

THE INTEGRATION OF THE ECONOMIC POTENTIAL FOR WAR
OF FREE WORLD NATIONS

3 April 1956

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DR. KRESS: General Hollis, Gentlemen: Our speaker this morning, Mr. Robert W. Barnett, is not a stranger in the Industrial College, having lectured here in March 1952 on the economies of China and Manchuria.

You have noted from his biography that the Department of State has been crowding experience on him rather quickly. Since 1945 he has served as Economic Officer in Charge or Adviser to the Japanese Desk, the China Desk, and the West European Affairs Desk, and he currently is the Officer in Charge of European Economic Organizations for the State Department.

Yesterday I called his office and asked his secretary for some information about one or two small points, and she promised to have him call back. This morning he said, "I missed you last night when I called back." I said, "I am sorry; I left at quarter of five." He said, "It was at least quarter of six when I called." So you see how busy he is.

He has been asked this morning, then, to discuss possible measures and actions designed to further integrate the economic capabilities of the free world nations. His wide experience will serve him well in dealing with this topic.

Mr. Barnett, it is a pleasure to welcome you back to this platform and to introduce you to the Class of 1956.

MR. BARNETT: Dr. Kress, General Hollis, Gentlemen: The topic that I have been given is, I suggest, an impossible one. It reminds me of a story of that corporal who was asked to fingerprint recruits as they came through. He said to this particular recruit, "Wash your hands." The recruit said, "Both of them?" The corporal said, "No; just one. I would like to see you try to do it."

I am a one-hand today, dealing with a problem which could easily command the attention and study of all of you for a long period of time-- "The Integration of the Economic Potential for War of Free World Nations."

A speaker, I think, is allowed the prerogative of sorting out parts of his topic and choosing that part he will talk about. This morning I could talk to you about the integration of free world nations, and that would be quite enough for one morning. I could talk to you about the economic potential of free world nations, and that, too, would be quite enough. Or I could talk to you about economic warfare by free world nations.

I have observed that last Monday your speaker talked to you about economic warfare, and I will not try to cover that ground again. Tomorrow Dr. Millikan is going to compare the economic potential of the free world to the bloc. I will not try to cover that ground, either. That leaves me the topic of integration of free world nations, and this is what I should like to talk to you about.

I see this discussion as revolving around two assumptions; one, integration in time of war, and secondly, integration in time of no war and no peace.

The NATO alliance is today addressing itself to the problem of wartime economic integration. It has created a Senior Civilian Planning Committee which someone with little respect for the alphabet has christened SKEPTIC. SKEPTIC supervises 15 subcommittees. In Paris these are known as PBOS, PBEIST, PPC, FAPC, CD, MC, RMCP, CSPC, and so on. These make sense in Paris. Here we talk about them as the Planning Board for Ocean Shipping, the Planning Board for European Inland Surface Transport, the Civil Defense Committee, the Medical Committee, the Coal and Steel Planning Committee, the Industrial Raw Materials Planning Committee, and so on.

We have, as you know, in Paris, USRO, the United States Representative to Regional Organizations, and this embassy, if you wish to call it that, represents us in these planning committees of the NATO. They work. They prepare the mountains of paper, and are an important feature of the NATO operation. Dr. Flemming of the ODM is the American member of the Senior Civilian Emergency Committee, and he has just returned from Paris, where there was a good meeting. It was a good meeting in a negative sense.

First, it was agreed at this committee meeting that it was imperative that there must be agreement on a common state of planning assumptions. This had not existed before. Previously these committees had been working through their problems on the assumption of another World War II, another conventional war.

The second thing they agreed to do was to develop a list of priority common-action programs.

Before these decisions were made by the committee, the planning subcommittees worked in an air of extreme unreality. They did not know what kind of war they were planning for, what kind of initial impact it would have, what kind of civil defense could be assumed, what kind of recuperative capacity could be assumed--social political, and economical--or what kind of moral and political steadiness could be assumed in the European area.

This air of unreality had led to two extremes of attitude on the part of people working on these committees; one, a futility, a despair regarding the ability to deal with the consequences of a nuclear war at all; and, secondly, a feeling that, despite the horror of another war involving nuclear weapons, it was important to make plans in order to avoid panic in war, and to make for cohesion amongst the free world nations right now.

A dilemma faced the United States in asserting any leadership in this situation, and it was to us that they had to look for leadership, because it was only through us that they could get the assumptions of impact and the consequences of nuclear war. Our civil defense studies here and our military studies here provide a body of information which is not at their disposal.

We faced this dilemma because, if we were too urgent in insisting that the planning committees get on with the job, it could make for hysteria amongst the European countries and in this way contribute to European neutralism. On the other hand, if we were too routine about the jobs to be done by these planning committees, we would be failing to contribute to an understanding on the part of the Europeans of the problems that they would have to face up to if they were going to meet the impact of such a war.

Plans now being made by the senior committee will call for each of the subcommittees to translate the military planning assumptions--contained in the Military Committee's report which presents the NATO basis for planning for atomic warfare--into concrete terms so far as Europe as a whole is concerned.

On the basis of these assumptions of Soviet priority of target, the planning committees will then determine what shall be done in Copenhagen, Lisbon, London, Manchester, and so on and so on.

In World War II, the Combined Shipping Board, made up of the United States and the United Kingdom, was a bilateral supernational board, but, through the operation of its warrant system, it was in effect a "supra"-national institution affecting the totality of allied shipping worldwide. This, or something like this, will doubtless be the aim of the planning committees working on shipping and other problems in the NATO today.

Now, the prevailing mood of skepticism about SKEPTIC was that all of this was a waste of time. We found that prewar wartime planning last time was almost without exception junked and that wartime plans for civilian mobilization were tailored to a war situation which was appreciated to be what it was only after war broke out.

Two points I think, however, should be made. One is that, even if this is true, or should be true, the international association of top officials in the NATO framework is of permanent value, and it is good to know who people in other governments are, and what they are doing in this field. The committee structure in Paris makes this possible.

A second observation which I think should be made is that the nature of the next war is apt to be such that there will not be provided time for making plans after the balloon has gone up, as was the case in 1939 and 1941.

But, despite all of what I have said, I must say in connection with my topic: Integration for war does not exist today, and the impact of nuclear warfare may, despite all of our assumptions and studies of the problem, render it impossible to reintegrate even national entities, much less international associations of countries. If the efforts going forward to create a system of wartime integration are to succeed, I

think we can measure this success in terms of their effectiveness in mobilizing resources, in creating stable, acceptable, responsible institutions, and their reality as a deterrent to military operations, if not at the outset, at a later stage, and their capability to attract uncommitted areas of the world into that system.

As I study these tests for the success of wartime integration, it seems obvious, at least to me, that these are precisely the same tests that should be applied for successful integration in a no-war, no-peace situation--in short, in our present situation. To put it another way, the free world can win the cold war only if it is prosperous, if it is unified, if it is strong, and if it exercises some magnetic appeal to countries which are not fully on our side.

For the past eight years I have been studying in Asia and in Europe multilateral arrangements amongst countries for political and economic purposes, and I would like to appraise the reality and the promise of some of these efforts which I have come to know a little about.

Before doing so, I would like to remind you that last Tuesday Doctor Schwartz of the New York Times talked to you about the integration of the economies of the Soviet bloc. I am reminding you of this because, in a sense, that process is one which offers us a part of our challenge in this period of cold war.

Your judgment is as good as mine on how happy the Soviet bloc program has made the satellites. Your judgment is as good as mine, too, as to whether their process of integration is the best way for the Soviet bloc to maximize its own economic growth and stability.

But in my opinion three observations can be made about the Soviet bloc today. One is that its gross national product (GNP) is growing at a rate which will mean that it will overtake the Western European portion of the NATO area before 1975. In twenty years the U.S.S.R. alone, regardless of the rest of the bloc, will have drawn equal, in terms of GNP, with continental Western Europe in the NATO area.

Secondly, the U.S.S.R. is not doing this merely by, as it were, hatchet and axe and mass techniques. In very refined forms of technology, the U.S.S.R. is drawing even and, in some respects, even surpassing the West. I have in mind their success in oil drilling

technology, in automation, in some branches of aviation, not to mention the whole nuclear science. The Russians are, technologically, far from backward. You have been reading about the advances they have made in the educational sphere, the training of scientists and engineers. So, in the technological field, the Russians are today, and will be no joke.

Thirdly, the bloc is making an appeal today to the underdeveloped parts of the world, doing this, I suggest, by two techniques. One is by deals, buying the rice surplus of Burma, or supplying a steel mill to India, or suggesting to the Egyptians that they should step in, perhaps, and build the Aswan Dam. They are making an appeal in other ways as well.

Russia is regarded by the underdeveloped part of the world as perhaps the most vast and tormented underdeveloped area itself, extending from Western Europe to the Pacific. It includes all of China, with its masses, and all of Siberia with its unexploited and underdeveloped, backward features. The smashing of the idol of Stalin, which you have been observing in the newspapers, and the loosening of the police techniques of the U. S. S. R., cannot avoid having an impact upon countries like Burma, Indonesia, India, Pakistan, and so on, who have been revolted, to some extent--because of the price which has been paid in terms of human liberty--by bloc economic development programs. But the results of growth in the Soviet bloc are something that fascinates the underdeveloped parts of the world, and we cannot blind ourselves to that fact.

Last December, at the NATO Ministers Meeting, two very interesting discussions took place. One was the discussion of comparative growth trends between the NATO area and the Soviet bloc, in which the International Secretariat made clear to the ministers some of these trends that I have just now been talking to you about. The reaction amongst the ministers was one of acute interest, a feeling of real challenge and a desire for real activity, which was reflected in their discussion of the Article II potentialities, of the NATO treaty. This is the Article of the alliance which calls for cooperation in the economic and political and cultural fields. It is a part of the NATO system which has not been really exploited by the NATO alliance, and last December there was a great interest on the part of the NATO countries to do something about it.

I have just returned, or within the month, from Paris, where the OEEC Ministers Meeting took place, and on the agenda of this meeting atomic energy was the central focus of ministerial interest. It was interest in atomic energy, conceived not in narrow terms but in terms of perhaps bringing about a major industrial and scientific revolution in Europe that would permit Europe once again to draw equal with the Soviet bloc and the United States.

Now, this discussion in the past few months in Europe may be vague and ill defined and self-serving, but it is, I believe, a reflection of the real conviction that the Europeans are facing up to what I consider to be their three main problems: First, that they must maintain and increase the growth of their GNP; secondly, that they must exploit to the fullest potentiality atomic energy; thirdly, that they must develop constructive and acceptable relationships with the underdeveloped parts of the world.

These are the key to European survival in the period of the cold war, and these are the issues which present to the Europeans the question of what can be done in the period of cold war in the field of cooperation and integration.

Before I discuss these potentialities for cooperation and integration in Europe, however, I would like to say just a few words about the situation in Asia in this regard, because Asia, too, has countries that belong to the system of the free world, to the free world community.

Some two or three years ago, I was working on a program of aid to Asia in the Department of State, and in the course of this work it was clear that a good many people felt that the whole focus of the effort should be in terms of economic cooperation amongst Asian countries. Most of them felt that cooperation was a good thing, that Japan and Southeast Asia are interdependent, and to formalize interdependent arrangements would remove the taint of imperialism from the United States aid, or the activities of European countries, in the area.

There was in existence a Columbo Plan which, in a sense, was a cooperative venture. It was felt that its collective plans and operations would constitute a built-in check to undue extravagance. The Indians called a meeting of the Columbo Plan countries in Simla to test this concept. It was put to them completely, and turned down flat. This came as a great surprise to many people.

In retrospect I think we can explain Asia's dislike of our master-minding of this problem as being based on the preference of many countries to deal directly with the United States. They thought they would get more out of us that way. It was their fear of Indian domination, their fear of Japanese domination, the lack of complementarity amongst the economies of Asia as a whole--there is only one industrial economy, really, in Asia, Japan. So, not even a permanent secretariat was set up by the Columbo Plan countries when they discussed this possibility.

I think we must conclude that today, in the European sense of the word, there is no economic integration, and there is very little economic cooperation amongst Asian countries. This is not to say that it is not a wholesome and desirable goal. Japanese survival really depends upon movement in this direction. The relief of the United States from a continuing and unilateral aid burden probably also depends on this.

SEATO, a military alliance, is not enough for Asian cohesion. There must be other arrangements and institutions to contribute to this. But as of now the movement toward Asian cooperation and integration in the economic sphere will be very slow. The goal remains, but the progress will not be at all comparable to that which has been made in Europe.

In fact, I suggest that it is possible that it is only through a dynamic and outward looking European cooperation that Asian cooperation may be brought about. If the United States and the European countries can find a way to provide help in a magnitude and for purposes which will satisfy the underdeveloped parts of the world that our motives are pure, and if they can trust each other, perhaps this cooperation in the West may be the means of bringing about cooperation amongst the underdeveloped countries themselves.

Now, in contrast to the record in Asia, Europe presents a triumphant spectacle of the advantages and results of cooperation there. I have just mentioned the OEEC. It does not stand alone. It has its European Payments Union (EPU). It has its Economic Productivity Agency. It has its Green Pool comprising ministries of agriculture. It has its organization of ministers of transport. Europe has its Discussion Forum under Article II of NATO. Europe has very active secretariats for the OEEC and for the NATO. Europe has--leaving aside all the United Nations agencies which are so active in Europe,

the ECE, the ILO, FAO, WHO--its Council of Europe, the Benelux Customs Union, and so on.

There are some sixty other international organizations in Europe aside from those that I have just mentioned, haphazardly. Our embassy, the USRO in Paris, is a representative of the United States to these organizations.

So, in Europe you have a pattern and a tradition of cooperation across national lines which has not existed in Asia.

Now, I have been mentioning here, agencies that are cooperative in nature. I would also like at this point just to mention that there is only one agency on the European scene which I regard as integrated. This is the Coal and Steel Community, made up of six countries that have waived sovereignty in favor of common institutions.

In Europe we have a situation containing a diversified multiplicity of international organizations.

These are not all necessarily cooperative.

Some of them are cooperative.

But a cooperative institution is definitely not an integrated institution, and this distinction is an important one. In Europe a great deal rides on the success of these two concepts--cooperation as against integration.

I would like to devote the rest of my time to mentioning the accomplishments and methods of work of cooperation--and of integration in Europe today.

The OEEC is a splendid, in fact, almost a unique, example of the cooperative process. The OEEC lies at the heart of European economic life. It came into being in response to the Marshall Plan. It helped us to implement the Marshall Plan. Almost 34 billion dollars of United States grants and credits have poured into the European economy since 1948, absorbed intellectually and practically by the OEEC in a process of discussion and planning. The OEEC has not only had this consultative and discursive function; it has also had something to do.

The European Payments Union is the system, the agency, through which the OEEC has contributed to the liberalization of trade within Europe and made possible the advances toward convertibility which we see throughout Europe today and it has contributed to an enlargement of trade with the dollar area. We contributed 271 billion dollars to the EPU, and that capital fund still exists. It will be turned over to a European fund when European countries have moved so far toward convertibility generally that the payments arrangements of the EPU become unnecessary.

In addition to the EPU, the European Productivity Agency is an interesting example of the kind of thing OEEC is doing. It has inherited from the United States Marshall Plan program of contributing to productivity under the Moody and Benton amendments, a concept, and Europeans have made it a European concept, and created an agency to keep going in this direction.

The picture in Europe today is a very bright one, and, if you have not had occasion to be reminded of how bright it is, let me just give you a few figures to indicate. In terms of gross national product, the OEEC area stood at 133 billion dollars in 1938. In 1948, three years after the war, it stood at 130 billion dollars. There was a gradual recovery from 1945 to 1948, but GNP was below the 1938 level. In 1955 the OEEC gross national product stood at 194 billion dollars.

The gold and dollar reserves for the area in 1938 stood at 9.3 billion dollars. In 1955 they stand at 13.8 billion dollars. The growth rates of the OEEC area are very impressive, notably in countries like Germany and Norway, and the average rate of investment for the OEEC area as a whole stood at 17 percent in 1954. For that same period the United States growth rate was about 16 percent.

So you find in Western Europe--in the OEEC area--a very dynamic and a very prosperous and encouraging economic situation. We see today a situation in which the Europeans are gaining gold and dollar reserves at the rate of some 2 billion dollars a year. It is socially healthy; the real income is rising for the worker, and the gap between the very rich and the very poor is narrowing. There is some danger of inflation, but it has been felt to be potentially acute only in the United Kingdom.

The OEEC has played a vital cooperative role in this whole encouraging economic situation. The OEEC decisions have all been unanimous. On the hard decisions, rather than break up, they have watered down what they agreed to and have then made it unanimous. This has been a slow process, but a durable and genuine process, of cooperation among 17 members that extend from Greece to Iceland. The United States and Canada are associate members of the OEEC.

But the OEEC does not constitute integration, and it certainly is not integration for war. It may be cooperation for the cold war, and I think it should be regarded as such, but it is not integration, and it is not integration for war. In fact, if it were to become an effort to achieve this purpose, at least three members would withdraw from the OEEC right away. The Swiss, the Swedes, and the Irish would have nothing to do, as neutrals, with an international organization which had as its purpose preparation for war.

The OEEC is not, I repeat, a form of integration, and I am not drawing this distinction for merely semantic reasons, because the distinction between cooperation and integration is something which has caused very high emotion in Europe and is causing it today. This distinction, in effect, was the factor which caused the failure of EDC and the success of WEU. EDC called for integrated institutions; WEU did not. The first failed; the latter succeeded. It is a thing which confers significance upon the Coal and Steel Community far beyond that of merely economic arrangements. It is an issue which may well determine how the Europeans go about exploiting atomic energy for peaceful purposes over the years to come, and thus influence the success of Europe as a whole over the long run in meeting the challenge of its need to increase its growth rate further and work out relations with the underdeveloped parts of the world.

In Paris and The Hague and Brussels, where I have just been, I heard this issue talked about all the time as a vital and historic issue for Europe today. And the issue of integration or cooperation today really revolves around the question of how they are going to handle the question of atomic energy.

The OEEC intends to handle atomic energy by its historic and proven techniques of cooperation. These may not be good enough for atomic energy, because it is inconceivable that you can have a peaceful

program of atomic energy without producing weapons-grade material sooner or later. Can you achieve effective safety, effective controls, over weapons material by loose international cooperative understandings?

The Community of Six believes that this cannot be done by OEEC methods of cooperation and Spaak made a very eloquent speech to the OEEC ministers to this effect. He proposed that in the Euratom Europe would find an institution which could achieve the stability of arrangements, the security of arrangements, the resources for implementing a real program that could bring Europe to a position of equality with the United States and U. S. S. R.

Now, what is Euratom? It is the six countries, France, Germany, Belgium, Netherlands, Luxembourg, and Italy. Conceptionally it is a supranational institution, devoted to the peaceful exploitation of atomic energy, having common institutions and effective controls, a program of forestalling Franco-German atomic rivalry, having as its goal the achievement of atomic independence, and hoping that through its program and purposes it can be a force for peace in the world.

Jean Monnet was the father of the Community of Six concept of the Coal and Steel Community, and he has produced an atomic energy resolution which is now going around the halls of parliament defining what Euratom should be. This is a political resolution. It should give Monsieur Spaak support on the governmental level in his attempt to work out a basis for treaty which should pass before the end of the year, which can go to parliaments, be adopted by parliaments, and bring into being a six-country integrated community in the atomic field.

Both the President and the Secretary are on record that they regard world peace and welfare as being well served by the emergence of a real and powerful unification of the countries of Europe, and that it is through the embryo of some six-country arrangement of this sort, particularly involving France and Germany, that the promise of this United States of Europe would be greatest.

Integration, therefore, is not a word that I can use lightly. It is something which the countries of Europe today are going through an extreme struggle to try to create. Even cooperation is not something that we in the free world can take lightly.

My conclusion, therefore, is that integration of economic potentials for war of free world nations represents a very advanced accomplishment in the process of meeting the challenge of what the Russians have described, I believe, as competitive coexistence. We have this nowhere, really, in Asia, and only in a very limited extent in Europe. We will see it develop more, I believe, in response to the challenge of opportunities for growth and strength than in the challenge of fear. Integration will come about more rapidly for peace, in short, than for war itself and, if integration is slow in coming, we must not be impatient, for we should recognize that the slower processes of cooperation are also valuable and should be a part of our continuing national interest and national activity.

I thank you.

DR. KRESS: Mr. Barnett is ready for your questions.

QUESTION: Your figures on the growth of the GNP of the Western European nations since World War II weren't very impressive compared to the prewar figures. What are the prospects for the continuation of this growth? Will the rate remain the same, or will it drop off?

MR. BARNETT: The comparison of the growth of GNP today with that of the prewar period is perhaps not impressive unless you take into account the terrific damage that was done to the European economy during the war through bombing and other military devastations. I think it is rather remarkable that the German economy has recovered as rapidly as it has today. It has the most dynamic of the economies.

As to whether the rate of growth could be expected to be maintained, it seems to me that the curve now would indicate that it will level off unless several things happen. First, the impediments to intra-European trade must be removed. Secondly, the internal European market, which is comparable in size to that of the United States, must be developed. This means an increase of the standard of living and of the purchasing power of the European market as a whole. Thirdly, there must be, it seems to me, in any case, the development of a more confident attitude on the part of the Europeans in their economic relationships with the United States.

In the OEEC there is the so-called dollar-liberalization exercise, which is an attempt on the part of the OEEC countries to see how they

can increase imports from the United States. They argue that they can't increase imports without increasing exports, and they feel that they cannot increase exports because of our trade obstacles. To some extent this is true, but to an even greater extent the reason why they cannot export into the American market is because their techniques of production are still more expensive than ours. They have not developed methods of mass production and internal productive economies in the way that we have. They are not prepared to junk a big industry, employing a great many people, if it is an inefficient industry. They will subsidize it. These are things Europeans must do if they are to maintain their economic growth.

I also believe that they must develop a relationship with the underdeveloped raw-material parts of the world in order to procure for their own requirements, industrial and otherwise, the raw-material resources of Southeast Asia and Africa.

Viewed statically, the European outlook for the next 15 to 20 years is not too promising; but, viewed dynamically--and by dynamically I mean potentialities of injection of atomic energy into the industrial pattern of Europe and the widening of the market perspectives of the Europeans to include areas with which they have had only small relationships and could have larger ones--there is in Europe the possibility of actually an increase in GNP which would reverse this projection of present trends for the bloc and for Western Europe.

QUESTION: Sir, you spoke a few minutes ago about a need for subsidy in the European field. I think we have the same sort of thing on this side of the Atlantic. That, together with the imbalance in trade, seems to make it clear that any expansion of world trade is going to be at some sort of price which somebody is going to have to pay.

Has there been any suggestion from OEEC for financing this sort of thing by maybe some sort of graduated national income tax or something like that, where the United States would pay in proportion to its ability, with a view to expanding world trade outside the European area to include the United States and the Sterling bloc, also?

MR. BARNETT: We have been very shy, on our side, of participating in discussions about funds. The Treasury Department has

a visceral reaction: If other people want to talk about funds, this is a deep conspiracy to reach into the tills of Uncle Sam's resources; and I think to some extent that may have some basis. If there were a discussion of a fund for the enlargement of world trade, I think that the Europeans would expect the United States to be the big contributor.

But, as I understand your question, it is that in the economy of the United States, as well as the economies of many European countries, there are inefficient industries which are hurt by competition, and that when they are hurt this means unemployment and a temporary loss of income for the individual, and perhaps for the economy. We protect our agriculture, but we do not protect our industry, except through our tariff system, and this is not really terribly important.

The Community of Six, both in their operation of the coal and steel community and in their thinking of atomic energy, have imbedded in their doctrine two concepts which make this integrated community economically attractive. One is a common investment fund, and this common investment fund is intended to place modern facilities where obsolete facilities have been squeezed out of production by the competitive process; and the other concept is something they call readaptation. This means that if, through the competitive process, it is found that the coal mines of Southern France are noncompetitive, the community as such will move manpower and equipment to another part of France or the community where it can be competitive.

I personally am not very much in favor of this kind of thing. I think that the acceptance of this doctrine can easily lead to a state, or a superstate, masterminding of the process of competition, and this, to my way of thinking, is not competition.

In this country, if Ford or Chrysler produce a better cheap car than Studebaker, Studebaker goes out of business; or Lee D. Butler gives up his Studebaker agency and takes on Lincoln and Mercury. This is competition, and you don't have very much of competition in this sense in Europe today.

Progress is being made in that direction, and I, myself, would prefer to see a more cutthroat competition in Europe as a key to greater productivity than protected competition. To me there is an inconsistency in the concept of protected competition.

QUESTION: I was interested in the emphasis that the Europeans seem to place on atomic energy. The economics of atomic energy is, at least, very debatable in the next decade. Would you outline some of the rationale they have for believing they would gain something from the use of this energy system?

MR. BARNETT: I am very bad on figures unless I have them written down, and often I misread them then. But as I understand it, the energy outlook for Europe in 1975 is a requirement of 1.2 billion tons of coal, of which the Europeans will at that time be producing 750 million tons. This means that there will be something like a 500-million ton deficit for the European area.

Mr. Walker Cisler has come back from Paris, where he discussed this with the Europeans. I got these figures from him. This means that the Europeans must import oil or coal from non-European sources.

These facts, although shaky on my tongue, are very firmly imbedded in the minds of the Europeans, and they are prepared to pay almost any price to try to recover their energy position, because they regard this as their weak point vis-a-vis the United States and the Soviet Union.

Now, about a year ago, I guess a little bit more than a year ago, the British brought out a White Paper on atomic energy and made a very convincing case that within the next 10 years they would hope to be on the point of meeting their additional power requirements from atomic-energy power reactors. We think that the White Paper was very optimistic, but this White Paper influenced very greatly the OEEC working party under a Greek by the name of Nicolaidis, who brought out a report which has been circulated to the OEEC Ministers. I think, largely on the basis of the British commitment of very great resources for the development of their atomic power reactors, the OEEC report reflects very little doubt that atomic energy will be an economic source of European power within the next 10 or 15 years.

They say that there are certain power reactors even today that are economic if located in certain parts of the world; that is, if you took a power reactor and employed it in the Sahara, it might very well be the only kind of power that could be transported there, and to try to run a powerplant with coal or oil or otherwise would be prohibitively expensive--this would be cheaper. I think you could work out that

argument and still have it of very little worth, probably, for Germany, the United States, and the United Kingdom.

I think, however, that the Europeans are operating more from a blind faith in the inevitability of atomic energy as being an important component in the peaceful activities of society than they are from any dollars and cents calculations. For instance, one of the primary drives of the Community of Six, and, for that matter, of the OEEC as well, is toward the establishment of isotopic separation facilities, a gaseous diffusion plant, that would enrich uranium in Europe. They dislike the idea of being dependent on the United States for rich uranium. For the Europeans to try to duplicate our isotopic separation facilities would, as I understand it, require an electric power consumption for these facilities alone equal to the total power consumption of Germany for all purposes.

Now, regardless of this fact, Europe has this compulsion to create gaseous diffusion facilities really for symbolic rather than economic reasons. More than this, there are European scientists who are ashamed and disturbed by the fact that we and not they discovered the atom bomb in the first place. This is particularly true in Germany. Some German Atomic Energy Commissioners are reported to be just sore as hell that we beat them to the gun. We did it; they did not. This emotional prestige factor has created in many Europeans, notably the Germans, the feeling that we have developed our atomic energy art or science, in a very hammy and expensive way, that we have done it the hard way, and it is only a question of time until they discover an easy way of making an atomic bomb in the bathtub, you know.

So there is this conviction that atomic energy is with us for the future, and there is the faith, or self-confidence, that they can do it cheaper, and there is the fear of their energy deficiencies in the future. These come together in what really is a very powerful drive for moving into the atomic energy field today.

QUESTION: Sir, I wonder if you would care to devote a few more words to the political implications, particularly long-range ones, of the countries involved in economic integration.

MR. BARNETT: I think at the heart of the United States interest in economic integration in Europe is a profound concern over the

reliability of Germany as a partner in the programs of the West. In a sense, you might call the whole Summit Conference, which took place last July, a conference about Germany. A divided Germany is a source of great danger for the West. A divided Germany means an unstable Europe. If the Federal Republic should disassociate itself from NATO in return for reunification as a neutral country, German neutrality would not long be neutrality, and the Germans would have a commanding position, perhaps, between the bloc and the rest of the West. This would be bad for Germany, and it would be appalling for the West.

Therefore, it is to the interest of the West to associate the Federal Republic in arrangements with the rest of the West so profoundly advantageous that reunification ceases to be a disturbing factor in German political life. A divided Germany is a danger for the West, for Germany itself, and an opportunity for Soviet appeals and manipulation and subversion.

Now, how can Germany be associated with the West in a way such as to make it unthinkable to want to withdraw from it? First, you might say that prosperity is one way of bringing Germany to this state of mind. Actually, people do not operate out of economic considerations only, and it has been felt that, if the Germans could be associated in common institutions, with the French in particular, but also with the Low Countries and Italy, so that there was a constant interchange of official and bureaucratic and economic and cultural personnel amongst the six countries, the mere functioning of these arrangements would have the effect of drawing the Germans in politically and psychologically into the West.

If these arrangements operated the way their European proponents hope for them to, this would doubtless create the general dynamism, the larger markets, economically and culturally, which would soon place in sharpest contrast the welfare--material and spiritual--of the Federal Republic as opposed to the slower development, the poverty and oppression of the eastern portion of Germany.

If I have made this sound complicated, and speculative it is because it is complicated and speculative. But it is very real, nevertheless, and I think that current interest in atomic integration is the clearest indication of how important this integration can be.

So the political justifications for integration are really the primary ones, and are at the heart of all thinking about this problem, ours as well as the thinking by people like Spaak and Monnet, and the other European leaders.

DR. KRESS: Mr. Barnett, on behalf of all of us, we thank you very much for your lecture and question period.

MR. BARNETT: Thank you very much.