BURGENSTOCK CONFERENCE

28-29 May 1960
(Participant list has been moved to a separate file)

INTRODUCTION

The Btirgenstock Conference was the ninth of its kind, the previous ones having been held in various European countries and in the United States.

It is not the purpose of these conferences to attempt to make policy or to recommend action by governments. Their sole object is, by bringing together men of outstanding qualities and influence, in circumstances where discussions can be frank and where arguments not always used in public debate can be put forward, to reach a better understanding of prevailing differences between the Western countries and to study those fields in which agreement may be sought.

The discussions are so organized as to permit a broad and frank exchange of views to take place. They are held in conditions of strict privacy and neither the press nor observers are admitted. No resolutions are passed and no statements have to be approved by the participants, who are free to draw their own conclusions.

Those invited to attend the Bilderberg Conferences are chosen from different nations and from all fields of public activity and include statesmen, diplomatists, business and professional men, intellectuals, and leaders of public opinion. All participants attend the meetings in a purely personal capacity and the views they express do not necessarily represent those of the organizations or parties to which they belong. The various topics on the agenda are introduced by rapporteurs who have prepared papers on these subjects. These documents are as far as possible circulated in advance of the meetings.

In the following text the views expressed during the debates are briefly summarized under headings which correspond to the different points of the agenda.

I. STATE OF THE WORLD SITUATIONAFTER THE FAILUREOF THE SUMMIT CONFERENCE

In opening the meeting, H. R. H. Prince Bernhard thanked his Swiss hosts for their hospitality, stressing in particular the excellent choice of a meeting-place. He also recalled the rules applying to Bilderberg conferences, with especial reference to the avoidance of leakages to the Press.

The subject for discussion was introduced by two statements, the first made by an American participant and the second by a European one.

The American participant spoke of the reactions produced in United States opinion by the U.2. incident. Both Press and public agreed that it was a very ill-chosen moment to announce the continuation of these flights (although if this standard were to be adopted, some factor or another would always militate against such flights); it was also felt that the various statements made after the incident had been hardly wise; in the early stages meteorological research had been invoked as an excuse; later, it had been given out that "the President was unaware of what was happening" and, finally, it had been announced that the flights would continue, thus causing confusion in the Atlantic camp. The speaker dismissed these attitudes as "boyscout behaviour". On the other hand, he stressed the extremely valuable intelligence that had thus been obtained, constituting as it did a powerful reinforcement to the Atlantic concept of the deterrent, all the more valid in that the Russians now knew that flights of the U.2. type had been undertaken for some four years already. The Soviets now realize that the dispersion of targets they have carried out over their territory is no real safeguard. The speaker also explained that, very probably, the pilot had only been forced down after engine-trouble had caused his aircraft to lose so much altitude that it was within the range of Russian anti-aircraft defences. The speaker believed that the balance of forces was favourable to the Atlantic camp, and that the likelihood of war had been temporarily removed to some extent. However, it had to be admitted that, if Mr. K. had decided to torpedo the summit conference, the pretext for doing so had been handed to him on a silver salver. The same speaker also mentioned some important consequences of the incident—the resuscitation of the Eisenhower "open skies" plan, the realization that the policy of diplomacy based on smiles had failed for good, the salutary effect produced on American parliamentary opinion with regard to aid budgets and the increased firmness now visible within NATO. On the whole, it seemed that American opinion now saw things far more clearly and was more disposed to cohesion in the face of the coming struggle, particularly on the economic plane. Incidentally, one could say that Mr. K. had overplayed his hand; it was equally certain that his attitude would have an effect on the American presidential election. K.'s candidate was obviously Stevenson, with Rockefeller and Kennedy after. Whatever the repercussions might be, it was of no assistance to any candidate to be K.'s favourite!

The European participant began by sketching an outline of events since the Yesilkoy Conference (late September, 1959). The whole period had been dominated by the "Summit" and by a certain atmosphere of optimism (the famous "spirit of Camp David"). However, Mr. K., while admitting that the problems might be

solved in not one, but a series of conferences, had blown hot and cold. For his own part, the speaker had never ceased to believe that progress had been very slight (disarmament, nuclear tests) and that, when it came to the essential problem—Berlin—there had been no progress at all. Public optimism was based on the idea of a Krushchev who was the enemy of the Stalinists and who needed a period of peace in order to carry out his five-year plan, without forgetting the threatening shadow of China on the horizon. In the face of this optimism, it could be asserted that the thaw that had occurred inside Russia had left the doctrine intact, and had been accompanied by a more aggressive attitude towards other countries. It was clear that Mr. K.'s aim was to appeal to the populations of the West and of the world over the heads of their governments, in the hope of making the former revolt against the latter.

As for the U.2. incident itself, two theories were possible: -either Mr. K. had realized, as a result of his trips abroad, that the summit conference was bound to end in

failure, and had wished to avoid this in order not to be forced to carry out immediately his threats (a separate peace treaty with Germany, etc.), -or he expects his technicians to produce some decisive military novelty in the near future, which would put him

in a better bargaining position.

It might also be true that he does not know what to do for the moment and needs time for thought.

We must therefore make the best use of the breathing-space allotted to us. In this connection, the speaker feared that further smiles from Mr. K. might revive "optimism", with its attendant dangers. One positive element, in any event, was the abandonment of the idea that the "Summit" was a panacea. The speaker thought that the West needed a success in the field of military technology.

In the course of the discussion, a British speaker, who attempted to describe the prevailing sentiment in his country (although his views were not entirely shared by another British participant) showed a certain optimism in spite of appearances. He thought the failure of the summit was due rather to errors of judgment both in Washington and Moscow, and pointed out that a certain moderation had not entirely disappeared from East-West relations (the C 47 affair in East Germany, Mr. Gromyko's attitude in the Security Council, and the fact that the experts were continuing their Geneva talks).

The facts which had led the parties to seek a solution remained unchanged. The speaker was in favour of continued peacemaking efforts by the West, and, in this connection, recommended the admission of communist China to the United Nations. He also stressed the risk to the West of waging an all-out economic war on the battlefield of the under-developed countries. He said that British public opinion was in increasing doubt about the wisdom of American leadership, while realizing the West's increasing need of American military strength: the consequence was an ever stronger tendency within NATO in favour of greater European influence on that organization. At the same time, British public opinion was coming closer to that of the Continent.

Several participants mentioned the favourable effects that recent events had had on Western public opinion. There was evidence of greater realism and a greater belief in the value of traditional diplomatic methods,

One had also to bear firmly in mind that it is Mr. K. who has given the current initiative and the style to the cold war, a fact that does not call for either optimism or pessimism on our part but simply for an extreme flexibility of attitude, as both camps still seemed to agree that a total war was improbable.

Several participants spoke of the reasons that had, in their opinion, led Mr. K. to torpedo the conference before it even began. Some speakers maintained that the pressure exerted on Mr. K. within the Soviet Union was not imaginary, but appreciable: it came, not so much, or not only, from the military, but also from certain members of the Central Committee who would be ready to attack their leader if the expected results of his spectacular travels abroad failed to materialize soon (cf. the recent reshuffling of the Secretariat of the Soviet Communist Party). It should not be forgotten either that Mr. K. is a highly-conceited individual, and it may be that he expected to be called to the telephone by Ike immediately after the U.2. incident. Another cause for concern is that he has no idea how the West will react to his behaviour (for instance, his harbouring of illusions about the possible effects of his attitude towards the American elections). He will never be content until he has legaized his country's wartime conquests; and from this point of view, the German treaty is, and will remain, his chief objective—hence the permanent validity of his ultimatum. Perhaps the outcome will be the convening by the USSR, after the American elections, of a general peace conference of all the ex-belligerents, including the "two Germanies". As the West will not give in to such a demand a separate treaty will be signed; and nothing dramatic will happen in Berlin, which will, rather, be slowly strangled.

The West, then must draw up as accurate a balance-sheet of the situation as possible. Once this had been done, there could be two alternatives—either to offer the Russians solutions that they found acceptable, or to bring forcible pressure to bear on them. One of the speakers described this choice as tragic and inextricable.

Another speaker went further in his analysis of the internal situation in Russia. He pointed out that, from the point of view of pure doctrine, Mr. K. had shown himself to be a "heretic" when he declared, at the XXth Congress, that war was not inevitable. (This opinion as to heresy was not generally shared, however). The same speaker also said that the problems raised for the Soviet world by co-existence were just as numerous as those of the cold war: among other things, the Soviet people was nowadays less inclined to accept sacrifices than it had been when it believed itself to be encircled by capitalists; and its natural sympathy for foreigners was on the increase.

Mr. K. himself had encouraged this attitude, to the great annoyance of the communists in Africa and Asia. It was also a striking fact that, until President Eisenhower's press conference of 11 May, Mr. K.'s tone had been relatively moderate. It was certain that the reaction in the USSR against the thaw had grown stronger as the American statements had succeeded each other. The West should know how to analyse the determining factors in its own attitude.

If one looked to the future, said the speaker, two questions arose:

a) did we really want another summit conference?
b) if so, what should we do to make it a success? However, before replying to the second question, the speaker mentioned several drawbacks which, according to him, were characteristic of summit-conference diplomacy. The problems of to-day were of such a nature that they required specialized technical knowledge on the part of the negotiators of a kind not to be expected in heads of State. And what was to be done if the conference failed? An ambassador who failed in his negotiations could be recalled; a Cabinet minister could fall; but when heads of State reached a deadlock, there could be no solution. Then there were factors of a personal order, states of mind and of health which, in negotiations between heads of State, might assume exaggerated proportions. The speaker expressed his preference for the diplomatic method combined with a firm but flexible position—firm, inasmuch as we should harbour no illusions about the possibility of reaching a true compromise with the communist world; but flexible, because the West should make a greater effort of imagination than it had in the past. In particular, the attitude traditionally adopted by the diplomats— Geneva was a case in point—of refusing to base a discussion on a note prepared by the other side, should be toned down.

It was certain that the West could learn a lesson from recent events by trying to lessen its own internal conflicts (this had led to the recent British turning towards Europe).

The speakers were unanimous in thinking that there could be no question of yielding over Berlin; on the other hand, several thought that we should not reject a solution which would enable the Russians to save face. In this context, we should avoid "playing with fire" as far as possible.

Several speakers returned to the idea of a "balance-sheet", and defined the task of the West, in the near future, as being the careful elaboration of a position on the Berlin issue, to counter any intransigence on the Russian part. At the same time, counter-measures should be worked out in preparation for a new diplomatic offensive.

One participant pointed out that Mr. K.'s heresy with regard to the permanent aims of communism had consisted—if such had really been his purpose —in promoting higher living standards and in relaxing military tension. It might be that, faced with the danger of a crisis caused by the impossibility of keeping these promises, the Soviet leaders had found it expedient to return to the cold war in order to avoid coming under pressure. As the initiative has always belonged to them, it was still time for the West to change this state of things by holding a bayonet to the Russians' throats (for example, by suggesting the implementation of the measures formerly agreed on at Yalta).

It should also be remembered that Mr. K. was a tired man, and that his state of health might have exacerbated the ambitions of those who surrounded him and upon whom he must depend. An American participant, who failed to agree with his country's rapporteur, drew negative conclusions from the recent events: if one considered, he said, that an effort had been made by those responsible for American political life in order to make public opinion more conscious of the implications of the last world war, the shock produced by the summit failure had brought to the surface again all the negative elements which were stern and unbending in their approach. This fact was aggravated by the opening of the electoral battle at a time when there should be serious soul-searching so that the United States could define a long-term, constructive policy in concert with its allies. However, as another American participant remarked, the Congress was now far more disposed to accept the executive's request for funds in order to strengthen the defence potential of the free world. He did not believe that we were faced with a rebirth of isolationism. The American Congress would doubtless be prepared to favour new and positive steps, both in the United Nations and in NATO.

It appeared clear that Eastern and Western policies would continue, the first attempting to widen the scope of communist domination, the second to defend the cause of freedom. The hardened attitude of communist parties in the Western countries showed that, for some time past, there had no longer been any illusions in the East about the results that could have been obtained at the summit (it is a fact that Mr. K. had committed himself to a considerable extent with regard to the East German Government). In the light of this situation, the West should show signs of strength and move towards a positive policy, seizing all opportunities of negotiation that might present themselves once a clear picture had been formed.

One participant, returning to a previous speech, stressed the fact that the United States was not trying to impose its leadership on the West. On the other hand, he quoted some examples of a recent past during which events had driven the U.S. to take the initiative—the reconstruction of Europe after the war, the Korean crisis, the Berlin airlift, and Atlantic collaboration. The speaker did not wish to go into detail about cases where the initiative certainly did not come from Washington, such as action in the Arab countries and Suez. In this connection, one might wonder whether the development of events had not demonstrated that the United States had not perhaps been entirely wrong, either at the beginning or even later. It might, however, be true to say that the United States had too easily yielded to allied pressure in admitting the possibility of a summit conference.

On this score, an American participant warned representatives of the other Atlantic powers against showing undue defiance of the Americans, who could, after all, conceivably reach an understanding with the Russians in

disregard of the interests of the rest of the world. He also recommended a clear Western declaration on Berlin, guaranteeing the former status, for example.

Another American participant thought that perhaps not enough attention had been paid by either side to what could be done in the matter of extending arms control. There might be common ground here for East and West, who could combine to banish fear and devote increased resources to raising the general standard of living.

One of the participants was requested to sum up the main issues in the discussion. He found that there were three:

1 Was Mr. K. an heretic, or not?
2 What should we do about Berlin?
3 What should we think about American leadership?

Although opinions were divided on the first point, it could not be denied that something new had happened to the Soviet way of thinking since their new leader came upon the scene: a Russian public opinion was beginning to grow up, and it was counter to the notion of a police state, which was the doctrinal position. Mr. K. was playing a deep game, and one could not predict what would happen. On the Berlin problem, it was clear that we had reached a deadlock from which it would be difficult to extricate ourselves. We should not dismiss the idea of a compromise, but the USSR would have in return, not only to make concessions, but to make such concessions as were apparent to the man in the street. On the third point, the speaker said that, rather than speaking of leadership, the West should concert its efforts so as to be ready for the next "sale coup" which might come from the East. It would, however, be better still if the latter received a warning in the shape of new Western initiatives, and, in this respect, the failure of the summit conference had opened up new perspectives.

II. NEW POLITICAL AND ECONOMIC DEVELOPMENTS IN THE WESTERN WORLD

Discussion under this heading was mainly concerned with the problems raised by the development of the European Community of the Six and the creation of the European Free Trade Association of the Seven, and with the American attitude to these problems with the scope of developing world trade. The discussion was introduced by three papers — one by a participant from one of the Six countries, the second by a participant from one of the Seven countries and a third document drafted by an American expert.

In the first report, after stressing the interest of strengthening economic cooperation within the Atlantic framework,—especially towards the underdeveloped countries—the author recalled the history of the Community of the Six (E.C.S.C., Euratom, E.E.C.) from the beginning until the recent steps taken to implement the E.E.C. The report also discussed the liberal policy envisaged by the European Common Market with regard to the rest of the world, and the difficulties which arose in deciding on a common policy for agriculture, transports and monopolies. It was also pointed out that the Treaty was based on the solidarity of Europe and certain African territories, a fact which raised the problems of the relations between other African territories and the Community. Most of the report was devoted to the external relations of the Community: a common Customs tariff (which would represent a considerable decrease for France and Italy, and an increase for the Benelux countries and Germany), and a current proposal for a 20% reduction in this tariff with respect to countries outside the Community. Reference was made to the British effort to set up a wide free trade area and to the attitude of the Six, who insisted on the obligations the member countries had imposed on themselves and which found no counterpart in the British proposals. The fundamental factor was the willingness of the Six to carry out a common policy in a number of fields. Finally, there was a new fact—the appearance of a balance of payments deficit in the United States, which made that country far more sensitive to anything that resembled discrimination against it. The rapporteur recalled the studies now being undertaken for setting up a new organization to replace the O.E.E.C. (the Twenty plus the E.E.C.). He also spoke of the political aspects of co-operation between the Six and present schemes to strengthen the community (election of the Assembly by universal suffrage, reinforcement of its powers, co-operation in foreign policy and the merging and strengthening of the three existing executives).

The second report, that by a participant from one of the Seven countries, described how that group was brought about by the failure of discussions on the free trade area at the end of 1958 and the rejection of economic isolationism— agreements between individual members of the Seven and the E.E.C. constituting an insufficient palliative. It was true that the alliance of the Seven looked like a counter-measure against the E.E.C. but the Seven insisted on their willingness one day to promote large-scale European economic integration.

The system of the European Free Trade Association was that of a classic free trade area as defined in the G.A.T.T. It left intact the sovereign rights of the member States, although it was recognized that certain decisions could be taken by a vote of the majority. If this new arrangement was less detailed than that of the Six, it was partly because the Contracting Parties did not wish to lay down, from the beginning, lines of conduct concerning concrete problems that would arise in the future; the whole approach was a pragmatic one.

Just as the previous report had insisted on the positive external policy of the E.E.C., this one devoted several pages to the prospects opened up by the European Free Trade Association: the maintenance and development of intra-European trade, sufficient communication between the two groups to avoid double investment (this being true also for transatlantic investors) and an attempt at something more than the mere concept of co-existence (the rapporteur stated, in this connection, that 46% of intra-European trade took place between the two groups). The author also said that the very wide formula adopted by the European Free Trade Association would allow the

E.E.C. to participate in it without losing its own characteristics, and especially its political aims.

In conclusion, the speaker mentioned certain points: the acceptance of the reality of the E.E.C. by the members of the Association, their conclusion that new channels could be explored in the search for a general European solution, the avoidance of any pressure by one group on the other, and the development of world trade and aid to under-developed countries. The author of the American paper also went back to the past, recalling the American attitude to Europe since 1945. The two main objectives of the United States had been to get the European economy working again as rapidly as possible and to integrate Germany into that pattern. The Marshall Plan had played a very important part in bringing about these two objectives, and, when Robert Schuman and Jean Monnet had launched their scheme for a European coal and steel pool, it was clear that an important step was about to be taken in both directions. But this new step had necessarily led to another, in the shape of the common market and Euratom, which had been hailed by the American public as the keystone of the whole edifice. On the other hand the European Free Trade Association did not represent the same aspirations, at least not in the political field, and this had led to a certain American hesitation with regard to it, the more so as the obstacles it raised to their own external trade were not counterbalanced by any political advantages, as in the case of the Six.

However, although it sometimes seemed as though the United States were a many-headed monster, pursuing different policies simultaneously, there could be no doubt that the new situation of their external finance had given a new lease of life to objectives that had always been those of the American economy that is to say an ever-increasing development of world trade. In this respect, extreme vigilance was becoming apparent both with regard to the trade policies of the Seven and the present or future steps taken by the Six over their common external tariff. Nor should the needs of other non-European countries be forgotten (Japan and Latin America, for instance).

It was not therefore impossible, said the rapporteur, that a certain amount of "agonizing reappraisal" would take place in America after the presidential elections. This would not mean that they would adopt a negative attitude towards the E.E.C., but American pressure might be exerted within G.A.T.T. and the international Monetary Fund in order to bring about a general lowering of world tariffs. In this respect, the attitude that would finally be adopted by the E.E.G. would be of the greatest importance.

The various points were rapidly recalled by the rapporteurs at the beginning of the discussion. The representative of the European Free Trade Association expressed the firm hope that the present transactions with a view to widening and transforming the O.E.E.C. would bear fruit. The rapporteur of the Six insisted on the political aim pursued by his group of countries, and mentioned the supranational characteristics that had been introduced into the system; he also said that this political orientation ran counter to the idea of a neutral Europe, which was a danger in the actual state of affairs. He added that, if the concept of the European Free Trade Association was to be that of the classic free trade area type, then the E.E.C. could not go very far to meet it.

A very full discussion took place after this: the various opinions expressed fell under two headings:

a) discussions about the economic organization of Europe and the speeding-up of the Common Market; b) the attitude of the United States, and the problems of non-European states, especially the developing countries.

The economic organization of Europe

As several participants, both from the Six and Seven groups, remarked, the European Economic Community was now an accomplished, irreversible, fact, whatever might have been, in the past, the doubts as to its existence that had inspired the attitude of some among the Seven countries.

Several speakers from countries of the Community supported the statements of their rapporteur, and pointed out the main characteristics of the E.E.C. Two points were especially stressed: -The Community of the Six could only be clearly understood if one realized that the various institutions of which it was composed presupposed, in the near or distant future, a greater degree of political integration, to which the measures mentioned by the rapporteur might be the prelude. Did this assumption foreshadow the danger of a greater split among the countries of Europe, as some speakers seemed to fear? Certainly not, replied one participant, who pointed out that the fact that some European countries belonged to NATO while others did not introduced a far greater differentiation. -The articles of the Rome treaty were an indissoluble whole, some of them being the "entrance fee" enabling countries to profit by the advantages. It thus followed that a country outside the scheme could not extract from the treaty only those clauses which suited it, while arguing that it was granting "reciprocity" because that was not a true counterpart. Similarly, the tariff policy adopted by the Community was only one element of a vast political, economic and social system, from which it could not be detached. Did this mean that the community of the Six was "rigid", on account of the wealth of detail appearing in the treaties that had set it up, in contrast to the "pragmatism" of the Seven? A speaker who was particularly familiar with the workings of the Common Market said that pragmatism could equally be applied to that organization. All those who spoke on this point mentioned the necessarily liberal character of the Common Market with regard to external trade, some speaking of it as though it were to be hoped for, others as though it were already a certainty. In defence of their thesis, the latter brought forward the recent E.E.C. proposal to reduce its common external tariff by 20 % if reciprocity was granted. Moreover, one of these speakers declared, this measure would not exclude additional arrangements between the Six and the Seven with regard to specific commo dities that played no great

part in trade between the European nations and the rest of the world, especially the United States. The E.E.C. had proposed to the Seven a discussion within the framework of the "Seven plus One", whereas a failure would probably result if obstinate efforts were made to resuscitate the former Maudling Committee. This view was not shared by another speaker, who thought that a useful resumption of negotiations could take place within that Committee if its members were willing to reach agreement.

It is certain that the accelerated implementation of the common market decided upon recently had provoked fresh fears in the countries that did not belong to it. They feared that such acceleration would make any agreement between the Six and the Seven a mere illusion.

One participant tried to show that such an acceleration would, on the contrary, increase the likelihood of a multilateral European solution, since a strengthening of the economic position of the Six would enable the E.E.C. to show itself more flexible towards the non-member countries. Another speaker said that the development of the Common Market had not, so far, been accompanied by any sign of hostility towards the countries outside it, and that there was no reason to think that this state of affairs would alter. Besides, it was wrong to exaggerate the importance of the discriminatory element within the Common Market scheme. Once the common tariff was in force, the expression could disappear from use.

Even if one was not concerned about the political future of "Big Europe"— and several speakers did express such concern—a number of participants felt that every effort must be made to avoid the crystallization of the two economic blocs. This would have serious effects in several spheres: to take investment as an example, it might oblige investors, both European and American (and it was clear that the latter were becoming increasingly interested in Europe) to make a far greater overall effort, whereas if there were a single, greater economic unit, much overlapping could be avoided. Moreover, the common market was beginning to produce visible changes in several trade currents, and an advantage accruing to one country could only do so at the expense of another. Even if the existence of the Free Trade Association provided a "compensation" for the exporters of its member countries by stimulating fresh trade in its turn (and it was difficult to draw up a balance-sheet of this at the present time) it was likely that a less dynamic market than that of to-day would no longer mask the difficulties, but present instead problems that only closer co-operation could solve. In answer to these fears, speakers belonging to the Six pointed out that the problem of "double investment" had always existed and that its consequences must not be exaggerated; as regards currents of trade, they stated that the Common Market stimulated just as important changes within its own framework, and that it had finally been recognized that these changes were beneficial to the Community.

If it was recognized that the E.E.C. had a common policy in the wider sense of the word, whereas this is not true of the Free Trade Association, several speakers thought that it would still be possible to examine arrangements for laying down certain lines of action for both groups in the future. Agriculture was quoted as one possible sphere for such an effort, and also economic aid to overseas countries (see below) and the external tariff policy (which would come about if the Association adopted the appropriate clauses of the Rome Treaty). This led to the question of the institutional setting within which such-cooperation could work. A Scandinavian participant suggested that a very close comparative study be made of the respective clauses of the Rome and Stockholm Treaties; he felt that this would show that there were more points in common than was generally thought, after which it would merely be necessary to incorporate those points into a permanent agreement. An American speaker, who follows European economic evolution very closely, suggested two possible approaches: either, as mentioned above, extending to the Seven the character of a Customs union already possessed by the Common Market, or including the latter as a body into the European Free Trade Association as its eighth member.

However, a continental speaker thought it advisable that, in the light of the political implications of the Six, any negotiations between them and the Seven should be preceded by a formal declaration as to the final aims of both parties. An American speaker added that any merging of the two groups that did not include political implications would be considered unsatisfactory to the United States.

However, all the economic and even political problems governing the future development of Europe could not be resolved by a confrontation of the ideas of the Six on the one hand and of the Seven on the other. Several speakers underlined the special circumstances of certain countries. For example, Austria, Sweden and Switzerland had to be very careful not to appear to compromise their political neutrality in the slightest degree. On the other hand, it seemed that British public opinion was more prepared than formerly to envisage a strengthening of ties with the Six; and one participant pointed out that the reasons that had led the latter to bind themselves so closely were almost all valid for the United Kingdom also. However, real political willingness was needed on both sides, and before that could happen certain "ghosts must be laid". The Six and the United Kingdom must be given enough time to reach agreement; in the meanwhile, difficulties of a commercial nature should not be allowed to prejudice political relations. In this connection, the special position of the United Kingdom as mentioned by several speakers, who stressed that country's importance in the European context. But, as one speaker said, it was not certain, in the present state of things, that a British request to join the Six (whether it were, as has been suggested Euratom and E.C.S.C., or E.E.C. within the scope of Articles 237 and 238 of the Rome Treaty) would be so favourably received by the latter, some of whom might suspect that there was a fly in the ointment.

If the political unity of the Six is considered desirable (and most of the participants thought it was) it was not certain that the Common Market was the best method of achieving this aim, said one speaker, who pointed out that the unity in question was making slower progress than the dismantling of tariff barriers. However, said a Scandinavian speaker, one had to admit that the Six constituted the nucleus of a great united Europe, who should

remain the long term objective and be the task of an entire generation.

The attitude of the United States and problems of non-European countries

If the problems raised by the two groupings of the Six and Seven should be examined by the countries concerned, there is a new and capital factor in the now more direct association of the United States and Canada in the development of the European economy, as shown in their intended participation in the future Organization for Economic Co-operation and Development (O.E.C.D.), which is shortly to replace the O.E.E.C. In a very detailed speech, an American participant gave a comprehensive picture of the attitude of the United States with regard to European economic achievements. In passing, he pointed out, as several other speakers had done, that the behaviour of Mr. K. had done much to strengthen the links that bind the West, especially in Europe, and Mr. K. he said, should be thanked for that. He recalled the part played by the O.E.E.C. just after the war in re-establishing economies and promoting the freedom of trade. That task had now been accomplished, and the choice was not between the new organization and the existing one (in other words, the status quo), but between that new organization and a regression. The only difficulty was that which might occur between the O.E.C.D. and the G.A.T.T. or the I.M.F.,which the United States wished to see reinforced. Progress of convertibility, especially, had abolished any justification for European discrimination against United States exports. The problems that the O.E.C.D. would have to face went far beyond the quarrel of the Six and the Seven, and were more concerned with the position of small countries as compared with big ones.

Analysing the policy of the United States, the speaker said that this had changed considerably, the Americans now recognizing for example that the steps to be taken should include safeguards against restrictive practices. However, a problem of principle arose—that of delegating to an external organization matters which were traditionally within the competence of the United States Congress, such as the control of commercial policy. Finally, the importance of the external trade of the United States was greater than the 1 % of the total previously quoted would lead one to suppose. On the one hand, the United States could not allow the deficit in their balance of payments of the past two years to continue; on the other, their whole policy of promoting investment abroad and sustaining the development of the world economy would thus be called in question. The United States thought that the industrial development of the Community of Six would make it an increasingly interesting market for American exports, and that was why they were paying close attention to the common external policy of the E.E.C., which should not only be liberal, but also constructive (agricultural problems). Moreover, the existence of the Six group enabled the United States to negotiate with them concrete arrangements on points of detail that had not so far been satisfactorily settled. As for the solution adopted by the Seven, it raised no objections in the United States, so long as it proved to be entirely compatible with the rules of the G.A.T.T., to which the United States were increasingly attached as an instrument for the implementation of a non-discriminatory world trade.

Other speakers, both American and European, insisted on the need for the whole free world to distribute more widely the expenses in the common interest which have laid at the root of the difficulties experienced by the United States, for the past two years. This was true, not only of military expenditure abroad, but also of aid to under-developed countries, which should not only be maintained but even considerably increased in the years to come. It was within this context that a solution should be sought, rather than in a massive increase of American exports, which would not be particularly suitable for European countries.

The problem of institutions arose again here. One speaker doubted whether the O.E.C.D. would be able to deal with the tasks of the future, and asked whether NATO would not be a more appropriate setting. In any event, a stop had to be put to dividing up of action in this field between the United States, the United Kingdom and the rest of Europe. Instead of that distribution, there should be a correct division of tasks under the political patronage of the Atlantic organization.

A Scandinavian speaker recommended the reduction of tariffs on the part of the industrialized countries within the framework of G.A.T.T.; this would accelerate the development of trade in the backward countries. Previously, several speakers had insisted on the special responsibilities for Africa assumed by such countries as Belgium, France, Great Britain and Portugal. In the first two cases, this fact was reflected in the Rome Treaty, which laid down preferential treatment for the produce of the African territories. For its part, Great Britain granted Commonwealth preference (and this did not only apply to raw materials, far from it). A British speaker suggested that the Six and the Seven should agree to coordinate measures in this connection.

Although Africa was often mentioned in the course of the discussion, it was also recognized that the United States has special responsibilities, mainly in Asia and Latin America. More generally, it was stressed that, in the face of growing aspirations in all under-developed countries, it was essential that the West should give the impression of being able to guide them while at the same time granting them satisfaction. Simultaneously, each European country should receive a certain liberty of action so that it might develop certain bonds, especially in the cultural sphere.

Whatever solutions might finally be adopted with respect to the O.E.G.D. and its field of action, it was indispensable that there should be no hiatus between the end of the O.E.E.C. activities and the beginnings of the new organization, two speakers particularly stressing the need to continue the contracts of the excellent technical teams set up by the O.E.E.G.

If, by some mishap the statute of the O.E.C.D. were not to be ratified by the United States (an American participant pointed out that protectionist forces might eventually win the day over the liberal forces if there were no improvement in the balance of payments before that time), than, as one European speaker said, there would have to be a reinforcement of the mutual obligations of the free world that would go further than the rules laid down by G.A.T.T. and the I.M.F.

In summing up certain of the points raised, the Secretary General of the European Group drew a few conclusions:

1) The problem of the Six and the Seven was not purely European. It was of capital importance for our American friends and no solution should be adopted to which they could not subscribe. 2) Despite this, there was room, in certain conditions, for several intra-European arrangements. 3) In the light of the different points of view expressed, it was noteworthy that all speakers had thought that certain frictions between the Six and the Seven could be smoothed over, provided that the problems arising were precisely circumscribed.

Many speakers had stated that an overall settlement of the "Six-Seven" problem could only take place if there were a common aim, a desire for political co-operation. Other speakers, however, did not feel that a multilateral association called for such a common viewpoint. It might be tried to come to an arrangement on selective points of specific economic friction between the two groups. It was important that none of the participants believed that an economic co-operation could be limited to purely commercial and trade-elements.

It had been advised not to dramatize the issues. But this did not mean that the future negotiations on both sides should not show proof of "de la bonne volonte".

It was worth noting that the discussions which had taken place had enabled full light to be shed on the arguments for both sides and this meant that, unless there were very important developments a new discussion of this problem in the Bilderberg combination should not be necessary.

The complete text of the Secretary General's conclusions is appended as an annex. Before adjourning, the participants expressed, through the Session Chairman, their warmest wishes for a quick recovery to H.R.H. the Prince of the Netherlands, who had been prevented by a sudden illness from presiding over the second day's meeting.

PRESS STATEMENT

On May 28th and 29th a Bilderberg-conference, presided over by H.R.H. the Prince of the Netherlands, was held in Burgenstock near Lucerne. 60 Participants, from 12 countries of Europe and from the U.S.A. and Canada, attended the meeting. Participants came from the political, industrial, labor and professional fields.

The conference started with a survey of the present political situation, after which the economic problems of Europe were discussed with special reference to the future relations between the European Common Market and the European Free Trade Area, and of the United States and Canada to them.

Prince Bernhard was to his great regret unable to preside over the sessions of May 29th owing to indisposition.

30 May 1960

ANNEX NO. I

Summary of the discussions on Saturday 28th May by Mr. C. D. Jackson

Ever since our friend van der Beugel asked me to do a little summing up 30 seconds ago, I have been scrambling desperately in order to have something to say. I think that the salient points are the discussion as to whether or not Mr. K. is a heretic, what are we going to do about Berlin, and the question of American leadership.

A warning note has been sounded this afternoon and this morning about the question that we really had to do something about Berlin. It is very true, that it is extremely difficult to think one's way out of the Berlin "cul de sac". It is so easy to say: Well, let us just get out and see what happens. But we have settled ourselves with a kind of mystical symbolism in the case of Berlin that just cannot be disregarded, and it seems to me that the concession, the compromise, the device, the formula, that we would work out with the Russians in order to find a "solution" to Berlin would be very dangerous and make no sense if we were not to get an equal and comprehensible concession from the Russians. And when I say comprehensible, I mean not just comprehensible to another foreign minister, but comprehensible to the man in the street. Otherwise, we will be both physically and psychologically out-flanked in Europe. If our Berlin concessions are too great or without adequate quid pro quo, the West Germans will have to make some kind of accommodation with the East Germans, which means the Russians. Then NATO will inevitably begin to go down the drain. NATO may continue to exist on paper, but it will have no teeth. It may have some beautiful gums, but not much to chew with. Now on Mr. K's orthodoxy, I thought that the exchange between some of the participants was absolutely fascinating. Is it not a fact though that something new has entered into the Soviet picture since the advent of Mr. K.? Something new to the extent that whether for reasons of heresy or un-

orthodoxy, or because he thought he could make the Soviet people evolve at his wish, Mr. K. has permitted the dawn of what might be referred to as "public opinion" in the Soviet Union. Now public opinion is the direct antithesis, the direct contradiction of the police-state, and the police-state is essential to the State-religion of Marxism, of which Mr. K. is the high priest. And how long or how far can you tamper with a State-religion without raising a certain amount of hell with the Cathedral in which the high priest operates? Mr. K. is engaged in an extremely interesting game, he is trying to have his cold-war and eat it too, and it may be a trifle indigestible as it has appeared at times. Now that is not something that we should take too much comfort from.

I wish that I could leave this room, thinking with another speaker that Mr. K. might not be there in a month or two. That would be just wonderful. But I don't dare think about this any more than I think about our new favorite topic, which is that the Chinese and the Russians are going to be at war in the next couple of months.

Now I must return to this matter of preparing for some new diplomatic initiative on the part of the Russians as explained by some of the speakers. There is no question but there is going to be another move: The West has fallen into the habit of scoring points by getting out of tight fixes, heaving a great sigh of relief, and then going off to have a Martini at 5:30. That 5:30 whistle never blows in the Kremlin, and these gentlemen are hard at work at the moment preparing the next "sale coup" which is sure to come, and probably very soon. I would hope, in concert with our allies and our allies in concert with us, that we could get around together at all levels and try to think through an initiative on our part. This word initiative is worth much these days and we have had it heaved at us for a long time by a great many people. Unfortunately, we have not taken a great many initiatives because many of them are awkward and difficult, but I think it is essential that we should get ourselves into an initiative mood, and I think that the break-up of the Summit in Paris furnishes us with such an opportunity that we might not have had otherwise.

Now, to wind the matter of U.S. leadership, I am frankly and flatly on the side of those speakers who do not believe Washington has been too unsuccessful in that respect. I cannot present my personal experience as comparable to that of my compatriot who stood up for the American leadership or to some of the other foreign service gentlemen here, but having done a stage in the White House, having done a stage—briefer—in the State Department, I can assure you that the omnipresence of British desires, no matter what the subject, can be pretty appalling at times, and it really makes little difference whether Labour is in power or the Tories. It can be profoundly irritating, and besides induces a sort of Pavlovian reflex on our part. By now, we almost have a conditioned reflex that if Downing Street so much as twitches an eyebrow, we have to dive under the desk, which is rather a bad thing for us and not conducive to that much desired or deplored leadership.

ANNEX NO. II

Summary of the discussions on Sunday 29th May by Mr. E. H. van der Beugel

I shall be very short, which is not difficult, I will be serious, which is rather more difficult at this time of the day, and I will be objective which is still more difficult for me. Summing up cannot be a repetition of the arguments. This probably means that practically everybody who has intervened during this day's debate will feel that his particular point of view has not been dealt with, but it cannot be otherwise. I was extremely grateful to Mr. Rijkens for pointing out one fact which seems rather important in this kind of gathering, i.e. that the Six did not speak with one voice, that the Seven did not speak with one voice, and that even between fellow-countrymen there was what I should like to call a slight difference in accent, with the possible exception of our United Kingdom friends.

When I now try to sum up what we have done today, I think, that one result of our discussion is that it has been established beyond any doubt that the problem between the Six and the Seven is not a purely European problem. There has been some doubt in the minds of our American friends whether it would be appropriate for them to intervene, and I think that it has been established here that the problem we have discussed is a problem of the greatest interest to our friends overseas. For several reasons. In the first place, I think in practically every speech it has been pointed out that an eventual solution cannot be found without the active assistance, support or even agreement of our overseas friends. In the second place, as to the organizational structure, which is now being discussed in Paris, it is definitely certain that this organization cannot work without active participation of our U.S. and Canadian friends, and in the third place, from the point of view of the U.S., it has been made very clear by some American speakers that, even for the internal development of the U.S., events in Europe, not only as to aid the underdeveloped countries but in the greater framework, are very relevant.

The second point I should like to make is this: an American inter vention has made it clear that, notwithstanding this first point, there is some room under certain conditions for an intra-European arrangement. I say: under certain conditions, taking into account our global responsibilities. I think this is a very important point because some of us have feared that the external relations of the Six could only be global or not at all, and if that were true, there would be no room for any specific European arrangement.

Now, as my third point I should like to mention what we can expect for the future. There, I think it is not possible only to mention common ground. I think that if we make a fair summing-up, it is necessary to mention different points of view. There is common ground fortunately, but in a rather limited field. The common ground is that practically every speaker thinks it possible to make arrangements on specific and selective points of economic friction between the Six and the Seven. But that does not touch the heart of the matter. It is in itself an important

achievement, but it does not touch the heart of our discussions. The heart of our discussion was that (and I think that is a fair summing-up) a very substantial part of the opinions expressed leads to the conclusion that an overall settlement of the Six and Seven problem can only be found when there is a common political aim. In other words, that an economic co-operation of real magnitude is only possible if it ultimately Teads to some form of political co-operation. That is one very important schopl of thought which has been expressed here today. On the other Band, there are those who think that achieving a multilateral association in Europe does not require a political aim. I think that it is highly improbable' that this rather deep difference of opinion can be solved in a very short time. I think what we shall see in the future is an effort to come to an arrangement on selective points of specific economic friction between the two groups, but I do not think that the discussion of today can lead to any optimism with regard to the possibility of an overall settlement in the very near future. What I think was a rather important element of our discussion is that both groups, even those who think that some form of economic co-operation will do, have recognized the fact that even this economic co-operation cannot be limited to what I should like to call commercial and purely trade-elements. We have been advised not to dramatize the issues which have been discussed, and I think this is a very wise advice. We have seen a rather important "debunking" of the tragic prospects of a split in Europe. Nevertheless, Mr. Chairman, I should like to say that not dramatizing the thing should not mean that we should not take this thing very seriously, and our debate can only lead to the hope that those responsible for the negotiations in the future will do so with what the French call "de la bonne volonte". As to the Bilderberg Meetings itself, I think that I find myself in agreement with a French participant when he said that we have reached the phase where we practically know all each other's arguments, and personally I do not think that it would be wise to discuss this specific matter again in a Bilderberg Conference unless there are really very important new developments. Nevertheless, I think hat these talks have definitely cleared our points of view.

ANNEX NO. III

Introduction on O.E.C.D. By Mr. E. M. Martin

I want to talk primarily about the organisation of Europe in the economic field and about some U.S. attitudes toward the issues in this area.

First I should like to say something about the development of the successor organisation to the O.E.E.C. known currently as the O.E.C.D., the Organisation for Economic Co-operation and Development.

We have made considerable progress toward developing the outlines of such an organisation and had a relatively successful meeting during this past week on the subject, which I attended.

There are still a good many problems ahead and I would just as an introductory comment like to call attention to the statements made yesterday morning by a number of people about the help which Khrushchev's attitude has been toward solidifying the West and to indicate that I think we may need this help to come to a successful conclusion of these particular negotiations. Yet this leaves me a little unhappy, I must say. It seems to me that, while we all want a "detente" it is hard to see how we are going to get one, if after a few successful negotiations with the Soviets our spirit of cohesiveness is going to disappear; it does not seem to me that the disappearance of our unity and our will is the best way to get further concessions from the Soviet. While we may get over this hurdle it seems to me that in the longer term we still have some real problems if our public opinion keeps pressing us into this dilemma of being able to be firm only when Khrushchev makes mistakes. First a little history about the O.E.E.C. problem. It seemed clear to us and some other people that over the past year the vitality of the present O.E.E.C. organisation had been running down. It did a magnificent job without any question in helping Europe recover from the disruption and the damage of the war. It pioneered the development of liberal trade policies, keeping pressure on the countries to move ahead much more rapidly than they otherwise would have. However, this task had been essentially completed and it was necessary to find some new direction in which to move. In addition, rightly or wrongly, a certain bad odor had wiped off on the O.E.E.C. in the minds of some countries because of its role in the six-seven negotiations and at least one major country was seriously considering withdrawing. I might add that this country indicated formally just this past week in the meeting that it still had this under active consideration.

What all this means I think in approaching a new organisation is that we are not faced with the choice between a new organisation or standing still. We are faced with a choice between a new organisation or moving backward and eventually having nothing. We and others felt that it was not an acceptable alternative to let the present organisation die on the vine, but that it was important to have a strong organisation in Europe dealing with economic questions in an overall fashion. We thought that if one looks to the future instead of the past there were problems coming up in the sixties which could be dealt with in this way: The increasing importance of economic growth, maintaining a degree of economic stability the importance of doing what we could do for the less developed areas whose standards of living are not rising as rapidly as our own and the provision of a larger organisation or framework of a strong character within which the differences between the Six and the Seven could perhaps be better solved. We also thought that it was useful to have such an organisation as this as the one framework in which the neutrals could find themselves in association with the West, an important thing in our view.

We also thought that to have this organisation disappear would be a mark of Western disunity which we wished to avoid.

Now when we looked at the problems coming up for the future and the possibility of creating a strong organisation to deal with them, we thought that the best way to approach it was to try to strengthen the organisational structure which we had, to direct it to the problems of the future rather than of the past and that, since

these problems were ones, which on the whole we—the U.S. and Canada as well as the Europeans—had a good many points in common, we could join and become full members, participating in trying to solve them. Now it is in this direction that the Group of Four has moved in proposing a new organisation and this is a direction which in general the U.S. has thought was desirable.

The major difficulty which has arisen is over the scope of the activity of the organisation in the field of trade. We have thought that with the coming of convertibility, with the completion of the period of postwar reconstruction, the need for trade arrangements on a regional basis has pretty much disappeared. We also thought that future trade problems could be handled in the global framework of G.A.T.T. and of the I.M.F. We were prepared to see a considerable strengthening of G.A.T.T. to this end and are making proposals at the current meetings to this effect. However—and I must say this is a problem which concerned our Congress as well—we have tolerated, accepted as desirable and necessary for a period of nearly fifteen years, extensive discrimination against U.S. exports on the part of the European members of the O.E.E.C. We thought this was desirable and necessary to help them in their wartime reconstruction, but with the coming of convertibility for most of these countries this justification had disappeared. Therefore we felt that whatever trade arrangements might be continued, those which had regional discrimination built into them, could not be acceptable as a solution to the future problems that we face ahead of us.

On the other hand we found that a good many of the European countries were very attached to the code of liberalisation and the other trade arrangements which have been built up in the O.E.E.C. They felt that these arrangements were more comprehensive, more detailed than the rules and regulations under G.A.T.T. They also felt that in the smaller group of Europe there could be more effective pressures to enforce them than in a global area like G.A.T.T. where many of the countries would not be particularly interested in actions by one European against another. Now they have agreed, however, that regional discrimination as they define it—and I am not sure whether we agree on the definition—should be a thing of the past and should not be continued. These countries are however not prepared, in other trade matters to give up what has been set up for the past, but feel there may be problems in the future which will require the framework they have had and therefore it should be retained.

Now this difference has been the central issue of the meeting we had this past week and will continue to be so for some time. I think it is important to note in this connection that this is not a Six and Seven issue. As far as the U.S. is concerned no position that we have taken and no language that we had wished to have in the treaty was related to the question of attitude toward the Six and Seven problem. It was also interesting that the three countries which took the lead in wanting to retain the full scope of the O.E.E.C. regulations were >, drawn from both the Six and Seven camps. And the three countries which primarily took the lead in the discussion along the lines of essentially the U.S. position were also drawn from both camps. It seemed to be much more a small versus a large country split than a Six and Seven split.

I may say some of us found it also amusing that one of the countries which was most active in support of the O.E.E.C. code of liberalisation has traditionally been the most difficult to keep in line with O.E.E.C. rules. And the one country that spoke most vigourously in favour of G.A.T.T. as a solution to all problems has been notorious in the past ten years for its cynicism with respect to G.A.T.T.

The meeting this past week ended with some degree of success, the U.S. recognising as it had not done before the strength of the feeling on the part of many of these countries about the old. O.E.E.C. arrangements: we modified our position considerably. We agreed for example, that it would be desirable to have in the new organisation a trade committee, that this trade committee should be empowered to deal with such Six and Seven problems as still existed when the new organisation comes into effect, that it should be a form in which there could be what we call trade confrontation, in other words one country can bring complaints against the trade practices of another. We also agreed that we would be prepared to go through the code of liberalisation and see what provisions in it seem to us still appropriate for the future and what provisions were acceptable in our terms.

Now this is where one of our difficult problems arises. Our Congress is exceedingly jealous of delegating any power over U.S. trade policy to an international body or even to the executive branch of the U.S. government which will operate in an international body, and the tight rope which we have to walk is to try to see how much we can buy without prejudicing the possibilities of ratification, because our adhesion to this new organisation will have to be ratified by the Congress. Now we feel that the real issue as it has developed is one of those awkward ones, which, though very difficult in principle, can be solved in practice. Essentially, as I would see it, our Congress is reluctant as a matter of principle to delegate to an international organisation control over U.S. trade policies, control which they realise will probably never be exercised because within the framework of these rules our trade policies are pretty good. On the other hand a number of European countries are reluctant in principle to give up controls, having in mind primarily other European countries and not the U.S., controls which they too realise they will probably never have to exercise. So what we have to do is to try to move people as far as we can away from this devotion to principle and down to the practicalities of specific arrangements and see what we can work out in the form of a compromise. But this moving from principle to practical compromise, that's where the will to have an arrangement to continue to show the solidarity of the West comes in and plays an important role, *i* Now to move a little bit to the Six and Seven problem, the U.S. delegation S has distributed a paper prepared by an American expert on this subject. It may appear a little long but I would suggest that from the bottom of page 5 on is the most pertinent material. I would like however, to give a perhaps somewhat different view as there is still a considerable lack of clarity about what I see to be the U.S. official position as distinct from U.S. public opinion on the Six and Seven issue.

The essential background to the current U.S. position on this specific Six and Seven question is, I think, the

concern in the U.S. about the U.S. balance of payments, I believe this to be a justifiable feeling as we cannot continue indefinitely to have a deficit of 3 billion or more in our balance of payments despite our large gold reserve. We have obligations in the world, that we would be reluctant to cut back, we don't want to cut back our rather liberal trade policy and move further in this direction, we do not now foresee the possibility of cutting back the 3 billions a year that we spent on U.S. military forces abroad—that is not including military aid but just U.S. forces—we will be reluctant to slow down the U.S. pace of investment which is running at over 3 billions a year. To finance this we require a surplus of exports over imports and it is in this sense that our trade position and our export opportunities are far more important to U.S. policy than would be suggested by the 1 % of national income figure that a Swiss participant referred to.

Consequently there is a concern in the U.S. about any arrangement in the present position which represents a discrimination against U.S. exports. As far as the Six are concerned this worry has been outweighed, as a matter of U.S. government policy, by the great political advantages we see in the Six with their objective of a political federation. We also believe as a secondary point that the deep integration in the economic field contemplated by the Six including free movement of goods, capital, labor and close integration will result in rapid economic growth and the best markets for U.S. exports have traditionally been those in which there is a rapid rate of industrial growth. We would therefore hope that the discrimination will be at least to some extent outweighed by the increased opportunities this growth will provide.

At the same time we are as interested as any one else in seeing that the Six external policy be liberal.

When we first heard about the idea of acceleration I think we made it quite clear in informal channels that acceleration without reduction, in other words, without a proposal to reduce the level of tariffs, would in our view be an undesirable step. The acceleration proposal which has been made has been accompanied with the proposal to reduce the external tariffs. We have a particular commodity, tobacco, which has been heavily hit by the rate established in the treaty of Rome for it and we have made our protest vigorously, publicly as well as privately, with respect to the impact of this, what we consider unfair, duty on our tobacco exports and we hope others will feel free to do the same when they are hurt. We are also concerned that the agricultural provisions that may be adopted by the Six could be considered restrictive in U.S. terms, and we will be watching the development of this policy, though no one is lily-white pure in this respect. With respect to other arrangements we will necessarily look at them in the light of their desirability from the standpoint of the U.S. position and the attitude of a good many would-be protectionists in our Congress, particularly reflecting the attitude that they may have toward them as they affect U.S. export possibilities. With respect to the Seven and a larger arrangement, our basic position has been that we have no objections if they are broadly consistent with the G.A.T.T. This is not a precise position because the provisions of G.A.T.T. are not precise but one can not go further than that without seeing the details of specific arrangements. But in fact we have gone further than that in the case of E.F.T.A.: we have about ten days ago said in the G.A.T.T., where a waiver was necessary because of the exclusion of agriculture from the arrangements, that we thought it was a good arrangement and justified a waiver from G.A.T.T., and we proposed to vote for such a waiver and we hoped that other countries would do so as well. E.F.T.A. does not have all the advantages that we think the Six has, but it has some of them and we were prepared to come to its support, even though it did not meet all the requirements of
G.A.T.T. as we saw them.

What our position would be with respect to a wider arrangement is more difficult to say in the abstract until one can see what it would be. Certainly if it were consistent with G.A.T.T. we would not block it and we would be in no position to exercise a veto on it, if it were not consistent with G.A.T.T. it would represent a wider area of discrimination and I think we would undoubtedly —speaking in all frankness—have greater difficulty in supporting a waiver under the G.A.T.T. than we found in the case of E.F.T.A. This does not mean to say however that we would refuse to do so. We would have to examine the circumstances at the time, economic as well as political, in order to determine what our position would be.

We do feel from what we have learned from both sides that the negotiation of a wider arrangement which is clearly consistent with the G.A.T.T. is an unlikely possibility in the foreseeable future and this is why we have suggested that as a practical matter it might be more useful to concentrate energies on reducing the areas of trade friction between the two groups as the immediate measure which has the best prospects of success. Not only do we have the 20 % reduction, which we hope will be confirmed by a reasonable degree of reciprocity, but we also have an offer from the Six to negotiate with respect to particular items that are causing difficulty. One cannot tell how effective this will be till one sees not only that they are willing to negotiate but what agreements they are willing to reach, something you cannot tell in advance. But it seems to us that it would be a mistake not to take advantage of this opportunity, as we have tried to take advantage of their willingness to negotiate on the tobacco matter. A new duty on tobacco is now under discussion, as we understand it, in the E.E.C. This is a matter of viewpoint as to the most helpful tactics at the present juncture, rather than any commitment in principle against another arrangement if it can be negotiated contrary to our expectations.