

MUTUAL DEFENSE ASSISTANCE PROGRAM

13 February 1950

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MR. MUNCY: General Holman, General Lemnitzer, friends: Last October when the President approved Public Law 329, the Mutual Defense Assistance Act, it gave to the President a new charter with which to implement our foreign policy. Our major responsibility here is not one of foreign policy. We will admit that at the beginning. In that bill, however, are some very important considerations for the Industrial College.

As you perhaps know, something over a billion dollars, either in actual appropriated funds or contract authorizations, has been made available for allocation and use during this fiscal year. It poses a tremendous problem. I shall not, and our speaker this morning will not, attempt to cover more than one segment of this act. He will confine himself to those appropriations for military aid to the nations which have signed the North Atlantic Pact, and he will try to give us background policies and the organizational structure within which the procurement of approximately one billion dollars worth of military aid will be made.

Our speaker this morning has been with the State Department since 1931 in increasingly responsible positions. Immediately before his present assignment he was Chief of the Aviation Division of the State Department. He is a graduate of the Law School of George Washington University, a member of the District Bar, and is a graduate of the National War College. It is a pleasure for me to introduce Mr. John O. Bell, Assistant Director, Mutual Defense Assistance Pact of the State Department. Mr. Bell.

MR. BELL: General Holman, gentlemen: My subject today is the Mutual Defense Assistance Program. This program is primarily concerned with problems of military supply. Consequently, it is with some trepidation that I, a civilian, venture to address a group of officers who are expert in such matters. This feeling of hesitancy is enhanced by my recollection of attendance at the War College. I well recall the fact that as the lecture course proceeded, with so many truly gifted lecturers, the students became steadily harder to please. I should like to make it clear that I am neither gifted nor a lecturer, and that I crave your indulgence.

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The Mutual Defense Assistance Program was enacted as Public Law 329 by the 81st Congress. Behind the law lies a history of many months of work, some understanding of which is important to an understanding of the program and the manner in which it is to be carried out. Late in July of 1948, the National Security Council recommended to the President that consideration be given to the development of a program of military assistance. The Council cited the danger to the security of the United States arising from the aggressive expansionist policies of the Soviet Union, and the lack of military strength in the free nations of the world. The President approved the recommendations of the Council and assigned to the Secretary of State the task of exploring ways and means of strengthening these free nations, and, in particular, the nations of western Europe, the maintenance of whose security is so vital to our own. From this assignment grew not only the Mutual Defense Assistance Program but also the North Atlantic Treaty.

Early in January 1949, by agreement between the Secretary of State, the Secretary of Defense, and the Administrator of the Economic Cooperation Administration, there was established an ad hoc committee known as the Foreign Assistance Correlation Committee, or the FACC. This group, composed of a representative of each of the three agency heads, was assigned the task of formulating and developing a single program to cover all military assistance projects, of drafting legislation to provide therefor, and of securing legislative authorization and appropriations. It had to survey the world scene: to ascertain the nature and extent of threat to United States security arising from military weakness abroad; to evaluate the ability of the United States to provide aid and the ability of foreign nations effectively to utilize it; and to determine the kinds and amounts of assistance required and the relative priority of the needs. In the course of its work, the committee, aided by the staffs of the three agencies involved, reviewed the objectives of our national policy on a global basis.

As a result of this work, a program and legislation were presented to the Congress and enacted, in the main, substantially as proposed.

The Mutual Defense Assistance Act of 1949, as it was entitled by the Congress, authorizes the provision of military assistance on a grant basis to certain nations. Title I authorizes the granting of assistance to those nations, members of the North Atlantic Treaty, that had requested assistance from the United States prior to the enactment of the legislation. These nations are the United Kingdom, France, Belgium, the Netherlands, Luxembourg, Denmark, Norway, and Italy. Title II authorizes the continuation of the programs of military aid to Greece and Turkey. Title III authorizes the provision of assistance to Iran, Korea, and the Philippines. This title, in section 303, also authorizes the appropriation to the President of

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75 million dollars, to be used in his discretion, for carrying out the policies and purposes of the act in the general area of China.

The Congress, with respect to title I, which covers the North Atlantic Treaty countries, appropriated 500 million dollars in cash and authorized the executive branch of the Government to enter into contracts up to 500 million dollars more. Two hundred and twelve million dollars was appropriated for title II countries and 102 millions for title III nations, including the 75 millions for section 303, referred to earlier. Thus, 1 billion and 314 million dollars was appropriated. In addition, the Congress authorized the transfer of up to 450 million dollars worth of equipment, priced at acquisition costs, without charge to the appropriation, except for such sums as might be required for the rehabilitation, packing, handling, and transportation of such equipment.

In addition to the provision of the legislation authorizing grant aid, the President was also given authority to provide what we have called procurement assistance. The authority granted in this respect was limited to the provision of procurement aid to those countries specifically named in the act as recipients of grant aid, and to such other countries as had joined with the United States in regional and collective defense arrangements. The effect of this provision is to make it possible for the United States to use the procurement channels of the Defense Department to buy military equipment and supplies on behalf of the countries I have already named; on behalf of Canada, Iceland, and Portugal, which are members of the North Atlantic Treaty; and on behalf of those Latin American republics that have ratified the Rio treaty. The act requires, however, that, in such cases, the total cost of the equipment to be purchased be made available to the United States in advance.

The Congress also imposed a number of conditions that had to be met before the assistance authorized in the legislation could be rendered. First, it required that bilateral agreements be concluded with each recipient nation before any aid was given. These agreements, Congress said, must contain, in addition to such other provisions as the President might consider necessary in our national interest, specific provision for the use of the assistance rendered for the furtherance of the purposes and policies of the act, specific provision for the furnishing to the United States or other countries of reciprocal assistance, specific provision for maintaining the security of any equipment or information furnished, and specific provision that the assistance given could not be retransferred without the consent of the United States. Although this legislative requirement did not apply in the cases of Greece and Turkey where such agreements already existed, it did mean that no aid could be granted to any one of the other nations until we had made such an agreement with that nation.

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In the cases of the Atlantic Treaty nations to whom assistance was authorized, the Congress made additional conditions, which are of great importance. The Congress spent most of its time during the hearing and debate in studying the problem of aid to the North Atlantic Treaty countries. It asserted vigorously its opposition to any idea of providing aid to these countries unless such aid could be clearly and directly related to a common defense plan. It was felt that there would be no value to the United States or the recipient nation if the objective was confined to the improvement of the individual military establishments of these nations as unrelated and separate units. Consequently the Congress inserted conditions in the legislation withholding authority to expend more than ten percent of the appropriation for title I, until after the President of the United States had approved recommendations from the Defense Committee and the Council of the North Atlantic Treaty for the integrated defense of the North Atlantic area. The President was also directed to provide assistance only as required to support and further such defense plans.

This is perhaps an appropriate point to be more specific as to what was envisaged by the term military assistance. There are involved in this program four categories of aid: first, the provision of military equipment and supplies; secondly, the provision of technical and training assistance; thirdly, the provision of assistance in obtaining raw materials and machine tools with which recipient nations can increase their own production of military equipment; and, fourthly, assistance in purchasing equipment through U. S. governmental channels. The equipment to be provided under this program is to come from reserve stocks of our own military forces, or from new production. The material which is to come from our own reserve stocks, which will be roughly two-thirds of the equipment to be provided under this year's program, may be further subdivided into two categories.

First, there is equipment of which we have a supply in excess of our needs under current mobilization plans. The amount of such equipment that can be transferred, as I have indicated earlier, may not exceed a value of 450 million dollars, based on original acquisition costs. The charge to the program for readying and shipping this material is presently estimated at about 75 million dollars.

The second category of equipment to come from our stocks is equipment which is required under our mobilization plans and which, if transferred, will have to be replaced. The amount of such equipment that can be used is determined by the Secretary of Defense after consultation with the Joint Chiefs of Staff. The price to be put upon it may be set by the Secretary of Defense either at acquisition or replacement cost. From this it will be noted that the funds appropriated for this program will largely be spent in the final analysis for the manufacture of equipment in United States arsenals and factories, with

the products thereof finding their way either to the recipients or to the United States forces in replacement of equipment that already has been provided to the recipients. It is obvious that this should have a beneficial effect in obtaining and maintaining safer levels of production capacity in this country.

The President has made it clear from the inception of work on this program that he would delegate authority and responsibility for the direction and control of the program to the Secretary of State. This was confirmed in the Executive order recently issued which makes the Secretary of State responsible. The President excepted from this delegation the authority vested in him under section 303, which he reserved to himself, as well as authority regarding a number of other technical points. The reason for assigning these duties to the Secretary of State derives from the basic purposes underlying the program. The military assistance program is intended to serve as an integral part of our foreign policy, and to support and implement other policies, which, properly related one to the other, will serve to attain the basic objectives of our foreign policy. All agencies of Government have been agreed that the Department of State is the logical point in the Government to be responsible for the blending into a master plan the various political, economic, and military instruments that may be required to attain our goals.

The fixing of such responsibility in the Secretary of State has by no means confined within the Department of State responsibilities for the implementation of this program. The Department of Defense is responsible for, and will carry out, the major portion of the operations involved. The Economic Cooperation Committee will play a significant role, and other agencies of the Government will from time to time have functions to execute.

This fact can best be illustrated by a brief outline of the organizational pattern set up within the Government. First, the Secretary of State, the Secretary of Defense, and the Administrator of the ECA constitute a committee known as the Foreign Military Assistance Steering Committee (FMASC). This group will meet when and if necessary to resolve important policy questions. Designees of these three agency heads have been appointed to serve as the Foreign Military Assistance Coordination Committee (FMACC), a natural outgrowth of the planning committee (FACC) that was mentioned earlier.

This group meets regularly and frequently to solve policy and operational problems and makes recommendations to the Secretary of State as to the action which should be taken. It is chaired by the designee of the Secretary of State, Ambassador James Bruce, who had been named by the President to serve as Director of the program. Secretary Johnson's representative on this body is General Lemnitzer, who is established as

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the Director of the Office of Military Assistance within the Office of the Secretary of Defense. Mr. Edward Dickinson, a high official of the Economic Cooperation Administration, represents Mr. Hoffman. Each of these three men is responsible for the coordination and direction of MDAP activities within his respective agency, and each has authority to represent his principal.

Responsibility for the implementation of the program in the recipient countries is fixed upon the Ambassador of the United States in that country. In each of the European countries, there is being established within the embassy, as an integral part of the ambassador's staff, a military assistance advisory group (known as MAAG), headed by a flag or general officer, and composed of a joint Army-Navy-Air staff. The ECA mission in each of these countries serves as staff to the ambassador on the economic aspects of the program, and additional diplomatic staff is provided as required. In most cases a top-rank foreign service officer has been assigned to act as special assistant to, or deputy for, the ambassador on military aid matters. Similar arrangements are being made in title II and title III countries, although there are variations as required by the local situation.

In the European area, where it is essential to maximize attention upon the interrelationships of country programs and their integration into a central design, the Secretary of State has designated the Honorable Lewis Douglas, Ambassador to the United Kingdom, as his representative and as Chairman of a top policy committee known as the European Coordinating Committee (ECC). The other members of this committee are Ambassador Averell Harriman, representing ECA, and General Thomas Handy, Commanding General, European Theater, representing the Secretary of Defense and the Joint Chiefs of Staff. This committee meets at irregular intervals and provides advice to the Secretary of State regarding the policies and procedures of the program from the European regional point of view. The committee is served by a staff located in London, which has personnel assigned by State, Defense, and ECA. This staff, headed by an Executive Director, who reports to the Chairman of the committee, provides a focal point for regional coordination of program operations in Europe. It not only serves as staff to the committee to which it reports, but also provides advice and guidance to the embassies and makes recommendations and suggestions to the Office of the Director in Washington. It works in close cooperation with United States representatives on the various sub-bodies of the North Atlantic Treaty organization which are located in London.

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I do not know to what extent you gentlemen are informed regarding the Atlantic Treaty organization, but you probably realize there are five regional planning groups set up, which are subordinate to the Military Committee. Three of these five groups are located in Europe. General Handy is United States representative on the western European group, General Cannon, on the northern European group, and Admiral Connally on the southern European-western Mediterranean group. These three officers, ranking members of their services in Europe, are served by a joint staff in London, known as JAMAG, which is commanded by General Kibler. JAMAG also serves as a focal regional organization in London, on the military side, to provide advice and guidance on the purely military aspects of the military assistance program to the military personnel stationed in our embassies, and to channel to Washington the regional military views.

After hearing something of the complexities of this organization--and I have not touched upon some of the aspects that are pertinent--you will probably find it difficult to believe that anything is actually accomplished. Yet, as a matter of fact, considerable work has been done and operations are proceeding relatively smoothly. The organization is not considered perfect or immutable. It is the best we have yet been able to evolve, which tends to assure that all relevant factors and considerations will be brought to bear upon the solution of our problems.

In carrying out the responsibility vested in him for the implementation of the program, the Secretary of State, through his special assistant, the Director of the program, has established certain basic procedures. First and foremost, it is necessary to state for each area and/or country in the program basic concepts as to the objectives, political, economic, and military, which are sought by the program. Next is the formulation of specific plans for the carrying out of the concept. Another step is the development in detail of a program for the implementation of the plans. This is followed by the institution and completion of the requisite supply action. Finally, there is the provision for an accounting and a reporting procedure which will assure that the action taken is in accord with the program, and which will provide the basis for evaluation of the effectiveness of the program in attaining our objectives.

To trace this process with respect to the hypothetical country of Graustark may be informative as to the actual procedures. Let us assume that Graustark is a member of the North Atlantic Treaty. The basic concept is pretty clearly outlined in the legislative terms.

We seek to assist Graustark to equip its forces with the kind and amount of materiel that is appropriate to the role Graustark would play under the common defense plan of the treaty. We insist that

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Graustark help itself to the maximum extent it can and we also insist that, if Graustark is in a position to help other treaty members, it do so. We insist that we supplement and not replace Graustark's own efforts. We insist that the improvement in Graustark's military position not involve expenditures or efforts which would jeopardize its progress towards achieving economic recovery or its chances of maintaining economic stability thereafter. We insist that the forces are to be equipped within Graustark's ability to support them and that our assistance in end items be confined to nonconsumable capital equipment which will have a long-term value.

Let us assume that, under the defense concept of the treaty, Graustark's role is to provide ground forces, that it is to be responsible for harbor and port defenses in its territory, and that it is to make a contribution to a tactical air force. Let us suppose further that Graustark can maintain two divisions of infantry within its budget, that it has adequate naval strength to perform its naval mission, and that it can maintain a squadron of aircraft. We must then determine what table of equipment is required for the ground and air forces involved. We must ascertain what part of this equipment is now on hand. We must find out how much additional equipment will be produced by Graustark, and what it can expect to obtain from other sources. Thus, in the case of ground forces we may find that there are left shortages in tanks, rifles, and trucks, which cannot be met from Graustark's resources. We may find that the aircraft which Graustark needs can be supplied by another treaty member. Accordingly, we have arrived at a conclusion that Graustark needs certain quantities of tanks, rifles, and trucks, and that its needs for naval and air equipment can be taken care of without any help from us.

Similar computations have been made concurrently with respect to the needs of other countries. Let us assume that in the category of tanks, the total needs of Graustark and the other countries in the program are for 500 tanks. We must now look into the availability of tanks in the United States. We may find that there are 100 tanks available in our stocks, which are excess to our needs, and that the Joint Chiefs are prepared to make another 200 tanks available from reserve stocks, subject to replacement. This leaves a requirement for 200 tanks, which must be met from production. We must now make a comparative evaluation of the urgency of Graustark's need for tanks as contrasted with other countries that also need tanks. Based upon these studies, we may conclude that Graustark, which needs 50 tanks, should receive 30 tanks from excess and reserve stocks and 20 from new production at a later date. Thus, we have a tentative figure for supplying tanks to Graustark and this figure takes its place in our over-all program. This program is discussed with Graustark's authorities, and agreement is reached with them that we will supply certain equipment.

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Our embassy in Graustark and its military advisory group then proceed to plan the implementation of the program with the Graustarkians. Inquiry is made into the readiness of the Graustark forces to utilize tanks. It may be that five tanks are all that Graustark can effectively use during the first quarter year. Our mission will accordingly requisition five tanks for delivery in that period. This requisition will be handled through the regular procurement channels of the Army. Our mission may find that Graustark tank boys are not familiar with our tanks and that a course of instruction at the Armored School at Ft. Knox is in order. It may be found preferable to have a tank expert come to Graustark to train the locals in tank operation and maintenance.

When the program is finally agreed upon with the Graustarkians, it, together with other programs, is submitted to the Secretary of State for approval. Following approval, funds are allocated by the Department of State to the Department of Defense and by Defense down through channels to the various technical services. When the tank requisition from Graustark arrives in the Department of the Army, appropriate supply action is taken to insure the conditioning, packing, and transportation of the tank. At each step of the way a careful record is maintained. Summary reports of supply action are furnished the Director of the program periodically so he can be informed as to the progress of implementation in the plans.

After the tanks have arrived in Graustark and our mission has given the requisite advice and instruction in their use, a careful watch is maintained to determine how effectively the Graustarkians are using this equipment and to assure that it is being used for the purposes intended. Reports are made to the Director by the mission, and evaluation of effect on Graustark's military strength, morale, and political situation is based thereon.

Let us further imagine that Graustark is a country that has factories that can produce, let us say, machine guns, but that although manpower is available, the present output of these factories is below capacity, because of the lack of certain machine tools and raw materials. It is not feasible, let us postulate, for Graustark to obtain such tools or materials without paying dollars, which are more urgently needed for other imports essential to economic recovery. Under the MDAP legislation, it is possible for us to purchase the raw materials or machine tools for Graustark with which she can increase her production of machine guns. The estimates we have made indicate that by an investment in Europe of about 85 millions we can over a 2 year period achieve an increase in production in Europe of five to six hundred million dollars in value.

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In the case of Graustark, as outlined, we will provide assistance in the form of end items, in the form of training, and by procuring tools and materials needed for increased production. This is a reasonably accurate facsimile of what has been and is taking place in the military assistance program.

We have concluded the bilateral agreements with the Atlantic Treaty powers, which were required by the legislation. These negotiations took about 2½ months to complete. The North Atlantic Treaty organization has made recommendations for an integrated defense of the area, which have been accepted by the governments involved and which have been approved by the President. We have had technical discussions with these countries and have arrived at agreement as to their needs, their availabilities, and net deficiencies, and as to the portion of the latter which we will endeavor to supply. In the case of Army and Navy items, these have been checked against availabilities in the United States, and over-all Army and Navy programs for title I are being approved as of today. The Air program is expected to be approved within 10 days. Some funds have been allocated and more will be allocated shortly. Supply action has already been initiated. The embassies in Europe have, in most instances, already been augmented by the initial increments of military personnel, and the next 2 weeks will see this completed. Initial shipments, based on expectations as to content of final approved programs, are being readied and should take place in a few weeks. Steady flow will probably commence in 60 to 90 days.

The Greek and Turkish programs have been continued, although they are being re-evaluated in the light of the successes in Greece and the necessity for taking into account other demands upon our resources. Programs for Korea, with whom an agreement for aid and for a large military mission have been concluded, and for the Philippines, with whom the details of agreement have been reached except for formalization, will be approved shortly and supply action begun.

Arrangements have been worked out whereby the Canadian Government can procure equipment for its defense needs and to further the policy of standardization of equipment with the United States. Similar arrangements with the Latin American states, which want and can afford to buy equipment, are being worked out. Studies in both the Departments of State and Defense, with respect to the Far Eastern situation, have been going on, and it is likely that specific recommendations to the President with regard to the use of the section 303 funds will be made in the not too distant future. It is anticipated that such programs of military assistance as may be approved by the President under this section will be administered through the established channels that I have described.

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All in all, substantial progress has been made, and foundations established which should assure rapid and efficient operations. The progress that has been made is in no small measure due to the attitude of cooperation, which has characterized the personnel of the agencies concerned, both civilian and military, and the willingness on both sides to adjust individual points of view in order to solve the problems. This augurs well for the future.

Our present concern is to move ahead rapidly with this year's program. It is also directed to the necessity of securing congressional approval and appropriations for the continuation of the program next year. We are actively working on these problems and are hopeful that by 15 April we can present legislation to the Congress which will provide therefor.

We are confident that this program and succeeding programs, if well conceived and properly executed, can serve to strengthen our friends and warn our foes, so that war can be avoided, or, if it must come, that it can be won with the least cost in lives and funds. If we can, as the President said, make clear that an attack will be met with effective resistance and defeat, we may well discourage potential aggressors from aggression against us.

Thank you.

MR. MUNCY: Gentlemen, as I listened to Mr. Bell this morning, it occurred to me that, aside from the foreign relations aspect of this new law, there is a very imminent problem involving our own economy. Perhaps this is one of the first, if not the first, time that we have had in peacetime a major military procurement program, and at this time it is on top of an economic system which is already operating at top speed. I think it will give us an opportunity there to observe some of the problems that arise in regard to the conditions that we would find in case of a real national emergency.

Now, who has the first question?

QUESTION: In your Graustark example you mentioned the matter of the production of machine guns by Graustark. Now what I would like to know is, in our policy of standardization, the more or less standardization of arms of these various countries, and this policy of manufacture--for instance, letting Graustark manufacture its machine guns--would that put the burden on them of manufacturing machine guns for all of the countries, or would other countries be manufacturing guns? In other words, would each country be specializing in one or more items of equipment?

MR. BELL: The problem that you bring up is one of the most difficult in this whole business. We are trying to approach it in a variety of ways. In the first place, the question to be asked with regard to projects for additional production is, first, is it something that is needed under this plan? You then have a whole series of questions. One, for example, is, what are the economic aspects of production in Graustark? Maybe Graustark's production of machine guns is the most costly and you would not like the production for that reason. You have to look at the demand for machine guns. Maybe they don't need any. Another factor that has to be taken into consideration is whether there is any strategic objection to production of machine guns in Graustark.

As far as Graustark producing beyond its own needs, our hope is to encourage to a maximum degree that kind of production where the equipment is needed by other countries. That brings you, however, right up against one of the hardest problems that the whole treaty organization has to face, what kind of financial arrangements can you make to cover transfers of equipment between countries. Our ideal is that a country manufacturing machine guns for use of a foreign country in the treaty would require those machine guns as part of its own defenses. But it is not quite that easy.

QUESTION: Could you explain to us how the Military Supply Board of the Atlantic Treaty organization fits into the other organizations in Europe which you described to us, and, roughly, what its functions and its composition are?

MR. BELL: The Military Production Supply Board is a body set up under the North Atlantic Treaty, which is subordinate to the Defense Committee. The Defense Committee is composed of our Secretary of Defense and the defense ministers of the other powers. The Military Production Supply Board is composed of top-level production and supply people in the various governments. Our representative on that board is the Chairman of the Munitions Board. The Board's top-level men meet only as required, but they have a permanent working staff that is made up, at least on our side, of top-level people, too. General Hayes, as probably many of you know, is the United States representative on the Board's working staff. I don't recall the names of the other countries' representatives at this point. That permanent working staff is located in London and is operated on a full-time basis. It has a charter from the Defense Committee, which sets forth its responsibilities. The main problem it has to deal with is trying to find ways and means, through production and through interchange, of meeting the deficiencies involved in the treaty. It is attempting to tackle the problems of trying to achieve integration of production in Europe, but is making very slow progress. There are many, many problems in connection with

it, not the least of which is solving the license problem in the United States. I can't give you a much more detailed answer than that.

MR. MUNCY: I see we have a relatively large number of visitors in the audience this morning. I would like to invite them to participate in the questions, if they desire.

QUESTION: Your program seems to me to step upon the sovereignty of these various countries. I can see a government might want a few million dollars for a few years, but, when you go in to administer it, I can see a lot of trouble popping up. How do you get around it?

MR. BELL: I don't think it is going to cause us a lot of trouble. The administration of the program involves, I would say, relatively little, if any, infringement on the sovereignty of these countries. You start, I think, from the point of view that in carrying out the North Atlantic Treaty each government has committed itself to doing what it can to improve the individual and collective capacity to defend themselves. This program calls for supplying equipment to a particular country. Much of the information I spoke of obtaining is gotten from the country itself. As far as the supply operation is concerned, we will have in the Nation a small group of people who will work with those foreign military authorities, who will in each case approve each requisition, and so it will be, in fact, a request from them upon us.

The reason for having our people there working on requisitions is that, because of the complexities of the United States supply system, under this program, we have to deal with something like 27 different technical services in the United States Department of Defense which have various systems of requisitions, supply, and accounting. So it would be very difficult. It is not something we can get one officer in the United States to do. We have to have them from each service. While you might say, "let the Graustarkians make their own requisitions," the chances are that that would hardly be practicable. If they sent in a requisition that was erroneous and it reached the requisition supply sergeant, who noted it was incorrect and tossed it in the box, nothing happens. If they submit that requisition to our man in his own country, that man will be expert and will know what kind of equipment it is that is wanted, whether we will have it, what the time lag is likely to be, and so on. We have included in the bilateral agreements with these countries provision for the addition of these military increments at our embassies, and, while we have had some problems in connection with that, they have not really revolved about major issues.

QUESTION: My question has to do with the international legal complications. I want to cite this as an example. Assume that France comes up with a requirement for a thousand jeeps. The requisition would be clear. They also have capacity to build a thousand jeeps, but they don't have the plans or know-how. Does that mean, for instance,

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that Willys would contribute the plans and we would pay Willys for royalty rights from this billion dollars that has been appropriated?

MR. BELL: I won't pretend that we have solved that problem. The question of license, as I mentioned a moment ago, is one of the most difficult. We don't contemplate that we would be paying Willys for the license. But it is going to take a lot of work, and it probably will be a long time before we have the answer to that question. As regards patents, we had a patent provision in our bilateral agreements, but no one, including the gentlemen in each committee, could really understand it, and it is going to have to be supplemented by further agreements. But we are going to have a lot of specialists sit down and work it out.

QUESTION: There have been articles in the newspaper and different magazines recently about the action being initiated within the Communist organization in France to prevent the landing of these shipments that we are sending over there. I wonder what we are doing about that or what the French Government is doing about it, and whether we can expect that those supplies will arrive. I understand the Communist organization is particularly strong in the longshoremen's union over there.

MR. BELL: This problem is a very real one, Colonel, and it is by no means confined to France. Our information shows quite clearly that there is a central directive to the Communist Party in European countries looking toward maximum interference with the shipments of equipment. I think that this will be likely to be concentrated on the first shipment in each case and the success or lack thereof in that effort will serve more or less to determine how much is to be expected with respect to further shipments. We have been consulting with the French Government and other governments with respect to this problem. We are quite actively working on all aspects of it, first, on the propaganda effect and ways and means of public information to counteract that. There has been agreement in European countries with us that the initiative should be taken by the local governments. The other aspect of the problem is the actual physical interference problems. That is being worked on very actively indeed by the local governments concerned. France, for example, has plans worked out for demonstrations with French forces near the ports at about the same time the shipments are to come over. Work is being coordinated through non-Communist labor organizations looking toward what help labor itself can give us in meeting this problem. To date they have not met with great success. The problem is perhaps worse in northern Italy than anywhere else. We are hoping to cover that by selecting a port where the Communist strength is not as great, perhaps Naples. There is a little problem of trying to obtain a coordinated approach with each of the other governments concerned, but looking largely to the local government itself to make the specific arrangements that are necessary to cover the situation.

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QUESTION: Is any further ratification of the bilaterals necessary before they go into effect in regard to shipments?

MR. BELL: There are some--I don't know which ones they are--but there are several yet to be ratified by the European parliaments. One I do know is the Norwegian, and there are several others. But we don't anticipate that is going to be any problem. It is just a matter of red tape. If the red tape doesn't get through in time, it will delay the program, but it will get through all right.

COLONEL McCULLOCH: I was interested in your statement that the President had assigned over-all responsibility for policy direction to the Secretary of State. Then, I believe you said later in your talk that, when the requisitions came in, the State Department would make the allocation of the funds. Specifically, what supply bill will carry the funds for the military aid program; who will control the allocation of funds; and, further, what elements of cost are included?

MR. BELL: First, let me say there were two processes of meeting costs. One is the funds appropriated under the legislation; the other is in the form of local currencies advanced by the recipient governments. The law provides that, so far as possible, administrative expenses abroad, say in France, should be borne out of funds advanced by the French. Now, in our bilateral agreements, we have made supplementary agreements with each of these governments providing for a range of figures that represent our estimates as to how much local currency for administrative costs in that country will be needed. Those funds will be advanced by those governments and used for classified administrative expenses. Allowances, for example, over and above the normal pay would generally come out of such funds.

So far as the actual procedure for the allocation of funds, I probably have confused you in my presentation of the programs. Actually it was worked out in great detail by the military establishment, and we participate with the military establishment from time to time as it is appropriate. The actual process is for the over-all program. If I may take the Army program for title I as an example--that program is developed through the military establishment and submitted to the State Department. There has been, at various stages throughout this development, joint action on it, so that the thing submitted to the State Department is pretty well agreed to before it is submitted. As a matter of fact, the Secretary of State approves the program and allocates the funds--according to the funding program, which depends on the rate of expenditure--to the Secretary of Defense. The Secretary of Defense sub-allocates these funds within the Department for the purpose of carrying out the program. I believe the theory is that they are allocated by the Secretary of Defense to Army, Navy, and Air and by the Army, Navy, and Air down through their respective establishments to the people who will actually have to do the procurement.

COLONEL McCULLOCH: Which supply bill will that be in? Will the money be appropriated to State or to Defense?

MR. BELL: The money in the original act was appropriated to the President. The President delegated his authority to the State Department, and the State Department--I say State Department all the time but this is generally a three-agency operation. The State Department has the moral responsibility, but it is obvious that it must be cooperative. We have to go to the Budget Bureau to get an apportionment of funds; the Budget Bureau prepares a paper which the President signs; it is then signed by the Secretary of the Treasury--the Comptroller General in person finally deposits it in the Treasury--upon which requisitions may be made. The State Department then allocates those funds to Defense; Defense sub-allocates to Army, Navy, and Air.

QUESTION: Mr. Bell, you said, I believe, that one of the conditions for shipping the equipment is that its maintenance will be the responsibility of the country to which it is shipped, is that correct?

MR. BELL: I think I was referring to the upkeep of it.

QUESTIONER: Yes, sir. Could you elaborate somewhat on that policy, particularly with respect to spare parts and the possibility of procuring spare parts in the other countries rather than to have them furnished by our country?

MR. BELL: Well, the spare parts problem is a very complicated one. The hope is that it will be possible to meet spare parts needs, at least in part, from other sources than ours. One of the ways we are hoping to get the things is in the European countries where it may be possible to go into the manufacture of spare parts and reduce future demands upon us. This is complicated, however, by the license problems and the questions involved in the releasing of technical drawings and blueprints. There is some hope of meeting part of the problem by spare parts now in Europe, which are not being used. There are two caches of such materials. We at present know of one in Italy and another in Belgium, which are not being used. The problem of inventory is a very large problem, where you have warehouses full of stuff, but you don't know what it is. It is going to be tough to inventory all that material.

QUESTION: You mentioned that most of the money probably would be spent in this country for production. We have also heard recently about the terrible dollar shortage in all European countries. To what extent are we planning to spend money--we will take a place like Switzerland, for example, that has some munitions manufacturing ability, also France--to what extent are we planning to spend money in European countries to build these items in order that we may not have not only to spend money but also to export resources of steel and iron and all the rest of the things we have?

MR. BELL: The policy regarding buying from Switzerland or Sweden or from some other arms-producing country outside this group is not to buy. It is not technically prohibited under the legislation. It has not been contemplated that we would buy such equipment in those countries. It is a difficult question because there may be in a particular country a particular kind of thing that they make especially well and which we might want to keep going. The European countries, however, cannot buy in Switzerland without having hard currency. The Swiss franc is harder than the United States dollar, and they won't take local European currency there. It is a question of whether we are dissipating our resources in this program or not. I think the opinion of most economists is that the dissipation is not very large and that the advantages gained in maintaining production lines outweigh them. This is not a matter on which I am an expert, but we had the question studied fairly extensively last year by the National Security Resources Board, and it came up with the opinion that carrying out the program would not have a material effect on our present resources. I think the largest percentage of national output with respect to any one item was 5 percent. That was in cold rolled steel plates. It is not a large amount in any case.

QUESTION: Suppose the decision has been reached that there must be some production and supposing that production facilities are available both here in the United States and in the overseas country involved, what determines just where it will be produced?

MR. BELL: I take it you are talking about additional production, some production that they are wanting to have financed. I think our general feeling is that if the foreign country can produce economically, if there are no military reasons why it can't be produced in that locality, and they have the equipment, it should be produced there. The amount of their production is a marginal amount and will have the effect, to the extent carried out, of reducing the amount required from us. What we are hoping for is a long-term project, and it is not going to be settled in a year or two. What we are hoping to achieve in Europe is capacity for meeting most of its own needs so we will not have indefinitely to furnish equipment to the Europeans. The basic resources are there. The biggest problems to be solved are economic and financial in character. If it were one country and we did not have currency problems, it would be much simpler.

MR. MUNCY: Mr. Bell, I want to thank you on behalf of the College, the faculty, and the student body for your fine presentation this morning.

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