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Bowie Report

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THE NORTH ATLANTIC NATIONS

TASKS FOR THE 1960'S

DEPARTMENT OF STATE A/CDC/MR
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A Report to the Secretary of State

August, 1960

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Copy Prepared for S/C - Mr. Bowie 9/26/67
Handed to S/C - Mr. Williamson

FOREWARD

(Revised 6/3/91)

Robert R. Bowie

To put this report in perspective, the directors of the Nuclear History Program asked me to sketch briefly its origin and context.

The Report was prompted by an initiative taken by the NATO Council of Ministers at its meeting in Decmeber 1959. For a decade the Alliance had succeeded in preventing further Soviet expansion in Europe and in reassuring the Allies as to their security.

By 1959, however, the Alliance faced conditions very different from those at its origin. The Soviet threat was more complex. Under Khrushchev, the USSR was combining hints of detente with threats to Berlin and in the developing regions. Its nuclear arsenal was steadily growing, making the U.S. increasingly vulnerable, and Sputnik had generated the myth of the "missile gap". Moreover, allied relations had also changed. A revived Western Europe was buliding the European Community; Western Germany was a member of that as well as of NATO. France under de Gaulle was taking a more independent course, following the lead of Britain in developing a national nuclear force. The ending of colonialism was spawning dozens of new nations, suffering from poverty and political instability.

These changes were raising divisive issues among the allies: How to respond to Soviet policy and actions? How to maintain Western cooperation for economic growth? How to cope with the vulnerability of the developing nations? Most troubling, however, was the impact of approaching nuclear parity on the credibility of NATO strategy, which was so dependent on the U.S. nuclear arsenal. Would an increasingly vulnerable U.S. be as ready to use its nuclear arsenal in defense of Europe? Should the Europeans have more control of nuclear weapons? Did NATO need more conventional forces or MRBMs in Europe?

This ferment had led to various actions and proposals in the late 1950's, such as the creation of the NATO nuclear stockpile under U.S. control in December 1957; the request of SACEUR, General Lauris Norstad, for MRBMs, his concept of the "pause," and his call for NATO to become a "nuclear power"; de Gaulle's demand for a U.S.-U.K.-French triumvirate to direct alliance policy; rationales for the U.S. and French nuclear forces; and the impetus to convert OEEC into OECD.

ble with survival in the face of a significant risk of retaliation, which the invulnerable Polaris submarines coming on stream would assure despite growing Soviet capabilities. Concern seemed more justified as to the lower end of the spectrum. Might nuclear parity tempt the Soviets to take a quick, limited action with ready forces in order to present NATO with a fait accompli with devastating political consequences? Against this risk the Report stressed the need for SHIELD forces of aobut 28-30 divisions (as Norstad was already urging) and for improving their quality and modernizing their conventional weapons. Meeting this requirement should be linked to the offer for a multilateral nuclear forces discussed below as a single package.

On the nuclear issues, the focus was mainly on the allied concerns arising from NATO dependence on U.S. nuclear weapons. Maintaining the cohesion and confidence of the allies appeared to require some sharing of participation and control. General Norstad had suggested a "NATO nuclear force" composed of mobile, land-based MRBMs, but vague as to structure, composition and control.

Instead, the Report proposed the formation of a sea-borne multilateral force (MLF) assigned to SACEUR to mitigate European concerns. It would be created in two stages. As a first step, the U.S. would commit U.S. Polaris submarines to NATO under an agreed control formula for use by SACEUR. The second stage would be the creation of a NATO seaborne missile force, jointly financed, owned, and controlled and manned by mixed crews (i.e., non-national). Sea-basing and mixed-manning were essential features designed to assure joint control, prevent national withdrawal of components, reduce vulnerability, and avoid other problems of a mobile land-based system. In developing the proposal, I discussed it with Admiral Raborn (who was running the Polaris Program) and other top Navy officials, who agreed that such a force with mixed-manned submarines was feasible.

The MLF proposal had several purposes: (1) to involve and reassure the Allies; (2) to discourage national nuclear forces; (3) to meet the stated military need for MRBMs while avoiding the problems of land-based missiles; (4) to encourage European integration by the prospect that the MLF might eventually become a European force as the European Community developed in an effective political entity. My assumption was that the MLF would appeal to the West Germans, the Italians and the Benelux members, and that skillful diplomacy could probably induce the British to fold their national force into the MLF and in time (after de Gaulle) perhaps even the French.

That the MLF became a U.S. proposal to NATO so quickly was due to President Eisenhower himself. On August 16, at the request of Secretary Herter, I briefed the President on the conclusions and recommendations of the Report, focusing mainly on the political-military aspects. He was at once interested in the concept of the Multilateral Force. For some time, he had been preoccupied with the issue of nuclear sharing with the NATO allies. He was opposed

At its 1959 meeting the NATO Council devoted three days to discussing the state of the Alliance and the international situation. The Ministers then "instructed the Permanent Council to undertake longterm planning, to cover the next ten years, on the objectives of the Alliance in the political, military, scientific and economic fieds, and in regard to arms control."

As a result, early in 1960, Secretary of State Christian Herter asked me to prepare a report to assist the State Department in this NATO planning project. (In late 1957 I had resigned as Director of the Policy Planing Staff of the State Department to return to Harvard to head the new Center for International Affairs.) The understanding was that the report would represent my own views and recommendations as an outside consultant. I was assisted by a small staff of officials and outside experts of my choice (listed in the Letter of Transmittal to the report), and was given access to classified data as required. I also had the benefit of extended discussions with the Policy Planning Staff of State, officials in Defense and the Joint Chiefs, and with General Norstad.

The Report, completed in mid-August, sought to outline an over-all strategy for the foreign and security policy of the U.S. (and its allies) for the coming decade. Its basic concept was that this entailed two broad tasks: one was the positive effort to build and manage a cooperative order for the prosperity and security of the non-communist nations; the second was to safeguard this order from Soviet disruption, while fostering Soviet evolution toward a less hostile relationship. Within this context, the Report undertook to identify the major political, military, and economic issues which the Atlantic nations would confront during the 1960's in their relations with each other, with the Soviet Union, and with the developing world, and to recommend approaches for dealing with them, through NATO or other means. Thus the proposals regarding alliance strategy and nuclear weapons, which are of most interest for the Nuclear History Program, were but a part of the wider-ranging framework.

The Report was writen in a period of intense debate, both academic and political, on both sides of the Atlantic, on many of the problems with which it dealt, especially those relating to security. Defense experts differed widely on the strategic deterrent, limited warfare, tactical nuclear weapons, conventional forces, and national nuclear forces. European political leaders, including West German Chancellor Konrad Adenauer, were expressing uneasiness about the effects of nuclear parity. In the U.S., defense policy had become a major issue in the President campaign. In preparing the Report, my aim was to be non-partisan in the hope that its conclusions might have an influence on policy-making, whatever the outcome of the election.

Chapter Two of the Report details my analysis and proposals with respect to NATO strategy and nuclear weapons. The strategic nuclear deterrent seemed to me much more robust against major aggression than many analysts argued. Soviet leaders would not gam-

to futher national nuclear forces (such as the French), because of their divisive effect on the alliance, but he understood the concern of the Europeans about control of nuclear forces on which their security depended. He had been sympathetic to Norstad's idea of a NATO nuclear force. From his initial and later discussions, it was clear that the President was attracted to the MLF concept for the reasons which prompted the proposal: its multilateral character provided built-in safeguards against a national pull-out and reinforced alliance cohesion; it would tend to discourage national forces; a seabaorne force was less vulnerable and avoided the political and other problems of a mobile land-based force; and it might ultimately evolve into a European nuclear deterrent. He fully recognized the practical and legal obstacles, especially getting Congressional approval, but seemed to think they could be overcome.

At this request, a second meeting was arranged for "a couple of hours" in mid-September with General Norstad and me. At that session we canvassed in some detail questions about the organization, financing, control and other aspects of a multilateral force, assessing the practical problems entailed. General Norstad was convinced that the Europeans (except de Gaulle) would strongly welcome such a proposal, and that it would meet many of their concerns. He also felt it would offer the best prospect of approval by the Joint Atomic Energy Commitee of Congress.

On October 3, the President met with top officials of State and Defense to discuss the multilateral force. Both Departments favored the concept, though with some differences on specifics, expecially the manning. After these were ironed out, the President approved the two-stage approach, and essentially decided that the U.S. should: (1) assign five U.S. Polaris submarines to NATO by 1963 as an interim phase; and (2) assist in the creation of a multilateral NATO force with mixed manning to the extent deemed practical by SACEUR. The next day, the President discussed the MLF with Paul Henri Spaak, then Secretary General of NATO, strongly supporting mixed maning (as a sort of Foreign Legion loyal to NATO) as the best way to prevent any withdrawal of units by a member, and he suggested that control might be handled essentially as outlined in the Report. Spaak welcomed the proposal and believed it would reassure the European members and receive practically unanimous support, except again by de Gaulle. The President urged that a start be made promptly, in order to resolve the various problems involved.

In mid-November, the MLF issue was discussed with the President at some length in the NSC for formal action on the basis of a requested study by State and Defense. The President reaffirmed his decision to submit the proposal to the NATO Council in December and approved its specific terms. Besides committing the five Polaris submarines as an Interim Force, the U.S. would offer to assist other NATO members to create a permanent NATO force, deployed at sea, initially with 100 MRBMs, if (1) the Force was based on "multilateral ownership, financing and control, and with mixed manning to the extent considered operationally feasible by SACUER;" and (2)

"a suitable formula to govern decisions on use be deveoped which would maximize its effectiveness as a deterrent and establish its multilateral character." The U.S. would also stress that the other NATO nations should strengthen their conventional forces in accordance with NATO military plans in order to maintain "flexibility of response." At the December 1960 meeting of the NATO Council of Min-isters, Secretary Herter presented this offer.

Thus President Eisenhower launched the MLF as one of the last acts of his administration. He fully recognized that he could not commit the incoming administration, and that the MLF would require Congressional approval, but he said he wanted to leave it as a legacy of his conviction of what should be done. After its own NATO review, the Kennedy administration essentially reaffirmed the Eisenhower offer in the President's Ottawa speech in May 1961. For the next three years the MLF pursued a confused course until sunk by President Lyndon Johnson. Its vicissitudes under Kennedy and Johnson were due in large part to confusion as to policy (such as the 1962 Nassau agreement with the U.K.) and the absence of the conviction and commitment that Eisenhower possessed.

Note: In transcribing Dr. Bowie's handwritten revisions to his original text, I have taken the liberty of making some minor changes and/or corrections regarding punctuation, wording, etc., without altering the essential meaning. - RAW

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DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

S E C R E T

August 21, 1960.

MEMORANDUM FOR THE SECRETARY

Subject: Long-Range Planning for the Atlantic Community

1. I have finished the report which you asked me to undertake on the tasks facing the Atlantic nations in the coming decade. It is now being reproduced and should be available upon your return.

2. The report is long, even though it focuses on a few key issues. I found it impossible to treat these issues meaningfully in shorter compass. The summary and the chapter on North Atlantic defense may warrant special attention, if you are pressed for time.

3. Mr. Merchant arranged for me to see the President, as you had requested. I discussed the report's conclusions, especially in the military and political fields, at some length with the President on August 16. He was interested and said that he would like to discuss the military issues further with General Norstad and me. He has set aside the morning of September 12 for this purpose.

4. I also went over the conclusions of the report with Mr. Dillon, Mr. Smith, and Mr. Kohler, who were away from the Department at the time of my meeting with you.

5. I have asked that copies of the report be provided Mr. Dillon, Mr. Merchant, Mr. Smith, Mr. Kohler, and Mr. Martin in the Department. If you approve, I would suggest that copies be furnished -- with an indication that the report has not yet been acted on by the Department -- to General Goodpaster for the President, General Norstad, Mr. Burgess,

and Mr. Irwin

S E C R E T

and Mr. Irwin (for Secretary Gates) - all of whom have asked for copies. It would also be useful to send a copy to Allen Dulles; CIA is preparing a related long-range estimate on NATO.

6. I do not know whether you plan to make the report available outside the U.S. Government. It could readily be put in a form which would be suitable for release to other NATO allies. If you wish, I can prepare an edited version for this purpose.

7. I will be in Washington September 12 for the discussion with the President, and will be glad to meet with you in the afternoon to discuss the report further, if you wish.

8. Please let me know if I can be of any help in the Department's consideration of the report.

Robert R. Bowie

THE NORTH ATLANTIC NATIONS:

TASKS FOR THE 1960's

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Dear Mr. Secretary:

I submit herewith the report on "The North Atlantic Nations: Tasks for the 1960's", which you asked me to prepare.

This report seeks to analyze the issues facing the Atlantic nations in the coming decade. It is designed to provide a broad framework for the NATO Planning Exercise, but is not confined to measures that should be undertaken through NATO. It seemed to me that the Atlantic nations should consider the entire challenge facing them in order to determine which tasks should be performed in NATO and which through other instruments.

To prepare a report of manageable size, it has been necessary to focus on key long-range issues for which concerted effort by the Atlantic nations will be most urgently needed in the 1960's.

The report does not attempt to provide a blueprint for specific action for the decade ahead. It seeks rather

to lay out

The Honorable

Christian A. Herter,

Secretary of State.

to lay out general purposes and guidelines on which agreement might be reached by the Atlantic nations. Such agreement would provide a framework within which specific actions could be effectively directed to agreed purposes.

In preparing this report, I have been assisted by a small staff drawn from various parts of the Government and from institutions outside of Washington. I appreciate very much the cooperation of you and Mr. Merchant in bringing this group together. The Staff included:

Deane R. Hinton, FSO, member of the Staff of the Mission to the European Communities, Brussels.

Malcolm W. Hoag, of the Rand Corporation, and former member of the Faculty of the National War College.

Professor Klaus E. Knorr, Associate Director of the Princeton Center for International Studies.

Hal B. Lary of the President's Council of Economic Advisors.

Louis Marengo, Central Intelligence Agency.

Irving A. Sirken, International Cooperation Administration.

Francis T. Williamson, FSO, former Director of the Office of Research and Analysis for Western Europe, Department of State, who is assigned to the American Embassy, in Bonn.

Brigadier General Hamilton A. Twitchell, U. S. Army, Department of Defense, was most cooperative in providing liaison with his Department and the military services. Many officers and officials from the Department of Defense were also helpful in providing information and views.

In addition, papers on specialized topics were prepared for me by Robert Eisenberg, Division of International Finance; Alfred Reifman, Division of Commercial Policies and Treaties, and Mr. E. B. Skolnikoff, of the President's Science Advisory Committee. Mr. Robert Komer of the Central Intelligence Agency has been of great assistance in the drafting of the report. Mr. Henry Owen of the Policy Planning Staff has been particularly helpful in contributing to the Chapter on the less developed areas. Many other officers of the Department of State and Professor Lincoln Gordon of the Harvard Business School, who is a Consultant to the Department, have commented on various portions of the report or discussed with me the problems covered.

I am very much indebted to all those who assisted so ably in the preparation of the report. Of course, the responsibility for its conclusions is mine.

Sincerely yours,

ROBERT R. BOWIE.

THE NORTH ATLANTIC NATIONS:

TASKS FOR THE 1960's

A Report to the Secretary of State by:

ROBERT R. BOWIE

August, 1960

THE NORTH ATLANTIC NATIONS:

TASKS FOR THE 1960's

SUMMARY

CHAPTER ONE: Challenge of the 1960's

1. Basic Goals (pp. 19 - 23)

The Atlantic nations must try, over the long run, both:

(a) to shape the basic forces at work in the world, so as to create a viable world order; and

(b) to prevent the Sino-Soviet Bloc from undermining that order or from dominating non-Communist countries.

2. Major Tasks (pp. 24 - 25)

To fulfill this dual goal, the Atlantic nations must:

(a) assure their defense;

(b) assist modernization of less developed areas;

(c) develop a common strategy toward the Bloc;

(d) mobilize the resources required to accomplish their purposes;

(e) create a political framework within which they can work together to these ends.

This report analyzes these five tasks and the kind of actions which the Atlantic nations must undertake in order to discharge them. In pursuing these tasks, the Atlantic Community should rediscover the cohesion and sense of purpose which marked its creation over a decade ago.

CHAPTER TWO: NATO Defense

1. The Problem (pp. 27 - 38)

During the 1950's, NATO's strategy was based on decisive US superiority in strategic and tactical nuclear weapons. Under these conditions, the strategy was effective in deterring aggression and maintaining the confidence of our allies.

Growing Soviet missile-nuclear capabilities are now eroding the credibility of the threat of a strategic nuclear response to less than all-out Soviet attack. In consequence, NATO Europe may become vulnerable to threats of both limited aggression and nuclear blackmail: Europeans will fear both an excessive NATO response to limited aggression and the absence of a US strategic response to greater threats. The Soviets may seek to exploit this vulnerability for divisive effects.

The problem cannot be met by enhancing NATO's tactical nuclear capabilities. For the Europeans, tactical nuclear warfare would be tantamount to a general holocaust.

2. <u>Basic Approach</u> (pp. 38)

A viable NATO strategy for the 1960's must:

(a) enhance the non-nuclear capability of Shield forces to resist attack by Soviet ready forces and substantially lessen their dependence on nuclear weapons;

(b) enable NATO to mount nuclear retaliation against larger threats without a US veto.

3. <u>Revised Shield Strategy</u> (pp. 39 - 51)

The enhanced non-nuclear capability could be based on central front Shield forces somewhere near SACEUR's target of 30 divisions, which will come within reach when the German build-up is completed. These forces must be better trained and equipped and have more adequate reserves. The added costs may be partially offset by some economies, and should be well within NATO capabilities. Our NATO allies should be the more willing to meet these costs, because they would be related to the only kind of strategy that makes sense for European countries.

The tactical nuclear capability of the Shield would be limited. It would not be designed to fight a tactical nuclear war in Europe, but only to deter all-out massing

of Soviet forces for conventional attack and to reinforce the strategic deterrent to Soviet nuclear attack.

4. Strategic Deterrence. (pp. 51 - 65)

The need for strategic deterrence must continue to be largely met by US strategic forces, which should be maintained in a high state of effectiveness. But a supplementary NATO strategic deterrent would assure our allies that they were able to deter Soviet all-out attack on Western Europe by means under their own control.

Independent national strategic forces are not a suitable answer to this need. The UK's experience shows that no major European power is able to produce a credible national deterrent from its own resources. Even if feasible, proliferation of independent national deterrents would be dangerous, inefficient, immensely costly, and have a major divisive effect on the Alliance.

A veto-free NATO strategic force under command of SACEUR would meet many European concerns, and would not be subject to these drawbacks. Sea-based systems, particularly POLARIS submarines, offer great advantages for this force: They would be less vulnerable in war-time, and less likely to create political issues or public concern and more secure against seizure by national forces in peace-time.

The US should offer to create such a NATO strategic force in two steps:

(a) Interim Force: The Interim Force would consist of US-manned POLARIS submarines, deployed in European waters under the full control of SACEUR, in peace and war. This force would fire its missiles (i) upon direct order from SACEUR in the event of large-scale nuclear attack on the Treaty area, or (ii) as the North Atlantic Council might decide in other circumstances, or (iii) as the US might decide in the absence of an affirmative SACEUR or NAC decision. (pp. 60 - 61)

(b) NATO Deterrent Force: In setting up this Interim Force, the US would offer to assist NATO in creating a multi-national submarine missile force (NADET) under common financing and ownership and with mixed crews, so that no ally could withdraw units and employ them as a national force. The use of this force might be governed by advance authority to SACEUR to deal with large-scale nuclear attack and by NAC decision in other contingencies, as in the case of the Interim Force. If feasible, the US would seek by minimum custody or other means to keep weapons design data secure. The US submarines which had constituted the Interim Force could be sold to NADET. (pp. 61 - 65)

5. Evaluation (pp. 65 - 72)

The above Shield and deterrent proposals would be inter-dependent. Together with US strategic power, they would deter Soviet military actions against the NATO area; they would also safeguard against Soviet blackmail for divisive or political purposes, and go far to meet legitimate European concerns.

CHAPTER THREE: The Atlantic Nations and the Less Developed Countries

1. The Problem and the Atlantic Nations' Stake In It (pp. 73 - 79)

The Atlantic nations have a vital interest in the continued independence, internal cohesion, and stability of the less developed nations.

This interest is only likely to be fulfilled if the less developed countries can progress toward modernization under moderate governments and through evolutionary means. The obstacles are formidable; decades or even generations will be required.

Basic responsibility for achieving this progress must rest with the less developed countries. The Atlantic nations can make a significant contribution, however, since they possess most of the needed outside resources.

2. Financial and Technical Aid (pp. 79 - 86)

Over the next decade, the Atlantic nations should plan to double or triple their financial aid to the less developed countries. If equitably shared, this burden can be reasonably assumed by healthy Atlantic economies.

It will be more difficult to meet the need of many less developed countries for people and institutions capable of effectively launching and prosecuting their own development programs. To do this, they will require the advice and services of outside experts, help in training their own officials and experts, and assistance and encouragement in their self-help efforts.

Bilateral programs by the Atlantic nations will be important in meeting this need. They should be administered for their long-term effect on the less developed countries' modernization, rather than for short-term political or commercial advantage.

International and private agencies have many advantages in meeting the need defined above: Their intimate participation in nation-building is more likely to be welcome; they are better able to insist on rigorous self-help; and their efforts are less apt to serve as a precedent

for Soviet activity. The Atlantic nations should, therefore, make a special effort to enhance the effectiveness of international and private aid to less developed countries.

(a) They should support making the UN Special Fund into a key instrument for helping governments of less developed countries plan and organize their over-all development programs. They should favor enlarging the Fund's scope and resources and giving it policy direction of related UN programs, as necessary to this end.

(b) They should support an increasing role for the IBRD and IMF in advising governments of less developed countries, and an expansion in the resources of the IBRD's affiliate -- the International Development Association.

(c) They should establish a Development Center to promote (i) two-way contacts between civic, business, and professional and labor groups in the Atlantic and less developed nations; (ii) the recruiting and training of young people in the Atlantic nations for service in less developed areas; and (iii) research on key development problems.

3. Trade With Less Developed Countries (pp. 87 - 93)

In view of the dependence of the less developed countries on trade for foreign exchange, the Atlantic nations should:

(a) cooperate in developing feasible methods for mitigating the effects on less developed countries of drastic changes in prices of their primary exports; and

(b) reduce the barriers to these countries' exports of manufactured products. This reduction might be undertaken simultaneously by all the Atlantic nations, so that its burden could be shared. The domestic impact might be cushioned by compensatory assistance to the groups most directly affected.

4. Public Order (pp. 93 - 97)

The Atlantic nations should seek to enhance UN capabilities for maintaining peace and order in less developed countries. They should be prepared to earmark contingents or transport facilities for use by future United Nations forces, and they should urge other countries to do the same.

The US and some other Atlantic nations should maintain effective forces which could be used, in limited operations, to help less developed countries to maintain order or resist aggression.

CHAPTER FOUR: Relations with the Communist Bloc

1. Basic Approach (pp. 99 - 101)

In concerting their strategy regarding relations with the Bloc, the Atlantic nations must reconcile the requirements of simultaneously competing with and dealing with the Bloc. They need to maintain both:

(a) an unremitting awareness of Bloc hostility, even when the Bloc is following a soft line; and

(b) a continuing desire for useful relations with the Bloc, even when tensions are at their peak.

2. Economic Relations (pp. 102 - 105.)

The Atlantic nations should maintain existing limited controls on trade, partly as a stand-by safeguard, and should also agree to hold the annual volume of private credits to the Bloc to approximately the existing level.

3. Exchanges (pp. 105 - 107)

The Atlantic nations should press for widening contacts with the Bloc, and should:

(a) try to agree on common objectives and guidelines for their bilateral exchange programs;

(b) exchange information secured through these programs among themselves.

4. Psychological Warfare (pp. 108-109)

The Atlantic nations should seek greater coordination of objectives and actions in psychological warfare against the Bloc, in order to increase its potential impact.

5. Arms Control (pp. 109 - 113)

The NATO countries should seek more actively to develop arms control measures which would serve to reduce the risk of accidental war, to hinder the spread of national nuclear capabilities, to stabilize deterrence, and possibly to enhance regional security in Europe.

In order to facilitate genuine negotiation, the NATO allies should consider allowing the US to negotiate with the USSR in accord with agreed policy. In that case, the US should consult regularly with its NATO partners about the progress of negotiations.

CHAPTER FIVE: Resources of the Atlantic Community

The steady growth and effective use of resources in the Atlantic nations is essential for meeting the tasks ahead. To this end:

1. The Atlantic nations, especially the larger ones, should concert their economic policies more effectively through OECD to stimulate more rapid growth. They should be willing to discuss freely all aspects of domestic

economic policies and should seek to arrive at a common view of appropriate policy objectives and priorities. (119 - 121)

2. They should consistently seek to reduce and remove restrictions on trade. The US should take the lead by drastically revising its trade agreement legislation to permit negotiation of substantial tariff restrictions in GATT. The long-range goal should be to move toward free trade, at least among the more advanced nations. (121 - 127)

3. The US should join a reconstituted European Monetary Agreement. (127 - 128)

4. The Atlantic nations should make a renewed effort to ensure fuller and more concerted use of their scientific capabilities. (128 - 134)

5. They should expand research and development to meet NATO's need for non-nuclear weaponry; and should intensify efforts to secure coordinated production of major military materiel in Europe, and eventually throughout the Alliance. (134 - 141)

CHAPTER SIX: Requisite Political Framework

Concerting of policies and actions by the Atlantic nations, as discussed in prior Chapters, will require a firmer political framework.

1. Evolving Relations (pp. 143-148)

The creation of an adequate framework is complicated by the fact that relations among the Atlantic nations are

in transition. With booming recovery, European nations have regained their confidence and aspire to a larger role in the Alliance and in world affairs. Their total potential would justify and support such a role, if effectively marshalled in an integrated Europe. With the existing disparity in strength and influence, however, even the largest of the existing European nations cannot now be an equal partner with the US. Tensions are generated by this conflict between desire and reality and by differing policies for curing it on the part of the British, and the European Community, and among the members of that Community.

2. Structure (pp. 149-154)

The most radical answer would be Atlantic Confederation. But whatever its ultimate merits, it would be premature at this stage -- a source of division and weakness and not of strength. It should not, however, be foreclosed.

The more practical course is to encourage the European Community to become an effective entity, if possible with Britain as a full member, in the interests of the Atlantic Community and of Britain. With comparable resources, the US and a European Community could become full and equal partners for joint policy and action and could fashion the necessary instruments to give effect to their partnership.

3. Improving Existing Instruments (pp. 154-159)

In the meantime, NATO and OECD must be strengthened.

especially for the concerting of basic planning and policies of their members. Several measures are suggested:

(a) A Steering Group should be established within the NATO Council to develop joint proposals and policies among the five or six members having most responsibility in world affairs (US, UK, France, Federal Republic, Italy, and perhaps Canada). The NAC would be kept informed, and would act on matters of general concern.

(b) An Atlantic Planning Group should be created to help develop a consensus on the common Atlantic interests on basic issues. Composed of three to five senior and distinguished men, not representing any nation but speaking as individuals, this group would recommend to NATO Foreign Ministers long-range objectives and policies.

(c) To facilitate NATO-OECD coordination, key member states of both agencies should have a single national delegation to both, under a representative able to speak for his Government and to influence its policy making.

(d) To foster wider public understanding and support, it would be desirable: (i) to expand the NATO and OECD information program; (ii) to develop the role of the NATO Parliamentarians in relation to both NATO and OECD; (iii) to foster the nascent Atlantic Institute, especially as a basis for wider public activity.

CHAPTER ONE

CHALLENGE OF THE 1960's

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CHAPTER ONE

THE CHALLENGE OF THE 1960's

I. The Nature of the Challenge

As they enter the 1960's, the Atlantic nations are beset by uncertainty about the challenge they face, about their purposes, and about their relations among themselves.

Ten years ago, the tasks facing the Atlantic Community seemed clearer and the common course more readily definable: essentially, to reconstruct Europe with US help; and to defend it under the umbrella of US nuclear supremacy. Those tasks were accomplished with great success. Over the intervening decade, Europe attained high prosperity, renewed confidence, and collective security.

But new problems have emerged. Today, the Atlantic nations face a much broader challenge -- a challenge posed as much by dynamic forces of change as by the Communist effort to capitalize on them. In their breadth and scope, the new problems are far more complex and difficult than those of the last decade. The Atlantic Community must find common answers to them, or face the prospect of declining viability and a revival of inefficient and divisive national approaches to what are really common tasks. It is vital, therefore, for the NATO nations to analyze their basic situation and to define their long-term purposes for the

coming decade.

In attempting to devise such long-term guidelines, they must first grasp fully the nature of the larger historical cycle within which their tasks must be faced. The challenge of our era far transcends the role of NATO as a security organ, or even the broad power conflict between the Atlantic nations and a hostile Communist Bloc.

It is the challenge of an age of revolution -- political, social, industrial, and technological -- a century of dynamic change, of which this power conflict is but a part. The basic forces of this age will mold the world environment in which the contest must be fought; indeed the side which can best adjust to and cope with these forces will almost surely determine the shape of the future.

In the course of the twentieth century, the whole world order is being profoundly reshaped. For forty years the prior order has been breaking up under the impact of the forces of nationalism, war, the continued spread of the industrial revolution, and the onrush of science and technology into whole new dimensions. Key factors in this process are: (a) the emergence of the less developed nations, with the sharp dichotomy between their vaulting aspirations and their inability to achieve these unaided; (b) the growth of new power groupings, chiefly the Communist Bloc, the emerging European Community and the nascent Atlantic

Community; and (c) the missile-nuclear revolution in means of warfare, which is radically altering old concepts about the use of military force.

We are now at midpoint in the 20th Century Revolution. The undermining of the prior order has about run its course. The challenge of the coming decades is how the new order to replace it will be shaped.

II. The Soviet Response

The Soviets have made frightening progress toward molding this order in their image. And looming behind Moscow is the burgeoning power and even more fervid ideology of Peiping. Both are confident that history is on their side and that their concept of world order will inevitably win out. Nor is this confidence purely doctrinal; they see the actual forces of change to date as moving rapidly in their favor.

We cannot affort to underestimate this challenge. The rapid growth in overall Bloc power is creating a threat on a new scale in the coming decades. Even with a much lower gross output, which is likely to remain lower into the 1970's, the Communists are increasingly able to concentrate resources -- on investment, outer space, armaments, or foreign aid -- in amounts rivalling or exceeding our own.

There has also been a striking change in the military balance between the US and USSR. Throughout the 1950's

the US had nuclear superiority to compensate for an imbalance in conventional strength. But Soviet acquisition of nuclear-missile capabilities is creating a nuclear stalemate, the full affects of which are as yet unclear.

Nonetheless, the Soviet leaders clearly comprehend the awesome risks of nuclear warfare. They will continue to prefer non-military modes of conflict so long as confronted with a credible deterrent, though local aggression may seem less risky to them. Moreover, to them "peaceful co-existence" is merely non-military conflict; hence recurrent crises are inevitable, with all the risks of miscalculation they entail.

At the least we must expect a heightened "cold war" challenge. With new confidence in its power, Moscow is shifting to a forward policy, aimed primarily at exploiting the accelerating revolution in the less developed world. The outcome in this most active arena of East-West conflict will profoundly effect the future of the Atlantic world. But in Europe too, the Communists will exploit unresolved political issues and divergent national aims to further their aims.

III. The Response of the Atlantic Nations

To rise successfully to the challenge of the 1960's, the Atlantic nations must recognize clearly the twofold nature of that challenge. It involves more than defending

against a growing Communist threat. It also means responding creatively to our age of revolution, developing a positive and dynamic concept of where we wish to go ourselves, and thus adapting to and building on the forces of change in the world. Indeed these two tasks are inseparably related -- we cannot accomplish one without the other.

Thus, the Atlantic nations must set themselves both creative and defensive goals for the decade ahead:

1. <u>Creatively</u>, to shape the basic forces at work in the world toward a viable order which will accommodate the needs and aspirations of both the developed and less developed states.

2. <u>Defensively</u>, to prevent the Communist Bloc from undermining this nascent order and substituting its own.

These goals are obviously long term in nature; we must not limit our perspective to a decade. The dynamic forces of change in the world, and the contest to see who will best adapt to them, will continue well beyond this period. Eventually there may emerge a world order into which the evolution of the Communist states themselves might permit them to be absorbed. But, even if these states should cease to be aggressive, the affirmative tasks of adapting to an age of revolution are a challenge in their own right -- a challenge to the dynamism and energy of free men.

IV. <u>The Basic Tasks</u>

The realities of power dictate that the Atlantic nations must play a central role in fulfilling the defensive and creative goals outlined above. Their military strength must form the main bulwark against Communist aggression. Their economic strength must provide much of the means for constructive growth of the less developed nations. With their common traditions, comparable level of development, and the already substantial ties among them, they form a nucleus around which at least a Free World order can be built.

If the Atlantic nations are to use their power effectively to these ends, they will need to undertake these five basic tasks:

<u>First</u>, they must adapt their military strategy to the realities of the 1960's, and thus help assure the security of the Free World.

<u>Second</u>, they must jointly foster economic growth, independence, and viable societies in the less-developed world.

<u>Third</u>, they must work out a common strategy to govern their political and economic relations with the Bloc.

<u>Fourth</u>, they must increase the vitality of their own societies, and the strength of their economies, to provide a greater margin of resources for meeting the challenges they face.

Finally, the Atlantic nations must develop political ties and institutions commensurate with the unity of purpose and effort required for these tasks.

In agreeing on the nature and urgency of these tasks the Atlantic Community should rediscover the cohesion and sense of purpose which marked its creation more than a decade ago.

This report attempts to analyze briefly the key tasks which should have priority during the coming decade. In suggesting measures for attacking them, the report makes no effort to provide a detailed or precise blueprint. No one can set fixed goals for 1970 in such a period of change. But if our actual policies must be flexible and pragmatic, they should be given a clearcut sense of direction which will knit them together into a coherent and effective program for the 1960's. The essence of long-range planning such as the Alliance will now undertake is to identify the key forces at work in the world, and to determine how to influence or adjust to them, so that the Atlantic nations can then conduct their policy within the framework of agreed long-range goals.

The human and material resources for fulfilling these goals can be made available. The central question is one of insight and will. This report tries to contribute to the insight; only the Atlantic nations themselves can generate the will.

CHAPTER TWO

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CHAPTER TWO

NATO DEFENSE

I. Need for Review

Whatever else it may be or become, NATO must first of all assure the security of its members. In its first decade, the Alliance fulfilled that function. Indeed, it developed a system of collective defense based on common strategy and combined forces unique among peacetime alliances.

Today, the NATO Alliance is subject to a gathering ferment of doubts and disagreement. This deepening unease is rooted in a weakening consensus on the nature of the Soviet threat, and on the best ways of meeting Communist pressure. It is also rooted in a declining confidence in the existing strategy of the Alliance

The broader threats of the 1960's make it essential that the confidence of NATO members in its ability to discharge its security function be restored. Without that confidence, there can be no meaningful Atlantic Community. Inter-allied cohesion may weaken in the face of growing Soviet power and individual members may, as a result, prove easy targets for Soviet threats and cajoling.

To avert this danger, the strategy of the Alliance, and its capabilities, must be adapted to the realities of the 1960's. The strategy must be viable politically and psychologically as well as militarily. It must give the members enough confidence in their military security to stand firm in the face of nuclear

blackmail or limited conflicts. It must pull them together rather than apart.

The vastly growing Soviet nuclear threat clearly dominates the central security question for NATO: Can a strategy, evolved during the 1950's to meet a very different assortment of threats, carry us -- with reasonable safety and confidence -- through the 1960's? What are its current advantages and disadvantages; what alternative strategies are possible?

II. The Strategy of the 1950's

1. The Strategic Concept

(a) Definition

The dominant official statement of NATO strategy focuses upon deterrence at three levels:

(i) Against incursions, infiltrations, or hostile local actions in Western Europe, forward units of the NATO Shield forces act as a deterrent. These units can counter these minor aggressions, if they occur, without acceptance of local defeat, and thus enforce a "pause".

(ii) The Soviets can, of course, broaden or prolong any such minor fighting after the "pause". Or they might begin an attack in Europe on a large scale. In either case, whether or not the Soviets initiate the use of nuclear weapons, they are to be met by such weapons from the outset. There is no place in the official strategic concept for limited war with the

Soviets in Europe. Expanded action in Europe by the Soviets,[1] in short, would call for use of all weapons and forces at NATO's disposal.

(iii) The remaining aggressive possibility is for the Soviets to begin by launching general nuclear war. From this course, they are to be deterred by the retaliatory power of the West, particularly that of the strategic missiles and bombers of the United States.

(b) Risks for the Soviets

This strategy, when adopted, rested on a very strong foundation. With its nuclear superiority, the United States was then in a position, without great risk, to threaten the Soviets with unacceptable penalties. Accordingly, if any non-nuclear fighting with the Soviets in Europe were broadened or prolonged, NATO forces could (i) use nuclear weapons, and (ii) broaden the area of hostilities to include Russia.

The effect was to put on the Soviets the awesome burden of making hard and risky choices. At each level of Soviet choice -- whether to provoke NATO in Europe, whether to move to major aggression in Europe, or whether to launch general

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[1] The terms "expanded action" and "expanded attack" are used in this report to refer to any hostile local action which is broadened or prolonged by the Soviets and which would therefore warrant use of nuclear weapons under existing strategy. SACEUR has indicated, however, that nuclear weapons would be used only as required.

war -- the prospective penalties were high and the rewards low if the Soviets chose the more aggressive course. If rational, they should have been deterred, as they certainly were if they even contemplated aggression.

(c) Risks for NATO

Conversely, where NATO strategy rested upon taking the initiative in employing nuclear weapons, and carrying retaliation to Russia, the risks for the West were low. If the Soviets had launched general war in the 1950's by a surprise attack upon SAC, they would have had to use bombers in a raid that might have yielded the defenders hours of warning, and which might have had great difficulty in penetrating air defenses. If they had triggered expanded attack in Europe, much less of their still meager stockpile could have been spared for nuclear-expensive tactical use than would have been possible for NATO. Most of it would have had to be reserved for strategic intercontinental bombing. Not only would the Soviet forces and people have been damaged severely by more plentiful US weapons; but its advantage in mobilized manpower would have been swamped by NATO nuclear weapons. Europe would have been seriously but but no means irreparably damaged in the process of defending it.

(d) Economy

The dominant strategy of the 1950's thus posed unacceptable risks for the USSR and acceptable risks for NATO. It had the

additional advantage of economy. If an expanded non-nuclear attack by the Soviets need not be met in kind, and reliance could be placed instead upon nuclear deterrence, then preparation for non-nuclear warfare could be limited. And if nuclear weapons were, on balance, greatly advantageous to the West, then Soviet initiation of their use might be regarded as improbable. Thus NATO preparations for nuclear war stressed strike-first rather than strike-second capabilities, with great peacetime savings which were purchased, however, at the cost of marked vulnerability.

These economies, it must be noted, were not carried in practice as far as the strategic concept might have implied. The Shield of armies and supporting services was not reduced to anywhere near a mere "tripwire," and some capabilities for sizeable conventional warfare were retained. This imposed additional costs, but it also preserved important assets and flexibility for making new strategic choices. Nonetheless, the dominant strategy relied mainly upon nuclear defense, with its then existing advantages of acceptable risks and economy.

2. Future Feasibility of Current Strategy

(a) Effect of Growing Soviet Strategic Capability

The growing Soviet nuclear-missile capability is eroding the credibility of current NATO strategy. Its premise was US supremacy in strategic and tactical nuclear weapons. With the

advent of relative Soviet parity, however, the United States could no longer use nuclear weapons against the Soviet Union while remaining virtually unscathed. Furthermore, the much larger Soviet supply of fissionable material would permit nuclear weapons to be used effectively against Western Europe, as well as the US. General war in the 1960's would thus damage North America and Western Europe enormously, with civilian casualties probably numbered in the scores of millions.

These soaring costs of general war cast doubt on threats to unleash it against limited aggression. Yet the primary danger in this period is just such limited aggression, rather than a carefully-planned large-scale invasion of Western Europe, preceded by massive Soviet mobilization and deployment. Where and if conflict breaks into overt military action in Europe, it will probably be minor in magnitude at the beginning.

We are currently faced with tense bargaining and possible hostilities, for example, over Berlin. And so long as East Germany remains under Soviet domination, the possibility of spreading disorders cannot be wholly discounted. The question is where, and on what terms, any outbreak of hostilities on this central front would stop. The Soviets could increase non-nuclear military pressure beyond the ability of our forces to respond in kind. Then we would have to choose between defeat and general war. Those are grim alternatives.

Faced with this prospect, there is real danger that some

of our NATO allies will feel so vulnerable militarily that they may become highly susceptible to Soviet pressures. Indeed, the credibility of the threat of general war to deter any expanded attack by the Soviets in Western Europe is already being increasingly questioned by our allies, and this anxiety is acting as a major divisive force in NATO today. The Alliance may be subjected to severe, and possibly unbearable, strain as a result.

If our allies are not to be confronted with the prospect of such unacceptable alternatives in the event of hostilities, then something must change in the strategy. It is no longer politically feasible to plan to threaten general war against every expanded attack by the Soviets in Western Europe. To do so clearly involves a prospect of Western casualties on a scale which makes the threat unacceptable to our allies and incredible to the Soviets. That very incredibility, in turn, increases the risk of more aggressive Soviet policy. The risks of current strategy have become exorbitant.

(b) Limits on Strategic Deterrence

It is not feasible in the coming decade to make massive retaliation once again a reasonable and credible threat against every expanded action in Europe. This would mean restoring and maintaining the prospect of tolerably low damage to the West in general war, while effectively threatening unacceptable damage to the Soviet Union. This would require an assured SAC

capability to destroy the steadily growing Soviet retaliatory power which, if the Soviets protect it well, will include perhaps thousands of targets, many of them sheltered or mobile, dispersed, and concealed -- and all protected by a defensive network. Any attempt to implement this alternative would involve (i) the certainty of considerable time and enormous expense, and (ii) a great uncertainty of achieving the desired results.

It is this uncertainty of results that must be emphasized. We cannot be confident that threats of massive retaliation could again be a reliable deterrent against every expanded action in Europe. And, where the stakes are so high, gambling simply will not do.

There remains, of course, a reduced but vital range of massive Soviet aggressions for which there is no possible alternative than deterrence by a strategic threat. For these, as indicated later, strategic deterrence should be feasible. But there is no prospect of recovering a degree of strategic nuclear superiority so great that it would again permit us credibly to threaten general war in response to any expanded Soviet action in Europe.

(c) Tactical Nuclear Defense

Tactical nuclear defense is not a solution. A strong tactical nuclear defense had considerable appeal as long as the West, but not the Soviets, enjoyed nuclear plenty. The appeal has been undermined. Soviet nuclear plenty has rendered a NATO strategy based on tactical nuclear warfare very costly in peace-

time and self-defeating in wartime.

(i) Peacetime Cost

At present, the tactical capabilities of either side might still be crushed by a surprise nuclear attack which was relatively "clean". For example, tactical aircraft at fixed soft bases could be destroyed with relatively few air-burst nuclear weapons, with consequent relatively small damage to cities and populations. But major reliance on a tactical nuclear posture would more and more lead both sides to develop and deploy missiles which, unlike current aircraft, were concealed, mobile or hard. To destroy these missiles would require resort to much higher yield weapons. It would require saturation bombing in the case of mobile targets and ground-burst weapons in the case of fixed hard ones. The political costs of a strategy which contemplated atomic hostilities on this scale in the event of any expanded Soviet action would be very great.

The economic costs would scarcely be less. For although some soft tactical targets in Eastern Europe and the Western USSR -- especially interdiction points of road and rail junctions, ports and bridges -- will not grow appreciably in number, the number of Soviet tactical missiles in this area would certainly grow if the West set out to create a capability for destroying them. Only through such proliferation could the Soviets ensure the survival of their tactical missile capability in the face

of a determined Western effort to create an effective counter-missile force. In that event, Western nuclear missile requirements would probably be in the thousands, rather than hundreds.

(ii) War-time Effect

The peacetime political and economic costs of such capabilities would certainly be very large. But the costs of using them, should tactical nuclear war break out, would be prohibitive. Such a war would destroy much of a densely populated Western Europe, for which it would be difficult and immensely costly to give even minimum protection through civil defense.

A nuclear war in Europe cannot be so limited in civilian destruction as to be acceptable to Europeans. Nuclear weapons, to be sure, can be small in yield and relatively clean, and they can be employed only as air-burst weapons against mainly military targets. But military plans are not tending to implement this concept, but rather its "dirty" opposite and the dynamics of combat, in any case, make likely swift escalation from very limited use of nuclear weapons to very damaging use. The best answer to an effective little bomb is a bigger one, with no natural limit on size or savagery in retaliation or counter-retaliation. The line between no nuclears and nuclears is definable and observable, but not so the line between a "clean" and a "dirty" nuclear weapon, which is a matter of degree.

Moreover, any concept of limited nuclear war in Europe would destroy the Alliance. By admitting the concept of a

nuclear war restricted to Europe, the United States would be renouncing the threat inherent in current strategy to broaden the area of major European hostilities to the USSR. Thus it would be giving the Soviet heartland sanctuary status in order to preserve North American sanctuary. There can be little appeal to our allies in this most divisive of strategies. An explicit attempt by the US to disengage from the most terrifying threat, leaving its partners to bear the brunt of that threat would undermine NATO's central principle of common defense. It would shatter rather than rebuild European confidence, and invite a spread of neutralism.

(iii) Implications

Given its consequences, tactical warfare in Europe is not acceptable or credible as a deterrent to anything less than all-out Soviet attack. For deterring this contingency, it makes more sense to rely primarily upon strategic forces that threaten vital targets in the USSR -- both the existing strategic force in the US and the proposed strategic force in Europe which is discussed later in this paper. These forces promise to be much more effective for deterrence, and, for conducting general war if deterrence fails. For the outcome of general war will be determined by the degree of damage inflicted on the US and USSR, rather than by the course of tactical fighting in Europe.

Strategic forces thus seem the most powerful and therefore lease unpromising means of deterring general war. And if

we have bought this capability for strategic deterrence, why duplicate it by great expenses directed toward less effective, nominally "tactical", means to the same end?

It is thus as infeasible to meet NATO's current military problem by a thorough effort to enhance the Shield's tactical nuclear capability as it would be to meet that problem by trying to restore high confidence in the threat of massive strategic retaliation.

(d) Conclusion

Accordingly, NATO should revise its strategy and forces to reflect the conditions of the 1960's. For a viable NATO strategy in the coming decade, two changes seem essential:

(i) A Shield in Europe whose conventional capabilities are so strengthened that the increasingly precarious dependence of NATO upon nuclear response to non-nuclear aggression will be acceptably lessened.

(ii) A means of reassuring Europe that effective strategic power will be available in a crisis to deter remaining threats.

The means of achieving these changes and their consequences are separately explored in the following two sections. One prefatory caution, however, is required. The proposals are interdependent. Unless the Shield is strengthened, the proposals to assure strategic deterrenct to Europe would be too risky for reasons that will be indicated. The proposals form a package that must be judged and, if accepted, implemented as a whole.

III. Revised Strategy for the Shield

1. Scope of Revision

In revising NATO strategy for the 1960's, the aim should be to strengthen the Shield's conventional military capabilities to defend Europe against non-nuclear attacks and to reduce its risky dependence upon initiating the use of nuclear weapons.

By this means, NATO could avoid the terrible dilemma which the current strategy invites. If small non-nuclear hostilities started to spiral into greater magnitude, NATO need not then choose between either (i) local defeat if it decided against using nuclear weapons, or (ii) tremendous casualties if it uses them. NATO could instead meet greater non-nuclear threats resolutely in kind, with better hope for assuring a favorable outcome. The burden of risky decision would then be as much upon the Soviets as on us. And any pressure upon the Soviets to move to preemptive attack would be lessened. In sum, fulfillment of this alternative would create a much less precarious situation in Europe before or during hostilities and would enhance the cohesion of the Alliance. These are great advantages.

(a) Non-Nuclear Capability

To attain these advantages, it is not necessary that the NATO non-nuclear capability be able to deal with the contingency of all-out conflict resulting either from deliberate maximum Soviet attack or from an unlimited spiralling of limited conflict.

<u>All-out Attack</u>. Soviet mobilization for a non-nuclear conquest of Europe would present the same clear-cut and extreme provocation as a Soviet nuclear attack. The same strategic forces that are relied upon to deter nuclear attack can also deter this provocation. Either event would justify invoking the supreme deterrent.

<u>Unlimited Spiralling</u>. <u>If</u> NATO's conventional defenses are bolstered, the likelihood of any limited hostilities in Europe spiralling into all-out conflict will be low. For the Soviets would hardly continue in so dangerous a spiral, if the Shield were holding and tactical victory were not close at hand. They would realize that steadily expanding conflict would generate a growing risk of general war by accident or miscalculation and a growing likelihood of the US threatening strategic retaliation if the conflict were not settled on satisfactory terms.

For these reasons, an "adequate" non-nuclear defense is defined reasonably, if somewhat unprecisely, as one that could contain any Soviet conventional attack based on ready forces for a sufficient time for the wider risks to become clear. Such a defense should be our stated goal. The time perspective should be measured in weeks, or at the most months, rather than years. Such forces should deter any such action or its expansion for the reasons already indicated.

(b) <u>Tactical Nuclear Capability in Europe</u>

The revised strategy would recognize that hostilities on

a scale involving tactical use of nuclear weapons would rapidly move into general strategic warfare and that primary reliance should be placed on other means for deterring or conducting such warfare. This would not imply an absence of NATO tactical nuclear weapons. They would still be necessary to supplement strategic forces in deterring the Soviets from initial use of tactical nuclear weapons and from an all-out, and hence vulnerable, concentration of Soviet conventional forces in attacking Western Europe. But this concept would call for preparation on far lower scale than would be required to enable NATO to carry on tactical nuclear warfare.

What tactical nuclear capability would be required to fulfill these purposes, if conventional defense in the theater is thus to be assigned primacy as the Shield's goal?

The rough rule should be to add nuclear to non-nuclear capabilities only when addition is relatively inexpensive in terms of money and of compromising the Shield's non-nuclear combat effectiveness.

Large tactical missiles illustrate the issue. They would replace tactical aircraft which are useful for non-nuclear warfare (and which, with re-orientation of design and concept, could be made more so). Not so an MRBM, which would be an absurdly expensive way of carrying conventional high explosives and whose cost as a nuclear delivery weapon could only be justified if it were intended to enhance the strategic deterrent.

Consequently new tactical nuclear capabilities should in general be added to the Shield only to a limited extent. The goals of strategic deterrence to all-out attack and of deterrence to lesser non-nuclear attack should have first claim on military expenditures. If these goals are fulfilled, most of the burden of deterring the enemy from moving to nuclear weapons or to a decisive concentration of conventional forces, because he finds our non-nuclear defenses strong, can be borne by our strategic forces.

For these deterrent purposes, however, nuclear tactical air strike forces will also be needed in the theater. Some small missiles, dual-purpose Howitzers, nuclear-capable aircraft, etc., which can be added at moderate cost, can also be valuable in supplementing deterrence.

On the other hand, if this concept be accepted, some current trends must and can be reversed. The design of tactical aircraft oriented almost exclusively toward nuclear delivery, with non-nuclear capabilities severely compromised in the process, is one example. On the ground, the compromising of divisional conventional capabilities in terms of reduced artillery and the other arms should be questioned. In design of equipment, as well as organization and deployment of forces, we must be sure that we do not so compromise our non-nuclear capabilities as to dissipate their potential adequacy.

2. Effect on Deterrence

On balance, would this shift in strategy reinforce or

impair deterrence?

(a) Deterrent to All-out Attack

The NATO strategy must attempt to deter both all-out and lesser aggression. Under the existing and revised strategy, the deterrent to all-out attack would continue to be the threat of strategic retaliation against the Soviet Union. The conquest of Western Europe should, therefore, continue to entail costs too high to be attractive.

(b) Deterrent to Lesser Aggression

The change would occur at the other end of the spectrum. There the deterrent would be enhanced in effectiveness.

The strategic threat could deter any attack, aside from incursions and infiltrations, so long as this threat remained credible to the Soviets and our allies. But as its costs to the United States soar, the Soviets may be tempted to actions for their political effect. They may consider, in this event, that the risks of the strategic response against smaller actions are declining and that the potential political impact of such actions is increasing.

They may consider that the risks are declining because execution of the strategic threat would involve such disproportionate costs to the U.S.

They may consider that the potential political advantages of lesser actions are increasing because our allies would be torn, in the event of such actions, between two fears: (i) that an all-out war response would destroy them for apparently

inadequate cause, or (ii) that failure to respond would leave them naked to Soviet power. The USSR might expect that threats of limited action could undermine the Alliance by the interplay and conflict of these two fears, so long as NATO strategy was predicated on an all-out response to any expanded action.

As its own strength grew, therefore, the USSR might be tempted at some point to threaten or undertake such limited actions.

The revised strategy would mitigate this danger. Greater conventional capability would allow such threats or actions to be dealt with by responses more in keeping with their scope. In consequence, allied hesitancy about reacting and Soviet doubts as to whether NATO would react would both be mitigated. Moreover, the Soviets would be deprived of the leverage of blackmail, which is an added incentive to local aggression.

Not only would an effective NATO response short of general war be more certain, but the Soviets would still have to weigh the serious danger that once violence began it might get out of hand and escalate into general war. Hence their uncertainty about the ultimate costs to them would remain, and would reinforce the certainty of an effective initial NATO response as a deterrent to such actions.

The revised strategy should also reduce the risks of general war because it would reduce the probability of limited aggression spiralling into general war. NATO would be under less compulsion to move from non-nuclear to nuclear hostilities.

This NATO shift from a trigger-happy situation to an inherently more stable situation would reduce the likelihood of enemy nuclear pre-emption.

Under the revised strategy, initiation of nuclear weapons would mark the boundary between limited and general war. It would be a conscious decision to expand hostilities through a step that was definable, observable, and of the gravest portent. If Western retaliatory power is powerful and secure, as it certainly can and should be, the probability that the Soviets would thus deliberately decide to convert European provocations into general war should be very small. Deterrence of general war would be strong.

3. Feasibility

A NATO policy that minimizes the need for Western initiation of nuclear war and yet strengthens deterrence demands adequate non-nuclear forces. What is "adequate" and how feasible is NATO financing of such forces?

(a) Size and Calibre of Forces

How many NATO divisions would be required on the central front to counter an attack by Soviet ready divisions in the period ahead? In determining the feasibility of the proposed strategy, a precise answer is not necessary. It is enough to know whether the proposal would be prohibitively expensive.

In considering the question, military experts from the various services were consulted. Their views seemed to coincide within a relatively narrow range. A judgment must take account of

(i) the probable Soviet ready divisions after recent and prospective reductions;[1]

(ii) the number of these which could be allocated to the central front in Europe;

(iii) limitations imposed by logistic difficulties and excessive vulnerability from undue massing of forces;

(iv) the defensive advantage in non-nuclear warfare, estimated variously at 2:1 or 3:1;

(v) the density of forces required for specific areas; reserves, etc.

In the light of these factors, the requirements for non-nuclear defense against ready Soviet forces do not appear too ambitious. In fact, they probably do not exceed the present NATO targets of 30 divisions for Shield Forces. Both logistic and military considerations would sharply limit the proportion of total Soviet ready forces which could be allocated and deployed on the central front. And the Shield's defensive objective should permit its forces to counter a much larger attacking force. The resulting requirement could surely be met by a NATO that has greater manpower, as well as wealth, than the Soviet Union and European Bloc. The expected growth of German forces will bring the number on the central front to

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1/ According to current national intelligence estimates, Soviet ground forces will be cut from 100 combat ready divisions (plus 70 cadre) as of 1 January, 1960 to 65 combat ready divisions (plus 60 cadre) as of 1 January, 1962.

more than 26 divisions. A target of 28-30 ready divisions could be reached if some French forces returned from Algeria or other members increased their contributions. And further cuts in Soviet conventional forces might make a lower NATO target adequate. There thus seems to be no rational basis for the frequently-encountered despair about NATO force levels.

The picture is much less reassuring regarding the kind of divisions, their quality, the desirable number of reserve divisions, tactical air and other complementary support, and stocks of arms and supplies. It is here that new responsibilities must be squarely faced. One gets the impression that many European forces suffer from a pervasive neglect, which is not surprising as long as governments are persuaded that virtually all protection rests with nuclear deterrence and that little urgency attaches to concepts and budgets for non-nuclear defense.

The proposed strategic concept will not permit these rationalizations of neglect to continue. For example, supply levels for fighting will have to be improved. Above all, modern equipment and training will be essential. When the adjective "conventional" is used to describe non-nuclear warfare, it does not mean World War II equipment. New weapons, tactics, and ideas are needed to match and surpass the Soviets in this area. Complexity, sophistication, and high mobility of at least some key forces are required. For this, troops must be well-trained and ready, which implies periods of service long enough

to master complicated jobs. The political obstacles to longer service are serious but might be mitigated or overcome if the purpose of the non-nuclear force was understood.

(b) Costs and Savings

Thus the new requirements do involve considerable new expense for qualitative improvements in those forces. But added outlays for these improvements must be balanced against off-setting economies made possible by other aspects of the suggested strategy. Each of these potential offsetting economies is considered further below.

(i) New Technology

There appears to be real promise that new guidance developments in defensive missiles suitable for use in a non-nuclear conflict may increase the advantage of defensive over offensive forces. If so, force level requirements for defense should drop accordingly. The revolutionary advances in guidance, for example, may so bolster air defenses -- at least in a non-nuclear environment where those defenses should survive -- that any Soviet advantages in numbers of tactical aircraft may be less grievous than formerly estimated. The tank spearheads of future attack might be hampered by other advances in guidance. This is only a single illustration of reasonable possibilities, but one with real point. On balance, new technology may not be cost-increasing, though the reverse may prove to be the case. Research and development needs to be urgently pursued in the now-neglected area of non-nuclear weaponry.

(ii) Other Innovations

There are other pertinent possibilities for economizing. Are there unexploited opportunities for great improvements in efficiency through integrated logistics for NATO? Should they be seized, despite all the political resistance attendant upon breaking the principle of national responsibility? Surely these questions should be answered authoritatively by expert inquiry. As with weaponry advances, a renewed sense of purpose in non-nuclear defense can and should spark new efforts for innovation and improvement.

(iii) Utility of Reserve Forces

Non-nuclear attack is not as overwhelmingly swift as nuclear attack. This means renewed utility for reserve forces. To be sure, these reserves must be trained and equipped. Still, in Western Europe the cost of reserves should be moderate. They need not have the full range of advanced equipment and full supply that is required for global mobility of ready forces like the US divisions in Europe. Nor, obviously, do they require the transport and expense of maintenance, with dependents, far from home. Savings should be substantial. These advantages may be especially great for territorial reserves. While more highly-trained and equipped units operate as key mobile forces in the theater, such reserves can complement them with less mobility.

(iv) Savings in Tactical Nuclear Capabilities

The greatest area for compensating economies in the theater,

however, lies in lessened preparations for tactical nuclear warfare. If we plan on the nuclear initiative in Europe and reliance on NATO tactical nuclear forces, the expenditures would be very large indeed. NATO would be forced thoroughly to renovate its forces, to ensure their survival in the face of growing Soviet tactical nuclear capabilities. This would involve far more than merely adding mobile or hardened missiles of longer range. Command and control centers would have to be protected, as would all vital combat elements down to and including individual defense batteries and basic infra-structure and other supporting facilities. Operationally-expensive short-take-off-and-landing airplanes in dispersed locations would have to replace regular aircraft. A full-fledged sophisticated air defense system might have to be installed in Europe, akin to that in North America. Most of these needs, which would have to be met for an effective tactical nuclear war capability, would not have to be met under the proposed strategy.

In sum, the proposal for enhancing Shield non-nuclear capabilities would involve significant costs, mainly for qualitative improvement. These costs would be partly offset by a variety of possible savings. How much net costs would go up is uncertain.

The alternative of a Shield thoroughly revamped for tactical nuclear war in an era of growing Soviet nuclear capabilities would be far more costly. The proposal is expensive only in

comparison with alternatives that would simply accept across-the-board deficiencies everywhere, or that would move to a more "trip-wire" concept in Europe without facing the concomitant need to bolster strategic offense and defense capabilities.

(c) Political Requirements

What is proposed is surely within the economic capability of an Alliance whose income -- especially in Europe -- has risen at such a rapid rate in recent years. To be within our political reach, however:

(i) Its merits and implications must be clearly understood within the Alliance. Europeans will not support the unexotic, but extremely useful, repairing of Shield deficiencies unless they understand that fulfilling this task will reduce the likelihood that any significant use of the Shield would trigger nuclear hostilities.

(ii) The US must maintain its share in conventional defense. If we want to persuade our Allies to buttress the Shield, we can hardly begin by diminishing our contributions to it. Later, when European contributions can and should be greater, and the threat may be lower, US contributions may be able to decline without impairing our security. But that time is not at hand.

IV. Reinforcement of Strategic Deterrence

1. The Need for NATO Strategic Capabilities

(a) The Basic Requirement

More powerful conventional forces will obviate dependence on strategic retaliation for countering certain classes

of aggression specified above. But we cannot escape dependence on strategic deterrence for other types of aggression -- notably nuclear blackmail and the threat of massive nuclear assault on Western Europe.

Soviet threats of rocket attack, the most flagrant form of political pressure, may well grow as they already show signs of doing. Lest Western European countries become cowed by Soviet threats, these must be rendered ineffective by a credible counter-threat.

Such a counter-threat is also required in order to deter the Soviet Union from crippling NATO conventional forces by a nuclear blitz, or from expanding a conflict to extreme limits in the event a conventional Bloc attack is repelled by the NATO forces. Even a strong conventional Shield cannot provide such a counter-threat.

(b) The US Role

US strategic forces, now and for the foreseeable future, must be the main instrument for deterring extreme Soviet provocations in Europe as well as directly against the US. Strengthening the Shield would lessen the burden on US strategic forces by reducing the range of Soviet provocations against which threats of strategic reprisals must be made. Even in a period of nuclear stalemate, this appears to be a credible

burden for strategic forces. To this end:

(i) We should maintain a strategic posture that lends real credence to our deterrent policy. Soviet fear of US deterrent power must be maintained by preserving our strategic capability against the USSR, despite Soviet defensive measures.

(ii) We should state and restate our intention to protect Western Europe. We should make clear that we believe that it is rational for the US to equate the security of Western Europe with that of the continental US.

(iii) We should try to preserve a critical area of uncertainty in Soviet estimates of the US will and ability to strike under conditions which are highly provocative but fall short of all-out conflict. The Soviets must be given some cause to fear that the US might, in this circumstance, at least unleash a limited strategic nuclear war, counting upon its nuclear blackmail to intimidate a Soviet response.

In all these ways, US deterrence can be kept sufficiently powerful in the eyes of the Soviets to meet the burden which would be placed on that deterrence under the proposed strategy.

(c) <u>The European Requirement</u>

Providing ample US strategic power to meet these threats is indispensable, but it is not enough. European anxieties will center increasingly on whether that power can be counted upon in a crisis: Will the United States resolutely face an acute risk of millions of American casualties in general war

in order to deter a looming or actual Soviet major provocation in Europe?

We Americans may maintain an effective strategic striking force; and it is important that we do. We may say that we can be counted upon; and it is important that we do. But these words and military preparations can merely allay deep-seated anxieties. These anxieties will only be removed if the European members of NATO have a capability for strategic retaliation, in order to deter the kinds of Soviet aggression which even a strengthened Shield could not counter.

The following sections appraise, very summarily, alternative means for creating a supplemental European deterrent; and propose the outlines of a constructive scheme for meeting this need.

2. Independent National Deterrents

The strongest evidence that the US deterrent does not fully meet the need in European eyes lies in the costly efforts of the UK and France, and prospectively perhaps of others, to secure nuclear retaliatory power that is under their own control. They are motivated, of course, by prestige and many other considerations apart from the fear that US retaliatory power might be withheld in a crisis. Nonetheless, their sizeable effort lends credence to their expressed fears about American resolution. National deterrent forces should, therefore, be considered first in our exploration of alternatives.

(a) National Military Considerations

The military appeal of national forces lies in the hope that a missile capability which could assuredly place a few city destroying warheads on target might be enough to deter the Soviet Union from an attack upon the country that possesses them. The task of constructing even such a capability is enormously difficult. For no European country is such a missile capability from its own efforts in sight until the latter part of this decade, if then. Britain has given up on its own missile; and France has a long way to go.

By the time such a capability might come into being, its retaliatory power would be uncertain. Protecting such a force, and assuring its ability to penetrate defenses, would not be easy in view of continually advancing arms technology and in the face of a rich, resourceful opponent. The only certainty, if this course be followed, is that of high expense. The military value is conjectural.

Another military implication is equally plain. If such capabilities are attained, they will virtually be confined to deterring the one contingency of mass nuclear assault upon the country in question. Against any other threat, their employment would be known by all to be suicidal, and hence the credibility of their employment would be virtually nil.

(b) Collective Military Implications

If national deterrents offer such uncertain and limited military rewards for sizeable expense, their import for a

balanced collective force in NATO is clear. They divert great resources from the needed Shield, while not substituting for it. They are doubly divisive in the Alliance, for they impede collective preparations while they attest to lack of faith in collective defense. For collective efficiency, a proliferation of purely national deterrents from purely national efforts is the worst of all alternatives.

Operationally, such forces also pose a grave problem. If ever they are used, will they be coordinated in employment with the NATO strategic elements? Uncoordinated forces could lead to the worst sort of targetting; namely, everyone hitting Soviet cities almost exclusively. If so, the Soviets, with no major cities left as hostages to restrain their behavior, and with none of their retaliatory power damaged, could hardly be expected to limit their response. In a nuclear world, when wars can start by accident as well as design, losing even the faint hope of "controlling" general war is extremely serious. Coordinated operational control of global strategic elements is required.

(c) Political Considerations

Given these sweeping military drawbacks, should the US try to lessen them by (i) opposing national military deterrents, or (ii) greatly reducing their wastes by weapon and other assistance?

Since the UK and, even more insistently, France are requesting US assistance in the development of independent

nuclear capabilities, it has been argued that meeting these demands is a condition of inter-allied harmony, and that denying them will prejudice the allied defense effort. Though this may be true in the short run, the long-run consequences of lending such assistance are almost sure to be disruptive of allied unity. Yielding to French pressures would only encourage further French demands. And some allies, notably West Germany, would soon find their under-privileged status intolerable, and make demands which other allies would strongly oppose.

To encourage such decentralization of deterrent power would also increase the risks of accidental or irresponsible use, and the perception of this possibility would foster further discord in the Alliance. It would, moreover, strengthen the world-wide proliferation of nuclear capabilities, with all its implications for tensions, risks, and reduced chances for arms control.

Still, can the United States prevent the spread of independent retaliatory forces? If such proliferation is inevitable, would the US do best to help its Allies direct their efforts into the relatively most promising channels, save them the wasteful drain on their resources, and shore up Allied cohesion as best it can?

In fact this proliferation is <u>not</u> inevitable unless we made it so. Even if it were, over the longer run, there might be merit in slowing down the spread. At present, only France is firmly determined to go ahead. If left to their own resources,

even the French might eventually find the effort unpalatable and the results disappointing -- especially as the costs and difficulties of creating an effective delivery system become more apparent. On the other hand, if the US helps the French to acquire a national capability at bearable costs, not only will the French be encouraged to persevere, but the UK will be virtually constrained to hang on to an independent nuclear force, West Germany is certain to claim the same privilege before long, and Italy may be induced to demand equal status as a "middle power".

Much, therefore, depends upon US policy. National efforts may not succeed without US aid. And even if some spread of independent nuclear deterrents proves inevitable, its scope can be greatly reduced, the process slowed down, and the new club members kept from acquiring weapons systems which would give them strong confidence in their ability to act independently.

3. A Collective Deterrent for NATO

National programs will seem even less attractive to European countries if a constructive alternative to independent national deterrents is put forward. A multi-national deterrent is, in principle, more attractive, because it would avoid or greatly lessen the drawbacks of national deterrents.

But an attempt to create such a multi-national deterrent faces a new problem that many deem insuperable: How can a multi-national force be depended upon for protection when other members

may veto its employment? This central problem can, it is believed, be solved through the arrangement outlined below.

It is proposed that a multi-national strategic capability be established in Europe under the command of SACEUR. Its purpose would be to give the European members of NATO a missile threat against the USSR which would be a serious strategic deterrent. To relieve European anxieties about the dependability of such a force in a crisis, it is proposed that SACEUR be authorized in advance by the North Atlantic Council to use the force against key Soviet strategic targets in the event that the Soviets initiate major nuclear attack on the Treaty Area. The force could be used in other contingencies if and as the Council might decide. The implications of such a control arrangement will be considered in more detail later in this report.

The proposed multi-national retaliatory force could not be brought into being for several years, given lead-time required for international negotiation, procurement and training. Therefore an interim force of US-manned POLARIS submarines under the control of SACEUR is proposed which, while it falls short of meeting full European demands, could help to cover the gap. The proposed interim program would symbolize concretely US desires for constructive assistance.

Should the NATO members not agree to create its successor, the interim program would remain as an acceptable alternative.

The United States thus need not and should not be a supplicant for creation of the multi-national force; given its late and problematical arrival, this force would not help to close any "missile gap". The US would be favoring its Allies by helping them to set up the multi-national force and it should view its bargaining about the terms on which that force was to be set up accordingly.

The essential components of the proposed interim and multi-national deterrent programs are outlined in paragraphs 4 and 5 below; their overall effect and the adequacy of proposed control arrangements is evaluated in paragraph 6.

4. The Interim Program (INPRO)

(a) Under the Interim Program the US would offer to make a substantial proportion of US-manned POLARIS submarines, as they become operational,[1] available to NATO to be under the complete and direct control of SACEUR in peace and war. His control would be exercised whether or not all the submarines were deployed in the area of his command.

(b) The US would authorize the firing of the missiles: (i) by order of SACEUR, in the event of a major Soviet nuclear attack on the Treaty area, (ii) by decision of NAC or other procedure approved by the NAC in other contingencies. In either

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[1] In addition, this force might be supplemented by including other US strategic forces that are stationed in Europe or within NATO command areas, provided that the British did likewise.

case the US would commit itself to comply with the decision.

(c) the US would also retain authority to fire the missiles without NATO approval. Even so, the arrangment would assuage European fears as to whether US strategic power would be used in their defense.

(d) The number of POLARIS submarines in the INPRO fleet might be as high as 12 or 14 by the mid-1960's. (If desired, merchant vessels or conventional submarines might be substituted for the POLARIS submarines).

(e) Crews would be American and warheads would remain under US custody until the decision of employment has been made by SACEUR, the NAC, or the President of the United States, as indicated above.

(f) Since the POLARIS submarines involved would be allocated from the number programmed in any case for the US, the US would bear the costs of production, maintenance and operation.

5. <u>The Multi-national Strategic Force (NADET)</u>

The NATO Deterrent (NADET) is envisaged as a natural successor to the Interim Program.

The US would inform the European countries, when it set up the Interim Program, that it stood ready to assist in establishing this successor arrangement on two conditions:

(a) NADET must be sufficiently multi-national so that no participating ally could pull out units to be employed as a national force. For this purpose, the force should be multi-

national down to and including the firing crews, and its administration, ownership and financing should be multi-national.

(b) The NATO members must be able to agree on an effective means for its control. This may well be difficult. INPRO would, however, have established a natural precedent which the NATO members could well follow. If they did, the force could be employed by SACEUR in the event of large scale nuclear attack on the Treaty area, and its use in other circumstances would be as determined by the Council. By such advance authority, the NATO members would only be recognizing that in fact a nuclear attack on the Treaty area would inevitably trigger use of an intact NATO strategic force.

To safeguard data on weapons design, the US would maintain constructive custody of POLARIS warheads, undertaking in advance to release them whenever the force was ordered into action under the agreed procedures. The sole purpose of formal custody would be to preserve security of design data; since it would not affect control for use, it should not be objectionable to the Europeans.

If they objected nonetheless and pressed for full NADET custody in peacetime, the US would have to decide whether this change was essential to make NADET an effective response to European concerns and thus to head off national programs. Otherwise, this change should be strongly resisted by the US, in order not to make available weapons design data to the participating nations. Even if custody of the warheads _were_ to be transferred to NADET, consideration should be given to having missile

and warhead maintenance provided by the US in installations required in any case for the US POLARIS submarine fleet.

If the Europeans accepted this proposal, we should be prepared to take part in common financing and manning of the submarines and supporting facilities as agreed by NATO. In addition, the US would be providing the warheads. POLARIS submarines from the existing INPRO or new production could be sold to NADET as and when it stood ready to receive them.

The US would not insist that all NATO members join NADET if the prescribed conditions were fulfilled. It might consider allowing NADET to be organized under the European Community or WEU, if they desired to do so and met the prescribed conditions and put them at NATO disposal.

If the NATO countries wished to accept NADET without the proposed multi-national character and control, the US should not agree. Without this feature, it would be relatively easy for NATO countries to withdraw their contributions to NADET and employ them as national units. Multi-national <u>command</u> or <u>ownership</u> would not be an adequate safeguard against withdrawal if the submarine were manned by nationals of one country. If <u>servicing facilities</u> were multi-national, this could be an obstacle to effective national use over the long run, but it would not hinder immediate operational use of any for national purposes.

If the European countries concluded that some other weapon systems than the POLARIS-submarine combination was more advantageous, NADET could adopt it. However, there are obvious

political advantages in offering what appears to be the single most promising system to our allies. In any event, we should strongly urge adoption of a sea-based system, since this would offer great advantages.

In war-time, such a system appears to be the least vulnerable to missile or air attack or to land invasion. A Soviet first strike on such a system would cause less incidental damage to NATO countries and forces, and this would be apparent to the Europeans beforehand. These advantages would apply as well during any limited hostilities, when sea-borne missiles would also be secure. This invulnerability of sea-borne missiles would make them more effective as a deterrent and less trigger-happy in the event of either a grave international crisis or limited hostilities.

In peacetime, sea-borne missiles would avoid the "host country" problem, with any claim of special veto. They would also be less vulnerable to Soviet intelligence and to take over by national forces. They would minimize the risks of sabotage and of nuclear accidents which would generate a strong popular neutralist reaction. Most importantly, a sea-borne missile force would be "out of sight and out of mind". Instead of rushing conspicuously about European roads or railroads, and thus stirring up all sorts of fears and controversies, it would be undersea most of the time -- visible only when it put into a relatively small number of ports.

In combination, these advantages are so overwhelming as

to outweigh high costs per submarine. Actually total system costs would not be unduly high. Some 200-odd missiles should be adequate as a strategic deterrent in view of their invulnerability.

6. Evaluation of NADET

(a) Value as Deterrent

How would NADET and a bolstered Shield contribute to deterrence of Soviet attack on the Treaty area?

(i) For the contingency agreed in advance, large scale nuclear attack on the Treaty area, NADET would be an effective deterrent. Its threat of heavy damage would supplement that of the US strategic force.

(ii) Conventional attack on the Treaty area by ready Soviet forces would be covered by the improved Shield. As indicated earlier, this Shield would be a more credible threat than the present uncertain threat of nuclear reaction.

(iii)Attacks on the Treaty area of greater scope, but short of large scale nuclear attack, such as all-out Soviet conventional attack would be covered in two ways. First, US striking power would threaten nuclear retaliation, as at the present. Second, the Soviets could not count on NAC failure to agree on NADET use under these conditions. Since all-out Soviet attack would be preceded by Soviet mobilization or prolonged hostilities, there would be time to try to reach agreement.

The creation of NADET would thus reinforce the deterrent

to Soviet attack on the Treaty area and the effectiveness of NATO forces in responding to attack.

(b) Effect on National Programs

Would the proposal satisfy the demand for national strategic deterrents?

Given the NAC-agreed advance rule of engagement and the absence of US veto, the proposal would go far toward meeting European concerns. The major threat would have been covered in advance. With a reinforced Shield and NADET, NATO would thus, have made effective provision against all likely military contingencies. The remaining unlikely contingencies would, if they materialized, leave time for NATO to agree on NADET action. Since the Soviets could not count on non-use of NADET, its deterrent value would be at least as effective a threat as are inadequate national forces. The unilateral US strategic power and the tactical weapons of other NATO countries would still be available for use, even if NATO could not agree on NADET's use.

NADET, then, should meet the fundamental need to assuage European anxieties about the reliability of strategic deterrence. Failing agreement on NADET, INPRO will contribute materially to meeting this need. Indeed, our mere offer to help create a multinational NATO capability not under US control, whose use by European countries would clearly involve the US in nuclear war, would probably go far to meet any European concerns as to our present willingness to use strategic power in Europe's defense.

(c) Relation to Alternatives

The INPRO/NADET proposal would be much better than any alternative solution. The disadvantages of spreading national deterrents have already been discussed. The proposal is superior to adopting the control pattern of the proposed MRBM program -- with control being shared by the US, the host country, and SACEUR. The US veto would prevent this arrangement from meeting the European desire for a veto-free force, which is behind the drive for national capabilities. And to forego the US veto over missiles supplied to host countries would create new problems and tensions. For many allies would consider that SACEUR's veto, by itself, was an inadequate safeguard against irresponsible use by national crews.

The best combination appears to be responsible strategic backing by US programs and reassurances, a US strategic POLARIS capability under SACEUR control, and the prospect of some form of a NADET program.

V. Relation of Strategic and Shield Proposals

The proposals for a strengthened Shield and an assured deterrent are interdependent. The risks of giving our partners a trigger on nuclear war demand that they join with us in reducing the likelihood that it need be pulled because of Soviet provocations in Europe. That NATO agree to strengthen the conventionaltional Shield should be a pre-condition to US implementation of the NATO collective deterrent. Otherwise the risks would be

excessive. The proposals should be considered, and negotiated, as a package. The Shield build-up could begin promptly, and should have made substantial progress by the time NADET came into being several years hence.

VI. Broader Political Advantages of Proposals

1. Cementing the Alliance

Strains within NATO have been obvious to all, and some are so deep-rooted that no particular proposal for revised strategy can do more than mitigate them. Surely, however, these proposals go far toward alleviating prospective strains and providing new opportunities for mutually beneficial cooperation.

(a) They avoid the most divisive of strategies. The proliferation of national strategic deterrents -- surely the most disruptive course, with its foundation in gnawing doubt that others will come to one's defense in the face of the worst threat -- is countered in two ways. First, a strategy for limited nuclear war in Europe, which would eventually drive Europeans toward deterrents of their own if not to neutrality, is rejected. Second, a constructive alternative is offered in the form of a NATO strategic deterrent which in extremis can trigger nuclear war -- almost certainly involving the US. What more striking reaffirmation of US determination to defend Europe could be given? These proposals, in short, recognize the need for inter-allied interdependence and focus upon it.

(b) The proposed strategy lends new credence to the old goal of a Shield in Europe. In re-vitalizing the old goal, and

demonstrating its continued utility, it restores the basis for truly collective action. An integrated Shield, with other associated capabilities, demands a coalition effort. No single country can go it alone in this area, and yet together the job is well within NATO capabilities. The essence of collective defense by common effort should once again be restored.

(c) Above all, the proposed policy would make sense from the Western European point of view. A strategy which relies on general strategic war or widespread and intensive use of tactical nuclear weapons for combatting all but minor forms of Soviet aggression, will not continue to make sense to Europeans. The realization of these military facts of life is bound to spread widely. To refuse to discuss changes in strategy, lest the discussion of the need for change create apprehensions, is a "heads in the sand" policy. It invites the prospect that the US will be dragged into change by less-well informed allies, rather than constructively leading the way.

(d) Finally, cohesion would be strengthened because the first steps to implement these proposals could be taken by the United States quickly without protracted inter-allied negotiation. The proposals for a NATO deterrent could be put forward, and US actions to implement its interim phase might begin straightaway. Initiatives could be taken promptly, in themselves evidence of strengthening the Alliance, and they could be pressed as inter-allied consensus develops.

Over the longer run, this constructive approach should go

far to restore European confidence in American maturity and in European security. To restore this confidence is a pre-condition of a strong Europe, a strong NATO, and a strong United States. That these proposals lend themselves to this end is their main, but by no means only, political-military advantage.

2. Consistency with Global Requirements

The proposed policy would increase the flexibility of NATO military response in the Treaty area and also broaden US -- and, for that matter, Western -- choices in countering aggression in the rest of the world. Suitable US strategic forces are required to back our European allies. Those forces have great deterrent value elsewhere as well. Without them, the US would be in a weak position to counter aggression in the Middle East and Asia where the power of the Soviet Union and of Communist China to invade and occupy is difficult to balance by creating sufficient local strength.

Similarly, a build-up of conventional forces in Europe would require a modernization of US tactical forces, permit us to do so relatively cheaply, and make US divisions more effective for operations in other parts of the world.

3. Avoidance of Extreme Provocation to USSR

While we must be prepared resolutely to counter Soviet pressures, and to apply pressures on them when the specific opportunity is promising, we must also avoid acting provocatively when to do so does not, on balance, serve a vital purpose. The Soviet Union should find the establishment of a multi-national

deterrent system less provocative than the development of independent strategic capabilities, especially if such a development foreshadows the placing of strategic nuclear weapons into West German hands. And a sea-based strategic capability will be less provocative than the deployment of MRBM's in Western Germany. The reduced dependence of NATO Shield forces upon nuclear weapons, and especially upon public threats to initiate their use to compensate for non-nuclear battle weakness, should dissipate Soviet incentives for pre-emptive nuclear attack. In all these respects, the proposed posture should be conducive to lessened tensions and military stability.

4. <u>Compatibility with Arms Control</u>

One of the merits of the proposed policy is its consistency with continuing efforts toward arms control. It leaves open a wide range of options, should any of them appear to be constructive avenues to progress. <u>First</u>, discouraging the development of independent national capabilities on the strategic nuclear level should facilitate rather than impede agreements and control systems in this area, and lessen whatever pressure precedents may have upon the Soviets to assist China toward such capabilities. <u>Second</u>, building up non-nuclear strength will make our posture more symmetrical vis-a-vis the Soviet Union than it is now, and a better position from which to negotiate regarding any reduction of conventional forces.

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Third, our lessened dependence upon tactical nuclear weapons to compensate for non-nuclear weakness will allow more freedom to negotiate control of nuclear weapons systems. Fourth, by reducing the range of possible aggressions which we cannot deter or meet without going to the brink of all-out nuclear war, we will be in a better position to propose and accept measures designed to reduce the danger of strategic surprise attack.

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CHAPTER THREE

THE ATLANTIC NATIONS AND THE LESS DEVELOPED COUNTRIES

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CHAPTER THREE

THE ATLANTIC NATIONS AND THE LESS DEVELOPED COUNTRIES

I. Introduction

1. Importance

As suggested earlier, the Atlantic nations face a two-fold task in the coming decade: (a) to create over the long-run a world order congenial to their values and to stable peace; and (b) to protect the non-Communist nations from domination and this emerging order from disruption by the Soviet Bloc.

This constructive task must focus in good measure on the less developed areas -- whose rapidly evolving course will largely shape the world in which our children live. The stake of the Atlantic nations in the independence and viability of these areas ranks second only to their interest in defense of the Atlantic area.

They also have the means to serve that interest. With less than half the people, they have over five times the GNP of the less developed areas. If properly used, their resources -- both human and material -- can play a key role in the future growth and stability of the less developed nations.

2. Need for Common Strategy

In planning for the decade ahead, the Atlantic nations should seek agreement on a broad strategy regarding the less

developed areas: The nature of the problem, the importance of action by them to meet it, and the general guidelines which might govern action. Such a strategy is outlined in this Chapter.

The requisite actions will have to be carried out through many agencies in and out of the Atlantic Community. As indicated later, NATO can play a role in establishing a political consensus as to the nature and urgency of the task and the approach to it which is required. But NATO is not -- and should not become -- an organ for decision or action regarding less developed areas. Other instruments, including OECD, are better suited to this task.

An agreed basic strategy can make it easier for the Atlantic nations to concert on specific measures. For these measures will then fall into place as mutually reinforcing parts of a coherent over-all effort. In the absence of an agreed basic strategy, on the other hand, the Atlantic nations' actions toward less developed areas may be disjointed and ineffective. The problem to which these efforts are addressed is complex and difficult; only concerted action that is carried out with optimum vigor and efficiency will hold any prospect of success.

Such action must be based on a common understanding of the problem and of the Atlantic nations' stake in it. The basis for such an understanding is suggested in Section II

below. Broad approaches are then considered in Section III (Aid), Section IV (Trade), and Section V (Public Order). Taken together, they outline a basic strategy on which a general consensus might be sought among the Atlantic nations in planning for the 1960's.

II. Nature of the Problem

1. The Revolution in Less Developed Areas

The less developed areas are now passing through a pervasive social, political, and economic revolution. New aspirations for material improvement and greater personal and national status are reshaping whole societies, and are radically changing their relations with the outside world.

This revolution has reached different stages in various countries. Some of the newly-independent African nations, for example, are barely emerging from colonial or feudal status. Other countries, such as Mexico, India, Turkey, and Taiwan, have acquired many of the attitudes and institutions required for progress. Most less developed countries probably fall somewhere between these two extremes: revolutionary forces impel them to modernize themselves rapidly. Yet they are only partially equipped with the capacity for effective action or suitable programming to this end.

2. The Atlantic Nations' Stake

To achieve an orderly international community, the less developed countries must be able to participate in it as

independent, effective, and responsible nations. The Atlantic nations share with the less developed countries a common interest in ensuring that they develop into such nations. To do so, they will have to manage the process of change under governments which can:

(a) remain independent of Communist domination and at peace with their neighbors;

(b) maintain a reasonable degree of internal cohesion and stability.

Otherwise, weakness and strife are all too likely, as in the Balkans in the past, to make the less developed countries the focus for increasingly bitter great power rivalry -- which would be equally ruinous for them and the great powers.

Of course, this is not the only interest which the Atlantic nations share with less developed countries. With some they also join on political matters or for collective security. Their over-riding common interest with the less developed countries lies, however, in having these countries remain independent, at peace, and reasonably orderly. The policy of the Atlantic nations should give priority to that over-riding interest. Their ability to influence events in less developed areas is not so great that they can afford to divert their main effort from this essential purpose.

3. <u>Need for Progress</u>

This purpose is unlikely to be fulfilled unless less

developed countries can achieve adequate social and economic progress under moderate leaders.

The impulse toward modernization -- however ill defined its goals in many countries -- is too powerful in most of them to be long suppressed. If there seems no prospect for its fulfillment through evolutionary means, pressures will mount for more rapid and dramatic change. These pressures may be expressed in disorder and civil war; they may be diverted by leaders who seek relief from internal tensions in external adventures; or they may be captured by ruthless and effective Communist leadership.

The convincing prospect of progress through evolutionary means will not assure freedom from turmoil, but it should reduce the chances of its exploding into internal or external violence, and enhance the likelihood of power remaining in moderate hands.

4. Obstacles to Progress

The obstacles to evolutionary progress are formidable and the task of overcoming them will, at best, take decades, or even generations. In many cases, these countries lack not only needed skills and experts, but also, and more importantly, a strong sense of community and the means for effective government. They have yet to undergo the profound social, cultural, and institutional changes which modernization requires. Shortages of essential resources are made worse by the impact of modern medicine on the growth of population already close to the margin of subsistence. Unresolved internal tensions and external grievances

preoccupy many politically active groups and threaten periodically to erupt into violence.

5. Role of the Atlantic Nations

Basic responsibility for overcoming these obstacles must rest with the less developed countries. Modernization is as much a social, cultural and political as an economic phenomenon; its basic mainsprings must be found within the developing society itself. Even on the economic front, most of the needed skills and resources must be created and mobilized within that country.

The Atlantic nations can, however, take actions which will significantly increase the chances of successful modernization. If they are to do so effectively, they must clearly grasp the nature of the task. They must be prepared:

(a) To broaden and intensify their effort, and to assure its continuity.

(b) To subordinate their other purposes vis-a-vis the less developed countries -- such as the promotion of trade or of political ties with specific countries -- to the main objective of helping evolutionary modernization.

(c) To concert their different national efforts in a wide variety of fields -- political, economic, cultural, military, and information -- so as to serve this objective.

As experience has shown, it will be difficult to secure support for this necessary allocation of resources, subordination of other national interests, and concerting of national efforts.

Only a solid political consensus as to their vital interests will provide an adequate basis for the requisite action by the Atlantic nations.

The Atlantic Community can assist the less developed nations to modernize:

(a) by providing needed skills and resources;

(b) by shaping commercial relations with these areas so as to contribute to their growth;

(c) by strengthening the ability of these nations and of the international community to cope with threatened breakdowns of law and order.

The next three Sections consider these measures.

III. Assistance to Less Developed Countries

In providing financial and technical assistance to the less developed countries over the coming decade, the Atlantic nations will have to consider: (a) how to increase their capacity to modernize; (b) the role of international and private agencies; and (c) the scope of national effort required.

1. Increasing Capacity to Modernize

To modernize their societies and economies, the less developed countries face staggering tasks. They must develop the requisite instruments for effective action, mobilize resources, devise and carry out suitable internal policies, and coordinate these activities with external aid programs. No outside government or agency can perform these tasks for them. Domestic effort and

foreign assistance can be coordinated only within the country itself, on the basis of its own programs and priorities. Outside agencies can, however, assist the less developed countries to discharge their tasks.

Indeed, such outside help may be indispensable -- especially to enable many of them to create the machinery for starting and carrying on development. To this end, they must secure (a) advice and services from outside agencies and experts; and (b) help in training local officials and public and private experts. Moreover, the attitudes needed to modernize are more likely to be stimulated by intensive exposure to growth-minded societies.

The less developed nations also need outside resources on a large scale and with continuity. Such resources should be furnished in ways which will assist and encourage self-help by the receiving country. They must foster, not hinder, internal policies and actions required to modernize their societies.

The desired results are most likely to be attained if assisting agencies can combine both financial and technical assistance. Advice is more likely to be heeded if backed by resources; resources are more likely to be put to good use if associated with advice and technical aid.

In providing both skills and resources, a key object of outside agencies must be to help the less developed countries to improve their capacity to plan, organize, and carry out programs for constructive change and growth.

2. Role of International and Private Agencies

National programs of assistance will continue to be vitally necessary and to have to carry a great part of the load. For certain of these needs, however, international and private agencies have special advantages. The governments of many less developed countries will be reluctant to expose their innermost workings to officials of other national states, or to accept from them the kinds of advice and assistance they most require. International officials or private advisers can develop more intimate relations with these governments; they can also be more rigorous in insisting on effective self-help, since they can be less inhibited by fear of generating political ill-will. International and private efforts will also be less likely to serve as a precedent for Soviet activities.

The Atlantic nations should, therefore, undertake to expand and make more effective relevant international and private aid programs over the next decade. They could propose and take various actions to these ends:

(a) UN Special Fund and Other UN Programs

It would be useful to have an international agency specifically charged with helping less developed countries to plan their over-all development programs and to create needed institutions. With expanded functions and resources, the UN Special Fund could become such an agency for Administrative Assistance, (in addition to financing other pre-investment projects as it now does).

The Special Fund might also take over policy direction of the Expanded UN Technical Assistance Program, which is now managed by a UN Secretariat and UN specialized agencies. Finally the United Nations program (OPEX) for provision of international civil servants to work for the governments of less developed countries should be expanded and placed on a permanent basis; and OPEX might also be placed under policy direction of the Special Fund, to ensure that it is effectively geared into an over-all modernization effort.

(b) IBRD and IMF

The IBRD and IMF could play an expanding role in helping governments of less developed countries to handle their basic problems. Their missions to these countries and resident advisers can help in analysis of and advice on their programs. The Atlantic nations should also support a continuing enlargement in the resources of the Bank's affiliate, the International Development Association, once it gets underway. They should encourage the IBRD and IMF to organize consortiums to deal with especially large or difficult development or stabilization problems. If the European continental countries are to accept this basic approach, the Bank's top management will have to include more officials from these countries.

(c) Private Skills

The Atlantic nations should encourage increased technical assistance and related efforts by their private agencies. As one

step to this end, they might establish a Development Center to promote increased contacts and exchanges between civic, professional, labor, and business organizations, schools, universities, and local and municipal governments in the less developed and the Atlantic countries. Such a Center could also recruit and train qualified young people from the Atlantic nations to work in less developed areas.

In addition, the Center might encourage and assist study, in both the Atlantic and less developed nations, of problems in the social and physical sciences which bear directly on modernization of less developed countries. Such research might remove some of the deficiencies in knowledge which currently hamper men's attempts to deal with one of the most difficult and complex tasks that has ever been undertaken. It could also provide a constructive focus for the activities of politically influential scholars and scientists in less developed countries and expose them to like activities in the Atlantic nations, thus helping to generate some of the attitudes -- as well as the knowledge -- required for successful modernization. Such a Center could probably function most effectively if it were set up on a mixed public-private basis; OECD or DAC might consider the need for the Center as a helpful first step.

3. Scope of National Effort

The less developed countries not only need more effective aid; they also will require aid on a substantially greater

scale. As they acquire needed skills and agencies, their ability to use capital effectively will increase. A doubling or even trebling of the present flow of technical and financial aid may well be necessary and useful over the next decade.

The Atlantic nations should undertake to meet this need -- to provide assistance in the amounts that can be effectively used to promote modernization, and to do this in a way which distributes the burden equitably among them. They should increase international and private programs along the lines already discussed. They should also substantially expand their national programs, which will still have to carry much of the load.

(a) Technical Aid

The OEEC might help to stimulate expanded national technical aid programs. It might also undertake such supporting activities as (i) expansion of the OEEC "third country training program", under which foreign trainees selected and financed by Atlantic nations (so far only by the US) are trained in the most appropriate European facility; (ii) centralized recruitment of European administrators, educators, and technicians in support of national and UN technical assistance programs.

(b) Financial Aid

Discussion in the DAC may help to induce more assistance from states whose economic position is strong. For the same purposes, the North Atlantic Council might review, from time to time, the defense and economic aid burdens being carried by

various Atlantic nations. Periodic reports by the proposed Development Center on development needs and aid programs might also help to generate public support for expanded action by European governments.

DAC discussion may also help to ensure that aid under national programs is provided on terms which are consistent with its purpose; i.e., as grants or long-term loans on flexible terms. Many Atlantic nations are now more reluctant to provide aid on these terms than to provide short-term export credits on "hard" terms. But export credits simply will not do the job. Where national instruments for providing aid on more generous terms do not exist, they will need to be created.

(c) Criteria for National Programs

The Atlantic nations should seek to agree, in the OECD or DAC, on criteria for national aid programs which would reinforce measures for self-help by receiving countries. In general these criteria should not be sacrificed for short-term political benefits. The viability and independence of the less developed countries will not be attained by short-term actions if they do not master the long-term task of modernization. Where the IBRD or IMF has made an overall study of the program of a less developed country, it might be useful for the Atlantic nations to consult with the Bank or Fund about the relation of their national to the broader program.

The Atlantic nations should generally not be diverted from

their own purposes in an effort to "counter" Soviet aid programs. They should recognize that Soviet efforts will best be frustrated by modernization of less developed countries, and concentrate their own activities mainly on promoting that process. In some cases, they will have to use aid to prevent Soviet domination of very sensitive areas of the less developed countries' national life. A better way to avert this danger, however, will be to encourage assistance to these sensitive areas through multilateral channels.

(d) Private Investment

While private investment cannot meet the greater part of the less developed countries' need for external capital, it can provide some resources and it can also expose these countries to private skills and methods of doing business which will contribute to economic growth. The Atlantic nations should try to increase the flow of private investment to less developed areas over the next decade; international and private agencies should make clear to less developed countries the local policies and practices that will be needed to attract private investment. Studies by the proposed Development Center might also help to identify some of the obstacles to private investment and the measures that might be taken to remove them by both the Atlantic and less developed nations.

IV. Trade Problems of Less Developed Countries

1. Role of Trade

Trade alone is clearly not an adequate answer for the development needs of the less developed countries. But it is equally clear that trade policy must not undo but complement what aid policy aims at accomplishing. For these countries, exports are roughly ten times as large a source of foreign exchange as capital assistance. Indeed, in some years, declines in commodity prices have cut foreign exchange income by more than total aid receipts. Moreover, if economic growth is ever to be self-sustaining, the less developed countries must have relatively free access to markets for their manufactured goods as well as primary products.

At present, the Atlantic nations import roughly twenty times as much from the LDC's as does the Soviet Bloc. They have a strong mutual interest in maintaining and expanding this trade; in fact, it is a vital interest for Western Europe which is highly dependent on the LDC's for crucial raw material and energy imports. So far, in seeking to re-orient LDC trade, the Soviet Bloc has mainly exploited specific critical products (such as Guinea bananas, Cuban sugar, Egyptian cotton and Iceland Fish). In the future, given the Soviet resource allocation pattern, the Bloc may become more attractive for the LDC's both as a source of investment goods and as a market for consumer manufactures. This is not necessarily bad in itself, but it is essential to prevent the Bloc from developing exclusive or predominant trading positions with the LDC's which would certainly be exploited for

political purposes.

2. Commodity Price Instabilities

(a) Effects and Causes

Instabilities in international commodity prices often have severe economic repercussions on LDC's. Either boom or bust conditions can seriously unbalance economic development. Moreover, the adverse economic effects extend over into the social and political spheres as well.

These instabilities are receiving more study, especially in the GATT and the UN, but this work has not so far led to any very promising short-run solutions. While variations on the supply side are one major source of the wide fluctuations in prices, another is large shifts in demand by the industrial nations. These arise not only from cyclical developments but also from sudden changes in stockpiling policies and, not infrequently, from efforts of the advanced countries to stabilize their domestic prices and shield their producers from outside competition. The hesitant approach of the Atlantic countries to stabilization problems affecting foreign producers contrasts sharply with their domestic stabilization policies, particularly in agriculture.

(b) Remedies

The long-run correctives for this situation are doubtless, as so often argued: (i) sustained growth, a minimum of cyclical fluctuation, and sound domestic commodity policies in the developed nations, and (ii) diversification of the economies

of the LDC's. But these are no answers for short-run situations which the Soviets stand ready to exploit by dramatic bids for surpluses and long-term purchase commitments.

It is politically essential, therefore, that the Atlantic States -- and particularly the United States, which has resisted such ideas most strongly -- examine together means for reducing specific commodity price instabilities and for mitigating adverse effects of wide market variations on over-all LDC export earnings.

In considering methods, it is necessary to distinguish between minerals, for which supplies change only gradually, and agricultural commodities, where supply and often demand as well are unstable. For non-ferrous minerals, for example, an internationally administered buffer stock might stabilize the market at manageable costs and without serious disadvantages. Agricultural commodities, however, probably cannot be dealt with in this way.

To help prevent disrupting import and development programs, it might be feasible to provide compensatory financing to ensure an LDC that its export foreign exchange earnings in one year would not fall below a certain percentage (such as 90%) of export earnings in a "normal year", based on a moving average of a previous period. This and other possibilities should be discussed in DAC or the OECD, bearing in mind that the IMF should probably manage any agreed scheme.

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3. Expansion of LDC Exports

(a) Prospects

For sustained economic growth, LDC exports will have to expand substantially to pay for imports of investment goods and raw materials beyond what can be financed by assistance. Yet, with few exceptions, past trends offer little hope for sufficiently rapid growth of the traditional exports of the less developed countries.

Imports of primary products into the industrial countries tend to rise relatively slowly for three reasons: First, shifts in the pattern of their demand to consumer durables and services reduce the relative amounts of raw materials required as total output rises; second, substitutes, especially synthetics, tend to replace imported raw materials; third, protectionism limits some products; e.g., oil, wool, lead, and zinc.

Imports of foodstuffs from the less developed countries also tend to be held down (1) by protectionist agricultural policies, (2) by low income elasticities of demand, and (3) in some cases, such as coffee, by high excise taxes for revenue.

Under these conditions, if the less developed countries are to expand their foreign exchange earnings to meet their needs for economic growth, they will have to develop wider markets for manufactures in the advanced countries. The products, typically, would be from labor-intensive industries benefiting from low-wage costs. By shifting from such products, the more developed countries, often handicapped by manpower shortages, could employ

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their labor more productively in capital-intensive industries. In general, however, economic policies in the developed countries tend to hamper rather than to encourage such shifts, and thus sharply conflict both with their foreign policy interests and the economic requirements for faster growth at home as well as in the less developed countries.

(b) Remedies

In these circumstances, the only promising course is to revise restrictive commercial and domestic support policies so as to provide better markets for the LDC's. This would obviously help these countries expand their earnings of foreign exchange to buy capital goods needed to diversify and industrialize their economies. Just as obviously, it raises the question of how the industrialized countries are to avoid the disruption of their economies from a possible flood of low-wage cost imports.

There are no painless ways to promote LDC's exports but some ways are less painful than others.

(i) One way to minimize "market disruption" dangers would be for the Atlantic nations to liberalize their restrictions together, so that the brunt of the increase in any product would tend to be shared by all.

(ii) Another way is for the Atlantic nations to accept the need for mechanisms to facilitate the adjustment of domestic agriculture, industry, and labor to new competitive conditions.

(iii) Where export controls on the rate of export expansion

of a product are not feasible because there are too many suppliers, various methods should be explored. Tariff quotas, multilaterally negotiated, offer one possibility. Another might be (a) to impose temporarily higher duties against imports of manufactures from low-wage countries subject to the condition that the degree of discrimination be progressively reduced, and (b) to apply the proceeds from such duties in part to assist adjustments in the importing countries and in part as grants to promote economic development in the exporting countries. Such arrangements would assist orderly adjustment to serve the interests of the developed and the less developed countries alike.

The treatment of Japan by the Western European countries does not offer a hopeful prospect to underdeveloped countries that aspire to achieve Japan's industrial status. Thus, European countries which have not yet done so should accord Japan most-favored-nation treatment in the GATT to demonstrate their interest in the plight of the countries struggling to industrialize their economies.

4. Organization of Atlantic Response

A strong case can be made for the view that the trade problems of the LDC's are best handled in GATT. But the global answer might well be facilitated by examination in a smaller group, such as OECD or NATO.

First, the GATT negotiating procedures do not readily allow for a group of countries making similar concessions in the

same products; so some special kind of consultation among such countries would be needed in any case if such a proposal were to be developed. Second, the case for adhering to such concessions in the face of greater imports must be based on as strong a domestic political footing as possible which might be better created through agreement in some Atlantic or "defense-oriented" organization. In any case, however, any agreement in the NATO or OECD would be carried out in GATT. Third, if the objective is to provide a liberal package for the LDC's without "compensation" in the trade-negotiating sense, the LDC's may be more understanding of outside discussion than is supposed.

If the Atlantic nations are to survive, the LDC problem, including its trade aspects, must be effectively dealt with. Liberal commercial policies among the Atlantic States are important, but with respect to the LDC's the penalties for failure could be to impair our over-all security position. For primary products at least, the objective should be duty-free entry into the developed Atlantic nations, from all sources of supply -- not just, for example, from EEC-associated areas or from Commonwealth countries. It is for NATO and the OECD to demonstrate whether they can usefully help in the trade field, but the presumption is that they can and must.

V. Public Order

1. The Need

Neither the broad range of aid and trade actions proposed in

this paper nor the efforts of less developed countries themselves can assure success in modernizing their societies. For this and other reasons, there will be a continuing danger that turmoil in these countries will periodically erupt into widespread disorder during the next decade. Such disorder would further set back efforts at modernization. It would create opportunities for Communist intervention -- with consequent risk of Communist takeover or spreading hostilities.

2. Security Assistance

It should be a major goal of the Atlantic nations to enhance the capacity of the less developed countries to avert such disorder. To this end:

(a) They should stand ready to help the less developed countries train and maintain effective internal security forces.

(b) They should encourage the UN to help these countries train and officer their forces. As in the economic field, UN efforts may sometimes be more welcome than national aid and may help to preclude other national (i.e., Soviet) assistance. The UN has not, outside the Congo, yet helped less developed countries to set up effective internal security forces, but there is no reason why it should not do so.

3. UN Forces

The Atlantic nations should seek to enhance UN capabilities for coping with disorder in less developed areas over the coming decade. The need is illustrated by the Congo. Only the United

Nations could deploy forces to restore order there without giving a pretext for Soviet intervention or generating lasting African hostility toward the West.

(a) The Atlantic nations should respond to the efforts of the UN Secretary-General to secure ear-marking of national contingents for service in future United Nations forces (by states other than permanent members of the Security Council). These forces would be used, as might be agreed by the states providing and requesting the forces and by the UN, in such tasks as re-establishing law and order or policing borders and demarcation lines. Atlantic nations which do not earmark forces should earmark transport or other logistic facilities. Atlantic nations which do earmark forces should make a special effort to train these forces for the specialized types of duty involved. The Atlantic nations should also encourage other countries to respond to the Secretary-General's efforts and should be prepared to assist them in training and equipping earmarked forces for UN duties.

(b) The Atlantic nations should press in the UN for steps to improve UN force stand-by arrangements, such as by activating a permanent headquarters, establishing a UN training cadre, and perhaps creating UN training facilities in a neutral country. They should urge that comparable stand-by arrangements be established in the observer field, so that the UN can respond promptly and effectively to requests for observer personnel such as were received from Lebanon in 1958 and Laos in 1959.

These are initial steps. Other more ambitious measures to fulfill this long-range objective may well become feasible and desirable over the next decade.

The attitude of some of the Atlantic nations toward the UN will be an obstacle to taking the proposed measures. The need for UN action is sufficiently clear and important, however, to warrant a special attempt to overcome this obstacle and to create some hope that the attempt will succeed.

4. Bloc Aggression

There may be occasions when local and UN forces will not suffice to restore the stability and independence of less developed countries, particularly if Bloc or Bloc-supported forces should intervene. The Atlantic nations should maintain a capability for meeting such threats through limited operations, which will minimize the risks of general war.

The need for such a capability will grow over the next decade, as turmoil in less developed areas continues and the Communists intensify their efforts to exploit it. The United States and its allies should gear their long-range military plans and programs to this prospect.

The best course would be for national capabilities for limited operations to be separate from any military contributions to NATO.

As a second best, if the NATO Shield forces are strengthened as proposed, some of them (including some US forces) might

be specifically designated and prepared to serve as national reserves which could be deployed for limited operations elsewhere in event of emergency. Their use would involve a calculated risk in the NATO area and should require consent of the Alliance. If certain US forces in Europe were thus to be designated as available, in case of need, to meet emergencies elsewhere, the question as to whether these forces should be placed on a "no-dependents" basis may warrant study.

CHAPTER FOUR

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CHAPTER FOUR

RELATIONS WITH THE COMMUNIST BLOC

I. Basic Principles

1. Need for Clarity of Purpose

The contest between the Atlantic nations and the Bloc over what kind of world order will emerge from this century of change takes place, in apparent paradox, against a background of increasing public and private interchange between them. The trend toward more intensive East-West economic relations and cultural and other exchanges bids fair to continue during the 1960's, though it may be interrupted from time to time by shifts in Soviet policy or periods of tension.

This trend poses a serious dilemma for the Atlantic nations: expanding East-West contacts and negotiations enhance an impression of "peaceful co-existence" which may undermine their resolution to face the hard tasks of continuing competition. It is difficult for democratic societies to understand the need for a policy which seems to call at the same time for increased preparedness and for closer relations with the enemy.

That policy has already created some confusion in the Atlantic nations. The problem cannot be met by relaxing the effort either to compete or to improve relations with the Bloc; each of these efforts serves the interests of the Atlantic

nations. These nations must reach a common understanding that both are necessary, and try to combine them into a single coherent policy. They must bring home to public opinion in the Atlantic nations the basic need for both:

(a) a continuing awareness of Bloc hostility, even when the Bloc is following a soft line;

(b) a continuing desire to improve relations with the Bloc, even when tensions are at their peak.

2. Short- and Long-term Goals

Better relations with the Bloc not only advance current policy goals; they also help to stimulate pressures for change within the Communist system and thus to promote evolutionary tendencies. They may exert at least marginal leverage toward bringing closer the time when a muting of Soviet aggressiveness, internal changes, a weakening of satellite links with the USSR, or Sino-Soviet schism may permit some form of lasting detente. This long-term goal needs to be borne in mind, even as the Atlantic nations concert their relations with the Bloc for more immediate purposes.

3. Need for Coordination

More effective coordination of Atlantic policies on East-West relations is essential to serve these ends.

While continuance of bilateral approaches -- especially in the cultural field -- seems preferable to any NATO assumption of an operational role, sole reliance on bilateral

relations can lead -- and has led -- to confusion and even conflict among the policies of member nations. The Alliance should, therefore, seek both (a) to coordinate these policies, so as to assure that they serve agreed objectives; and (b) to promote wider exchange of intelligence derived from contacts with the Bloc.

4. Specific Components

The treatment here of relations with the Bloc is intended to illustrate the basic concepts outlined above, as they affect three different kinds of relations:

(a) Those relations, especially in the economic field, which we choose not to prevent, because they will not significantly damage our strategic interests unless they get out of hand.

(b) Those relations, notably exchanges, which we deliberately seek to develop because of the strategic advantages that we see in them. The Communist states may also encourage these relations for quite dissimilar reasons. The USSR, for example, looks upon exchanges of industry and similar delegations largely as a means of learning new techniques, while we look upon them as a means of "opening up" Soviet society.

(c) Those relations, particularly in the field of disarmament, which we seek to develop on the basis of a possible mutual interest with the Soviets.

II. Economic Relations

1. Trade with the Bloc

Trade between the NATO and Communist countries is an important means of direct contact, and will probably continue to grow with the Bloc's industrialization and modification of its autarchic trade policy. While US-Soviet trade is likely to remain minor, European NATO trade with the Soviet Bloc already amounted to around $4 billion in 1958.

The European NATO powers and Canada feel that expansion of this trade would have both economic and political advantages. They are eager to seize the commercial opportunities, and doubt that Bloc gains from such trade would become sufficiently large to affect the balance of power. The current level of Bloc imports from the NATO powers is small, they argue, when compared with the Bloc's annual rate of capital formation. Moreover, the goods must be paid for, which is an offsetting cost, and items embodying advanced technology closely related to military power are excluded by strategic trade controls. Many Europeans also see commercial relations as a vehicle for more normal political relations. They consider that normal treatment of Communist countries, in as many ways as possible, is necessary if tensions and antagonisms are to be reduced.

In view of these attitudes, the US could make little headway in any effort to slow down the growth of this trade. Such an effort would place a severe strain on the Alliance

and, in the absence of military hostilities, would undoubtedly be unsuccessful.

On the other hand, the NATO countries could and should be persuaded to continue sufficient controls on the export of strategic goods to prevent an undue contribution to the military strength of the Bloc. These controls have gradually contracted since 1954 and are now limited to atomic energy materials, implements of war, or closely related items, equipment incorporating advanced technology which has a direct bearing on military potential and which the Soviets cannot produce at all or in sufficient quantity, and certain strategic materials which are in critical short supply in the Bloc in relation to its military needs.

This present system of controls is generally accepted by the participating countries and puts no strain on the Alliance. It prevents direct Western assistance to Soviet military capabilities and helps to avoid creating an image of the Atlantic countries granting to their avowed enemies shovels with which to bury them. Its chief importance lies in the fact that it keeps in operation a system which can be expanded or contracted as the occasion demands (the Korean War was one such occasion).

2. Credits

Limiting the amount of long-term credits made available to the Bloc by NATO members provides a second safe-guard

against assisting Soviet growth. These credits make a unilateral economic contribution to the Bloc which cannot be justified by any resulting political or economic advantage to the Atlantic nations. Moreover, in the eyes of the less developed countries at least, large-scale credits would constitute a major element of confusion and contradiction in the Atlantic nations' policy toward the Bloc.

Agreement should be reached in the Alliance on a general policy concerning the extent of long-term credits. Such an agreement should not be overly difficult to secure or implement, since virtually all the private credits are guaranteed by governments.

An attempt to establish too definite or narrow a limit on the amount of private credits to the Bloc, however, would involve political difficulties at this time, given the desires of other members of the Alliance to expand their economic relations with the Soviet Union. Since all outstanding credits to the USSR total only $350 million and net credits actually used are likely to be even less, it is not necessary to seek drastic action to limit credits but only agreement concerning their extent.

3. Dependence on Trade with the Bloc

It would also be wise for certain Atlantic countries to avoid becoming so dependent on trade with the Communist countries that it could be manipulated for political purposes.

Since the GATT rules are inadequate to cover the special problems raised by trade between centrally-planned and free economies, it may be desirable to work out a multilaterally agreed framework for this type of trade.

(a) Atlantic nations should avoid giving more favorable import commitments to Communist than to non-Communist countries.

(b) They should conduct trade with the Bloc in convertible currencies wherever feasible, since otherwise the Bloc could frequently force them to import undesired commodities or to extend credits in payment for imports or for repayment of old loans.

(c) Finally, the Atlantic countries should consult with each other and with other non-Communist countries regarding appropriate measures, when the Bloc appears to be playing one non-Communist country off against the other, or to be taking action which would disrupt the economy of a non-Communist country.

III. Information and Cultural Exchanges

The intensification and possible redirection of the existing information and cultural exchanges provides one way of bringing Western influence to bear on Soviet leadership and society. Bilateral arrangements for such exchanges remain preferable to any general Western agreement administered by the Alliance. The common interest should, however,

be assured by (a) NATO-wide agreement on the general long-range objectives of exchanges and formulation of guidelines to eliminate conflicts and to assure maximum results; and (b) an effective system for making information derived from these exchanges available to all NATO members on a systematic and continuing basis.

1. Agreement on Objectives and Guidelines

Specific exchange programs should be left to the member states, but their programs should be in accordance with a general agreement which would:

(a) reduce duplication and conflict of effort, particularly in the field of industrial and technological exchanges;

(b) prevent the Bloc from playing off one NATO country against another in cultural contacts;

(c) focus NATO action on the areas of special difficulty, such as radio jamming, censorship, and similar barriers to the flow of information;

(d) develop an Alliance-wide consensus as to the need to intensify existing programs and Alliance-wide suggestions concerning new programs;

(e) provide joint financing of desirable projects by the larger members of the Alliance.

2. Pooling of Information

A mechanism already exists in the Alliance whereby information resulting from exchanges can be collected and made

available to the member states. This system, however, should be formalized and broadened. A useful device would be to circulate periodic questionnaires, similar to the one circulated by the Secretary-General before the abortive Summit in 1960, requesting all members to report and assess their experience in East-West exchanges. The purpose would be to contribute to a common understanding of the Soviet position and objectives and to provide general information on Soviet activities. The International Staff could analyze this information and develop appropriate conclusions.

The information which is shared among members of the Alliance might also be made available to a wider audience within the Alliance. At present, there is little indication that any basic intelligence is developed on the Soviet Union as a result of exchange programs, or that any information which _is_ developed goes beyond the staffs administering the programs. Semi-annual meetings are held, however, by officers responsible for exchange programs in the US, UK, Germany, France, and Italy to compare notes on the negotiation and implementation of these programs. Although there is no connection between this group and NATO, the group could be instructed to ensure that any intelligence or information which might be useful in determining long-range objectives should be developed and transmitted to NATO.

IV. Psychological Warfare

1. Need and Means for Greater Coordination

Trade relations and informational or cultural exchanges will have only limited strategic value unless they are conducted within the framework of a broad NATO strategy stressing psychological impact. In this field of psychological warfare, the USSR, which orchestrates all aspects of its relations with non-Communist States to serve its political objectives, seems well ahead of the Alliance.

Serious consideration should be given to greater use of the Alliance in concerting peace-time psychological warfare as a means of furthering long-range Alliance objectives. While the responsibility for marshalling resources and carrying out psychological warfare programs should remain in the hands of the member states, their efforts need to be coordinated to achieve optimum results. The International Staff could be used for necessary consultation and liaison, as well as for providing new ideas and encouraging national action.

Some initiatives have already been taken to focus attention on the need for psychological warfare and on mechanisms to carry it out. For example, the German resolution of 9 March, 1960, proposed a comprehensive plan for cooperation and coordination of efforts which might be used in the event of hostilities. The German proposals might be thoroughly explored and broadened in scope to include peace-time activities, as an initial basis for greater emphasis on this key field.

2. Content

One broad purpose for psychological warfare might be to encourage doubts and self-questioning in the top level Soviet bureaucracy. While the best methods of doing this are for expert determination, they should probably go beyond merely seeking verbal victories over the Communists. Polemical debate on the relative merits of rival ideologies is unlikely to affect Soviet policy.

What is required is a serious effort to introduce new approaches and new argumentation which might have an intellectual impact on the Soviet leadership. Skillful psychological warfare should present a range of views to the Soviet leaders which, by stressing the fact of diversity in the modern world, might induce self-doubts about their judgments and the infallibility of their system.

V. NATO and Arms Controls

A major task of the Atlantic Community in its relations with the USSR during the 1960's should be to explore any opportunity for progress in areas of mutual interest, especially arms control. The Atlantic nations and the USSR have a common interest in trying to reduce the risks of all-out nuclear war by rational arms controls. Few developments could have a greater impact on NATO security than progress in this field.

NATO must be prepared to meet this problem in the 1960's both on the plane of political maneuver and on that of

substantive negotiation.

1. Political Maneuver

Up to now, disarmament has been primarily an area of political and propaganda maneuver. Whether Soviet attitudes will change sufficiently over the next decade to permit fruitful negotiation cannot be predicted. The USSR, like other nations, is groping in this field. The high value which it sets on secrecy as a security asset may long bar acceptance of the degree of inspection required for certain types of arms control agreements.

On the other hand, the Soviets have a real stake in avoiding nuclear conflict and in inhibiting the Atlantic nations from threatening nuclear force to counter developments which they believe serve the Bloc's interests. They may come to regard agreements, even with the sacrifice of secrecy involved, as worthwhile to this end. Their apparent willingness to accept some degree of inspection to assure a nuclear test ban must be viewed in this light.

In any event, we must face the certainty of further Soviet political warfare initiatives centered around the "ban the bomb" and "universal disarmament" themes. Agitation of these issues, which capitalize on underlying fears of nuclear devastation, has already had considerable impact. As a consequence, NATO is faced with growing anxiety over the effects of use of nuclear weapons. These increasing political

inhibitions, especially in a period of nuclear "stalemate" may erode the credibility of NATO strategy. That strategy, even if revised as proposed in this report, would still depend on the threat of strategic retaliation to deter certain types of aggression. It is essential, therefore, that NATO counter these Soviet "disarmament" initiatives on the political and propaganda warfare plane.

2. Substantive Negotiations

Arms control agreements may offer potentially great benefits as well as risks to NATO's security. It is imperative that both be understood. The first requirement is to achieve consensus within the Alliance on the relative risks and advantages which various options might have and on the kinds of arms control agreements which could enhance rather than weaken NATO.

These might include measures:

(a) to reduce the risk of accidental or unintentional war;

(b) to avert an indiscriminate spread of national nuclear weapons capabilities;

(c) to stabilize deterrence and reduce its burden;

(d) to enhance regional security in particular areas, such as Europe.

A major task for NATO should be to explore these and other possibilities, to see which of them would serve its interest. Joint study and planning by at least the major NATO powers might be useful. NATO agreement should be sought, on the basis of such study, as to basic objectives and guidelines for negotiating with the USSR in this field.

If such a NATO agreement could be reached, a new approach to the actual task of negotiation might be feasible. Experience has shown the difficulty of several Atlantic nations trying jointly to negotiate with the USSR about arms control. The possibility of reaching agreements consistent with NATO policy could more readily be explored if one Atlantic nation, i.e., the US, did the negotiating within the framework of an agreed allied position. The US could then consult regularly with a steering group of the major Atlantic nations most directly (e.g., its four partners in the late Ten Nation Disarmament Committee), and also consult with the North Atlantic Council as at present. Allied consent would, of course, need to be obtained to any agreement that emerged.

There would doubtless be serious obstacles to securing allied agreement on such a new approach to disarmament negotiations. On the other hand, it seems doubtful that agreements can be secured if negotiations are conducted by more than two or three nations. The choice for the Alliance may

be between some change in the existing negotiating method and a continuing haunting doubt as to whether the possibilities for reaching arms control agreements with the USSR have been fully explored.

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CHAPTER FIVE

RESOURCES OF THE ATLANTIC COMMUNITY

I. Growth and the Use of Resources

To respond to the challenges confronting them, the Atlantic nations will have to assure the steady and rapid growth of their economies and effective use of their resources. They must be concerned with the growth and use of resources: (a) to meet expanding needs, (b) to provide a basis for liberal trade and other policies, and (c) to offset Bloc power.

1. To Meet Expanding Needs

Over the decade, the needs to be met by the Atlantic nations may well prove to be very great. Population may grow by something like 10 percent in Western Europe and 17 percent in North America. Increasing urbanization, together with demands for improved schools, hospitals, and communications, will add heavily to the cost of social overhead. Improvements in personal consumption will be sought and in many cases are urgently needed. Technological developments in weapons and competition in outer space may become increasingly costly. High levels of investment will be needed to provide the basis for continued growth. Finally, a greater material contribution to economic development abroad will be required as the decade progresses. Vigorous economic growth with high employment will be needed to accommodate and reconcile these competing claims.

2. As a Basis for Liberal Policies

A climate of growth will also be necessary for broader reasons. Growth will encourage technological progress and facilitate adaptation to changing competitive conditions and shifts in demand. It will ease adjustments by countries within and without the new regional trading groups in Western Europe. Expansion in the Western industrial countries will also strengthen demand for LDC exports of primary products and the capacity of Atlantic nations to absorb without undue disturbance more imports of manufactures from the low-wage countries. More generally, conditions of rising demand and employment are indispensable to the pursuit of liberal trade policies which, in turn, contribute to further growth.

3. To Offset Soviet Growth

Finally, rapid growth is essential to the maintenance of the Atlantic power position vis-a-vis the Communist Bloc. The Atlantic nations now have a 2 to 1 superiority over the Bloc in terms of total output of goods and services and a 2½ to 1 superiority in industrial production. The Bloc is expected to grow at much faster rates, however, and to devote a much larger proportion to building national power.

Total output of goods and services by the NATO countries is expected to rise, with steady growth, from about $850 billion in 1960 to something like $1,300 billion in 1970, while the corresponding total for the Communist Bloc is

expected to rise from about $400 billion to $750 billion over the same period.

The NATO countries would thus maintain a considerable superiority in total output in 1970. Over the decade as a whole, however, their added output will not greatly exceed that of the Bloc. By 1970, annual increments to output may be of about the same order of magnitude for the Bloc and for the Alliance.

But relative Bloc power will be greater than the totals suggest. By 1970 Bloc investment will about equal that of the NATO countries in absolute amounts. And more of it will be devoted to direct industrial investment which may then considerably exceed similar investments by NATO countries in absolute terms.[1] This is, of course, a key factor in the projected faster rate of growth in total output in the Bloc than in the NATO countries. Thus for selected purposes, -- whether this be investment, outer space, military means, or foreign aid -- the Communist countries will be able to allocate resources rivaling or exceeding those spent by the Western countries, as a group, to say nothing of the US alone.

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[1] Even today, though total US investment considerably exceeds that in the USSR, the amount invested in industry is probably of about the same size in the two countries.

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The Atlantic nations could clearly carry significantly greater burdens from present resources with little sacrifice in material well-being. In the next decade, they could assume still greater burdens, if they achieve steady growth. But neglect of growth could rapidly and gravely impair Atlantic capability to respond to the challenges which it faces.

4. Common Actions Required

In the coming decade no single nation, not even the United States, will be able to provide all the resources needed for the tasks ahead. The Atlantic nations are, in fact, interdependent. In recognition of this fact, they should:

(a) coordinate economic policy to attain sustained and rapid economic growth;

(b) consistently seek to reduce and remove restrictions on trade with the goal of moving toward free trade at least among the advanced nations;

(c) extend mutual exchange rate guarantees on central bank holdings of Atlantic State currencies and restrict shifts in reserves;

(d) create and maintain conditions conducive to maximum scientific and technical progress;

(e) promote Alliance-wide cooperation in weapons research, development and production.

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This Chapter discusses in turn these policy imperatives.

II. Coordination of National Economic Policies for Growth

Economic policy coordination among key economies is essential if sustained growth is to be achieved in the Free World.

1. Basic Reasons for Policy Coordination

The post-war economic growth record of the Atlantic nations is spotty. Some states, such as Germany and France, have attained impressive growth rates. Others, notably the US and the UK, have increased their output much more slowly in recent years. But most of them have experienced strains of one kind or another which they have combatted with varying degrees of success. Much remains to be done, by each nation, to ensure high and sustained rates of economic expansion, without undue bursts of investment, major inflation, or other instabilities which necessitate counter measures.

The success of any one country in pursuing this objective is conditioned by economic events and policies in other countries, especially the industrially developed ones. Economic growth can proceed more rapidly if the major free economies expand in step, with concerted action to minimize the risks to the balance of payments and to facilitate correction of any difficulties without national restrictive policies. The successful coordination of national policies therefore becomes a matter of urgent concern to the Atlantic countries.

2. Implications of Economic Policy Coordination

Economic policy coordination has many implications, two of which need to be explicitly recognized.

(a) In formulating and applying its economic policies, each nation must take fully into account possible repercussions on other countries. To do this, there must be willingness to discuss freely all aspects of domestic economic policies. In particular, the US and other governments must be prepared to discuss their budgetary and monetary policies as a matter of common concern. US reluctance to do this has contributed to European skepticism about the utility of the proposed OECD. A change in US domestic attitudes is essential for success.

(b) National governments must also seek to arrive at a concerted view of appropriate policy objectives. They have actually assigned widely different priorities to growth-fostering investments, to collective security, to aid to less developed countries, and to the immediate expansion of consumption. Such wide variations in priorities hardly seem appropriate in a situation where common efforts are essential.

3. Machinery for Economic Policy Coordination

The OECD should be a useful forum for economic policy coordination. Without restricted Committees, however, the OECD is probably already too large for effective action. More participants impede coordination, inhibit frank discussion, and lessen the prospects for fruitful conclusions.

Some degree of OECD-wide discussion is necessary, if only for political reasons.

But the primary need is to concert economic policy among the key economies: the US, the UK and members of the European Economic Community. Together these countries produce over 70% of Free World GNP. Within the OECD just as within NATO, methods should be developed for these nations to work together more intimately.

As a minimum step, meetings of the OECD Economic Policy Committee should generally be based on preparatory work done in a restricted Committee of senior economists of the highest standing from the OECD Secretariat, the European Economic Commission, and the Governments of the United States, United Kingdom, France, Germany and Italy. Economists could be co-opted from other states as appropriate, on an ad hoc basis.

As the European Community develops, its members will be engaged more intimately in meshing a broad range of economic policies and activities. Their joint work will greatly facilitate measures for wider coordination among the Atlantic nations, especially if Britain and other European nations ultimately become members of the Community.

III. Trade and Economic Integration

The Atlantic nations must consistently seek to reduce and remove trade restrictions which are detrimental both to the economic strength of the Atlantic Community and to

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its political cohesion.

1. The Atlantic Trading Pattern

The Atlantic States are linked to one another and to the rest of the world by a highly developed trading system. Over 50% of the total external trade of all NATO countries is carried out among themselves.[1/] But almost all, in varying degree, are highly dependent on raw materials and energy imports from the rest of the world.

The welfare of these highly interdependent economies depends significantly on avoiding increased trade restrictions, their rapid economic growth on removing existing restrictions. The marked progress within the past two years toward removing all quota restrictions on industrial goods, has shifted attention to the problems of agricultural trade and tariff reduction.

2. Effects of Economic Integration

The Six member states of European Communities have sought economic integration far beyond the mere removal of trade barriers, with an ultimate political objective. The Six are in the process of removing all government barriers to the flow of trade, services, labor, and capital amongst themselves, of controlling private restrictions on competition, and of evolving common commercial, agricultural, and general

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1/ NATO countries account for 60% of Free World trade; EEC countries account for 24% of Free World trade; and EFTA countries for 18%.

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economic policies.

Their conviction is that increased competition, specialization, and economies of scale will lead to more rational resource allocation, more rapid growth rates, and higher real incomes for their citizens. To cushion the internal adjustment problems, a European Bank has been provided to help industry reconvert and a Social Fund established to help labor adapt to the new system.

The adjustment problems for non-member countries will vary with the extent and composition of their trade with the Six. In general, the Common Market will: (a) displace some third country exports, as internal tariffs disappear; (b) absorb more imports as its economy expands; (c) make its producers more competitive within the EEC and elsewhere, and tend to hold domestic and attract outside capital.

Expanding external trade should compensate for injury to some specific outside producers and industries, especially if the Six reduce the common external tariff on a multilateral non-discriminatory basis, as planned.

3. Wider Trading Area

In purely economic terms, formation of a still wider European trading area should be beneficial. Thus, a Europe-wide Customs Union should produce more economic benefits than either the EEC or the EFTA separately, but also more adjustment problems for the US and other third countries. An Atlantic grouping theoretically would be still

better, at least for those in it. In practical terms, however, the test should be what is politically attainable and desirable in terms of national and Atlantic interest.

Certainly the US should not oppose formation of a broader European trading area merely because it could complicate US balance of payments problems. By the same token, the political potential of the Six country integration, which is discussed in Chapter 6, should not be compromised merely to ease the trade problems of other European states. These can be handled in other ways.

The best solution would be for the UK to accept the philosophy of the Common Market and directly negotiate its adherence on terms which did not sacrifice the political institutions or objectives of the Six. The UK should be encouraged to adopt this course. In any case, the EEC should be encouraged to follow liberal policies to mitigate the difficulties of others, particularly states, such as Austria and Switzerland, highly dependent on trade with the EEC but apparently unable to join for political reasons.

Failing broader EEC membership, the Atlantic nations can gradually adjust to the new situation. At the end of the EEC and EFTA transitional periods, Atlantic economic relations would be much the same as at present between national states, except that the number of units will have been reduced, facilitating intra-Atlantic area coordination;

and the truly integrated group, the EEC, will be stronger than the sum of its parts otherwise would have been.

The long-range problem is to prevent integrated areas, such as the EEC and the US, from turning inward and erecting or maintaining restrictions detrimental to the strength of the Atlantic area as a whole. For the long-range problem, as for the short-run adjustment problems, what is initally required is reduction of tariffs. The ultimate goal should be to move toward free trade at least among the advanced countries.

In this process, the US must be in a position to play a major role, by being ready to negotiate substantial further tariff concessions in GATT. Otherwise it will have little leverage to assure that the EEC and EFTA follow liberal trading policies or to prevent revival of the Six-Seven quarrel with all its attendant strains on the Alliance.

Thus, to meet the Atlantic trading needs, like those of the LDC's, the US should revise its trade agreement legislation to permit negotiation of substantial tariff reductions in GATT, preferably on an across-the-board basis, but perhaps by broad categories of products. Domestic measures should also be adopted to facilitate adjustment by US industry and labor to an increased volume of imports.

3. <u>The OECD and Trade</u>

Trade problems are of world-wide concern. With

convertibility there is no longer a financial reason for discrimination against dollar imports and consequently little reason for extension of the OEEC Code of Trade Liberalization. The primary forums in which to discuss exchange restrictions, QRs, and tariffs are now certainly the IMF and GATT.

The OECD can, however, play a limited role in support of GATT and IMF. The OECD could and should study specific trade problems of the Atlantic area but their resolution should normally be left for negotiation in GATT or bilaterally. The OECD might also focus attention on sectors where misallocation of effort is so glaring that remedies could significantly free resources for more rational use. At least three sectors merit such priority attention: agriculture, energy, and shipbuilding. Greater European acceptance of agricultural and energy imports could undoubtedly free substantial numbers of European workers for more productive occupations. Greater American reliance on the European merchant marine and shipbuilding industries could free unquestionably US labor and capital for more productive employment.

In these ways, among others, the economic strength of the Alliance as a whole might be increased. These are precisely the sectors, however, where social considerations loom largest and special interest groups are well entrenched.

Despite limited prospects for success, the OECD should endeavor to develop coordinated Atlantic agricultural, energy, and shipping policies.

IV. Atlantic Community Payments Problems

1. Reasons for Concern about Payments Relations

The declining ratio of US gold holdings to short-term liabilities to foreigners is a matter of concern. But clearly the US should not be diverted by this concern from carrying out vital aid and defense policies. The more relevant limiations on our capabilities, as on those of our allies, are limitations on real resources.

It is true, however, that shifts of liquid balances from one center to another raise questions as to ways of strengthening the international payments mechanism. The existence in any country of large foreign-owned balances is both an expression of confidence in the strength of its currency and a potential threat to it in time of strain. In a world where both the dollar and the Pound Sterling are widely used as reserves for other national currencies, sudden shifts of large dollar or sterling balances by central banks could easily destroy confidence in one or another of these currencies with disastrous effects on the entire structure of international finance, trade and production.

In these circumstances, some critics regard as anachronistic and undesirable a system whereby one or more national

currencies serve as international reserve media. They would favor the creation of a special medium and of a central bank for central banks.

2. Remedies

The situation does not appear, however, to call for so radical a solution or for one which would require major changes in the IMF. On the contrary, the grant of an exchange guarantee would go far to reduce the risk that a crisis of confidence in the dollar might develop. Consequently, quiet US entry into the EMA with its provisions for mutual exchange rate guarantee could contribute significantly to the financial stability of the free world.

In this connection, the US should, together with the UK, seek commitments that other OECD member states would hold a minimum proportion of their national reserves in dollars or sterling and not shift reserves, without full consultation, from one currency to another or into gold.

While these measures would add needed strength to the international payments mechanism, they are, of course, no remedy for situations involving structural balance of payment difficulties.

V. Scientific Research and Manpower

1. Nature of the Problem

The future of the West is dependent in large part on the rate of scientific and technological advance. Efforts of the Atlantic states to progress jointly in these fields

would be desirable for social and economic reasons in a world devoid of Communists; given Soviet concentration on science and its military applications, such efforts are imperative.

Soviet achievements in the missile field furnish dramatic evidence of existing Communist scientific and technological capabilities. At the same time, available statistics, while inadequate, strongly suggest that the USSR is building toward a commanding lead over the Atlantic States as a whole in the education of engineers and technicians, and in annual graduation of science majors. The long run implications in terms of relative Communist Bloc and Atlantic Community ability to deal with global security and economic development problems are most serious.

The Atlantic nations should, therefore, endeavor to create and maintain conditions conducive to maximum scientific and technical progress. They must make optimum use of existing scientific and technological capabilities; they must also maintain future superiority in face of major Soviet efforts to forge ahead.

Whatever the future, the scientific and technological resources of the Atlantic Community are today substantially superior to those of the Soviet Bloc. The scientists, engineers, laboratories, universities, and factories of these nations constitute an enormous asset -- an asset

which presently is not being fully utilized. It is imperative that the Atlantic States make new efforts to draw on this asset.

The NATO Science Committee, the NATO Science Advisor and the OEEC Science and Manpower Committee have made a useful beginning but their two principal activities to date need to be stepped up and additional activities initiated.

2. Principal Current Activities

(a) Comparison of National Efforts

In part these Atlantic agencies "examine" national efforts, point out shortcomings, compare policies, and encourage appropriate national corrective actions.

Thus, the long-run educational problem depends for its solution primarily on national decisions, *inter alia*, to emphasize mathematics in primary and secondary schools, to provide additional research facilities, to raise teacher salaries and to adapt traditional university organizational patterns to new problems.

International collaboration can help induce actions and decisions suitable to the needs. For example, the pending report "Increasing the Effectiveness of Western Science", sponsored by the NATO Science Committee, outlines numerous ways to improve the current situation. Its proposals are often not dramatic, but this is an area for persistence and NATO should concentrate on building awareness of the dangers of failure and stimulating national efforts.

Greater efforts should be made to bring men responsible for national science policy in member governments together regularly to compare problems, to indicate successful solutions in their own countries, and to become better aware of problems that exist elsewhere.

(b) Joint Research

The Science Committee has attempted to identify scientific fields such as oceanography, meteorology, and space research that require or would benefit from joint research. It has also sponsored fellowships and other common educational activities.

Here, too, much more could be done, especially in applied research. More generous financing for the fellowship program, for conferences, and for exchanges of individuals for research purposes could enormously speed the research process within the Atlantic Community.

3. Additional Activities

(a) Institute of Science and Technology

One educational problem that should be tackled as a matter of priority is establishment in Europe of a graduate Institute of Science and Technology roughly comparable to the Massachusetts Institute of Technology. No educational area in Europe has been more neglected than engineering. Creation of a full-fledged modern Institute of Science and Technology would require large resources, perhaps in excess of national capabilities.

It should, therefore, be undertaken on an international basis, with the US providing some initial organizational and professional talent. The US should make known its willingness to cooperate in such a venture either on an Atlantic basis or more likely in support of the European University, plans for which are well advanced.

(b) Cooperation in Applied Research

The Science Committee and the Science Advisor have been active in fields of basic research but do not yet have major programs in applied research or technological areas. Here the normal barriers to communication between technical people are greater, as a result of military or commercial secrecy and the lack of as effective an international "community".

The NATO Science Committee might be able to fill an important role by establishing a mechanism to examine specific scientific and technical fields (as opposed to national programs) to identify weakness, gaps, duplication and special opportunities. Such a mechanism could point out opportunities for sharing of facilities and exchange of personnel, highlight weak and strong areas to help avoid waste, identify neglected areas, and uncover duplication. The common understanding that would result could lead to more extensive joint planning and joint research.

(c) Scientific Advice for SHAPE

The NATO Science Advisor and Science Committee have been active in providing advice for the military side of NATO and in working jointly with the military on technical questions. It would seem, however, that this relationship could be further expanded with beneficial results.

The Science Committee could be the sponsor of technical studies of interest to the military. It could form scientific panels, consisting of leading scientists from NATO countries, to advise on the technical aspects of various military problems such as limited warfare, communications, etc. These studies and panels would provide objective, unbiased advice on the military problems of NATO and would also involve European scientists more intimately in the military side of the Alliance.

It is hard to know in advance how much is feasible in these last two fields of possible activity. The effort would have to be built up over time and approached subject by subject in scientific research or development fields. For some major problems and areas, industrial or other obstacles will make progress slow, but the attempt is essential to tap the great scientific and technological potential now unrealized in the advanced free nations. It may not be decisive now, but it could be in the future as the USSR continues to devote extensive resources to technological advance. Without better scientific integration, the non-

communist nations may gradually fall behind.

A series of meetings of top science policy people of the member countries should be held to explore how such NATO mechanisms might work, what their advantages would be, and precisely what subjects might be tackled. Clearly such activities would eventually require a fairly large staff and the formation of many advisory panels, presumably in the NATO Science Advisor's office. If the mechanisms worked at all, a decade of systematic effort might yield results highly significant for the strength of the West.

4. NATO and the OEEC-OECD in Science

Though both NATO and the OEEC-OECD have science programs, there has been to date little overlap in their efforts. The OEEC has concentrated more on education in the sciences and particularly on developing curricula, attacking specific problems in one or another country.

NATO, on the other hand, has taken a broader approach of instituting large new programs such as research grants and joint oceanographic research programs. The international staffs have worked closely together. Programs do not compete but are complementary to each other; this situation must be maintained in the future.

VI. NATO Military Production Pooling and Research and Development

1. The Nature of the Problem

Few areas have been as promising in potential, but so frustrating in practice, as that of inter-allied cooperation

in weapons development and production. The facts of mutual dependence for security have simply not permeated national defense establishments. There are indeed current programs for the declassification and exchange of technical information, joint research, weapons standardization, and common production, but so far they do not go far enough below the surface to meet the fundamental problem.

If integration of national military forces is to be effective, standardization of equipment is imperative. It would be highly perilous, in the technological race with the Soviets, to fail to tap the full resources of European as well as American ingenuity. Above all, a failure to seek collective effort in munitions production tends to discredit the collective character of the Alliance.

2. Existing Programs

Progress made in recent years, supports the belief that existing programs can and should be intensified. The Mutual Weapons Development Program (MWDP) of the United States has been successful in fostering R and D programs in Europe. Recent programs have secured coordinated large-scale production in Europe of sophisticated weapon systems, e.g., the F-104 airplane and the HAWK ground-to-air missile. These programs achieve weapons standardization automatically. They stand, moreover, as symbols of a break-through in exchanging sensitive weapons information among the allies.

In addition, the establishment of NATO technical centers like that for Air Defense and research groups like that for Air R and D (AGARD) is very promising. The Air Defense technical center is now being complemented by NATO centers for anti-submarine research and for ground warfare.

There is scope both for other centers and for an extension of the work of the centers already in existence beyond the purely technical evaluation of weapons, weapon innovation and invention. The evolution of the Air Defense Technical Center to evaluate the proposed air defense system for Europe as a whole is perhaps the first major case in point. Care should be taken, however, to prevent the new centers from developing in isolation from each other. In the future, it should even be possible and desirable to establish operations research groups for NATO, similar to those for the military services in the US.

There is reason for qualified optimism about production and R and D in NATO in the extent of recent progress, which can be used as a basis for future development. New impetus may be provided by the changes in strategy recommended elsewhere in this Report. Yesterday's weapons will not do for effective non-nuclear defense. A re-vitalized and qualitatively strengthened Shield will require new ideas, new tactical concepts, and new means of implementation.

Technically, the comparatively unexploited area of non-nuclear weapons offers great chances for possibly revolutionary advance; politically, the new program would be less prejudiced by old national fixations.

3. Programs for New Weapons

The objective should be new weapons programs sparked by change in strategy. But how are they to be achieved? It would hardly be feasible to carry on a fully integrated inter-allied program of concurrent research, development and production for a specific novel weapon or class of weapons. The administration of such an effort by 15 countries would be too cumbersome.

Firms or even some governments will not undertake multiple attacks upon difficult technical problems without a good prospect or subsequent production contracts. If production contracts are not achieved, the firms lose both money and prestige. Some way should be found to reduce these penalties, and to make R and D separably profitable without assurance of production contracts.

R and D programs should try to meet this problem. The current Mutual Weapons Development Program of the United States with its allies, for example, works well in terms of proved technical accomplishment from small budgets. But with budgets so small and pressures so great for tangible proofs of early progress, incentives are strong to bet

MWDP funds on the certain and rewarding projects. What is needed, in addition, in view of the nature of R and D is the means to devote considerable resources to more imaginative and risky ventures.

4. <u>A NATO Military Research Corporation</u>

The establishment of an autonomous NATO Military Research Corporation with sizeable financial resources to invest in weaponry research contracts and technical studies of military problems, such as communications, logistics, and weapon system requirements might assist in solving many basic R and D problems of the Alliance.

In liaison with SHAPE and the Science Committee, such a Corporation would provide a means of obtaining unbiased non-national technical advice on the military problems of NATO and would also serve to involve European scientists and industry more intimately in military problems. Ultimately, if the Corporation proved to be of value in the R and D field, it might be adopted to assist the NATO staff in organizing common production plans.

5. <u>Production Problems</u>

Standardizing the military equipment of the NATO members would obviously produce great advantages in economy, convenience and effectiveness. The difficulties are also apparent and well documented by experience.

Time has not been available for any careful study of

this field. It seems essential to stress its importance, however, and to submit a few comments, especially on standardizing through agreed programs for joint or common production or specialized production.

(a) In connection with possible NATO common production schemes, infrastructure programs do not necessarily provide an entirely adequate pattern. Common financing for programs of common benefit is very attractive, as are the features of free competitive bidding within the Alliance and procedures such as duty free entry to minimize costs. But for these advantages a price has been paid in terms of delay. Since lead-times in weapons must be cut, not lengthened, traditional infrastructure procedures would have to be revised before application to weapon programs.

(b) For straight production, assuming technical possibilities are fairly well known, concentration on one or a few suppliers will best serve the interest of economy and expedition. Concentrating production of a specific item in one nation will be tolerated, however, only if it is reciprocated for other items. Unless the US becomes a significant buyer of material produced in Europe, as it should, then European production to replace US sources for European military uses must be encouraged. Where the NATO members can standardize on specific weapons for all NATO forces and work out an acceptable balance of

"two-way" trade, this is the simplest way to obtain the benefits of specialization. The obstacles are clearly serious.

(c) Given the political and economic realities, coordinated production of a particular item may be a more feasible way to obtain the benefits from standardizing upon one weapon for all NATO forces. This solution is far better than the present method of separate national production without much mutual trade. Thus, the embryonic common production programs should be accelerated, but the NATO members should also take more steps toward the simpler solution of adopting weapons developed or produced elsewhere as the US did, for example, in adopting the French SS-11 anti-tank missile instead of one developed here.

6. Requirements for Weapons Cooperation

The requirements for cooperation in weapons that emerge from these considerations are:

(a) to establish a new need for non-nuclear weaponry;

(b) to expand technical centers, advisory groups, and operating research centers to explore mutual weapon systems problems;

(c) to formulate bolder MWDP programs, try to make R and D programs profitable in themselves, whether followed by production contracts or not; and to get scientific and

engineering groups in NATO countries competing in research and the early stages of development;

(d) to establish an autonomous NATO Military Research Corporation with substantial financial resources to further these specific objectives;

(e) to facilitate the exchange of technical information even further;

(f) to intensify efforts to secure coordinated production of major materiel in Europe which will, among other merits, foster standardization;

(g) to move toward more reciprocal purchase of weapons and especially more US buying of European-developed weapons.

Care must be exercised to avoid grandiose multi-national programs before R and D has moved through early testing phases, to mitigate any uneconomic spreading of production among too many suppliers, and to ensure that multi-national schemes will be consistent with acceptable lead-times.

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CHAPTER SIX

THE REQUISITE POLITICAL FRAMEWORK

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CHAPTER SIX

THE REQUISITE POLITICAL FRAMEWORK

I. The Political Problem

To meet the formidable challenge before us will require clarity of purpose, large resources, and steady effort over an extended period: the basic issues of security, stability, and growth cannot be resolved for decades.

Even if the Atlantic Community were a single state, able to speak with one voice and decide and act as a unit, it would find great difficulty in meeting the tasks facing it. The main problem is not resources. As has been said, the members of the Community can produce adequate means, both human and material, to respond to the dangers and the opportunities. But the problems are extremely complex and stubborn. Even as a unified democracy, the Atlantic Community would find it hard to marshall and apply its means over the long-term when the danger is not imminent assault but gradual erosion.

The Atlantic nations are, however, far from unified. NATO, of course, reflects the national interests and outlooks of fifteen sovereign nations, varying in size from Iceland to the US. Each has its own background, its own traditions, and its own concept of national interest. In influence and responsibilities, they range from the global to the parochial.

Such variations create inherent problems in an Alliance organized on a basis of sovereign equality. During the 1950's, when the main issues were the recovery and common defense of Western Europe, all members, large and small, shared a common focus broadly responsive to the task. Now, however, as the Atlantic nations face a more complex set of issues, there is less consensus as to how to meet them. Soviet stress on detente and coexistence dampens the impetus for a common strategy and the will to divert resources from social welfare to defense and foreign affairs. The broader spectrum of necessary action tends to widen the gap between the large and small.

The key issue for the next decade may be whether the Atlantic nations -- and especially those with most power and influence -- will be able to make their potential effective in the struggle to create and defend a viable world order congenial to free societies. To do so will require relations and institutions to focus their political will and sense of common purpose.

At present, the structure of relations and institutions within the Atlantic community is in transition. Any new institutions or methods will have to take account of existing conditions and trends.

II. The Evolving Relations among the Atlantic Nations

1. Relative Strength of Europe

The revival of Europe since 1950 has greatly modified

the power relationship between Western Europe and the US. In the last decade, the US was dominant in the Alliance. It provided the SAC sword on which Europe's security was based, contributed most to the SACEUR shield, and provided the sinews both for Europe's economic recovery and its rearmament. Today, the European states have made a phenomenal economic recovery; their rate of economic expansion exceeds that of the US. Far from requiring US economic assistance, Western Europe is now competing vigorously with the US in world markets. Simultaneously, the growth of Soviet economic and military power has raised some doubts in European eyes regarding relative US strength.

Both their recovery and their doubts have contributed to a new sense of political independence in Western Europe, with some revival of nationalism. With new self-confidence, the Europeans aspire to an influence and a role reflecting their strength -- or their potential. They are restive with their past position and seeking in various ways to correct it.

2. The European Community

The creation of the European Community, under common institutions, is in part prompted by this aspiration. The progress toward integration in continental Western Europe has been one of the striking features of the past decade. The dynamism of the movement to date and its inherent logic suggest that still greater unity is likely to be achieved in the

next decade despite differing concepts of the Community and the relations among its members.

From the European viewpoint, greater unity is essential if Europeans are to have any significant control of their own destinies and exercise appreciable influence in a world inhabited by powers of the size of the US, the USSR and Red China. Equally important, European unity could help solve or mitigate many of the divisive clashes of interest now confronting the Atlantic nations. In terms of resources and GNP, the largest European members represent only 10 to 12 percent as much as the United States. With such disparity, equal influence on common policy is out of the question, whatever the forms or fictions. The result is frequent friction and frustration, leading to unilateral national action.

A Europe able to act as an effective entity would deserve and could exercize comparable influence on common policy and action. Disposing resources much nearer to those of the United States, such a Europe could join in the genuine partnership of equals.

3. The UK and "Outer Seven"

One of the obstacles, however, to the creation of such a partnership is the position of the United Kingdom and the so-called "Outer Seven". Britain faces difficult choices. In their attitude toward European integration, the British have been torn between the recognition that close Franco-

German relations can enhance Western strength and the fear that the coalescence of the Six would inevitably impair Britain's position.

With three times the people and resources, the Community threatens to relegate the UK to a much smaller role in the Atlantic Community. The British economic alliance in the "Seven" with neutral states and NATO members has only a limited political basis. Whatever its economic advantages for its members, its political future as a regional group appears highly uncertain.

If integration continues, the European Community will more and more be a source of great military and economic power, whose members, if they act as a unit, will have a formidable voice in the decisions of the Alliance. The adherence of Britain would, of course, greatly strengthen the Communities. If the UK stays out, its relative economic and political position will be weakened with adverse effects on the Alliance. Consequently, a reappraisal of the British relation to the Communities would be in the common interest.

3. The Broader Need

The diversity of interest and outlook of its members and the differing national approaches to the re-structuring of Europe severely strain the cohesion of the Alliance and the capacity of its members to concert their efforts for creative defense as well as for their non-military tasks.

The Atlantic nations have, however, recognized the need to find firmer bases for cooperation, especially in the political and economic fields and beyond the NATO area. Since the Report of the Committee of Three in 1956, the NATO Council has made real progress in closer consultation among the members regarding proposed policy and actions. The more active role of the Secretary-General has also been an important forward step. Doubtless existing procedures still leave much room for improvement. They fall short of producing the common strategy or priorities required for conducting the world-wide effort.

In the economic field, the decision to reconstitute OEEC with the US and Canada as full members was a recognition of the need for a new orientation and direction in Atlantic institutions. The new OECD can be of great value in enabling the Atlantic Community to concert economic policies within the Atlantic area and to reorient thinking and resources of its members to a world-wide perspective focussed especially on problems of economic development.

The analysis of earlier chapters, however, has repeatedly indicated the need for a more integrated joint effort by the Atlantic nations over the coming decade. The question is how common strategy and pricrites can be attained. Should it be sought through new institutions? Can the existing agencies be made more effective?

III. Structure of the Atlantic Community

1. Atlantic Confederation?

In the perspective of the next decade, should the Atlantic nations set themselves the goal of creating an Atlantic Community or Confederation with common institutions?

Whatever may ultimately develop, a number of factors argue against such a decision as of now.

For the coming decade, the urgent need is for capability to create unified policies and to mobilize resources and effort to carry them out. An Atlantic Confederation would be relevant to these demands only if it were delegated substantial powers for decision and action. Merely ceremonial or formal institutions without real transfers of authority would be of no value for these purposes.

The situation is not ripe for such measures in the near future. Conditions might change radically and rapidly if experience demonstrates that existing and prospective institutions are clearly inadequate or ineffective to cope with the challenges of the coming decade. At present, political opinion certainly does not appear to be at that point in the United States, and probably in other countries as well.

A decision to move toward an Atlantic Union before the necessary domestic political support has developed for such far-reaching action would risk failure at the outset. It would also create new divisive forces within the Alliance,

jeopardize the development of European integration, and generate serious political problems within the individual states. It might divert attention and energies from the Soviet threat and the plight of the less developed countries in order to concentrate on political problems involving Western institutions, thus perpetuating the parochial viewpoint which prevailed during much of the last decade.

All these factors seem to dictate a flexible and gradualist approach based on adapting and supplementing existing institutions. This does not mean taking a decision against the concept of an Atlantic Confederation as an ultimate goal. On the contrary, the option to create it should not be foreclosed either by decision or specific actions. For the present, however, the best means to foster its prospects will be to develop concrete ways of working together and to encourage the progress to European integration.

2. <u>The Atlantic Interest in European Integration</u>

As the Committee of Three suggested, moves toward Atlantic cooperation and European unity should be complementary. Indeed, the broad interests of the Atlantic Community would be served by utilizing the political and economic gains of Western Europe which have already been achieved and which can be expected to develop in the next decade.

A strong political and economic unit in Western Europe, in alliance with the US, would contribute decisively to the

political cohesion, economic health, and military strength of the Atlantic Community as a whole. The development of common European institutions provides an organic basis for containing national rivalries and promoting Franco-German friendship and cooperation.

Such an entity, able to combine the resources of its members and to unify their policies would supply the essential foundation for equal partnership with the United States. Its existence should facilitate the creation of closer links and joint agencies or institutions between Europe and the United States, and thereby enhance the strength and cohesion of the Atlantic Community.

Consequently, support for European integration and the principles on which it is based are in the interest of the Alliance. It should become increasingly clear to the United Kingdom that its interests would be similarly served. It would be greatly to the long-range benefit of the Atlantic Community if the UK were to join the Communities without reservations which would cripple their effectiveness.

3. NATO and OECD

The foregoing analysis leads to a pragmatic approach to Atlantic institutions. Over the coming decade, the Atlantic nations will clearly have to collaborate much more closely to discharge the key tasks discussed in this report. The forum and instruments would, however, be selected according

to what is best suited to the specific activities. The military measures would obviously be carried out through NATO, and would require building on and developing the unified command and supporting structure for the NADET proposal and for expansion of joint research and development and weapons programs. In the economic field, in addition to national actions, heavy reliance would be placed for execution on international agencies (such as the IBRD, IDA, IMF, UN Special Fund, OPEX and other UN agencies, and GATT) for reasons already considered.

But major policy fields would remain in the political and economic areas. The question might be raised whether these should be divided between NATO and OECD as now contemplated or consolidated in NATO. Since conversion of OEEC into OECD involves changes in membership and functions, the new activities might easily have been centered in the NATO Council and Staff. Without rehearsing the reasons, however, there appear good grounds for not following this course, but centering the economic functions primarily in another Atlantic instrument. The efforts to coordinate economic policies, to foster economic growth in the less developed countries and to regularize trade relations seem sufficiently specialized to benefit from an expert staff concentrating mainly on them. These activities are more likely to evolve and develop in response to need and experience under those conditions.

The role of OECD, however, is not without difficulties. Should the OECD become, next to NATO, the second major institutional tie between the Atlantic nations, its operations may be affected by the presence of the European neutral states. This fact can be of certain advantage in terms of possible relations with the LDC's or as an attractive force for Soviet European satellites. On the other hand, the presence of the neutrals greatly complicates the task of making the OECD an effective instrument for undertaking programs which have a predominant political motivation, especially those involving burden-sharing. The determination of the limits imposed by the neutrals and the problems of some smaller states, however, can be resolved only in the light of actual experiences gained in the operation of the new organization. Those limitations could also be largely mitigated by the proposals in the following section of this chapter.

Moreover, the functions of OECD need not preclude any economic activity on the part of NATO. The Economic Committee and the Council might still concern themselves with "strategic" issues such as:

(a) Basic discussions of the nature, magnitude and urgency of the LDC problems.

(b) Continued appraisal of Bloc economic activities and relations with the LDC's and NATO members, and obtaining a consensus regarding appropriate counteraction by NATO members.

(c) Considering common positions on issues of economic import arising in broader forums particularly organizations in which the West and the Soviet Bloc are both present.

Both NATO and OECD may also be viewed as partial burden-sharing exercises, the one concentrated on the defense burden -- the other on the aid burden. Neither burden-sharing problem, however, can rationally be dealt with separately or in isolation from the over-all economic situation and resource allocation pattern of the member states, which is analyzed by OECD, or in the isolation from the over-all political situation and pattern of national interests of member states, which is analyzed by NATO. The emphasis on political and defense considerations in NATO and on general economic and aid considerations in the OECD can probably never be fully reconciled. It can be minimized by establishing closest cooperation between the two Secretariats, by joint representation, as suggested below, and by efforts of the member states to follow compatible policies in both organizations.

IV. Improving Joint Policy-Making

The key problem in meeting the challenge of the 1960's remains: How to improve the machinery of the Atlantic nations for making and carrying out a joint strategy for performing the main tasks. How can they arrive at consensus regarding the threats confronting them, and a coherent

framework of priorities and policies for meeting them?

The North Atlantic Council is the logical forum for this effort. Experience has shown how hard it will be to transcend national and parochial concerns to advance the larger interests of the Atlantic Community. Certainly no devices or machinery can substitute for lively awareness of the urgent necessity to work together as the price of survival. But procedures and instruments can sometimes assist in the growth of such awareness and in devising measures to give it practical meaning. Three such steps are suggested below:

1. A NATO Steering Group

The wide disparity in power and responsibilites among members of NATO should be recognized in its machinery for consultation. The smaller members should accept the fact that the stronger members must bear the major burdens especially outside the Treaty area. To reflect this fact and assist in more intimate discussion and coordination of policy NATO should establish a restricted Steering Committee of the Council.

The Council and its supporting Committee structure should continue as the forum in which general problems are discussed and in which NATO decisions as such are taken unanimously. The Steering Committee would:

(a) prepare proposals on European matters of general concern, such as security and specific issues like Berlin

and disarmament, which would be submitted to the Council as a whole for consideration and approval.

(b) discuss and concert policies of the members of the Steering Group on extra-European matters. The Council would be kept informed of these discussions.

The Steering Group might be composed initially of the US, UK, France, Germany, and Italy, and perhaps Canada. In time, it could consist of the US and the European Community when it could speak for its members. The interests of the smaller states need not be impaired by such an arrangement. First, their interests would be safeguarded by participation in the existing Council mechanism. Secondly, the Secretary-General could attend the Steering Group, with authority to consult other interested member states. Finally, representatives of the smaller members could be added as *ad hoc* members when the Group discussed any matters in which they might have specific concerns.

2. Atlantic Policy Planning

The essence of this report is that the Atlantic nations have certain basic interests in common which they will neglect at their peril and which must take precedence over their more narrow national purposes or interests. At times, these common interests are downgraded or overlooked despite consultation among the NATO members. It would be valuable to have some regular method for reasserting the wider

interests and for analyzing the conditions and measures for advancing them. The Secretary-General, in recent years, has sought to do this to some extent, but the nature of his position imposes certain inescapable limitations.

As a means for overcoming these difficulties and contributing to a more consistent basic approach, it is suggested that NATO create an Atlantic Policy Group to recommend long-range plans and policies. Specifically, the Group should be charged with:

(a) analyzing the over-all position of the Atlantic nations in relation to the world situation;

(b) defining more precisely the common interests of the Atlantic nations; and

(c) proposing policies to advance the common interests.

This Group should be limited to three or four people of international repute. It should be entirely separate from both the International Secretariat and from the Council, and should report to the Council at the Foreign Ministers' level. Members of the Group should not in any sense represent national states; they should be chosen for their breadth of view and independent judgments and should speak only for themselves. They should have no operational responsibilities, and should be expected to devote perhaps a third of their time to the work of the Group.

An independent formulation of common objectives and policies unhampered by considerations of national interests and conflicts would provide the framework for long-range policies.

3. Joint Representation in NATO and the OECD

Effective coordination of policies in NATO and OECD will make it necessary to go beyond the linkage provided solely through common direction from home. The US should seek the agreement of the UK and the key EEC member states to maintain or establish a single national delegation to NATO and the OECD under the over-all direction of one man who would be the Permanent Representative of his Government to both organizations. To fulfill the functions outlined above these officials should have a position or rank in their governments enabling them to speak authoritatively for their governments and to play an active part in their policy-making. They might form the base from which would evolve restricted executive bodies in both organizations.

V. Public Support

The development of public support is a basic necessity if the Atlantic Community is to endure. To help widen understanding of the common problems confronting the Atlantic nations and to build consensus for their collective solution, several steps might be taken.

1. The NATO and OEEC information programs should be expanded to promote support for the activities of NATO and OECD.

2. The annual conference of NATO Parliamentarians, which has been a useful unofficial body, might extend its scope to review the activities of OECD as well as NATO. It could receive and debate each year reports from the Secretaries-General of NATO and the OECD as well as analytical reports and policy proposals from the Atlantic Policy Advisors. Its deliberations could make a major contribution to the sense of common purpose among the Atlantic nations. The possibility of converting the conference into an official Atlantic Assembly might also be explored.

3. The Atlantic Institute, which is well advanced under private sponsorship, could develop into a valuable forum for private and mixed public-private activities related to the Atlantic area. If so, modest public subsidy would seem well justified.

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