of its potential signatories. Whether Germany is actually to be treated as friend or foe, the French are likely to contend, will depend as much on German behavior as on that of the Soviet Union. European countries are still alert to the problem of preventing Germany from being the dominant element in a European union, and this may be a limiting factor in the degree and extent of integration.

Possible Extension of the North Atlantic Treaty

Article 10 provides that "the Parties may, by unanimous agreement, invite any other European state in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty." With Germany at least temporarily ruled out, however, it is difficult at present to predict other likely candidates. The Portuguese Foreign Minister has publicly stated that

in his view the pact would be much strengthened by the inclusion of Spain, and from the purely strategic point of view there is evident logic in his contention that the entire Iberian Peninsula would provide a stronger base than the small western segment of the peninsula represented by Portugal. It has also been argued that Franco Spain is no more seriously disqualified than Portugal by the declaration in the Preamble of "the principles of democracy, individual liberty and the rule of law" as the foundation of the North Atlantic cultural heritage and civilization which the pact is pledged to defend. Yet the fact is that the political obstacles to the inclusion of Spain are prohibitive because of Franco's Axis associations prior to and during the war and because feeling against the totalitarian and brutal nature of the regime runs high.

Public opinion in the western European countries that suffered most from German occupation will not accept the association of Spain on equal terms. Grudgingly and slowly that opinion is accepting the removal of some of the more obvious marks of political and economic discrimination against Spain, and even so probably only because it has proved to be ineffectual. It was in this spirit that the French removed trade barriers more injurious to themselves than to Spain. There was, however, an outburst of French indignation at the short-lived amendment to the European recovery program, voted by the United States House of Representatives, to include Spain among the beneficiaries. And so long as Franco Spain is regarded as ineligible for ECA benefits, the question of including that country in the North Atlantic Treaty can hardly receive serious consideration.

There has been some public discussion of including Greece in the pact because of its key importance in the struggle on the periphery of the Soviet sphere of influence. Strictly speaking, there are neither political nor geographical objections to such an association, yet Greece belongs more properly to a near and middle eastern area, including Turkey and Iran, the special defense problems of which could hardly be incorporated within the North Atlantic Treaty as at present drafted. The trend of public discussion, therefore, favors a new regional grouping for that area, affiliated in some way with the Atlantic group. All such discussion so far has been highly speculative, and no official government action along this line has so far been revealed.

The North Atlantic Treaty and the Problem of Integration

The relation of the Atlantic group with the organization of the nucleus group of Brussels Treaty powers remains to be worked out.

Like the Brussels Treaty, the North Atlantic Treaty provides a council, on which each signatory is to be represented, "so organized as to be able to meet promptly at any time." The council is authorized to "set up such subsidiary bodies as may be necessary," and it is enjoined specifically to "establish immediately a defense committee which shall recommend measures for the implementation" of Article 3, which provides for self-help and mutual aid in developing capacity for defense, and of Article 5, which contains provisions for dealing with the eventuality of an armed attack.

There is thus an institutional framework for the achievement of military integration, but it is impossible to foresee the precise form that it will take. It is difficult to imagine the expansion of "Uni-Force" at Fontainebleau to include staff representatives from Italy, Portugal, Iceland, Denmark, and Norway. It would appear more logical to continue the development of that headquarters as a unit in a single strategic center, supplemented by other similar headquarters in other strategic locations, for example Scandinavia and Portugal, all co-ordinated by a supreme defense committee, or North Atlantic Combined Chiefs of Staff.

The recent extension of the system of alliances, involving a greater number of sovereign states with diverse languages, historical traditions, and strategic concepts, will provide a real test of the ability of governments to unify their efforts in one of the most practical and urgent of all enterprises, common defense. The difficulties thus far encountered by the five Brussels pact powers in the creation of "Uni-Force" should be a warning against over-optimism concerning immediate prospects of success on the larger scale.

Yet it is undoubtedly in the military field that integration is farthest advanced in Europe. It is impossible to find in either the economic or political field an exact counterpart for "Uni-Force." Neither the OEEC as an economic, nor the proposed Council of Europe as a political organization, represents a comparable degree of fusion. At least the OEEC exists, while the Council of Europe is only in process of formation. It may therefore be said that progress has been slowest in the field of political integration.

POLITICAL INTEGRATION

The European movement for political integration has encountered almost exactly the same obstacles that have impeded the progress in economic and military integration, but it has had behind it neither the sense of urgency nor the impulsion of active United States policy that brought results in the other fields. United States action has until now been restricted to policy declarations approving of European

federation, as in the Fulbright Resolution, and in the remarks attributed to former Ambassador Caffery in addressing a French federalist group on March 24, 1949. The Ambassador was reported to have said that the United States government favored the "closest integration of the free countries of Western Europe" and viewed a federal Europe as the "logical and necessary culmination of economic and military co-operation" among the European states. And he suggested that the German problem could best be solved by fitting Germany into a federal European structure. He said that Americans, realizing the difficulties of the task, did not expect it to be accomplished overnight, but he concluded: "It behooves Europeans to work hard and move fast in building their union—you can count on American backing." The underlying assumption in all these declarations, however, is that political federation is a problem for the Europeans themselves, in which the United States should not directly intervene, even though it is directly stimulating economic and military measures of integration. The European governments have apparently decided that the more urgent economic and military measures of co-operation may be taken by existing governments without resort to the revolutionary political transformation involved in establishing a European federation.

Nonofficial European Movements for Political Integration

One nonofficial European body, the European Parliamentary Union, is urging a more radical course than governments have been disposed to take. It has declared that without sovereignty the OEEC cannot direct the economic recovery of Europe because it is powerless to demand anything of any individual state. A very much more influential movement, headed by Winston Churchill and formed by the fusion of five previously independent movements, has advocated a specific program for the creation of a European parliamentary assembly.

The five movements united by Churchill under the name "European Movement" originated in different countries, but the most prominent were of English, French, Dutch, and Belgian origin. They bring together representatives of all parties, except the communists and extreme right. One of the component movements represents the Christian socialist parties in several countries. Although the socialist parties of the several countries maintain an independent international socialist organization with a program for a unified Europe on a socialist basis, a number of individual socialists have nevertheless supported the activities of the Churchill group. At the first congress held by the latter group at The Hague in May 1948, for example, the French delegation included not only Paul Reynaud, an Independent Republican (which means conservative in the French political vocabu-

lary), but Paul Ramadier, Socialist Defense Minister in the present Queuille cabinet. The Churchill group acquired strength and influence, not only because of the wide range of political opinion it represents, but also because it contains a large number of former prime ministers and foreign ministers. In that respect also the French delegation was typical.

The British Labour party, however, adopted at the outset a reticent attitude for a variety of political reasons. Rebattet, the French executive secretary in charge of preparatory arrangements for the congress, was told alternately that the Labour party would, and that it would not, be officially represented. Finally, it was decided not to send delegates, though certain individuals were told that no disciplinary action would be taken against them if they wished to attend on their own initiative.

It was perhaps difficult for the Labour party to stamp with approval any movement so clearly sponsored by Churchill. But a more important reason was probably that the government was anxious not to embarrass its relations with the Dominions. British ministers in the course of subsequent polemics with Churchill alluded frequently to their Dominion responsibilities. Foreign Minister Bevin said in the House of Commons on September 15, 1948:

> Britain has to be in both places; she has to be and must remain the center of the Commonwealth, and she must be European. It is a very difficult role to play. It is different from that of any one else, and I think that adopting the principle of an unwritten constitution and the process of association step by step by treaty and agreement . . . is the right way to approach this western union problem. When we have settled the matter of defense, economic cooperation and the necessary political developments which must follow, it may be possible, and I think it will be, to establish among us some kind of Assembly to deal with the practical things we have accomplished as governments.

The Question of a European Assembly

The idea of a European Assembly was a nightmare to the British Labour government. Labour representatives pictured themselves sitting in a polyglot body, surrounded by communists and by representatives of the numerous Catholic parties of Europe. The multi-party system and European assemblies, characterized by disorders, clamor, and even occasional violence, were compared unfavorably with the British parliamentary system. Some of this feeling may be detected in the moderate statement in a recent British publication that "the British government viewed a European Assembly with suspicion," fearing that it would be "non-governmental, lack executive power, probably raise false hopes in Europe and would be a hotbed of irresponsible criticism."

The continental countries, on the other hand, France, the Nether-

lands, and Belgium, look with much greater favor on, and have even insisted on creating, a European Assembly. It is difficult to escape the conclusion that one of their deeper reasons is their desire to commit Great Britain irrevocably to participation in European affairs. The continental states feel that their geographical situation leaves them no ultimate security outside a framework of closer political unity. They likewise recognize the inevitability of ultimate association with western Germany in closer political union, and they accept that idea as offering greater military security than the exclusion of Germany. Not unnaturally, however, they fear that a Germany with recovered strength might dominate the union unless Britain were inextricably involved. Few thoughtful Frenchmen share de Gaulle's delusions of a continental union of weak and divided states, including western Germany, dominated by France.

Hence the official European debate has centered during recent months on the nature and the form of the European Assembly, and on the advisability of creating any assembly at all. At the nonofficial Hague Congress of the European Movement in May 1948, the chief issue was whether to adopt a program for the creation of a real federal government of Europe, or to begin with some less ambitious program. The compromise resolution, unanimously adopted by the congress on May 10, 1948, advocated "as a matter of real urgency" the convening of "a European Assembly chosen by the Parliaments of the participating nations from among their numbers and others." The tasks of the Assembly were "to stimulate and give expression to European public opinion; to advise upon immediate practical measures designed progressively to bring about the necessary economic and political union of Europe; to examine the juridical and constitutional implications arising out of the creation of such a union or federation and their economic and social consequences; and to prepare the necessary documents." The congress further decided to establish a permanent agency to be called the "International Committee of Movements for European Unity," with the express function of influencing governments to official action on the proposals of the congress.

On August 18, 1948 this committee published a memorandum addressed to the five Brussels Treaty states suggesting that they assume responsibility for convening and organizing a European Assembly, composed in the first instance of 25 delegates each, selected by the five parliaments, who should then invite delegates from all the other states represented in the OEEC. It was agreed that the Assembly should not at first exercise any executive or legislative powers. Bidault had already submitted to the Brussels Consultative Council in July a much more sweeping proposal for an immediate federal parliament of

Europe and for an economic and customs union. Bevin had promptly rejected this proposal as premature, but the French government again took the initiative on the proposals of the congress, and suggested that a meeting of the Consultative Council consider them not later than November. The British government refused to be committed to this or to any other date.

For three months, July, August, and September, Churchill kept up a running fire of attack on Attlee and Bevin by public letters and parliamentary debate, urging them to bring British government policy "more in line with European opinion." At a meeting of the Brussels Consultative Council in October, the British still opposed a Franco-Belgian proposal for a European parliamentary assembly. They did agree, however, that a special committee of the five powers should meet in November to discuss this and also a British proposal to create an intergovernmental committee as a substitute for a parliamentary body. When Prime Minister Attlee announced his choice of delegates, however, he was again subjected to bitter attack by Churchill, who accused him of partisanship, particularly in the choice of Hugh Dalton as a British delegate. Churchill charged that Dalton's published statements indicated an exclusive interest in socialism as the basis of a unified Europe and that the designation of him as the official delegate demonstrated that his views were shared by the British Labour government.

The Council of Europe

The intergovernmental Committee on European Unity met during November and December 1948 and produced a compromise scheme for the Council of Europe, providing for a Committee of Ministers meeting in private, and a Consultative Assembly meeting in public with its agenda strictly controlled by the Committee of Ministers. Throughout January 1949, however, the British government resisted the proposal for an Assembly, and pressed its counterproposal for a ministerial council supplemented by a "conference" of delegations appointed by the governments. The idea of a parliamentary assembly was still abhorrent, and Bevin said in London on January 25, 1949 that he wanted to avoid a "mere talking shop for the passing of resolutions." Nevertheless, at the next meeting of the Brussels Consultative Council in London on January 27 and 28, 1949, the British agreed to the compromise scheme for the Council of Europe, which provided for both a Committee of Ministers and a Consultative Assembly, with the powers of the Assembly strictly controlled by the Committee of Ministers. Strasbourg was selected as the seat for the new organization.

In London on March 28, 1949 the representatives of ten nations,

Denmark, Italy, Norway, Sweden, and Eire, in addition to the Brussels pact group, began their study of a draft statute for the Council of Europe in preparation for its completion and adoption by the ten foreign ministers within a month. The statute of the Council of Europe as finally approved was signed in London on May 5, 1949, by the representatives of the ten nations.

The foreign ministers who signed the statute issued the following official statement of its meaning:

> The main feature of the statute is the establishment of a Committee of Ministers and of a Consultative Assembly, which together will form the Council of Europe. Of these two bodies, the Committee of Ministers will provide for the development of cooperation between governments, while the Consultative Assembly will provide a means through which the aspirations of the European peoples may be formulated and expressed, the governments thus being kept continuously in touch with European public opinion.

The statement likewise emphasizes that "questions of national defense are excluded from the scope of the Council of Europe," because there is no question of military alliance involved, but rather the purpose is to achieve "a greater unity" among the members in safeguarding and realizing the ideals that are their "common heritage." This aim is to be "pursued through the organs of the Council by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal, and administrative matters."

The Committee of Ministers, to be composed normally of the foreign ministers of member countries, is charged with making recommendations to member governments involving the conclusion of conventions and agreements or the adoption of a common policy on particular matters. And the Committee may ask reports from member governments concerning action on the recommendations of the Committee. All such action requires a unanimous vote. Procedural matters require a simple majority, and certain other questions, for example, the admission of new members, require a two-thirds majority. The Committee is to meet before, and during the beginning of, every session of the Consultative Assembly "and at such other times as it may decide." Its sessions are to be private unless there is a unanimous decision to the contrary.

The membership of the Consultative Assembly is determined in the statute as follows: Belgium 6, Denmark 4, France 18, Eire 4, Italy 18, Luxembourg 3, Netherlands 6, Norway 4, Sweden 6, United Kingdom 18—a total of 87. The choice of the individual delegates is explicitly reserved for determination by the member governments, which may decide either on government appointment or selection by parliament.

The Assembly is described as the "deliberative organ" of the Council, but its agenda is limited by the Committee of Ministers "to requests by the Committee for the opinion of the Assembly, and to matters specifically approved by the Committee for inclusion in the agenda." On all substantive matters a two-thirds majority of the Consultative Assembly is required, whereas a simple majority is sufficient for procedural questions. The Assembly shall meet once a year in an ordinary session the duration of which must not exceed one month "unless both the Assembly and the Committee of Ministers concur," though the Committee may convoke an extraordinary session of the Assembly, with the concurrence of the president.

The statute provides for the subsequent expansion of the Council of Europe to include other states in Europe that "accept the principles of the rule of law and of the enjoyment by all persons within their jurisdiction of human rights and fundamental freedoms, and collaborate sincerely and effectively in the realization of the aim of the Council." The Greek and Turkish governments have applied for membership under these terms, and the public statement issued by the foreign ministers in London on May 5, 1949, declared that the "accession of these two states would be acceptable" and that there was agreement that "the matter should be dealt with under the statute by the Committee of Ministers as soon as it comes into being." The statement also announced that the accession of still additional European states would be considered at the same time. This will presumably occur some time in August when the Council of Europe is tentatively scheduled to hold its first session at Strasbourg.

Provision is also made for the special cases of Germany and Austria by creating a special category of "associate member," with representation in the Consultative Assembly, but not in the Committee of Ministers. This provision is interpreted as meaning that the accession of both western Germany and Austria is desired at a certain stage, possibly before either state is exercising full control over its foreign relations. Otherwise, the qualifications demanded of associate members, and the privileges accorded to them, are the same as for full members.

According to a report in the *London Times* of May 6, 1949, "the Ministers appear to have reached a general understanding that people or organizations opposed to the objects of the Council—that is to say, Communists—will not be sent as delegates to the Consultative Assembly." Apart from this restriction, it is apparently the intention of member governments to secure the broadest possible representation from their respective parliaments. The British Cabinet has already announced to the House of Commons the decision to include members

of the opposition in the British delegation to the Consultative Assembly, and it is expected that the 18 places in the delegation will be apportioned roughly on the basis of present party strength in the House of Commons. The French government has decided that of the 18 French delegates to the Consultative Assembly, 10 shall be elected by the French National Assembly from its own membership, 5 shall be elected by the Council of the Republic from its membership, and 3 non-parliamentary representatives shall be appointed by the cabinet.

The official United States attitude toward these developments has been sympathetic and encouraging, but platonic. On February 8, 1949 Secretary Acheson told a joint meeting of the Senate Committee on Foreign Relations and the House of Representatives Committee on Foreign Affairs that "progress towards closer political association will of necessity take time" but that "significant steps" had been taken "toward the eventual development of a closer political union." He concluded:

> The form and nature of these developments along economic and political lines, must if they are to be strong and lasting, come from the people of Europe themselves. Only they, themselves, can work out their own salvation through their own efforts. Our role . . . must be to encourage and support those efforts.

In a more precise statement on United States policy toward the Council of Europe, Mr. Acheson said in a press conference on May 11, 1949 that since the establishment of ECA the United States had recognized "the need for a closer degree of unity among the free nations of Europe," but had taken the position that it should not endorse any one of the numerous individual and nonofficial proposals "which envisaged a specific form of political unity" because "the promotion of unity was primarily a matter for the Europeans themselves." He characterized the signing of the statute for the Council of Europe on May 5, 1949 as "a welcome step forward toward the political integration of Europe," and he praised the signatory nations "for their realization that a free Europe, to remain free and attain a higher degree of well-being, must be a united Europe." He concluded with the statement that "the progressively closer integration of the free nations of Europe will insure that the economic cooperation which has resulted from the ERP will not wane, but, on the contrary, will become even closer and more enduring."

The Council of Europe and the Problem of Integration

The nonofficial European movement has continued to move ahead. From February 25 to 28, 1949 the Churchill group held its first meet-

ing since the organization meeting at The Hague in May 1948. Delegates from western Germany were present, and Monsignor Cento, the Papal Nuncio at Brussels, attended as an observer. The meeting resolved to recommend to the Council of Europe, when formed, that the proposed Assembly be enlarged to 300 delegates chosen "by the various parliaments in such a way as to represent the vital forces in each country," but to include "only such delegates as undertake to give their loyal aid to building up the democratic institutions of a United Europe." The Assembly itself should be authorized to "elect persons for their representative European character, including persons for the unfree countries behind the Iron Curtain." It was further proposed that "Western Germany and, as soon as possible, the whole of Germany must be invited to become an integral part of this new community." Finally, the Assembly must be free to discuss "any question of interest to the European community" and must assemble for "at least 45 days a year, in two or three sessions."

Both the Churchill group and the unaffiliated European Parliamentary Union have repeatedly urged that representation in the European Consultative Assembly be broadened to include at least all the original 16 members of the OEEC. There is apparently agreement that Greece and Turkey are soon to be admitted as full members, and that Austria and western Germany will subsequently enter as associate members. But even in an Assembly of strictly limited functions, it is difficult to envisage the participation of Portugal and of Switzerland. The emphasis on democratic institutions would appear to disqualify Portugal. In the case of Switzerland, however, the difficulty is quite different. The Swiss Foreign Minister announced to the Swiss parliament in October 1948 that if any effort were made to convert OEEC into a political union, Switzerland would promptly withdraw from that organization, on the ground that its historic policy of neutrality precluded political union with any states already associated in military alliances. The specific exclusion of national defense from the purview of the Council of Europe may predispose the Swiss to join, but the categorical statement of the foreign minister does not encourage that belief.

It is true that Sweden, having refused to participate in the North Atlantic Treaty for similar reasons, appears to be ready to participate in the Council of Europe. Likewise Ireland, which refuses to associate itself with Great Britain in the North Atlantic military alliance, is yet willing to associate itself politically with Britain in the European Council. These facts, however, underline a curious anomaly in the present movement for European political integration, which Mr. Bevin had already used as one of his arguments against creating a European Assembly in his statement of November 1948:

There are two considerations to bear in mind. The Brussels Pact deals with defense. The Western Union may have to deal with problems that will not involve defense. Certain countries may come into the Western Union but not come into the defense pacts.

But political integration, if it is ever to be complete, must ultimately include defense. It is difficult to see how any political union that excludes defense can deserve the name "political." If real military integration is achieved in the sphere of the Brussels Treaty, or of the North Atlantic Treaty, the nations associated in those pacts will have developed such close relations in political, military, and financial matters as to leave few political matters of any importance for discussion in the Council of Europe with those members of the Council that do not also participate in the alliances. There is at least complication and possibly real danger in separate sets of association based on functions that overlap—economic, political, and military—but with a membership that varies according to the supposedly separate function of each treaty. A comparative list of members of the various organizations reveals the complexity:

OEEC	Brussels Treaty	North Atlantic Treaty[4]	Council of Europe
France	France	France	France
Great Britain	Great Britain	Great Britain	Great Britain
Belgium	Belgium	Belgium	Belgium
Netherlands	Netherlands	Netherlands	Netherlands
Luxembourg	Luxembourg	Luxembourg	Luxembourg
Denmark		Denmark	Denmark
Norway		Norway	Norway
Italy		Italy	Italy
Sweden			Sweden
Portugal		Portugal	
Iceland		Iceland	
Ireland			Ireland
Switzerland		United States	
Austria		Canada	Austria[2]
Greece			Greece[3]
Turkey			Turkey[3]
Anglo-American Bizone in Germany[1]			Western Germany[2]
French Zone in Germany[1]			
Military Government of Trieste[1]			

[1] All represented by Military Government. It is expected that when a German Federal Republic for the Western zones is established it will become a full member of OEEC.

[2] Indicated as possible associate members.

[3] Indicated as probable members.

[4] See pp. 269-76.

France, Great Britain, and the Benelux countries are members of all the groups. Italy, Denmark, and Norway are members of all but the Brussels Treaty. Ireland and Sweden are members of OEEC and the Council of Europe, but not of the two pacts of alliance. Portugal is a member of the OEEC and of the North Atlantic Treaty, but belongs neither to the Brussels Treaty nor to the Council of Europe. Iceland is in the same category, but its exclusion from the Council of Europe presumably has geographic reasons. Switzerland, Austria, Greece, and Turkey are members only of OEEC, although Greece and Turkey appear likely to join the Council of Europe, and Austria may become an associate member. The Western German Federal Republic, when formed, is scheduled for full membership in the OEEC, and may possibly become an associate member of the Council of Europe. The United States and Canada are associated directly with European organizations only through the North Atlantic Treaty, although the United States maintains constant liaison with the OEEC through the central ECA mission in Paris and through the separate ECA country missions.

The web of interlocking, overlapping, and possibly conflicting relations involved in this pattern is certain to impose a heavy burden on any foreign office government that is involved in its meshes. Even the apparently solid core represented by the Brussels powers, which is the common denominator in all these pacts, is subject to the stresses and strains previously analyzed. The actual establishment and operation of the Council of Europe will demonstrate whether the Brussels powers can co-operate in launching an effective movement for the political integration or unification of Europe.

C. MAIN ISSUES AND ALTERNATIVES OF ACTION

The Marshall proposal for economic assistance to Europe, predicated on European initiative and co-operation in establishing a joint program of self-help and mutual aid, marked a turning point in United States policy of foreign aid. It no longer seemed practicable to deal with requests for assistance from one country after another to tide them over their economic difficulties without any firm assurance being given that their basic economic problems would be solved. The proposal was not limited to countries that now constitute the western European bloc, and the United States was fully in accord with the principle of participation by the Soviet Union and its satellites. The decision of the Soviet Union not to participate or to allow its satellites to do so, which was followed by a widening of the split between East and West

in Europe, caused the objectives of the Marshall plan to be identified increasingly with the objective of strengthening Western Europe. At no time, however, have the basic economic considerations underlying the program been forgotten, and it would be a mistake to think of the European recovery program exclusively in terms of the "cold war."

The precise content of the European "plan" as contemplated by the United States government has never been stated. But there have been vague indications that a customs union is included in the ultimate objectives, and it has been more or less tacitly assumed that a large degree of (undefined) integration of the separate national economies would be achieved. So far there has been no indication that American policy-makers are apprehensive lest the preconditions, or the consequences, of European integration in any real sense may be in conflict with established American objectives of building a freer world trading system that will give greater scope to individual initiative and enterprise.

Nothing that has been achieved so far in the economic field justifies the name integration. There is no single unified plan, although there is a multilateral payments agreement that provides at least a temporary reversal of the trend toward the bilateral balancing of intra-European trade. All the European countries are committed to a greater or lesser extent to production and trade controls that, once established, are extremely difficult to relax. In this respect some of the continental states have shown greater flexibility than Great Britain. Yet the preoccupation of Britain with the protection of the sterling area and with the balancing of its accounts with individual European countries operates as one of the important influences that tend to restrict the movement to obtain freer multilateral trade.

The United States objective in the military sphere is to strengthen the European capacity for defense by encouraging the integration of their military systems. Both the Brussels Treaty and the North Atlantic Treaty provide permanent organs of consultation, including a defense committee. The Brussels powers have already established a combined defense headquarters with a unified command structure at Fontainebleau in France. It is, therefore, in the military sphere that the principle of European unification is the most highly developed.

Yet the combined defense structure is hardly more than a skeleton organization at present, and in its present form it represents a compromise between the continental views of the French and what the latter regard as the insular views of the British. General de Gaulle has been outspoken in his criticism of an arrangement that he describes

as leaving the defense of France in alien hands to be determined on the basis of insular rather than of continental strategy. In the French view, there is still no adequate provision for continental defense, and there is considerable misgiving that the prospect of ultimate liberation after another period of military occupation may not be sufficiently alluring to invite the maximum of French resistance. United States Army Chief of Staff Bradley has endorsed the view that our European allies, to be effective, must be equipped on a scale in Europe to ensure their powers of resistance to armed attack, and he, too, has repudiated the strategy of costly landing operations to recover a continent once lost.

Politically, the United States objective is to encourage the integration of Europe as the only ultimate guarantee of western European economic prosperity and military security. The most important step so far taken in this direction—the creation of the Council of Europe—represents a characteristic compromise between the conflicting views of the Europeans themselves and reflects the difficulties inherent in political integration.

In general, the continental countries, particularly France and Belgium, have advocated the creation of a European parliament as the basis of eventual political union. The British, though yielding to the continental desire for a representative Consultative Assembly, have nevertheless subordinated it so completely to the Committee of Ministers that even the agenda of the Assembly is determined by the Committee. The Committee of Ministers itself can only recommend agreements or common action to member governments, and matters of national defense are excluded entirely from the purview of the Council of Europe. Fundamentally, however, the French continue to fear that Germany may ultimately dominate any association of which it is a part, and the French are therefore likely to continue their efforts to commit Great Britain as deeply as possible to maintain a balance of power *within* the Council of Europe.

Thus far, United States objectives, though frequently stated in broad terms, have been pursued on an individual basis with separate attention to the problems posed respectively by economic, military, and political integration. The analysis of issues and alternatives is therefore grouped under these separate headings, with a final heading that seeks to treat them in combination.

1. DEGREE AND GEOGRAPHIC EXTENT OF ECONOMIC INTEGRATION

The issue relates to the nature and the geographic extent of economic integration that the United States in pursuit of its own interests should encourage in Europe.

In pressing for what is loosely called greater European economic integration, the government of the United States must first decide whether the ultimate objective is, (1) a regional economy in all or part of Europe with definite characteristics and boundaries, (2) a high degree of permanently organized co-operation in meeting regional economic problems, or (3) merely a freer flow of trade, man power, and capital between European countries. The alternative courses of action open to the United States will depend on which of these conceptions of economic integration is selected as a guide to policy.

If the objective is to be the development of a regional European economy, the United States must make three further decisions on the kind of regional economy to be established, the countries to be included, and the methods to be used in promoting its objective. The type or degree of regional integration that is possible or desirable depends, in some measure, on the area to be included. This in turn determines to a large extent the methods of persuasion, pressure, or co-operation open to the United States. The choice is between the integration that is feasible and desirable within a given area and that which is feasible and desirable within another area, and once this choice has been made, between procedures that are available for promoting integration in the area selected.

Of the alternatives of action open to the United States, two rest on the assumption that the ultimate objective is an extensive regional economy in Europe, but they vary in geographic extent. The others rest on the assumption that the United States should not take such a definite commitment, but should adopt a more cautious, selective, and flexible approach.

Alternative One is to aim at a self-sustaining regional economy embracing all the continental countries of Western Europe, including western Germany, and in addition the United Kingdom.

The aim of this alternative need not be to weld all the countries into a single unit, economically speaking, without trade barriers of any sort, and operating as a single free trade area "like the United States." Many responsible American sources have urged western European countries to follow this course, which would in effect amount to "organic union" among them. This, however, is a political rather than economic issue. The selection of the first alternative would, in effect, represent an attempt to go as far as possible in the direction of an economically united Europe while preserving separate national identities.

Whether it would be feasible to include all the OEEC countries, and therefore Turkey and Greece, would depend on the nature of the organization to be set up; but their geographic separation from Western Europe would not be a reason *a priori* to exclude them. The

possibility of including Spain would depend on the political factor of the attitude of the European countries and on whether Spanish economic policy could be made to conform to the objectives of United States foreign economic policy, which the OEEC countries are committed to promote.

The aim of this alternative would be so to direct the economic activities of the countries in the region that they would collectively be able to maintain a current balance in their trade and financial transactions with the outside world. Each country in the region would have to abandon measures designed to balance its accounts on a bilateral basis with other members. Nor would it be sufficient for each member to aim at a balance with the other members taken together. Individual countries would still have to carry on a large trade with the outside world, and arrangements would be necessary whereby the net earnings of non-European currencies of some members were made available to meet the net requirements for such currencies of other members. Unless such arrangements were made, Western Europe would not function, in any real sense, as a distinct economic region in its relations with the outside world. In the long run the region as a whole would have to balance its accounts with the rest of the world and to be able to make adjustments in the economies of the various members whenever the regional accounts were out of balance.

To accomplish this purpose great intra-regional adjustments would have to become possible. There would have to be a high degree of mobility of man power and of capital within the region. Intra-regional trade barriers would have to be greatly reduced, though not necessarily abolished. Currencies would have to be convertible into one another within the region and at least partially convertible into dollars and other non-European currencies outside the region. This would probably require some sort of amalgamation of the sterling, Belgian, French, Dutch, and Portuguese monetary areas, together with a great development of credit facilities within the region.

Decisions on all major new investments in industry and agriculture would have to be taken with a view to the foreign trade and other economic requirements of the region as a whole. It is doubtful, moreover, if an integrated regional economy could be developed without a common set of trade barriers against the outside world, a common export and import plan, and probably a common currency.

The difficulties in creating a regional economy in Western Europe (as defined in this alternative) have led many Europeans, and especially British socialists, to conclude that it cannot be done except on the

basis of regional socialist planning. If this is correct it would imply that the objective of economic integration would encourage socialist planning in Europe, and it might therefore be regarded as a major disadvantage from the point of view of the United States. A further and inherent disadvantage is that the countries included would not fit together as one economic unit because they compete with instead of complementing one another. German experience with Hitler's new order provided a warning against exaggerated hopes that the formation of a western European regional economy would substantially diminish the dependence of Europe on the outside world.

To some extent the difficulty of making adjustments is also a disadvantage inherent in this alternative. No regional economy involving free and democratic peoples can be successful in the long run unless it rests on consent; yet many of the economic adjustments that would be required might run counter, not only to special interests, but to strong national feelings. It seems premature to suppose that a common feeling for Europe, its group interests, and its general cultural tradition will be strong enough to override these particular interests. Two special obstacles not necessarily inherent in the situation exist for the time being. Great Britain has a policy of not becoming a substantial creditor or debtor of continental Europe after 1952 when ECA aid ends, and it sees the solution of the sterling-dollar problem in a triangular balance between the United Kingdom, the rest of the sterling area, and the non-European world. This policy would have to be abandoned if Europe was to become a single economic region. French fears of German domination if it is allowed to participate in a regional economy would have to be dispelled, because an integrated Europe excluding Germany is impossible.

Another disadvantage of this first alternative is the possibility of a conflict with United States and European commitments under the General Agreement on Tariffs and Trade and the proposed Charter of the International Trade Organization. The conflict is possible because it is difficult to see how the necessary reduction of trade barriers between so large and diverse a group of countries could be carried out without a big increase in tariffs as a protective measure against the outside world. In the long run this would lead to distortions of trade disadvantageous to all concerned.

Finally the derogations of sovereignty required by this alternative would mean a high degree of political integration and would, therefore, involve the considerations discussed below under the third issue, dealing with political integration.

On the other hand, substantial advantages are claimed for the first alternative. It can be argued that difficulties of the kind encountered in drawing up a single plan of recovery for the OEEC countries can never be overcome if national planning is taken as the basis, and the co-ordination of national plans as the method of over-all planning. Only the genuine acceptance of the goal of an integrated regional economy, and willingness to accept the necessary political integration, will suffice. It is alleged that under modern conditions, the national markets of European states are too small to allow industry to take full advantage of the economies of large-scale production with the most advanced technology. National planners and national governments must, in the nature of things, look first to national needs, and only secondarily, if at all, to regional needs. The ECE Report for 1948 has called attention to the resulting similarity of European national plans under ERP with their attendant duplications and autarkic tendencies. Unless these tendencies are stopped it is argued that the resources of Europe may be sapped by poorly located, overexpanded, and duplicative heavy industrial installations, by intra-regional economic struggles to attain national advantages, and by the permanent inability to reintegrate Germany into a progressive European economy.

Alternative Two is to aim at a western European regional economy, including western Germany, but excluding Great Britain.

In this case, no attempts would be made to guide the future development of the economies of Great Britain and of Continental Europe in accordance with an over-all plan. The efforts to integrate would be confined to the continent, leaving the relations of the sterling area with the continent and with the "dollar area" to be dealt with as separate problems. This would mean that the United States would not necessarily be committed to approve British plans for the bilateral balancing of trade with Continental Europe, but that it would be in a less favorable position to oppose them. The United States would recognize, however, that Great Britain has ties with the Commonwealth that make it inexpedient for it to strive to be an integral part of a western European regional economy. To this extent the approach of the United States to the problem of European economic integration would be simplified. This is a major advantage of the second alternative. At the same time the benefits of the enlargement of markets, of the freer movement of men, capital and goods, and of greater geographical specialization and co-ordination on the Continent would be preserved.

On the other hand the economic and political difficulties of successfully integrating western Germany into a European regional grouping

would be greatly increased if Great Britain were excluded, because fears of German hegemony in the long run would be increased. Moreover, a problem of "scarce" German currency might arise in the continental countries if the proceeds of exports to the sterling area from Europe could not be used to pay for German exports to other European countries. Few if any of the inherent difficulties of welding the diverse economies of independent states into a single regional economy would be diminished.

Alternative Three is to encourage present tendencies toward the economic integration of smaller groups of countries, and to rely in the main for the co-ordination of economic policy in Western Europe as a whole, on the existing OEEC Organization, or on more permanent arrangements.

An advantage of this alternative is that it takes account of existing economic affinities between certain groups of countries, while at the same time it provides a gradual and realistic approach to the more intricate problem of over-all western European integration, the implications of which are as yet by no means clear. Benelux, the Franco-Italian Agreement, the sterling area arrangements, and, potentially, common action by the Scandinavian countries have sprung from recognized group economic interests If their promise is fulfilled, and in so far as they are in the interests of Western Europe as a whole, these groupings might bring more durable results than could be expected under a more extensive and ambitious scheme of economic integration. The possibility is not excluded, moreover, of arriving at larger groupings under this alternative, such as a future union of Benelux with either of the other two continental groups.

This is, however, only a possibility, and there might be a danger of encouraging the particularist and sectional tendencies that long-term United States policy is seeking to overcome. It has been proved by experience that agreement among blocs, each composed of several states, may be very much more complicated than dealings among the individual states in a larger grouping.

This alternative shares one general advantage with all other alternatives that do not assume that a highly integrated western European economy as a whole is a fixed objective of United States policy. It leaves open the questions whether, and if so to what extent, western Germany should be integrated economically with the rest of Western Europe. This question can then be dealt with separately on its own merits.

While it is true that no scheme for economic integration in Europe

in the interests of world recovery could afford to exclude Germany altogether, the great complexities involved in determining the future of Germany argue for a separate consideration of the quesion. Since 1946 it has been the policy of the United States to reincorporate Germany in the European and world economy. And France, Great Britain, and the United States have already agreed in principle that the prospective German Federal Republic shall be admitted to membership in the OEEC. But until a peace treaty is ratified, the Western German state will continue to be subject to a special international regime limiting both its political and economic independence. Even after the peace treaty, the production and distribution of the Ruhr output may be subject to international supervision. In the meantime, the possibility of four-power agreement on a unified German state has still to be explored; and this is an additional argument for giving separate treatment to the German problem.

Alternative Four is not to attempt to define precisely either the degree of integration to be aimed at as an ultimate objective, or the area to be included, but to throw the weight of United States influence behind all measures that tend in the direction of integration.

If this alternative were selected, the United States would retain its freedom to press for all forms of intra-European economic co-operation that contribute in the short run to the strengthening of the western European economy as a whole. Under present circumstances this is a factor in the cold war, and it is necessary for achieving the economic objectives of the Marshall Plan. It would have the positive advantage, however, that the United States would not be committed to specific long-range objectives that might have to be reviewed if a radical change in great power relations should occur, either in the direction of a new balance of power, or in the direction of world federation or world government.

Nor would it commit the United States to any particular concept of a regional economy in Europe. This would be an advantage if experience disclosed that more rapid progress could be made in other ways toward realizing the objective of a world-wide multilateral trading system. It might be found, for example, that attempts to enforce regional plans were accompanied by an increasing loss of economic flexibility and adaptability, with the erection of increased trade barriers to protect the economy of the region against outside competition. They might result in increased cartelization to provide "orderly" regional allocations of production and markets, and in a general level of European prices out of line with world prices. While Europe might

thus become more closely integrated, the world as a whole would become economically more divided.

On the other hand, the United States could use its influence to promote the convertibility of currencies; the reduction of intra-European trade barriers; the development of co-ordinated investment plans in the interest of increased geographical specialization within Europe; fiscal reform; the realignment of exchange rates; improved intra-European credit facilities; joint power developments; the management of the Ruhr in the interests of Europe as a whole; and many other measures that would contribute to European integration. All such specific measures of co-operation could be supported without fear that they might conflict wth more general aspects of United States policy. A possible disadvantage would be the loss of direction and continuity that must characterize any economic policy that is directed toward an objective not clearly and precisely defined. But it may be argued that it is better to have the opportunity to benefit from trial and error in attaining tentative objectives than to be committed to a fixed objective of doubtful validity.

Alternative Five is to concentrate United States efforts on progressively increasing the convertibility of currencies and reducing trade barriers within Europe, and to rely on European countries to take whatever further steps they consider desirable in the direction of economic integration.

Under this alternative the United States would continue to use its influence to remove all restrictions on the right of countries in the OEEC group to draw freely on their balances with each other, as a step toward restoring complete multilateral trade and the free convertibility of currencies over a wider area extending beyond the OEEC countries. It would continue to promote the reduction of trade barriers, both by urging the abandonment of license and quota systems within Europe, and by multilateral negotiations for tariff reductions under the General Agreement on Tariffs and Trade.

The advantage of placing special emphasis on currency convertibility is that a beginning would be made in reconstructing the central part of the mechanism for facilitating international trading operations without demanding revolutionary changes in the economic structure of individual countries, and without infringing national sovereignties. Whatever risk is involved in exposing national currencies and prices to pressures from the outside world will be less during the period when ECA is operating than subsequently. Some such device is essential to break through the viciously restrictive bilateral system of trade and

payments, operated under strict exchange controls. The United States is in a stronger position now to use its influence in this direction than it will be when the ECA program has been completed.

Another advantage is that this alternative would represent not a new departure, but a more rapid progress along lines to which the European countries are already committed. The OEEC has frequently stated that the ultimate aim must be full convertibility of currencies, and that this aim should be pursued steadily by stages. It has strongly urged the elimination of licensing and quota systems.

The chief disadvantage of alternative five is common to all partial measures. Exchange control is only one of a series of highly protective devices, and therefore even the complete elimination of it (which is not contemplated) would not of itself, or combined with trade measures, do all that is needed to achieve freer multilateral trade within Europe. Even if the establishment of exchange interconvertibility operated as an entering wedge to loosen other governmental restrictions, the vested interests most affected might seek protection in cartel agreements, with or without government connivance, or adopt other devices in restraint of trade. There have been, for example, recent indications that the British National Coal Board is seeking a European cartel agreement to protect the price of coke against the free play of competitive forces. If such developments could be checked or prevented, the approach of alternative five would do much to revive free and competitive markets in Europe. This is the greatest single available force that can be enlisted in the cause of integration not only of Europe but of the European economy in the world economy.

This alternative would avoid the difficulties associated with the participation of the United States in efforts to plan economic integration in detail. It might be an advantage to allow European economic co-operation in the interests of greater integration to take the form of consultation (including the United States) with a view to reaching temporary agreements for specific ends.

Under all five of the above alternatives, however, the United States would have to consider whether or not to exert pressure by making European co-operation toward the desired end a condition of its granting further assistance. It would also have to consider how far it can or should go in adjusting its own economic policies, especially those that in effect subsidize exports or restrict imports, to make them conform with the advice being offered to European countries.

2. DEGREE AND GEOGRAPHIC EXTENT OF MILITARY INTEGRATION

The issue relates to the nature and geographic extent of military integration in Western Europe that the United States should seek to promote for the attainment of its security objectives, and to the methods that it should use in so doing.

The solution of this issue is different in one important respect from the solution of the issues of economic and political integration of the western European nations. Although the policies and actions of the United States may strongly influence the measures the European nations may take toward economic and political integration, decisions on these matters must be taken by the European nations themselves. By signing the North Atlantic Treaty, however, the United States has associated itself with ten European nations and Canada in a collective defense arrangement that will be effective only if the twelve signatories successfully organize for the employment of their combined national power. When the treaty comes into force the United States will not only share with the other eleven signatories the responsibility of determining the degree and the geographic extent of military integration in Western Europe, but it will be obligated to participate in measures for achieving it.

The part that the United States intends to play in the military integration of Western Europe has been clearly indicated by the announcement by the executive branch of the government of its intention to request the Congress for an appropriation of 1,130 million dollars to furnish military assistance to the North Atlantic Treaty nations. This military assistance program has been developed in close collaboration with the five Brussels Treaty nations acting in concert, and with Denmark, Norway, and Italy acting individually. Military assistance in the form of grants to Canada, Iceland, and Portugal, the other three signatories to the North Atlantic Treaty, is, however, not included in the proposed program.

The basic objectives of the United States in participating in the North Atlantic Treaty are to provide for its own national security by creating conditions in Europe that will lead to the maintenance of international peace, and by ensuring insofar as possible, collaborative military action by the treaty nations in repelling an attack. The United States is interested, therefore, in strengthening the determination and ability of the treaty nations to stand together in order that they may discourage or resist armed aggression.

Although military collaboration and United States military assistance are closely related, the means of providing them rests on quite separate authorities. The former is the responsibility of the twelve treaty nations while the latter is the responsibility of the United States alone. The attainment of military collaboration among the twelve nations is complicated, moreover, by the existence, under the Brussels Treaty, of an organization that has already accomplished a considerable degree of collaboration among five parties to the North Atlantic Treaty. Collaboration under the North Atlantic and the Brussels Treaties will therefore require co-ordination or amalgamation.

The alternatives for accomplishing any degree of western European military integration that must be considered by the United States relate to the organization for military collaboration among the North Atlantic Treaty nations.

Even though the military assistance to be furnished by the United States is a matter for decision by the United States alone, the fact that self-help and mutual aid are subject to the joint recommendation of the treaty nations make it also a matter of concern to all the parties to the treaty. It is therefore a common characteristic in all the alternatives and will enter into the decisions of the United States in consultation with the other treaty nations almost irrespective of the alternative adopted in achieving military integration.

Three closely related courses of action that are based on past experience offer a possible approach to a solution of this issue.

Alternative One is to encourage the development of the Brussels arrangements as the nucleus of the military integration of Western Europe and to provide co-ordination with the other European and non-European signatories of the North Atlantic Treaty by setting up new machinery under the treaty.

Alternative Two is to encourage the formation in Europe of other group arrangements comparable to that based on the Brussels Treaty, with co-ordination in the same manner as in Alternative One.

Alternative Three is to encourage the creation of a single arrangement comprising all ten of the European signatories of the North Atlantic Treaty, co-ordination to be provided with the United States and Canada by the machinery of the treaty.

All three of these alternatives concentrate in the first instance on arrangements in Europe. The first alternative has the advantage that the organization of the five Brussels treaty nations is used as a going concern. These countries have already been effective in achieving some measure of military integration among themselves. They have already

been collaborating with representatives of the United States and Canada on an informal basis in the preparation of a military assistance program. This constitutes an additional advantage by increasing their usefulness as a nuclear factor in a co-ordinating agency. Moreover, this group includes the principal European nations that are interested in the defense of Western Europe.

On the other hand, the first alternative suffers from the disadvantage that the Brussels treaty sets up an organization that is separate from, however closely it may be parallel to, the organization to be established under the North Atlantic Treaty. The United States is not a party to the Brussels treaty, although the five member nations are dependent on the military assistance and military collaboration of the United States to provide the force necessary for effective defense. Moreover, the United States has troops in Europe that must necessarily enter into consideration in any scheme of western European defense, and, therefore, it would be a disadvantage of this alternative that the United States was not formally in the European councils from the outset.

A further disadvantage would lie in the difficulty of co-ordinating through the machinery of the North Atlantic Treaty, eight separate units—seven individual countries and a coalition including the most powerful nations of Europe. Another disadvantage is that Greenland, Iceland, the Azores, Italy, and Canada, as well as the United States might not be given adequate consideration in the arrangements for defense in Western Europe. Finally, a general disadvantage of this alternative is that the European nations outside the Brussel's arrangement might think that they were being asked to play a secondary role; and, indeed, all other parties to the North Atlantic Treaty might consider that the latter was being regarded as less important and a less effective part of the mechanism of collective security than the Brussels treaty. Against this, however, it might be argued that this alternative would leave ample scope for devising new machinery as experience might dictate and by building in the meantime on the Brussels arrangement it would avoid the danger of hurried improvisation.

The second alternative would still allow appropriate reliance to be placed on the nucleus Brussels group, and it might therefore be considered as a variant of the first alternative. But the emphasis on other subregional groupings has distinct advantages and disadvantages of its own. It would take advantage of natural geographic groupings, and in the case of Norway, Denmark, and Iceland, would allow a close associa-

tion of nations that were accustomed to working together. It would have the advantage of possibly encouraging Sweden to join in a northern European group, or Spain, Greece, and Turkey to join a Mediterranean group. And finally, it would simplify co-ordination of machinery under the North Atlantic Treaty by reducing the number of European units to be co-ordinated from six to three on the assumption that the northern European and the Mediterranean groups were formed.

The disadvantages of this alternative are the same as of the first alternative, and it would have the additional disadvantage of excluding Great Britain, the United States, and Canada from the northern European group, the United States from the western European group, and the United States and Great Britain from the Mediterranean group, thereby leaving co-ordination solely to the North Atlantic Treaty machinery in areas where the excluded nations have important interests and must play an important military role. A further disadvantage of this alternative is that it might encourage group loyalties and "blocs" in competition for United States military assistance. A kindred disadvantage is that it would not contribute to the working-out of an over-all strategic concept for defense in Europe or in the North Atlantic area as a whole.

The third alternative would possess as advantages most of the elements that were disadvantages in relying mainly on the Brussels treaty arrangements for military integration. It would go to the heart of the problem of integration by encouraging all European signatories of the North Atlantic Treaty to enter directly and immediately into the arrangements. This would simplify co-ordination under the machinery of the North Atlantic Treaty by reducing the number of European units from six or three under the first and second alternatives respectively to a single unit, leaving only three units to be co-ordinated for the North Atlantic Treaty nations as a whole.

The disadvantages of this alternative lie in the difficulty in accomplishing the military integration of ten separate nations. It might be argued that the difficulties of this solution would be nearly as great as in trying to deal with all 12 of the North Atlantic Treaty nations at once. Moreover, this alternative would not give consideration to vital United States interests or to its provision of assistance in defense of Western Europe, except through the machinery of the North Atlantic Treaty. Finally, it has the disadvantage that the divergent interests to be expected among a large group of countries would not be contributory to the emergence of a common European strategic concept.

If it is decided not to concentrate in the first instance on arrangements in Europe, further courses of action are open in attaining military integration.

Alternative Four is to favor the creation of a single arrangement comprising the twelve signatories of the North Atlantic Treaty.

Alternative Five is to favor the creation of a number of geographic sub-regional arrangements, the members of which are included irrespective of whether they are located in Europe, co-ordination to be provided through appropriate machinery under the North Atlantic Treaty.

The advantage of the fourth alternative is that it would conform to the procedure laid down in the North Atlantic Treaty, which provides for the establishment of a council and a defense committee consisting of all twelve treaty nations. It would allow each of the twelve nations to play a part according to its ability in measures of military integration, in the determination of strategic concepts for the North Atlantic area as a whole and for parts of the area. This alternative would have the advantage of sufficient elasticity to permit each treaty nation either to make its own defense plans first, which would then be co-ordinated under the machinery of the North Atlantic Treaty (probably the defense committee) or to participate directly in the construction of a combined plan by the defense committee.

The disadvantages of the fourth alternative are the familiar difficulties of getting agreement among twelve nations, each with its own special interest and each trying to ensure that it will retain to the maximum its freedom in arriving at a strategic concept and in the preparation of plans, decisions on which are essential to military integration. In these circumstances, if it were possible to reach agreement at all it might be the result of compromise rather than of the exercise of sound judgment. Unless the voting procedure were weighted in favor of the larger nations—which might be unacceptable to the majority—small and weak nations would have an equal vote with the most powerful ones. Another difficulty is that whatever the voting procedure, some nations not in immediate danger of aggression may have an equal voice in all important decisions with those in the greatest danger of attack. It would probably be necessary to use some system of grouping even under this alternative if planning and operations were to be effectively accomplished.

The fifth alternative would retain the advantage of providing for military integration without distinction between the European and non-European signatories of the North Atlantic Treaty. It would have certain advantages that are the obverse of some of the disadvantages

in alternative four, and it would also have the additional advantage of permitting the first steps to be taken without delay in the military integration of nations directly concerned with the defense of particular geographic areas. It would permit the inclusion of the United States and Great Britain in each of the subgroups in which they have vital military interests or special responsibilities. Moreover, if an executive organ consisting of the three major nations, the United States, Great Britain, and France were established this alternative would have the advantage of allowing each of these three to be represented in subgroups. To this extent, therefore, a ready-made co-ordinating mechanism would be at hand.

The main disadvantage of this alternative is that while it is a practical solution it does not conform strictly with the terms of the North Atlantic Treaty. It might create the idea that individual countries need not take defense measures, or even fight, except in their own group area. This would have the disadvantage of inducing group loyalties. A further disadvantage is that all the North Atlantic Treaty nations might not be willing to accept direction from the executive organ regarding strategic concepts or military operations, in which case this alternative would lose its advantage by comparison with Alternative Four.

A common disadvantage to Alternatives Three, Four, and Five is that they would appear to ignore the Brussels treaty to which there might be legal and political objections.

In connection with all five of the foregoing alternatives, it is necessary to consider the advisability of extending the North Atlantic Treaty. A number of variants on this idea exist according to the countries that are proposed for admission to the North Atlantic Treaty pool. It would seem to be necessary therefore to discuss the advantages and disadvantages attaching to the admission of different countries. Article 10 of the North Atlantic Treaty provides that the parties to the treaty "may, by unanimous agreement, invite any other European state in a position to further the principles of the treaty and to contribute to the security of the North Atlantic area to accede to the treaty."

The admission of Germany into any form of military association, however limited, is expressly excluded as a practical possibility so long as the allies remain pledged to the principle of a demilitarized Germany. On a purely theoretical basis, it could be argued that the defense of a demilitarized Germany constitutes a heavy burden on an already heavily burdened western European defense organization, and

that Germany should therefore contribute its share as a means of distributing the burden and increasing the total military potential of the West. This might be done within the framework of an international authority for the Ruhr. For this theoretical proposition to acquire practical reality would require a dramatic deterioration in relations between the West and the Soviet Union. Short of such a crisis, the proposal to associate Germany in any form with the military organization of Western Europe would risk political repercussions that might destroy the existing organization.

It might be proposed that the United States should advocate and support the accession of Greece and Turkey to the North Atlantic Treaty. The United States has been furnishing military assistance to these countries since 1947, to Greece for the purpose of suppressing internal revolution inspired by the Soviet Union, and to Turkey to discourage direct Soviet aggression. It is the intention of the United States to continue this assistance, but it has not entered into an agreement with either nation for military collaboration. These two countries occupy important strategic positions in the Mediterranean and the Middle East, and in the event of aggression against any of the Atlantic Treaty nations, it is unlikely that either of them could keep out of the war. They would be of importance in excluding the Soviet Union from the Mediterranean and the Middle East and in the protection of the Mediterranean air and sea routes. These constitute the advantages of inviting Greece and Turkey to accede to the treaty.

The disadvantage of including them is that their presence would further complicate the already difficult problem of integration. Turkey, although partly in Europe, is primarily a middle eastern country, and might not be accepted as a "European state" by the other treaty nations. Both Greece and Turkey are geographically separated from the other Atlantic treaty nations by the Soviet satellite states. The natural grouping of Turkey and Greece is in a regional arrangement with other nations of the Middle East including Iran, Israel, and the Arab League nations. To include them in the North Atlantic area collective defense system might cause dissension among the nations of the Middle East and play into the hands of the Soviet Union. A closer tie between the two nations and the North Atlantic Treaty nations might increase the encouragement and assistance given to the Greek rebels by the Soviet satellite states, which is at present diminishing. It also might be considered a threat by Yugoslavia, which has recently withdrawn its support from the rebels. There is, moreover, a danger that the existing situation in Greece, which is now being handled satis-

factorily, might be interpreted as an aggression under the terms of the North Atlantic Treaty, calling for the use of armed force by the treaty nations for the restoration or maintenance of peace. The accession of these nations to the North Atlantic Treaty would require an amendment to the treaty providing for the extension of the North Atlantic area to include the eastern Mediterranean.

There might be two other candidates for admission, Switzerland and Sweden, both of whom would be acceptable and useful members of the treaty group. Sweden, with its available supply of iron ore in addition to its important strategic location, would be an especially valuable member of the group, but it has already declined an invitation to adhere. Although Switzerland has not been invited to join, it has clearly indicated that it is unwilling to give up its traditional policy of neutrality.

The remaining possible adherent is Spain. The advantage of extending the group to include Spain comes from its strategic position behind the Pyrenees, which makes it suitable as a base; but still more from its commanding position at the western entrance to the Mediterranean where it controls the Strait of Gibraltar both from continental Spain and Spanish Morocco. Spain is also important for its potential military power and its raw materials.

The disadvantages of including Spain are the political resistance to the Franco government that would be found among the treaty nations, and the internal dissensions in Spain that would make it a doubtful ally. Even if the political objections could be overcome by the introduction of reforms in Spain and the change of attitude among the treaty nations, there might be objections from the latter to having to render military assistance to Spain and thereby diminishing the amount available to the other members of the group.

3. DEGREE AND GEOGRAPHIC EXTENT OF POLITICAL INTEGRATION

The issue relates to the form and geographic basis of political association that would be most likely to promote the attainment of United States objectives in Europe.

While the United States has been more active in promoting integration in the economic and military fields than in the political field, it is nevertheless clear from official statements that political integration is regarded as essential to economic progress and to military security. The government of the United States has abstained from indicating what type and degree of integration or what geographic extent it

regards as essential. But federation has occasionally been referred to as the ideal form, and suggestions have been made in congressional quarters that both ECA appropriations and appropriations for military assistance should be used as a lever on the recipient states to take specified steps to integrate. As in the case of economic and military integration, questions of degree, geographic extent, and the appropriate institutions for political integration are closely interrelated.

Alternative One is to require complete federation of all members of the OEEC on the model of the United States Constitution, by creating a central federal government of Western Europe, excising full sovereignty in economic and military affairs and foreign relations, and leaving the present national governments with local authority comparable to that exercised by the separate states of the United States.

The advantage of this approach is that it offers a clear-cut proposal that would eliminate the confusion and cross-purposes of present discussions. Moreover, this type of federation provides the necessary central political authority to execute effective measures of economic and military integration and might thus give effect to the statement of Secretary Acheson that "a free Europe, to remain free and attain a higher degree of well-being, must be a united Europe."

The disadvantage lies in the departure from the frequently stated principle of the United States that "the promotion of unity is primarily a matter for the Europeans themselves." A radical departure from that principle would be regarded as American dictation and might create such strong reactions in Europe that it would prejudice the degree of integration or association already achieved in the economic and military spheres.

Even if the United States could impose a supranational authority on Europe, there is the risk that the effect would be to intensify, and not to harmonize, the divisions between national states. The European countries differ much more widely in race, language, temperament, political institutions, and economic organization than the states in any existing federation. These differences are rooted in centuries of tradition. Under the pressure of immediate danger, various European countries can and do co-operate in the economic and military spheres. But if they are asked to change quickly their fundamental political and economic structure, the revolutionary change involved would raise a series of new questions and innumerable challenges to vested interests that might imperil the present limited co-operation of the European states.

A particular illustration of this general danger lies in the disparate

memberships of the several European organizations for co-operation in the economic, military, and political fields, as set forth in the preceding section of this paper. Ireland and Sweden, for example, both of which have refused to participate in the North Atlantic Treaty, are members of the OEEC and the Council of Europe. The question therefore arises whether the United States could insist that either the OEEC or the Council of Europe should become sovereign in the economic or military sphere without driving Ireland and Sweden out of these bodies, because neither country wishes to be associated with a military alliance; and, on the other hand, whether it could insist that Portugal, with a dictatorial constitution, should be accepted in the democratic association of a federated Europe, even though already linked with some of its members by the North Atlantic Treaty.

Alternative Two is to attempt federation on the lesser scale of either the ten-member Council of Europe, or the five-member Brussels Treaty, or another grouping smaller than the complete membership of the OEEC.

In general, the advantages and distadvantages of the preceding alternative apply to this one as well, except that both the advantages and disadvantages tend to diminish as the geographic area of application is reduced, although not on the same scale. What is lost in geographic extent of integration might be offset by the increasing practicability of integration. For example, whereas it is difficult to apply any specific pattern of integration to countries varying as widely in individual political institutions as the 16 members of the OEEC, there is a much higher common denominator among the institutions of the 10 members of the Council of Europe. Yet two of the members of the Council, Ireland and Sweden, object to any military ties with their associates. Therefore, the Brussels pact powers, together with Norway, Denmark, and Italy, with which they are associated in the North Atlantic Treaty as well as in the Council of Europe, might be considered to be the largest practicable group for political unification.

One variant of this alternative might be the development of purely fractional federations based on geographical and cultural ties, as, for example, Scandinavia with or without Sweden; Benelux; France and Italy; and southeast Europe. This would eliminate some difficulties, but might well lead to an intensification of particularist tendencies, even to the point of breaking up existing functional co-operation in larger groupings.

Alternative Three is to leave the initiative, as at present, entirely to Europe.

This involves accepting, for the present, the very loose and partial type of integration, represented by the Council of Europe, that excludes matters of national defense. The Council of Europe is designed to pursue the aim of "a greater unity" among its members by discussion, agreements, and common action "in economic, cultural, scientific, legal and administrative matters." The advantage of leaving the initiative to Europe is that this would conform to the existing principle of the United States that European political union is exclusively a European affair, and that, practically speaking, to be durable it must be of European construction. Moreover, the present European approach, in taking account of the serious obstacles, is practical and evolutionary, and this may prove to be the only way of achieving the maximum possible measure of political integration.

The disadvantage is the necessarily slow and uncertain tempo of this method. It offers no guarantee that United States objectives in Europe will be attained, and it leaves the problems of military and economic integration to be dealt with on a separate basis. Belated or incomplete political integration may, therefore, impede the attainment of a higher degree of integration or even imperil present accomplishments in the economic and military fields.

The problem of integrating Germany in a western European political association might be considered important enough to be treated as a separate issue; or it might be treated in a series of alternatives under the present issue as part of the problem of the geographical extent of political integration. It is the present objective of United States policy, in agreement with France and Great Britain, to achieve "the closest integration on a mutually beneficial basis of the German people under a democratic federal state within the framework of a European association." Within this broad statement of principle, it has already been decided that the western German state is to be admitted to membership in the OEEC. The members of the Council of Europe have provided a special category of "associate member," which fits the German case.

But apart from this step, the "framework of a European association" has not been defined, nor has the nature of the eventual integration of Germany in it been discussed. The practical possibilities of German membership will vary considerably according to the type and degree of union proposed. It is clear, for example, from the previous discussion that Germany could not be considered eligible for membership in a full-fledged federation, given the present orientation of the policy

of the Western powers on Germany. For this reason, pending a change in the stated objectives of policy, it would not be rewarding to consider in detail the advantages and disadvantages of various alternatives for the treatment of Germany in any part of the problem of western European integration.

4. CO-ORDINATION OF POLICIES

The issue is whether it is desirable to attempt a greater degree of co-ordination than now exists in United States policies relating to the economic, military, and political aspects of European integration.

The United States has thus far pursued its objectives of European integration by giving separate attention to economic, military, and political problems. It has accepted—and in some cases encouraged—the creation, for the treatment of these problems, of separate functional agencies with differing membership. Attention has already been called in this paper to the anomalies in the lists of members, not only because they are not co-extensive, but because they are in some instances contradictory. For example, Portugal is a member of both the OEEC and the North Atlantic Treaty, but not of the Council of Europe, whereas Ireland and Sweden are members of OEEC and of the Council of Europe, but not of the North Atlantic Treaty. The United States must face the question whether it should continue or change its present manner of dealing with the various aspects of the problem of European integration.

Alternative One is to continue the present separate policies.

This has the advantage of realism in recognizing that some of the nations of Europe find it in their interest to participate in some of the separate agencies and not in others, and it maintains the principle of the United States of avoiding interference in European political affairs. It therefore seeks the maximum degree and geographic extent of integration obtainable in each separate field of activity, without attempting a combination that might limit co-operation in all fields to the lowest common denominator. The disadvantage is in creating confusion and cross-purposes in the over-all program for European integration, with the attendant risk of disintegration, particularly when the United States program of aid to Europe terminates.

Alternative Two is to maintain the present separate policies while attempting to bring them into closer relation.

This might be accomplished by the utilization of liaison committees of observers, and perhaps by the establishment of an international

committee to study the possibilities of co-ordinating more closely the work of the separate functional agencies. This would have the merit of retaining the present advantages of the functional approach, while seeking to eliminate some of the disadvantages of separate agencies working on related objectives, with no formal machinery for consultation between them. Its disadvantages would be that liaison groups, and even an international co-ordinating committee, are not likely to have the executive authority necessary to overcome the basic problems that beset any effort to harmonize the economic, military, and political functions.

Alternative Three is to fuse completely the separate functional approaches into a single combined program.

This in effect would mean taking either the highest or the lowest common denominator in the type and degree and in the geographic extent of integration. If the highest common denominator were taken, this would simply be another way of proposing complete federation on as wide a geographical basis as possible. The advantages and disadvantages of that program have already been discussed under the heading of political integration. If the lowest common denominator were taken, this might have the advantage of bringing the proposals down to earth by confining them to types of association that fall far short of political union. But it might have the disadvantage of going unnecessarily far in this direction in some cases, where the functional approach would have left avenues open to a more intimate type of association, more deserving of the name integration or unification

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APPENDIX

GENERAL BIBLIOGRAPHY

BIBLIOGRAPHICAL NOTE

THE IMPORTANCE of international affairs and the present interest in the field can be judged by the enormous and increasing volume of written information, analysis, and comment that is now available on every aspect of the subject. Full information is most desirable and necessary for the student and the informed layman, especially in countries where public control of the processes of government prevails. But the vast fund of available material makes selection anything but an easy task.

In selecting reference materials for the study of current international affairs and foreign policy problems, there are four types to be considered. The first is general background material about the immediate past to provide some "sense of the times," the milieu within which present events find their significance. The second is background material on specific problems in international relations, that is, the framework of events out of which a specific problem emerges. The third is current material to provide a broad view of the present world scene. And the fourth is current material on specific problems to provide the basis for the study of problems as they develop. An attempt has been made in this volume to provide suggested references including all these various types of materials, although limitations of space do not permit extensive coverage.

Background material on specific problems of foreign policy is available in abundance. In order to give the reader a few essential sources from which the background may be further developed, each problem statement in Parts Two and Three of this volume is followed by a short list of "Selected References." These are in no sense complete, for they are limited to official sources and even then only a basic few are suggested. The purpose of these is to provide a starting point for developing the background more fully.

Material is continually appearing, some dealing with current aspects of problems and some with background, both general and specific. It is the purpose here to indicate some of the sources that may be useful to the reader in keeping up with events and in finding additional material on specific problems.

Several regular publications provide current official materials of various kinds. Foremost among these is the Department of State *Bulletin.* This publication, issued weekly, is a basic source of official information on American foreign relations. It contains signed articles, texts of notes, official statements, and many other indispensable materials. An important recent addition, serving as a complement to the *Bulletin* is *Documents and State Papers.* This publication, first issued in April 1948, is a monthly. On various phases of foreign economic matters, *Foreign Commerce Weekly,* published by the Department of Commerce, *Foreign Agriculture,* published monthly by the Department of Agriculture, the *Treasury Bulletin,* a monthly, and the *Federal Reserve Bulletin,* a monthly, have much valuable information.

The Department of State also publishes an abundance of material on general and specific subjects relating to the foreign relations of the United

States: treaties, diplomatic correspondence, official analyses of various aspects of American foreign policy, collections of documents, records of international conferences, and many other useful materials such as the "Foreign Relations of the United States," which are annual volumes of state papers. These are being issued regularly and are available in libraries that are designated as "government depositories." The Department also issues semiannually a cumulative list of its publications from October 1, 1929.

In the United Kingdom, His Majesty's Stationery Office publishes all manner of state papers, such as the "White Papers" and "Blue Books." Both of these series of publications are official records on a variety of matters relating to foreign relations.

Congressional documents contain a wealth of information, both official and nonofficial. Hearings, materials printed as "public documents," and texts of bills are important sources and can usually be obtained upon request from members of Congress. Records of debates in deliberative bodies are an excellent source of information on the development of foreign policies. The *Congressional Record* is available in nearly all libraries.

Records of debates in foreign legislative bodies are not as accessible as might be desired, but there are several sources that should be kept in mind. *Hansard,* the record of debates in the United Kingdom Parliament, can be found in larger libraries, as can the *Journal Officiel* of the French National Assembly. Full records of debates in the Dominion parliaments are not generally available, but the *Journal of the Parliaments of the Empire* contains the record of selected debates in various dominion legislative bodies.

United Nations documents are in a class by themselves, because they are so numerous and also because a special classification has been developed to facilitate their use. The General Assembly, the Security Council, the Economic and Social Council, and the Trusteeship Council have separate series of "Official Records." These contain records of debates and in some instances, texts of resolutions, which can be consulted for the detailed consideration of problems in which these bodies are concerned. In addition, the resolutions passed in each session of the General Assembly, the Economic and Social Council, and the Trusteeship Council are published in collected form. The *Yearbook of the United Nations* contains texts of resolutions, summaries of the deliberations of United Nations bodies, and brief factual analyses of principal events. The specialized agencies usually issue "bulletins" or "reviews" at stated intervals, as well as annual reports, that are useful in following the activities of these organizations.

One group of United Nations documents, not a part of the complex numbered classification, are useful and usually more available than the official documents that are distributed to the United Nations depository libraries. These are published by the Research Section of the United Nations Department of Public Information, and are of three types: "Information Papers," "Background Papers," and "Outline Series."

The United Nations issues from time to time detailed lists of documents classified according to subject headings. There is also available a useful guide to United Nations materials entitled *Documents of International Organizations—A Selected Bibliography,* published quarterly by the World Peace Foundation. Volume 1, Number 1, contains an Introductory Note explaining the United Nations documentation system, and detailed references to United

Nations documents carefully classified. The United Nations *Bulletin,* formerly called the United Nations *Weekly Bulletin,* available in most libraries, contains articles, a calendar of meetings, and other materials pertinent to United Nations activities, although it is of necessity not complete in its coverage.

The Pan-American Union is a principal source for official documents dealing with inter-American affairs. The Union publishes texts of documents, analyses of inter-American problems, and many other materials of value on this aspect of foreign relations.

There are several nonofficial collections of documents that are readily available and include both primary and secondary materials. *Documents on American Foreign Relations,* published annually since 1938 by the World Peace Foundation, contains documentary material classified in a manner that facilitates easy reference. *International Conciliation,* published monthly by the Carnegie Endowment for International Peace, often contains documentary material of considerable value. This publication also presents well-written analyses on various problems in foreign relations. The *American Journal of International Law,* a quarterly, is more concerned with legal matters than with general matters of foreign relations. Many of the signed articles deal with specific problems. Each issue of this journal contains a "Chronicle of International Events" and a "Supplement of Official Documents" that are most helpful.

International Organization, a quarterly published by the World Peace Foundation specializes in matters concerning the activities of international organizations. Besides signed articles, it contains summaries of the activities of the most important international organizations and a supplement of official documents. Each issue also contains a "Selected Bibliography" giving references both to official documents and to books, pamphlets and periodicals. *Vital Speeches,* a semi-monthly journal, reprints the texts of many public addresses made by high government officials. The great metropolitan newspapers such as the *New York Times* and the *New York Herald Tribune* are a constant source of information to the student of international affairs. The coverage of world events by the *Christian Science Monitor* is also usually quite full. All three papers frequently publish texts of official documents not otherwise easily obtainable.

It is not the purpose here to treat secondary materials at great length, but a few might be mentioned. Several periodicals contain helpful material, including: *Foreign Affairs, International Affairs, Pacific Affairs,* the *Middle East Journal, Inter-American Economic Affairs, Military Affairs* and *World Politics,* all quarterlies; *Current History,* and *American Perspective,* monthlies; and *U.S. News and World Report,* a weekly. Each issue of *Foreign Affairs* also contains a list of "Recent Books on International Relations," and the Council on Foreign Relations has also published *Foreign Affairs Bibliography, 1932-1942* which is a handy reference list for background material. In addition, the Council issues an annual survey of *The United States in World Affairs,* the 1948-49 volume of which will be published in September 1949. The *Foreign Policy Reports,* published regularly by the Foreign Policy Association, are pamphlets, each devoted to analysis and comment on a special subject.

On military matters, there are a number of service journals that contain comment, reprints of public statements made by the nation's military leaders

and technical military information not usually available elsewhere. The *Infantry Journal* and the *Army and Navy Journal* are examples. The United States Naval Institute *Proceedings* contains signed articles, "Notes on International Affairs" and "Professional Notes." These latter sections gather together newspaper material that the reader might otherwise miss.

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The American Foreign Policy Library series, published by the Harvard University Press, provides secondary material of a slightly different character. Each volume in the series is a short treatment of some problem of interest in American foreign policy by a competent author. The volumes are not exhaustive treatises but they give the reader a general view of the problem under discussion.

The Yale Institute of International Studies publishes "memoranda" from time to time, each of which is a detailed treatment of a special subject. The Memoranda are rather specialized, but they deal with current topics in international affairs.

Current Developments in United States Foreign Policy, a monthly summary published by the Brookings Institution, has, since November 1947, included a list of the more important current references to official materials on various subjects. These are classified according to the subject headings of the Summary and provide a ready reference to materials of interest. In some respects, the items listed in the "Selected References" in Part Two of the present volume duplicate some of those listed earlier in the monthly summary, but the lists of the Summary contain many items not included in the present volume.

The current nature of international relations makes it difficult to assemble collections of readings on the subject, a device widely used in other academic fields. There is one collection of this type, however, *International Relations,* a selection of current readings, published by the Massachusetts Institute of Technology, which reprints periodical articles or excerpts from them, speeches, newspaper articles, and some pertinent documents, all arranged under general subject headings. A more restricted but somewhat similar collection is the *Foreign Affairs Reader* published by the Council on Foreign Relations. This volume reprints leading articles that have appeared in the journal *Foreign Affairs* over a period of years.

The list of references in this appendix has been selected to give the reader a general view of the war period and some sense of the world scene up to the present time. The memoirs of leading statesmen represent, of course, only the views of those who wrote them and in this sense they are not official. All of the memoirs, however, are based in some degree on documents heretofore not available to the public and in this sense they offer new material for consideration. The other references are specialized to a degree, but they illuminate some of the broad problems of the immediate past and offer to the reader a means of viewing a broad panorama of events. They have been arranged under four general headings, each including official, semi-official, and nonofficial references, together with comment on and analysis of general and specific matters within each broad heading.

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———. *Nazi-Soviet Relations, 1939-1941* (1948), 362 pp. Publication 3023. Collection of documents from the Archives of the German Foreign Office bearing on German-Soviet relations during these years.

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