CABINET

WASHINGTON AND OTTAWA MEETINGS: REVIEW OF BRITISH POLICY

MEMORANDUM BY THE PRIME MINISTER

As the Cabinet is aware the Secretary of State for Foreign Affairs proposes, after attending the San Francisco Conference on the Japanese Peace Treaty, to visit Washington for talks preparatory to the North Atlantic Council first with Mr. Acheson and then with Mr. Acheson and M. Schuman together. These talks can only last a few days and the Foreign Secretary will then proceed to Ottawa, where the Chancellor of the Exchequer and the Minister of Defence will join him in representing the United Kingdom at the North Atlantic Council meeting. The agenda for the talks with Mr. Acheson and for the tripartite talks with Mr. Acheson and M. Schuman in Washington and the latest text of the agenda for the Ottawa Conference are attached as annexes to this Paper.

2. Except in the matter of policy towards Germany, on which I am circulating separate memoranda, it is not likely that the Foreign Secretary will be called upon at these meetings to take decisions such as would require new instructions from the Cabinet at the present moment. Generally speaking, the line which he will follow is covered by existing agreed policy and, where this is not so (as, for example, in the matter of new American initiatives in regard to "closing the gap" and in regard to a European defence force), either the position is so fluid that no concrete Cabinet instructions are possible or the discussions are to be exploratory only and not intended to result in decisions. I think, however, that the Cabinet will wish to have this survey of the main issues likely to arise in the forthcoming series of discussions and of the line which the Foreign Secretary will pursue. I am grouping the subjects under broad headings and not necessarily following the order in the various agenda which in any case differ and to some extent overlap.

3. It is, of course, possible that Soviet action at the San Francisco Conference will be such as to upset the time-table for the Washington talks and even for the Atlantic Council; and it cannot be altogether excluded that developments in San Francisco might cause some interference in the broad policies which the Western Powers have in mind to pursue at this series of meetings. This cannot be foreseen, however, and the following paragraphs are based on the assumption that the Washington and Ottawa meetings will proceed as planned and that the Western Powers will continue to follow the general course of policy which they have followed up to the present.

I.—Political Questions

4. The primary object of the talks with Mr. Acheson will be for the two Ministers to assure themselves that United States and British policy are substantially in line on major issues; and where there are divergencies to reconcile these if possible or find a means of minimising their effect. The same applies generally...
to the tripartite talks also, for, although we do not admit the principle of Anglo-
United States-French direction in global strategy (as opposed to purely Atlantic
strategy), we must carry the French in most of the major political issues with which
we are confronted.

5. The second purpose will be to prepare the ground for the North Atlantic
Council and to form some common idea as to the results which are to be expected
from it. The three Ministers will also no doubt examine and agree upon the broad
programme of discussion and action for the coming months, leading up to a second
meeting of the North Atlantic Council in Rome later in the Autumn.

6. The main political headings are the policy of containment of the Soviet
Union and its satellites, the future of European integration and the Atlantic
community, policy in the Middle East and policy in the Far East. Subsidiary issues
are the Italian Peace Treaty, Austria, Spain and the problem of protecting nationals
in Eastern Europe.

Survey of Progress in the policy of containment of the Soviet Union and its satellites

7. This item is placed first on the tripartite agenda in order that the three
Ministers may begin their meeting with a general survey of the progress made by
the West in containing Communism since their last meeting nearly a year ago and
with a discussion of future policy and action.

8. Broadly speaking, I think the Foreign Secretary would be right in saying
that His Majesty's Government consider events to have justified the policy adopted
by the West in this period. The policy of building up positions of strength and of
offering firm resistance to any threat of aggression has been successful and the
Soviet Union have suffered a series of set-backs. Apart from the successful armed
resistance in Korea, we have provided the necessary deterrents to any move forward
in Germany, Austria or Southern Europe and we have established without let or
hindrance an Allied Supreme Command in Europe with additional American and
British forces on the ground. We have instituted very substantial measures of
rearmament designed to maintain the deterrent effect of the Atlantic alliance and
we have refused to allow ourselves to be divided or turned from our purpose by
Soviet propaganda or by the Peace Campaign or by the perils of the four-Power
talks. These experiences suggest that we should continue to resist encroachments
and to build up our strength, but without provocation and that above all we must
remain united.

9. As our confidence and our strength revive, however, two concurrent
dangers will have to be watched. The first is the risk that we might overlook or
misjudge the reaction of the Soviet Union to some element in our policy which
touches a sore spot in their security or around their perimeter. Unless the Western
Powers make careful assessments of these risks and agree upon them there will
always be a danger that the Soviet Union might be provoked to preventive war
or at least to move over to a war economy, while the Western defence preparations
are still at an elementary stage. This danger applies particularly to American policy
in the Far East, but there are other matters, such as the establishment of air bases
near the Soviet borders, which might be equally dangerous. There is, indeed, a
risk that, owing to impulsiveness or under the pressure of excitable public opinion,
United States policy might go to unreasonable lengths. The Foreign Secretary
should utter a word of warning if and when appropriate against such tendencies.

10. The second danger is that we might overlook the need for the Western
Powers to be constructive and positive in their relations with the Soviet Union.
If, for example, they do not show willingness to negotiate, they are likely to alienate
important sections of Western opinion. This is not to say that the moment is ripe
for the Western Powers to proclaim their willingness to enter into full-scale
negotiations with the Soviet Union with a view to a general settlement.

11. Finally, it may be advisable for the Foreign Secretary to point out, as
a prelude to the discussions which he and the Chancellor of the Exchequer will
be having at a later stage on the burden of defence, that the need to sustain morale
and to maintain a reasonable standard of living amongst the peoples of the West
is just as important as the need to increase defences. Too much pressure to increase
defensive expenditure of nations which lack resources of economic wealth may be
very dangerous, and may result in opening the way to Soviet penetration and thus
defeating the very object of containment.
European Problems and the United Kingdom Attitude towards European Integration

12. This item is placed on the bilateral agenda in order to give the Foreign Secretary an opportunity to explain to Mr. Acheson British policy towards the European integration movement. This can be summed up as follows. We are willing to play an active part in all forms of European co-operation on an intergovernmental basis but cannot surrender our freedom of decision and action to any supra-national authority. We are quite ready to encourage Continental countries who feel disposed to adopt such plans and in the case of the Schuman Plan have declared our wish to be closely associated with any Authority that may be set up under it. We are considering the possibility of making a more definite statement in this sense in the near future. We are also ready to look very sympathetically on the European Army Plan provided it can be shown to be militarily effective. We are anxious to develop the consultative role of the Council of Europe which is the focal point of the European integration movement, and the proposal that the Chancellor of the Exchequer should introduce to the Consultative Assembly the Annual Report of the O.E.E.C. can be quoted as an example of our desire to encourage the Assembly to discuss serious matters.

13. Broadly speaking, however, it is our aim to foster the idea of an Atlantic rather than a purely European community, although we believe that closer continental integration on a supra-national basis is not necessarily inconsistent with our conception of the larger entity. The Foreign Secretary might emphasise the point that the independent position of the United Kingdom enables us in cooperation with America to play a very special and important rôle in the free world; that closer dependence on the Continent would impair that position; and that it is thus in the interests both of the United States and of the other Western countries that we should maintain our independent position.

14. Later, at the Ottawa Conference, there will be a discussion of means for developing the Atlantic concept and the non-defence aspects of co-operation within N.A.T.O. and it is understood that Mr. Acheson will make proposals under this heading. The Foreign Secretary will be generally sympathetic towards the idea of developing co-operation between the United States, Canada and Western Europe on the Atlantic basis and will be favourable towards any reasonable proposals for strengthening the machinery of N.A.T.O. for these purposes. It is clearly in conformity with our policy not to allow the North Atlantic Treaty to become simply a defence organisation designed to meet the present threat from the Soviet Union, but to keep alive the longer-term objective of an Atlantic community.

Alignment of United States—United Kingdom Policies in the Middle East

15. Egypt—We have reached a critical stage in our relations with Egypt. The Egyptian Government is threatening to abrogate at an early date the Anglo-Egyptian Treaty of 1936, on which we base our right to station forces in the canal zone. If they do so, we shall of course stand on our rights under the treaty. According to present estimates, we shall be able to maintain our position in the canal zone, although with difficulty.

16. It would of course be far preferable that we should have reached agreement with the Egyptians. We believe that our best, perhaps our only chance of reaching such an agreement is to make a new offer to the Egyptians, based on Egyptian participation in the new Allied Middle East Command. Such an offer would not, of course, dispose of the Egyptian refusal to contemplate any solution of the defence question unless we first satisfied their demands over the Sudan. There is, however, some hope that if the Americans support us in a offer to the Egyptians of participation in the new Allied Middle East Command, they may agree to discuss the offer, leaving the question of the Sudan for the moment in abeyance.

17. The Americans can help us by associating themselves with our offer, and, if the offer fails by supporting us in the stand we shall have to take. The Foreign Secretary will therefore make it his object to secure:

(a) American agreement on what we regard as our essential minimum requirements in Egypt for the defence of the Middle East;
full support in our attempts to secure them, and an undertaking that the Americans will make it clear to the Egyptians at an early stage that their support will be forthcoming;

(c) an undertaking to co-operate with us in an attempt to bring Egypt into the proposed new Middle East Command, as a possible means of solving the present deadlock to our defence negotiations; and

(d) an undertaking to stand by us if negotiations break down, leading perhaps to serious trouble in the Canal zone or to an argument in the Security Council.

18. General.—The problems of the Middle East vitally affect American interests as well as our own, and we readily admit that we cannot tackle them alone. Such questions as Arab refugees, economic development and, above all, defence, need co-ordinated planning.

The Foreign Secretary will therefore suggest to Mr. Acheson that we should reaffirm the principle that, in all matters where our common interests are involved, we should always consult each other at an early stage in the formation of policy.

19. Kashmir.—At the end of September Dr. Graham, the United Nations Mediator, is due to report to the Security Council. We expect him to report failure to effect the demilitarisation of Kashmir. At about the same time the Constituent Assembly of Indian-occupied Kashmir will be convened. Both events will increase tension, and are likely to lead to heavy Pakistan pressure for action in the United Nations against India. We are anxious to avoid anything in the nature of a Resolution which merely condemns India and leads to stalemate in the Security Council. We therefore hope to get the case referred to the Assembly if, as seems likely, it cannot be settled in the Security Council. As this subject was placed on the agenda at the request of Mr. Acheson, the initiative lies with him. But the Foreign Secretary will take the opportunity to make our views known to him, and will seek his support for the proposal to refer the dispute to the Assembly.

Alignment of United States-United Kingdom Policies in the Far East

20. Korea.—The Foreign Secretary will wish to obtain assurances from Mr. Acheson on the following lines:

(a) That the policy of the United States Government is neither to withdraw prematurely nor to extend the war, and that they will continue to keep the South Korean Government firmly under control to prevent them frustrating United Nations policy.

(b) That the United States and United Kingdom Governments shall consult together on further references to the United Nations regarding Korea. We consider that if an armistice is secured the matter should go at a suitable stage initially to the Security Council and then be referred to the Assembly. In the event of no armistice it will be difficult to avoid a general debate in the Assembly in the form of an inquest.

(c) If full-scale fighting breaks out again in Korea, we would still hope that the United States Government would agree with us that the campaign should be confined to Korea and that a general offensive up to the Manchuria border should not be attempted. We should stand more or less on present lines, inflicting maximum loss on the enemy. Should, however, any Chinese offensive against the Kansas line be repulsed with heavy losses and general disorganisation, General Ridgway should have discretion to undertake tactical advances as is thought militarily desirable to follow up the retreating Chinese. Should he wish to make a major advance—such as to advance as far as the “Northern Waist”—this would require the approval of Governments. If the new enemy offensive included large-scale air raids from points outside Korea, we would support a policy of retaliation. In that case we and the United States would have to reckon with the probability of general war with China, possibly extending to war with Russia.

(d) If all goes well in Korea and the way seems open to a gradual general improvement in the Far East situation, we hope that it will not be blocked by a rigid United States attitude towards the Chinese People’s Government. If an armistice is arranged, we trust that the United States Government will agree in principle to sit round a table with
representatives of Peking for the next round of talks which, in the first instances, should be confined to Korea. A meeting of representatives of some of the countries contributing aid to the United Nations in Korea, together with the Russians, Chinese and possibly the North and South Koreans, might be a suitable forum. The ground for this meeting could be prepared by a specially appointed United Nations representative. If, in the view of the majority of the United Nations, a change-over in Chinese representation in the United Nations will contribute to a Far Eastern settlement we hope that the United States Government will accept the majority view. If we succeed in reaching a settlement in Korea we hope to pass on to wider discussions for a general settlement in the Far East. We do not, however, overlook the fact that even if an armistice is arranged we may have to face a prolonged political stalemate on the basis of a divided Korea.

China, including representation in the United Nations

21. **General Policy.**—Whilst the United Kingdom and United States Governments are both building up strength and will resist Chinese interference in the affairs of others, our joint aim should be stability and peace by avoiding interference in Chinese internal affairs, by keeping open the small windows to the West that are still in existence, and by consultation with like-minded Governments including Asian Governments, and by the gradual relaxation of tension.

22. **Formosa.**—The Foreign Secretary will seek an assurance from Mr. Acheson that the assistance which the United States Government are giving to Chiang Kai-shek is solely for the purpose of the defence of Formosa and will not be misused for adventures elsewhere, including Burma. A policy of pin-pricking the Chinese is futile and dangerous.

23. **Chinese Representation in the United Nations.**—Unless there is some major change in the situation (e.g., an extension of the Korean war), we should continue our present flexible policy of voting to postpone the question of Peking’s admission into United Nations organs (i.e., the moratorium). If, however, an armistice is secured in Korea, the absence of Peking from the United Nations may be a major stumbling-block in the subsequent political discussions. It is too early to decide whether it will be wiser to press for a change-over in Chinese representation in the United Nations before general political discussions, but the United States Government should be made aware that in our view Peking’s representation in the United Nations will be an essential condition for a general settlement though we have at present an open mind on whether this change-over should take effect before or after political discussions. It might, for example, be left until after general agreement on the terms of a settlement in Korea and be conditional on such general agreement.

24. **Indo-China.**—The Foreign Secretary will enlist the support of M. Schuman for the line he proposes to take with Mr. Acheson in the bilateral talks. M. Schuman is likely to refer to Indo-China. He may suggest an Anglo—United States guarantee of the frontiers of Indo-China; this is impracticable. He may ask for military support in the event of Chinese intervention in Indo-China. The Foreign Secretary would in these circumstances assure M. Schuman that we are wholeheartedly behind the French in Indo-China and would do our best to help them, subject to our own commitments at the time and to similar action being taken by the United States. He would then propose that a meeting of the United Kingdom—United States—French Chiefs of Staff should be held to formulate a tripartite military policy for South-East Asia and make recommendations to the three Governments.

**Italian Treaty revision, including Trieste**

25. The United States and French Governments agree with our view that the Italians have a strong case on military, political and equitable grounds for revision of their Peace Treaty. There are, however, serious difficulties (e.g., the Yugoslav attitude and the fact that Russia is a party to the Treaty) and we consider that the matter must be approached with caution. The first stage in our view—and the only one which for the moment we consider practicable—should be a tripartite declaration by the United States, United Kingdom and French Governments of their intention to seek a revision of the military and economic clauses of the Treaty.
Formal action would require reference to all signatories, and would have to wait until the situation was easier. The French have accepted this position in principle. The American view is not yet known, but they are likely to minimise the difficulties and to favour immediate action for formal revision.

26. The United States Government and His Majesty’s Government have agreed to urge the Italian and Yugoslav Governments to negotiate on Trieste as soon as possible, and it might greatly assist the Italian Government in presenting any settlement to their public if we could arrange simultaneous action on the Peace Treaty. Our first objective at Washington will, therefore, be to prevent hasty action on treaty revision before the various difficulties and notably the question of Trieste have been disposed of. This may not be easy. The United States Government have invited Signor De Gasperi to Washington immediately after the Ottawa Conference and will not want to send him away empty-handed, and the French are, on general political grounds, anxious to help Italy over Treaty Revision.

Austria

27. This subject was suggested by Mr. Acheson. It is likely that he will wish to discuss the two questions of Treaty Tactics and Occupation Costs.

28. Treaty Tactics.—The Austrian Foreign Minister has suggested that it would be desirable to hold a meeting of the Deputies on the Austrian Treaty early this autumn, in order to reassure Austrian public opinion. The Russian attitude on this subject has for some time been uncompromisingly negative and shows no sign of changing. Moreover, when the Deputies last met, progress was held up over the question of Trieste. At present we are trying to persuade the Italians and Yugoslavs to reach an early settlement of this question. If we succeed we shall be in a much better position to reopen the Treaty talks.

29. The Foreign Secretary intends therefore to take the line that no meeting of the Deputies should be held in the near future, though, if necessary, a statement reaffirming the attitude of the Allies over Austria might be issued after the meeting with the object of heartening Austrian public opinion.

30. Occupation Costs.—We have been pressed by the United States Government to pay our own occupation costs in Austria. We have so far refused, mainly on the ground that the occupation costs at their present level represent a very modest contribution by Austria to her own defence and that of Western Europe. It is not suggested that we should change our attitude.

Spain

31. When the United States Government decided to enter into military discussions with Spain, Mr. Acheson assured Sir Oliver Franks that the question of Spain’s association with N.A.T.O. would not be raised, and that General Franco was only to be invited to discuss such matters as the provision of airfields for staging aircraft through Spain. So far, the United States Government appear to have kept fairly strictly within these limitations, but General Franco has already asked for military aid for the Spanish Armed Forces and there is no doubt that he will press this demand in subsequent phases of the negotiations. He is also certain to drive a hard bargain over economic aid. Strong pressure will no doubt be exerted on the State Department, not only by the Spanish Government, but also by the pro-Spanish lobby in Congress and by the military authorities.

32. In these circumstances the Foreign Secretary proposes to emphasize that His Majesty’s Government remain firm in their opinion that any arrangement involving American military aid to Spain would have most unfortunate results. It is to be hoped that this will help to reinforce Mr. Acheson’s position.

33. If General Franco insists as his quid pro quo upon the provision of military aid, the Americans may propose to raise the problem of military aid for Spain in N.A.T.O. The Foreign Secretary would strongly oppose this suggestion, which could only lead to an open disagreement between the Americans and ourselves in N.A.T.O. The French would be likely to support our point of view strongly, though there is less certainty in the case of certain other N.A.T.O. members, notably Italy.
The Protection of nationals in Eastern Europe

34. Mr. Acheson put this question on the agenda, probably as a result of the recent imprisonment of Mr. Oatis, an American citizen, in Czechoslovakia and of their experience in connexion with the imprisonment and release of another American, Mr. Vogeler, by the Hungarian Government. He is likely to suggest that we should agree on a common policy to prevent further cases of this kind.

35. The Foreign Secretary will suggest that it would be very difficult to work out any rule of thumb for dealing with such cases, and that each case should be considered on its merits. He will assure Mr. Acheson that we are not prepared to accept terms for the release of Mr. Sanders (a British subject at present in prison in Hungary) which might prejudice the security of the Western Powers. On the point of principle, he will emphasise that, while it may be possible in particular cases to bargain with the satellite Governments for the release of individuals, His Majesty’s Government consider it dangerous to accept the principle of “ransoming” such persons, because it would merely encourage the satellites to persecute foreigners.

II.—Defence Questions

36. The most important of the Defence Questions to be considered at the tripartite meetings is “the European Defence Force and the problem of an early German contribution with particular reference to procedure and methods.” This is dealt with in separate Cabinet papers, and I need only say here that the discussions in Washington on this topic are intended to lead up, not to the Ottawa meeting of the Council (where it is unlikely that the subject will be touched on except in the most general terms), but to the later meeting of the Council in Rome. The other main headings under defence are Atlantic and Mediterranean Commands and the question of Greek and Turkish accession to N.A.T.O., with which is connected the question of the Middle East Command.

Atlantic and Mediterranean Commands

37. The Americans may press for finalization of the Command arrangements for the North Atlantic Ocean. Earlier in the year there was, as the Cabinet know, general agreement within N.A.T.O. to the appointment of Admiral Fechteler as Supreme Allied Commander, North Atlantic Ocean, but after the public criticism of this appointment in Parliament the Americans announced that they were not ready formally to approve the arrangements.

38. We ourselves have been taking the line that the final announcement of this appointment should not be made until the establishment of an equivalent Command under a British Supreme Commander either in the Mediterranean or in the Middle East could be announced. The agreement now reached in the Standing Group is that there shall be a Supreme Command, Middle East, under a British Supreme Commander but that there shall be no Supreme Command in the Mediterranean. Admiral McCormick, who has succeeded Admiral Fechteler as Commander-in-Chief of the United States Atlantic Fleet, is expected to be nominated as Allied Commander Atlantic Ocean and the Foreign Secretary proposes to agree to the announcement of his appointment provided that at the same time the willingness of the three Standing Group powers to take part in a Supreme Command in the Middle East under a British Supreme Commander is announced.

39. In the Mediterranean it is proposed that there shall be two Naval Commanders-in-Chief, the American Admiral commanding United States Naval forces and being primarily responsible for supporting General Eisenhower’s right flank; and the British Commander-in-Chief, Mediterranean, commanding all British naval forces and naval bases in the Mediterranean, with primary responsibility for supporting the Supreme Allied Commander in the Middle East. There will naturally be very close co-operation between the two Allied commanders, who will work out together the division of their responsibilities throughout the Mediterranean. It is likely that there will be a subordinate French command in the Western Mediterranean.
One matter on which it is hoped to reach positive decisions at the Ottawa Conference is the admission of Turkey and Greece to the North Atlantic Treaty. As my colleagues are already aware, His Majesty’s Government have committed themselves publicly to support the admission of these two countries and assurances to this effect have been given to the Turkish and Greek Governments. In the case of Turkey, we have made it plain that we should expect her, once she is admitted to the Treaty, to play a full part in the defence arrangements for the Middle East. We have received repeated assurances from the Turks that they are prepared to do this once they have been admitted to N.A.T.O.

This decision was reached by us reluctantly because we were satisfied that the United States Congress could not be persuaded to offer guarantees to Turkey and Greece in any other form. The French Government, with even more reluctance, now appear to have reached the same decision. But a number of the lesser members of N.A.T.O. are still unconvinced of this and are advocating the conclusion of a Mediterranean or Middle East Pact as an alternative method of securing the co-operation of Turkey and Greece in Western defence. The Report of the Deputies, which will be under discussion at Ottawa, brings out these conflicting opinions.

The first part of the task at Ottawa will be to convince these governments that there is no prospect of any alternative of this kind being accepted and that admission to N.A.T.O. is the only solution. The objections likely to be expressed fall under two main heads. First, that the arrangement extends unduly the area of responsibility of member countries (such as the Scandinavians and Benelux) who have no special interest in the Middle East; and second, that the admission of Turkey and Greece into the N.A.T.O. family will destroy the “Atlantic concept” on which the treaty is based. It may be possible to allay to some extent the first of these fears by means of the Command arrangements which are being worked out in the Standing Group, whereby the defence of the Middle East area, including Turkey, would be regarded as primarily the responsibility of a Middle East Command not fully answerable to N.A.T.O. as a whole. As for the second, it may be that the proposals which Mr. Acheson intends to put forward for strengthening the Atlantic concept and fortifying the non-defence aspects of the Treaty will meet these objections to some extent.

Assuming, however, that the basic opposition of certain members to the admission of Turkey and Greece can be overcome the second part of the Foreign Secretary’s task will be to safeguard our thesis that Turkey must be primarily associated for defence purposes with the Middle East Command under a British Supreme Commander. Despite the agreement in the Standing Group on the main principles of such a Command, and of Turkey’s participation in it, we are by no means certain that the Americans genuinely support the arrangement and there is a lot of evidence which suggests that they would prefer to bring Turkey under General Eisenhower’s Command. They have persistently expressed the view that no prior conditions must be attached to Turkey’s admission and have been reluctant to agree that command questions should be discussed at all at the Ottawa meeting. Our own idea had been that the N.A.T.O. Powers might agree in principle at Ottawa to the admission of Turkey and Greece, and that discussions might then have taken place with these two countries as to how they would fit in to the Command Organisation, on the understanding that Turkey has undertaken to play her full part in the Middle East. The formal invitation might then have followed at the Rome meeting of the Council. Unfortunately we have now been informed officially by the Turks that they will not take part in conversations about the proposed Middle East Command Organisation until they can do so as parties to the North Atlantic Treaty. We shall therefore be obliged to modify our programme. If we leave the discussions with the Turks until after the Rome meeting of the Council it may be too late to utilise the establishment of the Command as a possible solution of our dispute with Egypt, which is one of its main advantages to us. We must therefore find some means of giving the Turks sufficient satisfaction at Ottawa to induce them to enter into discussions with us at once, and this may mean agreeing to an invitation to them to join N.A.T.O. without any assurance, other than those which they have given orally but categorically to us, that they will in fact join in the Middle East Command. This is a risk which we may have to take, placing reliance on the word of our Turkish allies.
III.—Economic Questions

East-West Trade

44. The only fixed item of an economic nature on the agenda of the bilateral talks is the question of East-West trade on which the Foreign Secretary will take the opportunity to restate the importance which we attach to the supplies which we obtain from Eastern Europe. He will take the opportunity of explaining once more our objections to the use of United States assistance to dictate the trade policy of other N.A.T.O. countries, a procedure which is endorsed in draft legislation at present before Congress, and will wish to make it clear that in deciding our own policy we shall not be influenced by the provisions of any United States legislation, although we shall continue to cooperate with the United States Government and other friendly Governments on East-West trade policy.

United States Attitude towards the Economic Aspects of the Defence Programmes

45. In Ottawa there will be an opening clash of opinion with the United States Government about the economic implication of the N.A.T.O. defence programmes. Though the responsibility for presenting the point of view of His Majesty’s Government in this part of the discussion in Ottawa will fall primarily on the Chancellor of the Exchequer and Minister of Defence, the issues at stake will be fundamentally political and the Foreign Secretary will wish to share the responsibility with his colleagues. Moreover, both he and the Chancellor may find it desirable to explore the political and economic aspects of the subject with the Administration in Washington in advance of the meeting in Ottawa. The United States authorities, including in particular the United States Deputy, have openly declared what the main objective of the United States Government will be at the meetings in Ottawa and Rome. To quote from a statement circulated by the Deputy they think that “it would be appropriate for decisive action to be taken at the October meeting aimed at meeting the total requirements of the Medium Term Defence Plan,” i.e., the plan whose fulfilment the military Standing Group of the N.A.T.O. have declared to be essential if the North Atlantic area is to be made militarily secure by 1954. There is in fact a large gap between the requirements of this plan and the total contributions which the N.A.T.O. Powers have severally undertaken to provide and the purpose of the United States representatives in Ottawa will be to persuade the representatives of other Governments that it is not only necessary but within the capacity of the various countries concerned to close this gap by 1954. The United States Government do not appear to contemplate any increase in their own defence programme for the next three years and the amount of military aid to other countries which they are thinking of asking Congress to note in 1953 is no more than they have recommended for the present year. They are in fact looking to the other N.A.T.O. countries to make the principal contribution towards closing the gap and there is a hint in the Deputy’s statement that they may even suggest that the amount of military help which these countries will receive from the United States will depend on the degree to which they are able to satisfy the American view of what may properly be expected of them by way of an increased effort.

95 per cent. of the total defence effort of N.A.T.O. is, however, at present borne by the United States, United Kingdom and France and it is an illusion to suppose that the contribution which the smaller countries could make towards closing the gap could be very large in any circumstances. It is also implied in the Deputy’s statement that if the first United States objective is achieved, namely, the implementation of the Medium Term Plan by 1954, the United States Government expect Europe thereafter to be able very quickly to dispense with any form of “end-item” aid and possibly of economic aid from the United States and would themselves then make a considerable reduction in their own defence expenditure.

46. There is every reason to suppose that most of the other N.A.T.O. Governments will be strongly opposed to ideas of this character and that their main endeavour at Ottawa will be to show that their defence efforts are already as large as economic and political circumstances allow. The Foreign Secretary and his colleagues, though they may agree that some of the smaller countries such as Belgium are being rather laggard, will wish wholeheartedly to associate themselves in characterising the American approach as ill-timed and ill-conceived. In the first place they will wish to point out that it takes no account of the work upon which the economic organs of N.A.T.O. have been engaged for the past few months
and which is based on the fundamental concept that the burdens of defence must be equitably shared. The report of the Financial and Economic Board of N.A.T.O. will be likely to support our view that the programme to which the United Kingdom is now committed may already be more than its fair share, that the United States programme, including foreign aid, massive though it is, may not be more than their fair share, and that France's programme, on paper at any rate, may at least be equal to its fair share. Secondly, the American approach overlooks the fact that there is anyway a gap between the equipment which will be produced under the present defence programmes of the N.A.T.O. countries and the equipment which would be necessary properly to fit out the forces which they have agreed to supply. Although the United Kingdom is undertaking a defence programme which His Majesty's Government consider to be the maximum possible in present circumstances, we shall none the less not be able out of our own resources to equip the forces which we intend to raise ourselves or have an obligation to equip and we are counting on supplies of equipment from the United States to fill or at least narrow this gap. Full equipment for the forces we intend to raise by 1954 would cost about £4,000 million so far as we have been able to calculate and we are only planning to produce ourselves from £2,000 million pounds' worth so that even allowing for stocks in hand the gap will be very large. For the current year, however, the indications are that we shall get only a very small amount of equipment from the United States. Before agreement is reached to try to fulfil the full Medium-Term Defence Plan the forces which the N.A.T.O. countries have already undertaken to raise ought first to be properly equipped. In short, more United States aid is needed before existing programmes can be effectively executed let alone any expanded programmes. Finally, it would neither be equitable nor practicable for the N.A.T.O. countries other than the United States to maintain their forces out of their own resources after 1954 while the United States Government made a drastic reduction in their own expenditure on defence. Any attempt to arrange matters in this way would moreover result in such an increase in the disparity between American economic strength and that of Europe as would have a most disruptive effect on the alliance as a whole.

IV.—Conclusions

47. The United Kingdom and France could only undertake larger defence programmes than those to which they are publicly committed if they were to go on to a basis of a full war economy. Apart from the economic and internal political consequences of such a policy as this the result might well be to make the Russians follow suit and so precipitate the war which it is the purpose of the N.A.T.O. to prevent. It would in fact only be justified if, for other reasons, it appeared likely that war was imminent. The Foreign Secretary will have to make this plain to the Americans and he will, of course, have the strong support of M. Schuman. The conclusion which he will wish to have drawn is that short of imminent threat of war there are only two ways of closing the gap between existing programmes and the Medium-Term Defence Plan, namely, a large increase in the American effort or a downward reassessment of the requirements of the Plan itself. If General Eisenhower supports the new American approach by asking for more fully equipped divisions to be stationed in Europe than existing plans contemplate, the best way to meet his requirement would be for more American divisions now stationed in the United States to be put under his command. The Foreign Secretary will also wish to join his colleagues in making the general points mentioned in the preceding paragraph and so far as the United Kingdom in particular is concerned in laying special stress on the two points (a) that short of imminent war our present defence effort is the most that we can contribute, and (b) that in order to make it effective more American equipment will be needed than we appear on present form to be likely to receive.

C. R. A.

10 Downing Street, S.W. 1,
30th August, 1951.
Please attach these Annexes to your copy of C.P. (51) 239.

Cabinet Office, S.W.1.,

31st August, 1941.
ANNEX I

AGENDA FOR UNITED STATES - UNITED KINGDOM DISCUSSIONS

1. European problems and the United Kingdom attitude towards European integration.

2. Alignment of United States - United Kingdom policies in Middle East:
   A. Egypt
   B. Persia
   C. Kashmir.

3. Alignment of United States - United Kingdom policies in the Far East:
   A. Korea - next steps (with or without Armistice)
   B. China, including representation in the United Nations
   C. East - West trade.
   D. Economic questions.

ANNEX II

AGENDA FOR TRIPARTITE DISCUSSIONS


2. Atlantic and Mediterranean Commands.


4. European Defence Force and problem of early German contribution with particular reference to procedure and methods.

5. Contractual arrangements with Germany.

6. Italian Treaty, revision including Trieste.

7. Austria.

8. Spain.


    A. Korea - next steps (with or without armistice).
    B. Policy toward China, including representation in the United Nations.
ANNEX III

DRAFT AGENDA FOR SEVENTH SESSION OF THE
NORTH ATLANTIC COUNCIL

I. Opening address by the Chairman.

II. Adoption of agenda.

III. Exchange of views on the world situation.

IV. Discussion of activities of the North Atlantic Treaty Organisation, based on:
   (1) Report by the North Atlantic Council Deputies to the North Atlantic Council, to include:
       a) Report of the Chairman, Council Deputies
       b) Progress report from Council Deputies
       c) Progress report from Defence Production Board
       d) Progress report from Financial and Economic Board.
   2) Statement by military representative.

V. Association of Greece and Turkey with Western defence.

VI. Report by each member country on the status of defence effort.

VII. North Atlantic defence plans - Proposals for co-ordinated action by NAT agencies, particularly in preparation for October meeting of Council.

VIII. Future development of NATO, other than in connection with defence plans.

IX. Other business.

X. Communique.