

SECOND SEMIANNUAL REPORT ON THE  
MUTUAL DEFENSE ASSISTANCE PROGRAM

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MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE SECOND SEMIANNUAL REPORT ON THE MUTUAL  
DEFENSE ASSISTANCE PROGRAM, COVERING THE  
PERIOD FROM APRIL 6, 1950, TO OCTOBER 6, 1950,  
PURSUANT TO PROVISIONS OF PUBLIC LAW 329  
(81st CONG., 1st SESS., 63 STAT. 714).



APRIL 26, 1951.—Referred to the Committee on Foreign Affairs  
and ordered to be printed

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WASHINGTON : 1951

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PERIOD FROM APRIL 6, 1950, TO OCTOBER 6, 1950,  
PURSUANT TO PROVISIONS OF PUBLIC LAW 222  
(81st CONG., 1st SESS., 62 STAT. 171).



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1951

## LETTER OF TRANSMITTAL

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*To the Congress of the United States:*

Pursuant to the provisions of Public Law 329 (81st Cong., 1st sess., 63 Stat. 714), I submit the Second Semiannual Report on the Mutual Defense Assistance Program, covering the period from April 6, 1950, to October 6, 1950.

In making this submission I can do no better than to reiterate the following words which were contained in my letter submitting the First Semiannual Report on June 1, 1950:

By its enactment of the Mutual Defense Assistance Act of 1949, and by its earlier provision of aid for Greece and Turkey, the Congress of the United States recognized that the security of the United States required a strengthening of the will and ability of certain free nations to resist the aggression with which they were threatened. The preservation of world peace in a form which free peoples could accept depended then, as it depends now, upon the physical capacity and moral determination of the free world to stem those forces which seek to cloak the whole earth with the mantle of totalitarianism. The Mutual Defense Assistance Program represents one part of our effort to assist in the development of this essential capacity and determination and, as the attached report clearly demonstrates, is, and must continue to be, an integral part of the total policy of the United States.

Events since that time have proved beyond a reasonable doubt the truth of these principles.

HARRY S. TRUMAN.

THE WHITE HOUSE,  
*April 25, 1951.*

LETTER OF TRANSMITTAL

To the Congress of the United States:

Pursuant to the provisions of Public Law 320 (81st Cong. Act No. 225, 68 Stat. 711), I submit the Second Semianual Report on the Cultural Defense Assistance Program covering the period from April 1, 1950, to October 31, 1950.

In making this submission I can do no better than to reiterate the following words which were contained in my letter submitting the First Semianual Report on June 1, 1950:

In its treatment of the Cultural Defense Assistance Act of 1950 and in its earlier provision of aid for Greece and Turkey, the Congress of the United States recognized that the security of the United States depended directly upon the well-being of certain countries to which the assistance of the United States was indispensable. The investigation of world news for a year which has now been completed has shown that it is now more important than ever to continue the investigation of the news world for such those forces which are essential to the whole earth with the purpose of maintaining the United States as a free nation. I submit this report as part of an effort to assist in the development of this essential capacity and the resolution and, as the national news, security, intelligence and that required to be an integral part of the total policy of the United States.

It is my hope that this report will have proved beyond a reasonable doubt the truth of these principles.

HARRY S. TRUMAN

The White House  
April 23, 1951

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## SECOND SEMIANNUAL REPORT ON THE MUTUAL DEFENSE ASSISTANCE PROGRAM

For the Period April 6, 1950, to October 6, 1950

### I. INTRODUCTION

By the end of its first year, events had demonstrated that the Mutual Defense Assistance Program (MDAP) was essential to the future security of the United States. The manifestations of Soviet imperialism that increasingly threatened free nations in Europe and Asia during the postwar years had culminated in June 1950 in Communist military aggression against the peaceful and independent people of the Republic of Korea. The last thin mask over Soviet intentions had been removed, and now, it was clear that whenever subversion and propaganda failed, world conquest might be pursued by communism with military force. This militant drive toward world empire, backed, as it was, by the most powerful armed forces ever to be maintained in a period of peace, could only be halted if the free nations could develop, and be prepared to use in concert, military strength of a comparable character. The time was already at hand when the possibility of continued peace under conditions which would be acceptable to free men depended upon the ability and will of free nations to create such strength quickly and upon their evidenced determination to use that strength whenever their vital interests were threatened.

Confronted by this threat, the United States found herself in a situation which was not fundamentally dissimilar to that of other independent countries. Two courses were open. She could, on the one hand, remain aloof and watch freedom progressively extinguished in all the other corners of the earth until she stood isolated and alone, an armed citadel in an encircling sea of communism. An overwhelming proportion of the world's total manpower and material resources would be directed against her, and survival as an independent nation, if this were at all possible, would mean the permanent sacrifice of most values which represent the American heritage. On the other hand, while the potential military power of the non-Communist world remained preponderant, she could take the leadership in, and employ her resources to support, a collective effort on the part of free nations to confront communism with such strength that the incentives for further aggression would be forever lost. The choice was simple once the facts were clear. Along the one road, which called for sacrifices now, lay hope for the survival of ourselves and our friends. Along the other road, which might be easier at first, there was the ultimate certainty that the free world would quickly shrink until at the end it would comprise no more than this continent, or this country, a small, heavily armed bastion subjected to endless, unremitting attack. This course would be one which, in addition to involving vastly greater costs to the United States, would be doomed to failure.

The choice had actually been made long before the attack on the Republic of Korea, and the Mutual Defense Assistance Program represented an important and concrete translation of this choice into action. That program, authorized originally during the first session of the Eighty-first Congress by Public Law 329, which was enacted on October 6, 1949, is designed to assist those other free nations with whom our security is inextricably linked, to develop the military strength which, together with our own, will enable us to discourage or, should it occur, defeat further Soviet aggression. Its successful conduct is a condition precedent to the defense of the free world, including the United States, because most other nations cannot, without American assistance, discharge the roles required of them in the common defense or successfully counter the specific manifestations of Soviet aggression now immediately periling their freedom and independence. The summer's events in the Far East merely served to emphasize the necessity and urgency of the program, and this fact was recognized by the Congress in September 1950, when it appropriated an additional \$5,222,500,000 to increase and accelerate it.

This report, which relates primarily to the operation of the program during its second 6 months, has three purposes:

First, as required by section 410 of the Mutual Defense Assistance Act of 1949, it is designed to provide Congress with a brief factual account of the operation of the program from April 6, 1950, to October 6, 1950.

Second, it is intended to indicate how world developments during this period (a) affected the international framework within which the program must operate and to which it must be related; and (b) heightened its urgency and importance, and necessitated readjustments in its emphasis and conduct.

Finally, since the program has no foundation in reality or common sense unless it is continued until the military strength of the free world is comparable to that of communism, this report indicates the general shape and direction which the program must take in the future and the role which it should play in furthering, together with other international programs of the United States, the attainment of our foreign policy objectives.

Since the foregoing purposes of this report are so closely related, no effort is made to treat them sequentially. Instead, the following chapters have been so arranged that the program, in terms of both its past accomplishments and its anticipated future pattern, is brought into the context of the international situation in which it must operate, and toward the solution of which it should provide an important contribution.

## II. THE EFFECT OF WORLD DEVELOPMENTS ON THE CHARACTER AND CONDUCT OF THE MUTUAL DEFENSE ASSISTANCE PROGRAM

### A. THE FUNDAMENTALS OF AMERICA'S POSTWAR SECURITY POLICY

The First Semiannual Report described the principal elements of American foreign policy and outlined the immediate postwar conditions and subsequent events which shaped their form and forced their adoption. A brief review thereof is appropriate in order to place the 6 months covered by the Second Semiannual Report in proper perspective.

The people of the United States emerged from the second World War deeply conscious of the fact that the Western Hemisphere and the Eastern Hemisphere were no longer separated by barriers of geography and that nations everywhere were indivisible parts of a single, contracting earth, facing common and inseparable destinies. They had learned from experience that their security depended on the maintenance of security elsewhere in the world and that threats to peace and freedom anywhere were threats to the peace and freedom of the United States. Accordingly, after long and thorough debate, they undertook, together with other like-minded peoples, to create the kinds of institutions and conditions which would, on the one hand, reduce and eventually eliminate the ignorance, want, and distrust that breed wars and make dictators, and, on the other hand, prevent the use of armed might in the settlement of international conflicts.

The heart of this undertaking was the United Nations, an association of nations which rested on the principle that the collective efforts and combined strength of all nations must be employed to maintain peace and compel the peaceful resolution of all controversies. Established on June 26, 1945, when the representatives of 50 nations signed its Charter in San Francisco, the new organization embodied the hopes of mankind for a lasting and durable peace.

Almost immediately, however, one signatory gave evidence of the insincerity with which it undertook the obligations of membership, disclosing intentions completely antithetical to the purposes of the organization. Then, and subsequently, with increasing frequency and decreasing disguise, the Soviet Union has endeavored to paralyze and abort the operations of this new institution except when they could be molded to serve its own imperialistic purposes. In an effort to fashion a world empire in its own image, the Soviet Union has employed its arsenal of subversion and, where necessary, military force, to exploit situations of weakness wherever they were found.

The war unfortunately had created the very conditions of weakness on which this kind of an aggressor could thrive. The peoples and nations of Europe and Asia were weary and weak—weak physically, economically, and militarily—and weak in their will and capacity to resist either overwhelming military strength or false promises of new and easy roads to happiness and plenty. Poland, Albania, Bulgaria, Rumania, Czechoslovakia, North Korea, and continental China disappeared as independent nations, and their millions of citizens became slaves in satrapies which we euphemistically dignify by the name of satellites. Around the whole periphery of the Soviet Union, and even well beyond it, communism probed for further soft spots and sought to profit from them.

The young United Nations could not fulfill its purpose in this sort of world unless weakness on the part of those nations remaining free could be converted into strength, and that strength mobilized and applied collectively to stop the tide of Soviet imperialism. Combined, properly directed, and united in support of a single purpose, the human, material, and spiritual resources of the non-Soviet world could accomplish this objective. Separately employed, no matter how efficiently and bravely, they would be lost piecemeal. The question therefore was how, as a practical matter, to create situations of strength in the crucial areas of the world—situations of strength which would enable the peoples still independent, acting in concert, to retain their

freedom. The fate of all free men depended on a successful answer to this question, and upon the United States, which, unlike its friends, had emerged from the war stronger rather than weaker, fell the obligation of leadership. Possessed of a relative abundance of real resources, this country was in a position, if others were willing and prepared to do their part, to take the initiative in a collective effort to renew the strength, vigor, and will to resist of the non-Soviet community.

Because communism probed for weak links regardless of their character and then skillfully selected and shaped its tactics to exploit them, the task of building strength in the free world was that of building strength in all of its principal elements—economic, political, spiritual, and military. It was futile to revive the economy and spirit of a people in order to provide a shield against internal communist aggression while leaving them an easy, undefended target for Soviet military or paramilitary forces. Moreover, the attainment of internal stability depended in part upon the development of a feeling of security from external aggression—a conviction that the fruits of the self-discipline and hard labor required for economic recovery could not be harvested by a conqueror. Conversely, however, no nation could create and maintain an effective military establishment without a healthy economy. Similarly, the cost of such an establishment would be unjustified if it protected a nation which was too weak internally to survive Communist subversion or was lacking in the will to resist external force in crisis. The development of economic, military, political, and spiritual strength must go hand in hand, and for this reason the principal elements of the American program to achieve peace and security were specifically designed to provide these several components of total strength both abroad and at home.

The principal elements of this program were: (1) The European Recovery Program and other economic programs designed to assist the free nations to repair the ravages of war and to attain a standard of existence that gave them the strength and the desire to resist communist subversion and propaganda; (2) the creation and maintenance of an American defensive military establishment capable, alone in the first instance, and later as part of a collective force, of discouraging any immediate challenge of military aggression; (3) participation in collective security arrangements with other friendly governments in the Western Hemisphere and North Atlantic area in those cases where, in the light of our available resources, the character of our strategic interests, and the practicability of effective associations, such arrangements were likely to provide increased military strength against aggression; and (4) the Mutual Defense Assistance Program, and several smaller and more specific earlier programs, intended to provide cooperating free nations, to the extent that they could not help themselves, with the physical means of achieving military strength. Along with strong and continuous support for the United Nations in both word and action, the United States has vigorously and with increasing success pursued these four courses. It remains to be seen how each affected, and was affected by, the major world events which took place during the 6 months ending October 6, 1950.

## B. SIGNIFICANT WORLD DEVELOPMENTS AFFECTING AMERICAN SECURITY POLICY DURING THE PERIOD APRIL 6 TO OCTOBER 6, 1950

The second 6 months of the Mutual Defense Assistance Program, the period from April 6 to October 6, 1950, was marked by a series of world developments which individually and in combination increased the urgency of pursuing, although with some change in relative emphasis, the principal policies and programs described in the preceding section. These world developments, all interrelating in their consequences, were the following: (1) the attack on the Republic of Korea and other tangible manifestations of Soviet intentions to use military force; (2) the evolution of the North Atlantic Treaty Organization from a planning body to an institution actively endeavoring to provide the forces and institute the production which were necessary to translate such planning into live, military muscle; and (3) the rapid progress of Western Europe, with the assistance of the Marshall Plan, toward economic stability. Each of these developments, either because of what it signified in itself, or because of the chain of events which it set in motion, has had, and will continue to have, a significant influence on the character and conduct of the Mutual Defense Assistance Program.

1. *The attack on the Republic of Korea, and other evidences of Soviet intentions to resort to military force*

In spite of Soviet efforts to prevent such a development, free elections were held under the auspices of the United Nations in the southern, non-Soviet occupied portion of Korea in May 1948, and on August 15 the Government of the Republic of Korea was established. Shortly thereafter in December the new government was accepted by the United Nations as the validly elected, lawful government of the area in which elections had been permitted—and the only such government in Korea. Recognition by the United States and some 30 other nations outside the Communist orbit followed, and on June 29, 1949, pursuant to the recommendations of the General Assembly, the United States completed the withdrawal of its occupation forces. Only a small Korean military advisory group remained to assist the Republic of Korea in the training of security forces.

Meanwhile, the area above the 38th parallel, as a result of Russian military occupation, had been brought within the "Iron Curtain." The Soviet Union blocked United Nations elections, and a Communist regime was impressed upon the people and claimed sovereignty over all of Korea. This regime, the so-called "Democratic People's Republic of Korea," existed, as it was imposed, in complete defiance of the United Nations.

While the United Nations, in spite of these Soviet-imposed obstacles, continued to work for unification and the establishment of a representative government for the entire country, the new Republic of Korea set about the tasks of reconstructing its economy and of developing effective institutions for governing. It was faced from the start not only with the difficulties of learning to govern and the handicaps of ruling an area that had been forcibly detached from another area with which it was economically, culturally, and historically integrated, but also with intense Soviet-inspired propaganda and subversion. The latter took the form, among others, of wide-

spread, externally assisted guerrilla warfare and provocative border incidents. The activities of the guerrillas, when coupled with the economic plight of the country, threatened to destroy the independence of the nation, and to do so without any necessity for Communist resort to overt military aggression. This might well have been the result in the absence of American assistance, assistance which was directed toward a solution of this immediate and urgent internal situation. It consisted of economic aid and technical advice in developing a viable economy; and of military equipment and training for a military force of 65,000 men which would be capable of restoring and then maintaining internal security, and a 4,000-man Coast Guard designed to suppress smuggling and piracy. These forces were considered adequate to meet what then seemed the greatest threat to the young nation's existence—the intensive guerrilla activities which were being supported by a flow of equipment and personnel from the northern, Communist-controlled portion of the country.

By June 1950 approximately \$450,000,000 in economic aid had been provided; a military mission was helping to reorganize, train, and build up forces of the character described above; and surplus American military equipment, with an original cost of \$56,000,000, together with considerable quantities of captured Japanese arms, had been transferred. In addition, a Mutual Defense Assistance Program had been approved and called for the delivery, over the following 12 to 18 months, of approximately \$10,200,000 of the South Koreans' highest priority requirements. These several aid programs, coupled with the efforts of the South Koreans themselves, had resulted in substantial progress, and the military force was succeeding admirably in the mission for which it had been primarily constituted, the progressive elimination of the guerrilla activities which threatened internal security.

Then on June 25, 1950, without warning or cause, North Korean forces launched an all-out offensive across the 38th parallel. The attack was well-coordinated and obviously long-planned, and the heavily armed invasion forces quickly overran Seoul and headed toward the southern tip of the Korean peninsula. The United Nations reacted promptly, branding the action as a breach of the peace, and recommending to all its members that they furnish to the Republic of Korea such assistance as may be necessary to repel the armed attack and restore international peace and security in the area. Together with the United States, 52 other nations expressed their support for the United Nations action. Twenty-nine states initially made specific offers of assistance to the United Nations. The might of the free world soon had a telling effect on the Korean fighting. By the first of October, the advance had been halted, Seoul had been relieved, and most North Korean forces had been driven from the territory of the Republic of Korea.

This dramatic sequence of events had great significance to the whole free world and to American policy as it related to the continued existence of a free world. The mere fact of the attack had these important meanings:

First, it portrayed in a way the whole world could understand, the true intentions of Soviet communism. The nature of the threat was now unmistakable and people here and abroad became increasingly

ready to undertake those unpleasant measures necessary for self-preservation.

Second, it indicated that the Soviet rulers had already reached that stage in their plans for world domination in which they were prepared to use the organized military forces of their puppets for direct aggression against independent nations on the perimeter of the "Iron Curtain." As President Truman stated on June 27, the attack made "it plain beyond all doubt that communism has passed beyond the use of subversion to conquer independent nations and will now use armed invasion and war." It also meant that the technique of launching local wars with satellite forces might be repeated, and that its use might already be imminent in other critical areas of the world where growing satellite armies were geographically in a position to strike swiftly, and, if collective counteraction were not taken, to strike successfully in some instances at independent peoples, like those in Western Germany, Yugoslavia, Greece, Turkey, Tibet, Burma, Thailand, and Indochina. While these were not new dangers, the fact of Korea made them appear as more immediate possibilities, and it focused attention on the desirability, where this was practical, of rapidly developing the capacity of such peoples to combat aggression—not only as a deterrent to the external threat itself, but also as means of providing the confidence, the desire, and the will to resist intimidation and subversion.

Third, the attack demonstrated that the Soviet Union, whether or not it desired or intended to instigate a global war, was at least prepared to accept the risk that such a war might result. This was of enormous significance because it reflected a confidence on the part of Russia concerning its own state of preparedness, and indicated that the time left to the free world to develop real military sinew might be perilously short. This brought a new sense of urgency to the task of rearmament, a task which many, both here and abroad, had believed could be carried out comfortably with "business as usual." The same factors, however, created a belief among others that the task was so large as to be hopeless of accomplishment in time to avert disaster and consequently it was fruitless, and possibly disadvantageous, to undertake.

The character of the free world's reaction to the attack was perhaps even more significant than the actual occurrence of the attack.

In the first place, military aggression was not merely condemned, but, for the first time in history, collective military force under an international organization was applied to oppose such aggression. The issue on which the League of Nations had foundered—the issue which peaceful nations had refused to face in Manchuria in 1931, in Ethiopia in 1935, at Munich in 1938, and elsewhere—was squarely and courageously met.

In the second place, it demonstrated the worth and virility of the United Nations and, in doing so, increased the strength and vigor of that organization as a force for peace. It also confirmed in a very practical fashion the wisdom of making the United Nations the cornerstone of American foreign policy. It demonstrated that a free nation like the Republic of Korea would not submit to Communist aggression, but when assisted by the might of a free world would make heroic sacrifices in lives and property to defend itself against aggression.

In the third place, it proved the soundness of three other assumptions upon which this policy rested: (1) that the United Nations could not survive and fulfill its purposes unless it were supported by adequate military strength on the part of the freedom-loving nations; (2) that the adequacy of such strength would depend upon the collective application of the separate strengths of such nations in furtherance of common goals; and (3) that for the time being at least, and until the military power of other nations could be revived and welded into a strong collective entity, it was imperative that the United States should maintain a military establishment at a level that would discourage further efforts at aggression.

How far the free world still had to go in its efforts to make these assumptions fact, and not merely objectives, was clearly illustrated when it undertook to implement the course which it had set for itself—to repel the North Koreans. The lack of military resources which could be brought into action quickly was appalling, and there were grave implications in concentrating such a large proportion of the military strength available to the free nations in this remote land. The United States, alone, was in a position to deploy substantial military forces, and this deployment, not major in terms of large-scale warfare, was only possible by the dispatch of a very high percentage of its existing military strength to this distant theater. This necessitated a serious depletion in its strategic reserve and gravely weakened its immediate ability to meet new threats elsewhere. Other nations found it difficult to contribute significant forces at all, particularly with the speed that the circumstances called for. In the case of some countries, forces did not exist at all, or else lacked the equipment necessary to make them effective. In others the dispatch of forces available in the homeland would have aggravated existing situations of extreme military weakness in places of greater strategic significance than Korea, and would have seriously retarded important efforts, such as those in the North Atlantic area, to convert these situations of weakness into situations of strength. In the case of still additional nations, troops which might otherwise have been employed in Korea were already engaged in active combat with Communist elements elsewhere. This was true of the 150,000 men in the French Union Army in Indochina, that important area in the southeastern corner of Asia where, as the world suddenly realized, an intense five-year old conflict with communism was approaching a crucial stage. It was also true of the large British contingents in Malaya, the strategic peninsula lying athwart the major line of communication between the Pacific and Indian Oceans and a source of rubber and other critical raw materials.

The shortage in forces was not the only cause for worry. There was also a shortage in equipment, and the industrial mobilization base necessary to remedy this shortage did not exist, and would take months to create. While the orders which had been placed with American industry under the Mutual Defense Assistance Program and the activities which had been commenced in Defense Department installations in support of this program (such as the reestablishment of rehabilitation lines and the reactivation of depots and transit points) had started an important flow of equipment which proved invaluable in this crisis, it was obvious that the production of weapons must be tremendously increased and accelerated in order to fill the

vast gap between requirements and availabilities, a gap that began to widen at a geometric rate as operational demands in Korea and the rapid build-up of forces at home depleted reserves that had not been replenished since the end of World War II.

In summary, the events surrounding Korea had these direct effects: (1) They demonstrated, beyond the necessity for further proof, that Soviet communism was bent on world domination; that it would employ direct military aggression now, in the year 1950, whenever it suited its purposes to achieve such domination; that the only possible shield against such aggression, and the only hope of preserving and achieving the purposes of the United Nations, was the development and collective application of adequate military strength by the free nations; that in terms of forces, equipment, and mechanisms for collective action, such strength did not now exist; and that the time within which to build and weld the requisite military power was perilously short; (2) they created an awareness among people in the United States and abroad of the necessity and urgency for a major military effort at once, and for the rapid perfection of machinery for collective military operations; (3) they set in motion in many parts of the free world, and particularly in the United States, a series of measures directed toward increasing the military capacity of non-Soviet nations—the build-up of forces and industrial mobilization for the mass production of military equipment; and (4) they focused attention on the importance of exploring all possible new sources of military strength for the free world, and in doing so, pointed to the desirability of associating Western Germany and other previously nonassociated nations in the common effort to confront communism with such power that resort to war would be clearly disadvantageous.

The attack on Korea also had certain collateral effects of major significance which were accentuated by increasingly serious manifestations of communism's aggressive purposes elsewhere in the Far East. Areas such as Formosa, the Philippines, Indochina, and Malaya, all of considerable strategic value to the United States before the North Korean invasion, assumed even greater importance because they constituted a vital flank to the large United Nations forces engaged in that remote peninsula or were necessary to protect the lines of communication upon which these forces depended. Each of these areas, moreover, was threatened, from either within or without, by some form of Communist aggression. The attention of the United States was therefore directed not only toward the battle in the north but also to the critical struggles going on, or momentarily threatened, in these other places. This concern was reflected in the President's statement to the nation at noon on June 27 when he said, after announcing that United States air and sea forces had been ordered "\* \* \* to give the Korean Government troops cover and support":

The occupation of Formosa by Communist forces would be a direct threat to the security of the Pacific area and to United States forces performing their lawful and necessary functions in that area.

Accordingly, I have ordered the Seventh Fleet to prevent any attack on Formosa. As a corollary of this action, I am calling upon the Chinese Government on Formosa to cease all air and sea operations against the mainland. The Seventh Fleet will see that this is done. \* \* \*

I have also directed that United States forces in the Philippines be strengthened and that military assistance to the Philippine Government be accelerated.

I have similarly directed acceleration in the furnishing of military assistance to the forces of France and the Associated States in Indochina and the dispatch of a military mission to provide close working relations with those forces. \* \* \*

*2. The evolution and strengthening of the North Atlantic Treaty Organization*

The First Semiannual Report gave a detailed account of the circumstances which dictated, and the sequence of events which led to, the North Atlantic Treaty, and traced the creation and early activities of the North Atlantic Treaty Organization and its principal bodies. In terms of international cooperation, progress had been unique. In well under 2 years from the time, on June 11, 1948, when the United States Senate, by a vote of 64 to 4, adopted the Vandenberg resolution (S. Res. 239, 80th Cong., 2d sess.) and thereby expressed its belief that the United States should encourage, and associate itself with, the development of collective-security arrangements in keeping with the principles of the United Nations Charter whenever such arrangements were based on self-help and mutual aid and affected the national security of the United States, these major steps had been taken:

(1) A treaty, based on the foregoing concept, had been negotiated among, and ratified by, the 12 principal countries in the North Atlantic area.

(2) The major agencies of the organization, as contemplated by the treaty, had been established, their terms of reference had been defined, and they had begun to function—the Council at the top, composed of the foreign ministers of each member state and representing governments; the Defense Committee and the Defense Financial and Economic Committee, both immediately under the Council and made up, respectively of the defense ministers, and the finance ministers or their equivalents, from each member country; the Military Production and Supply Board and the Military Committee, both subordinate organs of the Defense Committee, the former charged with finding ways and means of increasing the available supplies of military equipment, and the latter, consisting of chiefs of staff from the several participating countries, with developing military plans.

(3) Permanent staffs and working committees had been established under a number of the principal treaty agencies referred to above, including the Standing Group—a permanent executive body for the Military Committee and composed of military representatives from France, the United Kingdom, and the United States; five regional military planning groups, covering each of the five major geographic regions in the North Atlantic Treaty area; and working groups under the Supply Board and Financial and Economic Committee. All of these had already commenced, or were about to commence, basic planning.

(4) The member nations had agreed upon a strategic concept for the defense of the entire North Atlantic area—a statement of the broad theory on which any defense would be conducted and of the general role which each nation or group of nations might be expected to play in this defense.

(5) Consonant with this concept, and based upon general strategic guidance furnished by the top military elements of the Organization, the regional planning groups had developed, and the Standing Group

had assembled into one instrument, the first tentative plans for the defense of each region.

While the achievement was great and had laid a solid foundation for the progressive strengthening of the defenses of the North Atlantic area and for the coordination of the efforts of the 12 treaty members in every sphere which affected their common defense, it was only a beginning, as the following passage from the First Semiannual Report so clearly recognized:

\* \* \* hundreds of the most difficult problems remain to be solved, and these must not be minimized. Planning to date, even in the military sphere, can obviously represent no more than the first rough cut at a thoroughly realistic defense program. Moreover, certain key agencies of the treaty organization, such as the Military Production and Supply Board and the Defense Financial and Economic Committee, have only recently been organized and are just now commencing their difficult tasks of providing the military supplies and the economic and financial resources required to make any defense plans workable. Their work in part depends upon information which must be painstakingly developed and supplied by the military agencies of the treaty, and this information has heretofore not been available. The next months must therefore mark not only the thorough review and refinement of the first military plans but also the progressive solution, by these two other treaty agencies, of the urgent production and economic problems upon which the success of these plans is conditioned.

Other specific difficulties might also have been mentioned:

(1) The lack of any permanent, central, authoritative institution capable of guiding, monitoring, and coordinating the diverse activities of the many working staffs that were responsible only to a hierarchy of separate policy-making committees established at the ministerial level and meeting often as infrequently as twice a year;

(2) The major steps—political, economic, financial, and military—which would be required of each member country in order to translate plans for defense into trained forces in being and munitions production;

(3) The enormously complex and delicate task of getting 12 nations, each with different standards of living and capabilities, to agree upon, and thereafter to implement, some plan which would provide for a fair and practical distribution among these nations of the real economic cost of mounting the total defense effort required;

(4) The job of relating the economic activities of such established peacetime agencies or institutions as the Organization for European Economic Cooperation (OEEC) and the European Payments Union (EPU) to the economic work which must go on in the North Atlantic Treaty Organization (NATO) and to the economic problems which the military and production decisions of this Organization would inevitably create;

(5) The problem of creating, in spite of national traditions and preferences, internationally balanced collective forces to which each nation would contribute in accordance with its own special talents, capabilities, and geographic location rather than in accordance with its own national requirements;

(6) The impending, world-wide shortage in many of the raw materials which would be required for volume military production and the consequent need for developing international commodity controls;

(7) The problem of finding some safe way to permit Western Germany, and perhaps other non-NATO countries, to participate in the common defense effort;

(8) The task of working out, and gaining common acceptance of, a new division between the proportion of national effort which would be devoted toward further economic recovery and the proportion which would be concentrated on defense—the task of reaching international judgments concerning the extent to which, without destroying the painfully constructed political and economic bulwarks against communism from within, real resources might be employed for military purposes;

(9) The shortage in many European countries, as a result of the 10 years of military inactivity which had been caused by the German occupation and the subsequent emphasis on economic recovery, of military personnel who were conversant with modern warfare and of industrial technicians with experience and knowledge in the production of modern weapons.

During the 6 months which began in April 1950, these problems were methodically attacked. Many of them still remain to be solved but, in the case of others, this period was marked by substantial progress. The first important steps in this direction were taken at the meeting of the North Atlantic Treaty Council which was held in London from May 15 to 18, and at which there emerged a common, explicitly stated recognition that (1) the level of effort of all participants was far too low, both in terms of requirements and in terms of capabilities; (2) this level must immediately be raised; and (3) new organizational arrangements were required to give the impetus and direction needed. Specifically, these major developments occurred:

(1) The conferees agreed that economic recovery could no longer be given an absolute priority over measures in the field of defense and that economic recovery efforts and additional defense measures should, and could, complement each other and be pushed forward concurrently. Apart from the obvious need for meeting the military facts as they presented themselves, the concept was a practical one because, as will be further indicated below, the European countries had already advanced a very long way toward economic stability. In the ensuing months, although with disheartening slowness at first, nations began to give substance to this announced change in emphasis.

(2) The Council unanimously agreed, as reflected in its final communique, "that if adequate military defense of the member countries is to be achieved it must be along the lines of the most economical and effective utilization of the forces and material at the disposal of the North Atlantic countries. They accordingly urged their governments to concentrate on the creation of balanced collective forces in the progressive build-up of the defense of the North Atlantic area, taking at the same time fully into consideration the requirements for national forces which arise out of commitments external to the North Atlantic area." The mere acceptance of this principle, implying as it did, for some countries, the abandonment of important national traditions and a willingness to rely on others for the performance of roles absolutely vital to their own defenses, was a significant step. Its implementation in practice would encounter, as subsequent events have proved, some very practical obstacles—national pride; interservice jealousies; the pressures of special commercial interests; honest differences of opinion as to which countries were best prepared to perform the various missions required and as to which elements of a balanced national force, in view of training and operational and

linguistic complications, could profitably be separated from the other elements of such a force in the assignment of country roles under an international plan; inadequate knowledge concerning the final size and pattern of the balanced collective forces that must be provided; and the necessity, when force deficiencies were so great, of using available forces in the best manner possible, rather than of starting from the beginning along the lines of an ideal blueprint.

(3) A North Atlantic Planning Board for Ocean Shipping was established, responsible directly to the Council and composed of the representatives of all participating countries primarily concerned with the factor of merchant shipping in defense planning.

(4) Most important, the Council addressed itself to the problem of providing a permanent central institution for the Treaty Organization. It agreed that each government should appoint a full-time deputy to its Council representative and that in the intervals between meetings of the Council, and deputies, as a group, would "be responsible, on behalf of and in the name of the Council, for carrying out its policies and for formulating issues requiring decisions by the member governments." The deputies were to appoint a permanent chairman from among their members and such chairman, in addition to presiding at meetings, was to be responsible for directing the organization and its work. The permanent seat of the body was to be London and a "suitable full-time organization composed of highly qualified persons contributed by member governments" was authorized. In the resolution which directed that this new institution be created with maximum possible speed and urgently undertake to solve the many critical substantive problems facing the Treaty Organization, the Council emphasized the importance of getting on with the following tasks:

(a) study the interrelationship of the various programs to support the plans for the defense of the North Atlantic area and ensure coordination of the work of the Defense Committee, the Defense Financial and Economic Committee, and all other bodies established under the North Atlantic Treaty Organization;

(b) recommend to governments the steps necessary to ensure that effect is given to the coordinated plans prepared for the defense of the North Atlantic area;

(c) exchange views on political matters of common interest within the scope of the treaty;

(d) promote and coordinate public information in furtherance of the objectives of the treaty while leaving responsibility for national programs to each country;

(e) consider what further action should be taken under Article 2 of the treaty, taking into account the work of existing agencies in this field.

The attack in Korea some 4 weeks later gave added impetus and urgency to the work that was started at this meeting. The Council of Deputies held its first meeting in London on July 25, 1950, under the chairmanship of the United States Representative, Charles M. Spofford, an eminent New York attorney.

The convening of the Deputies heralded the immediate institution of several far-reaching measures. Principal among these was a series of actions which were designed, even before exact weapons requirements could be determined through the further refinements in military planning then under way, to initiate production on those items which would clearly be needed under any version of a defense plan that finally emerged. These actions, comprising collectively the so-called High Priority Production Program, included the following: (1) an estimate by the Standing Group of those additional quantities of

highest priority equipment which were certain to be required under any of the plans under consideration; (2) an estimate by the Military Production and Supply Board, based on national submissions, of the physical production capacity in each country which should be utilized for the production of such equipment; (3) a report from the Defense Financial and Economic Committee recommending provisional mechanisms for the utilization of those funds which could be made available by all the North Atlantic Treaty countries for European military production, so that such production could be carried on in the most efficient and effective manner; and (4) the establishment of a working group, immediately responsible to the Deputies, which could concentrate on launching this program, assisting individual nations to solve the many specific problems that might arise and coordinating the effort as a whole.

The High Priority Production Program was not an ambitious attempt to secure industrial mobilization across the board, but rather an endeavor to save valuable time in commencing the production of a few critical items which everyone knew were desperately needed. In terms of obtaining immediate national commitments to undertake specific production tasks at once, the program was not, for a number of specific reasons, successful. In the first place, it was not enough for the military authorities to specify the general categories of equipment required. Exact decisions were also needed as to which of two or more alternative types of a given category of weapons should actually be placed in production. In the second place, there was insufficient information with respect to the actual capabilities of each country, particularly in terms of skilled manpower, physical plant capacity, and technical know-how, to manufacture many of the weapons under consideration. This situation was aggravated by the fact that none of the countries concerned, except the United Kingdom, had undertaken large-scale military production or engaged in extensive weapons research since the start of World War II. Finally, certain countries found difficulty in quickly mobilizing the local financial resources required for the placement of firm orders with industrial concerns. They were ready enough to offer facilities if other countries would agree to purchase all, or a substantial portion, of the output, but they were unable immediately to provide the funds to make the purchases themselves.

While the High Priority Production Program (in spite of recommendations from the Deputies to member governments to begin certain projects which the exercise had demonstrated were desirable and practical) did not result in an immediate, adequate augmentation of European production, it had several other consequences that were beneficial.

In the first place, it identified or underlined, and therefore stimulated concrete efforts to solve the most difficult problems. The Standing Group must isolate the specific types of each category of weapon that should be produced, and instructions to do so were issued. Thorough plant surveys must be made by qualified technicians in order to determine which European country could and should engage in the manufacture of specific types of matériel. The need for such surveys had already been recognized by the Military Production and Supply Board which, at its third meeting in Copenhagen in early July, had directed its Permanent Working Staff to establish nine so-called "End-Item

Task Forces" covering the following categories of equipment: artillery, ammunitions and explosives, combat vehicles, small arms and small-arms ammunition, engineering equipment, transport vehicles, shipbuilding, electronics, and combat aircraft. By the beginning of October, these groups, composed of qualified technicians contributed by the several governments, had been recruited, and some of them were already traveling about Europe, examining plants and discussing particular production possibilities with local government officials and industrial leaders. Experience with the High Priority Production Program had also demonstrated that the problem of financing needed more intensive consideration. Nations hesitated to assume the risks involved in producing in excess of their own needs in the absence of firm orders from other countries, and the orders were not forthcoming because of the unwillingness, and in some cases the inability, of these other countries to provide the necessary foreign exchange and because of the lack of adequate international machinery and procedures for handling this type of situation. Frequently however the complications involved in working out intergovernmental transfers were used as an excuse and did not represent a really valid justification for inaction in the production field. In most equipment categories, a nation's own deficiencies were so great that its available industrial capacity could be fully utilized for months in meeting them, leaving till a later date the employment of such capacity to produce for transfer. The crux of the matter was to persuade individual countries to increase their defense budgets, and the Deputies addressed themselves to this problem.

In the second place, the High Priority Production Program provided some of the stimulus needed to get individual countries to face, within their own governments and with their peoples, the political, financial, programing, procurement, and technical questions that must be answered if equipment requirements were to be met. Thus, while increased production did not immediately result, the various national measures which were conditions precedent to any increase were set in motion—efforts to secure increased military appropriations from national parliaments; negotiations with prospective producers; detailed planning with respect to requirements; the development of production schedules; analyses of material and machine-tool requirements; preparation of specifications and blueprints, etc.

No less urgent than the problem of accelerating the defense production effort was that of securing an early build-up in available combat forces. While the full extent of force requirements would not be known until further refinements in military plans were completed, it was obvious that the forces then in being, and the forces which had already been budgeted for by national governments, were grossly inadequate. Throughout the summer, the Deputies placed heavy emphasis on persuading national governments to plan for and agree to a rapid augmentation of military units and to undertake all those other complementary measures, such as the lengthening of conscription periods and the intensification and improvement of training, upon which the effectiveness of such units would depend. Immediate results were not encouraging, at least when measured against requirements, but here again the direction and stimulus provided by the Deputies led national governments to face the issues.

Meanwhile, several other extremely important activities were going on in the Treaty Organization. The military elements of the Organization, starting from the decision of the Council on balanced collective forces, developed and made available to each member nation the principles and guidelines to be followed in translating this decision into action at the national level. More significant still, they were refining the first rough defense plans that had been developed during the spring, and by early October this work had progressed to the point where, within a matter of weeks, there could be international determinations concerning the ultimate size, composition, and rate of build-up of the land, naval, and air forces required for the defense of the North Atlantic area, and, it was hoped, some clear indication of the forces which should be contributed thereto by each participating nation. Completion of this work was indispensable for national planning, the development of detailed equipment requirements, the allocation of production tasks on a broad basis, the preparation of national budgets, and the institution of internal fiscal and economic controls commensurate with the size of the problem.

The determinations being developed by the military elements of the treaty were also necessary for another important undertaking that had been agreed upon early in the summer—an effort to calculate the approximate total cost of carrying out the measures for which the military plans might call. Such a calculation was considered necessary, first, in order to determine the feasibility from an economic standpoint of proceeding with such defense plans as were submitted and, second, as a basis for deciding the best method of apportioning the burden of carrying out these plans among the members of the treaty. Although this undertaking could only be completed when the basic data on military requirements became available, national contributions to meet these requirements became known, and production roles were more definitely assigned. An Ad Hoc Group, comprised of representatives of the Standing Group and the permanent working staffs of the Military Production and Supply Board and the Defense Financial and Economic Committee, was convened early in August for the purpose of instituting certain preparatory work. This consisted principally in the preparation of a price formula, acceptable to all the countries, which would set forth the various component elements which would require pricing and the uniform methods by which such pricing should be accomplished. This would, in turn, enable the logistical staffs of each country's military establishment to prepare preliminary unit-cost data for each of the elements and, when the national force contributions and production loads became known, to use such data, in accordance with the prescribed formula, to compute the aggregate cost of the physical tasks which that country must undertake. This was a long-term undertaking which could go forward only as quickly as basic planning in the major treaty bodies, but it was an effort which could not, because of its intrinsic importance to the solution of the financial and economic issues confronting the treaty members, be permitted to lag behind such planning.

The constitution of the Deputies also accelerated consideration of some of the serious organizational problems which still remain. This consideration led, among other things, to an agreement by the Deputies that, because of the high importance which attached to the vigorous and truthful presentation to the public of the activities and

purposes of the North Atlantic Treaty Organization, they should appoint, to work directly under them, a Director of Information, with a small staff. His job would be that of promoting and stimulating the dissemination through the apparatus of national governments full and accurate information on all phases of treaty work that were not of a classified nature. The appointment of T. F. M. Newton, of Canada, to this post followed. In addition, the following organizational issues became subjects of increasing concern and study: (1) The establishment of a military command structure and the transfer thereto of national forces allocated by those nations to the defense of the North Atlantic; (2) the more precise definition of the role of the Deputies in relation to functions of the other treaty bodies, and more particularly to those of the permanent agencies; (3) the possibility of simplifying the whole treaty structure by eliminating or merging certain ministerial committees which met only infrequently, and by regrouping, and bringing closer together, the several working staffs; and (4) the growing conflict in purpose, the overlapping in activities, and the competing demands on scarce personnel, of the economic agencies of the treaty and those of the Organization for European Economic Cooperation (OEEC).

In mid-September the Council met again, holding this, its fifth and probably most significant session, in New York. In addition to approving and forcefully urging member governments to implement the various measures initiated by the Deputies, the Council addressed itself to several extremely fundamental problems, reaching agreement on many of them. Foremost was the adoption of a resolution which (1) approved the concept of an integrated military force in Europe; (2) provided for the development of a unified command with a chief of staff to exercise authority pending the appointment of a supreme commander; and (3) requested the military agencies of the treaty, as a matter of urgency, to make specific recommendations regarding these matters. Preliminary consideration was also given to the possibility of a German contribution to the integrated force, and the Defense Committee was asked to consider a series of specific questions which any such step would inevitably raise. Recognizing the part which Greece and Turkey must play in any plans for the protection of the Mediterranean, it was decided that these two countries should be invited to associate themselves with those phases of military planning of the North Atlantic Treaty Organization which were concerned with the defense of that particular region. In addition, a decision was reached to study the possibility of controlling sources of raw materials, their prices, and their allocation, in order to minimize the burden and increase the efficiency of the armament programs of the several members. The Council also approved a temporary method for lessening duplication of efforts in economic-military matters of OEEC and NATO. They instructed the Deputies to request the delegations to OEEC of the Treaty countries to assist, on an ad hoc basis, in work that was common to the two organizations, leaving to a later date a more thorough examination of a formal relationship between the two groups. Finally, the occasion of this meeting, and of the Foreign Ministers Meeting which had preceded it, afforded an opportunity for the first informal discussion on the possible ways in which the burdens of defense might be fairly shared among the partners, and of the extent to which, and the manner in which, the Executive Branch of the

United States Government, within the framework of its present legal authority, might be prepared to provide financial and production assistance to an increased European defense effort.

At the conclusion of the 6 months' period covered by this report, the Defense Committee, the Standing Group, the Deputies, and other treaty bodies were moving forward to carry out the foregoing major lines of action which the Council had prescribed.

### *3. The progress of economic recovery in Europe*

At the same time that the burden which an adequate defense effort would entail was becoming more apparent with the progress of North Atlantic Treaty planning and the urgency of accelerating this effort was being emphasized by events in the Far East, there was one very heartening development. This was the rapid progress which most European countries were making toward economic recovery. In many places production was already above 1939 levels, and in some countries there were signs that the specific goals of the Marshall Plan might be attained in advance of the original schedule. This was particularly true in the United Kingdom where any need for further dollar assistance for purely economic recovery purposes appeared to be approaching an end. The situation was only a little less favorable in the case of some of her continental neighbors, although there were a few countries where substantial aid would probably be needed for some time to come.

This development indicated that sufficient economic stability had been achieved to permit the mounting of a large European defense effort without, at the same time, destroying the economic and political underpinnings of European society. It did not mean however that the mounting of this effort would be easy and could be accomplished without sacrifice and self-denial, nor did it imply that Europe was capable of supporting this entire effort without further American assistance of an economic nature. While current dollar accounts might be approaching a balance, and although new power plants, transportation systems, and industrial facilities had been added to Europe's real resources, there were many countries in which sufficient manpower could not be inducted into the armed forces or recruited for defense factories, and in which productive enterprises could not be converted to munitions purposes, without simultaneously causing a deep cut in (1) production required for minimal domestic consumption and (2) the manufacture of articles whose export provided the dollars needed to balance current accounts. In these same countries, to some extent, and in others where a defense effort would result in fuller employment, to a much larger extent, aggregate consumption demands would inevitably increase with the rise in economic activity. These new demands would create dangerous inflationary pressures unless they could be partially satisfied through increased imports, and many of these would of necessity have to come from dollar sources. In addition all of these nations were faced with a situation in which added military production was partly dependent upon obtaining raw materials, components, and production equipment that were only procurable in hard-currency areas. In spite of their increasing self-sufficiency from the standpoint of normal peacetime requirements,

few of these nations had, or had any prospect of earning, the foreign exchange required for such procurement.

In other words, although the time was approaching when, given conditions of peace, any justification for further economic aid to most European nations would have ceased, the introduction, and superimposition on the existing structure, of a gigantic defense effort would place large new demands on their still extremely limited resources. These demands could not be wholly met, at least if a minimum level of economic health was to be preserved, without additional aid from dollar sources. Investment might be restricted, consumption levels might in some cases be reduced, the accumulation of gold and dollar reserves might be halted, and stringent anti-inflationary measures might be introduced; but when all these measures were taken, there would still remain, unless further American assistance were forthcoming or unless defense activities fell below requirements, a substantial gap in the real resources which these countries needed. If this gap were not filled, they would retrogress to the point where they would be easy targets for Communist subversion or at which the morale and will to resist of their peoples would be of questionable value in the face of intimidation or external aggression. Such a development would be self-defeating to American policy and American interests. The fact that large armies had been created and expensively equipped would be an interesting but unimportant fact, a tribute merely to the reckless and purposeless expenditure of valuable resources.

These several facts carried with them the following implications to American foreign policy if that policy were to succeed in its objectives and be carried on at a minimum cost. First, some form of economic assistance must continue to be provided if European countries were to perform the physical tasks required to provide an adequate defense. Second, this assistance should in the future, in some countries more rapidly than others, be directly related to and probably specifically conditioned upon the performance by the recipients of the various defense tasks called for by North Atlantic Treaty planning and upon the undertaking of those complementary and frequently unpleasant internal measures which were needed, in conjunction with American assistance, to assure attainment of the twin goals of military strength and minimum economic stability. Third, this assistance should be adapted in form, amount, and timing to the peculiar economic problems that would arise in each country as it undertook the particular military missions and production projects for which it was most fitted under a concept of (a) internationally balanced collective forces and (b) an efficient distribution of the production load. Fourth, it was no longer realistic to speak about, or to pattern action upon, a rule that economic recovery must be given clear priority over the effort to build military strength. Fifth, the time was at hand when it might be wise to combine all forms of aid to NATO countries in a single package, such package to be developed and administered in accordance with an integrated pattern which was expressly molded to meet the inseparable economic-military problems which the changing situation was creating.

C. THE IMPLICATIONS OF INTERVENING WORLD DEVELOPMENTS TO THE CONCEPT, SIZE, EMPHASIS, AND CONDUCT OF THE MUTUAL DEFENSE ASSISTANCE PROGRAM AND OTHER RELATED ACTIVITIES

The world developments described in the preceding section were bound to create new problems for, and to affect the orientation and scope of, the Mutual Defense Assistance Program and other related American efforts to develop the collective strength of the free world to resist aggression. The implications of these developments to MDAP may be summarized as follows:

(1) Events in Korea demonstrated, and North Atlantic Treaty planning further revealed, great deficiencies in military equipment. In view of the relatively limited European industrial capacity in Europe which could quickly be directed to defense purposes, these deficiencies could only be filled by a great increase in the volume of military production in the United States. Without this increase, military weakness in many vital non-Soviet areas would continue indefinitely, and the North Atlantic security structure would lack the military substance needed to deter aggression. A great increase in production, however, required a comparable increase in Mutual Defense appropriations.

(2) The implications of outright military aggression in Korea in the year 1950, particularly in terms of the possible future pattern and schedule of Communist actions, lent a new urgency to the task of filling the great equipment void. Not only must production goals be increased in order to meet the demonstrably large requirements, but the fulfillment of these requirements must also be telescoped into the shortest possible period. Moreover, if rapid acceleration was to be accomplished, action was required at once because of the long lead time involved in the production of most military items and because of the delays inherent in the conversion of industry to an emergency defense basis. Failure to act promptly might mean that the increased effort would reflect itself too late. New appropriations for Mutual Defense Assistance must, therefore, take this need for acceleration into account.

(3) Equipment deficiencies were of such a magnitude that they could only be filled through the mobilization and harnessing of productive facilities available throughout the free world and not merely of those of the United States. In view of the rapid progress of European economic recovery and psychological impact of Korea on man's attitudes, such a course appeared to be politically and economically feasible. There should be a strenuous effort to increase, and accelerate, the manufacture of military items wherever physical capacity existed and American assistance should be provided whenever this was necessary to facilitate the process. This effort should include the fullest exploration of new sources of supply, such as Germany and Japan, even though the utilization of such sources would present many obstacles.

(4) The magnitude of equipment deficiencies, measured against the restricted availability of equipment stocks, productive capacity, and the critical materials required for the production of military equipment, had these other important implications to foreign military assistance programs: (a) The necessity, no longer merely in the interests of sound administration and economy, but now also in terms of conserving priceless resources, of continuing, and, where

possible, tightening, the established MDAP policy of carefully screening requests submitted by foreign military establishments and eliminating all items not vital to the combat effectiveness of essential units; (b) the importance of maximum selectivity in determining prospective recipients of aid (whether on a grant or a reimbursable basis) and in deciding the types, quantities, and phasing of the aid which would be furnished to each—confining our objectives to those which were really important and which were reasonably possible of attainment with the limited resources available, rather than scattering aid so thinly among a larger number of appealing causes that the achievement of all objectives would be gravely jeopardized; and (c) the necessity, at an early date, of establishing a system of munitions allocation which would assure that all existing stocks and all newly produced equipment would be distributed in an orderly fashion, and in accordance with realistic priorities between U. S. and foreign requirements and among foreign requirements.

(5) Efforts to obtain the required increase in foreign military production would result in severe competition in all markets, including the United States, for the limited available supplies of production equipment and critical raw materials upon which industrial mobilization was dependent both here and abroad. Sooner or later the success of the Mutual Defense Assistance effort and of our own defense program would turn on these two factors: First, the establishment of a workable international system for the control and allocation of essential commodities in short supply, and second, the fullest recognition, in connection with the development and administration of a priorities and allocations system in this country, of the necessity for filling the requirements of foreign defense producers (whether or not U. S. financing was sought) for articles which were not procurable, either at all, or in sufficient quantities, except in the United States. The superimposition of these foreign requirements on our own would inevitably increase the stringency of domestic controls and reduce the possible level of civilian production and services. Inevitable as such a development might be, there was not, in terms of our own security, any other choice. Of course the recognition of such foreign requirements in the operation of our own priorities and allocations system would presuppose some assurance that articles supplied in response to foreign demands could be, and in fact were being used to equal or greater advantage abroad than they would be at home. In the administration of the Mutual Defense Assistance Program these several factors would have to be given increasing consideration.

(6) The large force deficiencies in the non-Soviet world which the Korean experience so dramatically demonstrated and which North Atlantic Treaty planning further disclosed, raised three broad issues which could not be disassociated from the future conduct of the Mutual Defense Assistance Program and related activities. They were—

(a) The extent to which, and the circumstances under which the United States could and should send additional United States forces to Europe in order to fill a portion of the total requirements for NATO forces as determined by treaty planning. A decision on this question must take into account other planned U. S. contributions in both finished equipment for European forces, economic assistance to make possible the raising, equipping, and maintenance of European forces,

Prospective American contributions, whatever their form, must be considered in the aggregate and measured against, and related to, American capabilities, global American requirements, the capabilities of other NATO members, and NATO requirements.

(b) The extent to which other members of the North Atlantic Treaty could, and would undertake to raise and maintain the necessary forces. This issue would raise the following questions for MDAP: First, were the total force contributions of other members, together with those we were prepared to make, sufficient to make an adequate defense possible, and therefore to justify the furnishing of large quantities of American equipment? Second, to what extent were the creation and maintenance of adequate forces dependent on increased levels of U. S. assistance in the form of either military equipment and/or economic support?

(c) The possibility and desirability of expanding the military forces of the free world by (i) increasing the forces of non-NATO nations now associated with the Mutual Defense Assistance Program; and (ii) utilizing the manpower resources of countries desiring to participate in mutual-defense plans, but which had not yet become associated in the effort, and especially Germany. Such increases or additions, although contributing to a solution of the problem of force deficiencies, would place new and added burdens on the Mutual Defense Assistance Program.

(7) The pattern of aggression employed in Korea—military attack by a satellite against an independent neighbor—made desirable a reappraisal of the military positions of other free nations which might be vulnerable to a similar form of aggression and raised the question whether military assistance already planned for any such nation should be increased in amount, or its delivery expedited, even at the expense of previously approved programs for other less exposed countries. Conversely however, it posed the problem of whether it might not be wiser, in terms of the security of the free world as a whole, to concentrate any additional resources on a defense in depth in those areas removed from the immediate Soviet perimeter where the likelihood of early aggression was more remote and where consequently there might be a better chance of creating effective military power in time to be of use.

(8) The engagement of large United Nations contingents in Korea raised the question of whether, in order to protect their southern flank and principal lines of communication, military aid already contemplated for the Far East should be increased in amount, given a higher delivery priority, or extended to new recipients, again even at the expense of mutual-aid programs elsewhere in the world.

(9) The difficulties experienced by certain nations, which were not eligible for MDAP grant assistance, in equipping forces for contribution to the United Nations Command in Korea presented this further problem: Should Mutual Defense Assistance legislation be modified and military aid planning be adjusted, so that United States equipment might be made available to such nations on a simple basis in the event of similar situations in the future? A related issue was inherent in the United Action for Peace proposal which the United States advanced in the United Nations General Assembly early in October. If adopted, this proposal would request each member nation, among other things, to maintain within its armed forces elements which were

so trained and equipped that they could promptly be made available for service as United Nations units in the event that, on some subsequent occasion, united military action was required. The creation and maintenance of these units by some nations, and particularly small nations without a munitions industry, would be difficult unless they had ready access to the principal world sources of military equipment.

(10) The steady expansion and improvement of North Atlantic Treaty planning, and the progressive development of permanent treaty agencies which were concerning themselves with issues which were also important in the administration of the Mutual Defense Assistance Program, made desirable continual reexamination of the following issues: (a) The extent and kind of work to be requested of the multilateral agencies of the treaty in connection with mutual defense assistance which theretofore had been handled by the United States Government on a bilateral basis with each individual recipient of aid; and (b) the conclusiveness or weight that should be accorded by the United States in administering mutual assistance to recommendations of treaty bodies with respect to the amount, emphasis, objects, and character of American aid (either in the form of military end-items or production assistance) for each NATO member. This was the problem of how quickly and how far the actual direction of the aid program in the North Atlantic area should become a Treaty Organization responsibility and of the degree of specific control which the United States should continue to retain over the manner in which its assistance was dispensed.

#### D. THE ADAPTATION OF THE MUTUAL DEFENSE ASSISTANCE PROGRAM TO INTERVENING WORLD DEVELOPMENTS

The implications of world developments to the Mutual Defense Assistance Program as they have been described in the preceding section, were gradually reflected by changes in the size, composition, and emphasis of the program itself. These changes did not indicate an abandonment or modification of the objectives which had underlain the program since its inception; on the contrary they represented efforts to accelerate and facilitate the attainment of these objectives. In the main they consisted of measures to increase the total size and scope of the program or to adapt the techniques of aid to a changing world situation.

##### *1. Improving the basic authorizing legislation*

Early in 1950 it became apparent that certain amendments would be required in the Mutual Defense Assistance Act of 1949 (Public Law 329, 81st Cong., 1st sess.) in order fully to carry out its purposes. The necessity for these amendments was brought out by actual experience in administering the law during its first 6 months when existing authority and machinery proved inadequate for the handling of a number of problems.

Congress immediately addressed itself to these questions and within two months had enacted legislation which provided workable solutions to each of them. Specifically, Public Law 621, which was signed by the President on July 26, 1950, made the following amendments:

(a) *Increasing the coverage of grant aid (secs. 1 and 12 (a) of Public Law 621).*—The grant aid coverage of the law was broadened in two respects. In the first place, all North Atlantic Treaty members, and not merely those which, prior to October 6, 1949, had specifically requested aid (as the original law provided), were made eligible for grant assistance. This meant that Portugal, Iceland, and Canada, none of which had submitted requests before that date, could now technically qualify for this form of aid and that new adherents to the treaty would also be covered. In immediately practical terms, this had importance only in the case of Portugal, because Canada has consistently paid in full for any military equipment she has required from this country, and Iceland does not presently maintain a military establishment. In the second place, in recognition of the possibility that the military strength of certain non-NATO European countries might suddenly become of crucial importance to the defense of the North Atlantic area, authority was granted to utilize up to 10 percent of the total funds authorized to provide military assistance to any such country. However, the exercise of this authority was made dependent in any case upon the following conditions: (i) There must be some "development seriously affecting the security of the North Atlantic area" which justifies the measure; (ii) the prospective recipient must be one "whose strategic location makes it of direct importance to the defense of the North Atlantic area;" and (iii) "the President, after consultation with the governments of the other nations which are members of the North Atlantic Treaty," must find that the immediately increased ability of the country in question to defend itself "contributes to the preservation of the peace and security of the North Atlantic area and is vital to the security of the United States." Having made such a determination, the President is then obliged, under the terms of the amendment, to notify the four Congressional committees principally concerned of the action which he has taken. Under this amendment, it would be possible to meet the kind of situations which most probably would develop in several European nations where successful Communist aggression would peril the entire North Atlantic community. Whether the provision was sufficiently flexible and unrestricted to meet all possible contingencies remained to be seen. Fortunately, during the period covered by this report, there was no occasion to employ this new authority.

(b) *Increasing the nations eligible for reimbursable aid (sec. 12 (c) of Public Law 621).*—The first Semiannual Report pointed out that restrictions on eligibility for reimbursable aid (aid for which a recipient pays) which were incorporated in the original legislation had prevented the full realization of Congressional intent in authorizing this form of assistance.

The new legislation provided an excellent solution to this problem by authorizing this form of assistance for another group of important non-Soviet nations which had theretofore been ineligible because they could not qualify for membership "in a collective defense and regional arrangement" in which the United States was a participant. This group includes any nation "whose ability to defend itself or to participate in the defense of the area of which it is a part, is important to the security of the United States." However, assistance in any such case is contingent upon a nation's furnishing the United States with adequate assurances, first, that any equipment, materials, or

services to be transferred "are required for and will be used solely to maintain its internal security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part," and second, "that it will not undertake any act of aggression against any other state." As in the case of the afore-mentioned provision on grant aid, a decision to extend reimbursable aid to a nation in this new group must be reported to the appropriate Congressional committees. By early October the utilization of this authority to provide reimbursable assistance to several extremely strategic countries was already being actively considered.

(c) *Conforming reimbursable aid procedures to sound business practices (sec. 12 (c) of Public Law 621).*—The Mutual Defense Assistance Act of 1949 had surrounded the provision of reimbursable aid with a series of restrictions which, although admirably intentioned, actually discouraged such aid in many situations where it was of the great advantage to this government to furnish it. Designed to provide absolute safeguards against any out-of-pocket loss by the United States in any foreign sale of military equipment and to prevent grant aid under the guise of reimbursable aid, these restrictions in fact made the latter so needlessly unattractive and onerous that would-be purchasers often hesitated to seek it. One of these restrictions was the requirement that a purchasing nation pay the United States the full original cost of the equipment regardless of its present value. This was unrealistic in the extreme when deteriorated or obsolescent articles were involved, a situation which frequently obtained in the case of ships, automotive equipment, and electronics devices where intrinsic values had decreased sharply because of age or prior use. Another equally unattractive provision was one which obliged the buyer to make the entire purchase price available to the United States prior to any sale, or prior to the execution of any contract. In the case of an across-the-counter sale from existing service stocks, followed by immediate delivery, this was a sensible stipulation if the extension of credit was to be avoided. Where however one was dealing with a contract to purchase an article through the procurement machinery of the services, and such contract might not, because of the production lead-times involved, eventuate in deliveries for months or even several years, advance payment of the full cash consideration was unreasonable. It meant that a prospective purchaser must immobilize valuable foreign exchange in the amount of the total contract price for the entire duration of the contract, trade terms far more onerous than standard commercial practice and at the same time wholly unnecessary for the protection of this government against loss.

As requested by the President, Congress in framing a new bill dealt with these several limitations. In the first place, authority was granted to sell excess equipment at its "fair value" rather than at its original cost, and "fair value" was defined as the sum of (i) the cost of repairing, rehabilitating, or modifying the equipment involved and (ii) the largest of the following: (a) 10 percent of the original cost of the equipment; (b) its scrap value, or (c) its market value, if ascertainable. This change immediately made available for foreign sale on fair and reasonable terms substantial quantities of equipment which was excess to the needs of the United States, which the United States wished to sell for whatever it was actually worth, and which would enhance the military strength of other friendly nations desiring to pur-

chase it. It makes possible, for example, the transfer to several Latin-American countries of cruisers and other naval vessels which are now excess to United States requirements, but which are needed by the prospective recipients to perform military roles of importance to our security in defending the shores and guarding the sea lanes of the southern portion of the Western Hemisphere.

In the second place, except in the case of counter sales from service stocks, "cash-on-the-barrelhead" is no longer required. Instead, the new law substituted three simple, commercially acceptable conditions.

While adequately insuring the United States against possible loss through one of these transactions, the transactions themselves are made sufficiently simple and attractive to encourage reimbursable aid in the very situations for which this type of assistance was designed.

(d) *Increasing the scope of authorized production assistance (sec. 3 of Public Law 621).*—In accordance with the recommendation in the President's message, Congress relaxed the stringent prohibition of the original law against furnishing any form of industrial equipment except machine tools to assist other nations in increasing their own defense production. The statutory limitation to the narrow category of "machine tools" excluded a large number of items of manufacturing equipment which were procurable only in the United States and which were essential in many types of munitions production. The restrictions imposed might require abandonment of some thoroughly desirable manufacturing projects, and the articles intended for production would have to be supplied by the United States in its military end-item program. This would increase the ultimate cost of the total program to the United States which would then bear the entire price of the finished articles and not just the relatively minor charge for the production equipment. The case for a change was strong and Congress readily supported it.

(e) *Other amendments (secs. 9, 12 (b), and 13 of Public Law 621).*—Among the other provisions in the new law, in addition to those which authorized new appropriations and carried forward unobligated portions of the fiscal year 1951 appropriations, were the following: (i) an increase of \$250,000,000 in the amount of materials excess to the requirements of our own services that could be furnished as military assistance without any charge to Mutual Defense Assistance funds, except for the actual cost of repair, rehabilitation, and modification; (ii) more explicit authority to accept and to employ local currencies received from recipient nations not only to pay U. S. administrative expenses in executing the program within each of these nations, but also to cover operating costs in the operation of central depots, such as the Air Force Depot at Burtonwood, England; and (iii) a provision requiring the President to terminate aid "if, in the case of any nation, which is a party to the North Atlantic Treaty, the President determines after consultation with the North Atlantic Treaty Council that such nation is not making its full contribution through self-help and mutual assistance in all practicable forms to the common defense of the North Atlantic area; and in the case of any other nation, if the President determines that such nation is not making its full contribution to its own defense or to the defense of the area of which it is a part."

## *2. Increasing and accelerating the program*

Long before the attack on the Republic of Korea and long before it was possible to obtain a preliminary estimate of the ultimate size and exact character of the requirements of other members of the North Atlantic Treaty for American military equipment, it had become apparent that equipment deficiencies were so large that the program commenced in fiscal year 1950 should be continued at at least the same level in fiscal year 1951. Accordingly, the President, in his message of June 1, 1950, asked for additional funds in the amount of \$1,222,500,000, to be distributed among the major areas as follows: North Atlantic Treaty members \$1,000,000,000; Greece, Turkey, and Iran \$131,500,000; Korea and the Philippines \$16,000,000; and the general area of China \$75,000,000. Both the total amount and the specific distribution recommended were authorized in July by Public Law 621, although the appropriations covering these new authorizations were not finally approved until September 6, 1950, when the General Appropriation Act, 1951 (Public Law 759, 81st Cong., 2d sess.) became law.

While the foregoing legislation was in the process of enactment, war came in the Far East and with it the clear necessity of increasing and accelerating all measures which might contribute to a more adequate defense of the free world. On July 19, 1950, the President, in reporting to the Congress on the situation which had been created in Korea, stressed this fact in the following words:

Under all the circumstances, it is apparent that the United States is required to increase its military strength and preparedness not only to deal with the aggression in Korea but also to increase our common defense, with other free nations, against further aggression.

The increased strength which is needed falls into three categories.

In the first place, to meet the situation in Korea, we shall need to send additional men, equipment, and supplies to General MacArthur's command as rapidly as possible.

In the second place, the world situation requires that we increase substantially the size and matériel support of our Armed Forces over and above the increases which are needed in Korea.

In the third place, we must assist the free nations associated with us in common defense to augment their military strength.

Then subsequently in the same message he addressed himself further to this third element of strength, saying:

\* \* \* Earlier, I referred to the fact that we must also assist other free nations in the strengthening of our common defenses. The action we must take to accomplish this is just as important as the measures required to strengthen our own forces.

The authorization bill for the Mutual Defense Assistance Program for 1951, now before the House of Representatives, is an important immediate step toward the strengthening of our collective security. It should be enacted without delay.

But it is now clear that the free nations of the world must step up their common security program. The other nations associated with us in the Mutual Defense Assistance Program, like ourselves, will need to divert additional economic resources to defense purposes. In order to enable the nations associated with us to make their maximum contribution to our common defense, further assistance on our part will be required. Additional assistance may also be needed to increase the strength of certain other free nations whose security is vital to our own.

In the case of the North Atlantic area, these requirements will reflect the consultations now going on with the other nations associated with us in the North Atlantic Treaty. As soon as it is possible to determine what each nation will need to do, I shall lay before the Congress a request for such funds as are shown to be necessary to the attainment and maintenance of our common strength at an adequate level.

In the days preceding this message, the agencies directly concerned with the administration of the Mutual Defense Assistance Program (MDAP) had concluded, based upon the latest information available on North Atlantic Treaty matériel requirements and a reappraisal of the situation elsewhere in the world as it was affected by the Korean conflict (particularly in Southeast Asia and other areas on the immediate periphery of the Iron Curtain) that the minimum equipment requirements for the common defense were of such a size that, given the production lead-times involved, it was necessary at once substantially to increase and to accelerate the production of equipment for the common defense. For the same reasons, it was also determined that in seeking this increase and acceleration, maximum use should be made of the entire productive capacity of the free world which could effectively be employed for this purpose, irrespective of whether that capacity was located in the United States or abroad. In determining whether foreign or domestic capacity should be utilized for the production of any given articles, the principal criteria should be: Where can the requisite articles be procured most quickly, most cheaply, and with the least strain on the economies and resources of the free world? However, the practical application of any such formula in the implementation of a program would be dependent upon the explicit recognition of this further fact: that in spite of the progress of economic recovery, conditions abroad were still such that the maximum employment of idle or under-utilized capacity and the abrupt conversion of other capacity for military production would only be possible under existing MDAP authorizing legislation, if the United States would use a portion of any additional appropriations granted for the following two specific purposes: First, to provide prospective foreign producers with an increasing amount of production equipment, materials, and components; and second, to procure directly from them with dollars, for use in meeting the requirements of the producing nation or for transfer to other nations, military end-items. While the latter measure would be directed primarily to the quick stimulation of production which only firm orders can produce, it would have a secondary effect on European production of almost equal importance. The dollars employed in such procurement would offset to some degree the economic impact which would be felt in some countries as dollar-earning facilities, i. e., those producing for export, and resources employed for local consumption purposes were converted to military ends. The crucial question was whether the size and nature of this economic impact would be such that it was immediately necessary to amend the basic MDAP law so as to authorize assistance directly addressed to relieving such impact.

On July 31, 1950, the President apprised Congressional leaders of his intention to seek a supplemental appropriation of \$4,000,000,000 for mutual defense assistance and sought their advice with respect to the best method of handling this request from a legislative standpoint. Under normal Congressional procedures, authorizing legislation was required. Moreover it would be desirable, for the reason indicated above, to secure substantive amendments in the Mutual Defense Assistance Act which would permit greater flexibility in using the funds sought for the acceleration of production abroad and the counteracting of any serious economic impact occasioned thereby. However speed was also important if long lead-time items were to be

put into production promptly, and this consideration prevailed. A decision was reached to consider the supplemental request in connection with some pending appropriation bill and to omit authorizing legislation.

On August 1, 1950, the President addressed a letter to the Speaker of the House of Representatives transmitting a supplemental estimate of \$4,000,000,000, with a recommendation that it be distributed as follows: \$3,504,000,000 for the North Atlantic Treaty area; \$193,000,000 "to accelerate and increase the important programs of military assistance to Greece, Turkey, and Iran"; and \$303,000,000 for added military assistance to the Republic of the Philippines and other nations in southern and eastern Asia.

At the time of the hearings which followed, it was the best estimate of witnesses from the Executive Branch that perhaps \$400,000,000 of the total sum requested might be utilized for the purpose of increasing production abroad, with the remainder to be expended for military procurement in the United States. It was also emphasized that the great bulk of the money would be devoted to the procurement of military equipment of the kind which takes many months to produce.

Congress responded quickly and favorably to this request for additional funds, and these funds became available in full with the signature of the Supplemental Appropriation Act 1951 (Public Law 843, 81st Cong., 2d sess.) on September 27, 1950. Thus by the end of the period covered by this report, Congress had appropriated a total of \$6,536,510,000 for the Mutual Defense Assistance Program. Of this amount, roughly \$5,500,000,000 was available for use in the North Atlantic community; approximately \$535,000,000 was authorized for employment in Greece, Turkey, and Iran; and just under \$500,000,000 had been appropriated for military assistance in the Far East. These figures do not take into account the amount of \$10,568,500, which was authorized by the Secretary of State on July 3, 1950, to be transferred from appropriations available for the Near East to appropriations for military assistance in the Far East. As soon as detailed country programs covering the additional sums voted could be developed, procurement contracts reflecting their requirements would be placed with industry. Where minimum bulk requirements for standard heavy equipment, such as aircraft and tanks, were already known, the Department of Defense was immediately authorized, in advance of determinations as to individual country needs, to place orders for their production. Unfortunately, because of the complexities of munitions manufacture, much of the equipment would not come off the production line until 12, 18, or 24 months after a procurement contract was signed.

3. *Increasing and accelerating the efforts of mutual defense recipients to help themselves*

(a) *In general.*—From the very beginning of the Mutual Defense Assistance Program, it was known that the program would not produce adequate military strength in the crucial areas of the free world unless other nations were prepared, consistent with their capabilities, to make efforts comparable to our own. A radical increase in their defense measures was necessary, and the United States, both within the North Atlantic Treaty Organization (NATO) and directly with each individual nation, stressed this fact on every

opportune occasion. The early response was not encouraging, although estimated defense expenditures of other North Atlantic Treaty members had risen to approximately \$5,500,000,000 for the fiscal year beginning in 1950. Preoccupied with the onerous task of restoring war-shattered economies and faced with a popular demand for relief from stringent privations of the past, the Governments of Western Europe, often dependent for their existence on small majorities, found it difficult to sponsor and to gain support for the kind of measures which rearmament demanded. Increased defense efforts were dependent in the last analysis on parliaments voting increased defense funds. Their difficulties were traceable not merely to the intrinsically complex economic and financial problems which required solution but also to the variety of attitudes and tempers prevailing among many of their peoples: unwillingness to postpone indefinitely their hopes and expectations of a better standard of living after a long period of want and frustration; complacency born of a failure to understand the true nature of the Soviet Communist threat; resignation bred of a combination of war fatigue and a feeling that it was futile to oppose that which seemed inevitable; and fear that numbed individuals into apathy or led them toward the illusory panacea of neutralism. Moreover, beyond these political, economic, and psychological barriers there were other obstacles. For example the non-availability of specific military requirements, or even of reasonably reliable estimates of their total magnitude, hampered concrete planning and programing. In addition nations were reluctant, until they could be sure that the North Atlantic Treaty was going to work and would receive the full support of their partners, and particularly the United States, to undertake the economic and political steps which a major defense effort involved. The character of the threat was such that a Gargantuan effort by one nation would be futile unless matched by similar efforts on the part of others. As a result of these many factors therefore, forces and military production had not been increased at the rate which the situation called for.

By May 1950, when the North Atlantic Council met in London, there was a growing awareness of the inadequacy of current efforts and a recognition that specific remedial measures were urgently required. These changing attitudes were reflected in the resolutions of the Council which have been described in an earlier section, but resolutions, of course, are not quickly translated into increased military strength. The attack in Korea provided the opportunity to press more vigorously for the implementation of these resolutions in terms of a substantial acceleration in the defense efforts of our allies as well as our own. Accordingly on July 22, the United States chief of mission in each North Atlantic Treaty capital was instructed to approach the Government to which he was accredited with a view to (i) stressing the great urgency which the United States attached to the current situation; (ii) emphasizing the major measures being taken or planned by the United States to increase its own forces and to strengthen the common defense, including its intention to seek large additional appropriations for the purpose of speeding up European rearmament; (iii) requesting the Government to supply the United States, by August 5, with the broad outlines of the new rearmament effort which it was prepared to undertake in response to the situation (such reply to include, where possible, information with

respect to units to be raised, equipment to be produced, and the financial outlay contemplated); and (iv) indicating that the United States would be prepared to consider additional assistance to meet the difficult problems which might arise out of such an increased effort on its part. Simultaneously, the U. S. member on the Council of Deputies was asked to exert his influence in the forum to expedite the replies and to convince other governments of the need for an adequate response.

Most of the replies were encouraging in the sense that they reflected a new belief in the need for prompt and far-reaching action. However the concrete measures which they proposed for immediate implementation, although substantial in comparison to past performance, were, as to each country and in the aggregate, inadequate when measured against anticipated requirements. These replies, to the extent that they can be made public, may be summarized as follows:

(1) The United Kingdom announced that it would undertake additional military expenditures during the next 3 fiscal years amounting to approximately \$3,000,000,000, making a total expenditure equivalent to \$9,500,000,000 for the 36 months beginning April 1, 1951. However the new program included a production segment of \$280,000,000 which had already been published and it was stated to be dependent on substantial U. S. assistance. Of the total increase \$2,250,000,000 was to be expended for additional military production, with an important segment of the balance earmarked for needed improvements in the pay levels of service personnel. No significant increase in forces was indicated.

(2) France announced that she was prepared to spend an additional \$5,700,000,000 during the next three fiscal years, this amount to be over and above the \$200,000,000 increase contained in the budget that had only recently been submitted to the French Parliament. This proposal however was little more than an estimate of the physical potential of the French economy, and it assumed that a major portion of the financial burden would be met through United States aid on a greatly stepped-up scale or, alternatively, through contributions from other NATO countries, including the United States. The new program called for the activation over the 3-year period of 15 new divisions, in addition to the 9 already available, but the amount of production planned was unspecified.

(3) Norway announced a projected increase of \$35,000,000 in defense appropriations for the period ending December 31, 1952, or an annual increase of approximately \$14,000,000 over the current military budget of \$48,000,000. Substantially the entire additional effort was to be expended on the recruiting and training of troops and on fortifications. The resultant increase in military-personnel strength was estimated as about 50 percent.

(4) Denmark proposed to appropriate an additional \$43,000,000 for military purposes during the next 2 years, as well as \$7,000,000 for civil defense, its then current defense budget being \$51,000,000. The form of this additional contribution was not specified although it was implied that it would be employed to build up the size of Danish forces, with the needed equipment to come from the United States.

(5) Belgium indicated that she would raise her defense budget for the period ending December 1951 from \$182,000,000 to approximately \$282,000,000, an increase in the neighborhood of 55 percent. Her

reply also called attention to the existence of idle production capacity which could be utilized for military purposes if the problem of outside financing could be solved.

(6) The Netherlands submission contemplated a 10 to 15 percent upward revision in her previous military budget estimate for fiscal year 1951, the resulting aggregate being in excess of \$246,000,000. She also included a proposal to regroup and rearm a number of veteran divisions.

(7) Italy proposed an \$80,000,000 initial extraordinary defense expenditure over and above the \$517,000,000 previously budgeted.

(8) Luxembourg stated that it would increase its defense establishment from one to two infantry brigades within 2 years, and provide for an anti-aircraft battalion. Its defense budget would be increased accordingly.

(9) Canada advised that its Parliament would be requested to appropriate an additional \$91,000,000 for the balance of the fiscal year and an additional \$273,000,000 for the following fiscal year. Estimated defense expenditures over the succeeding 3 years would total about \$2,750,000,000 as contrasted to the current annual rate of \$500,000,000. This action would permit a substantial increase in forces and a doubling of operation activities for all services. Moreover a substantial portion of the increased appropriations would be available in the form of mutual aid to other NATO countries.

These replies, prepared as they had been in a period of 2 weeks, were necessarily only rough approximations. They required refinement and, in some instances, might be decreased or increased as the proposals formulated by cabinets were presented to and considered by parliaments in connection with the authorization of necessary funds and the approval of other measures requiring legislative sanction. During the following weeks the United States endeavored, both in the Council of Deputies and bilaterally with each individual country, to speed the process of refinement, to cause governments to translate proposals into appropriations and going programs, and to bring about a further raising of sights. By the first of October progress had been made in the first two respects, but the task of securing still greater efforts remained to be accomplished.

(b) *In the field of production.*—Because the lead-time in the production of most major military items is so extensive, ranging not infrequently up to as much as 2 years, and because the equipment deficiencies are so large, it had been apparent from the time when the program was originally conceived that a huge production effort should rapidly be put in motion. Considering the magnitude of these deficiencies—far exceeding the short-term capacity of U. S. industry to fill alone—and in view of Europe's potentially large munitions-production capacity, it was also clear that a substantial portion of this effort could and should be carried out in European factories. Any other course would moreover inevitably produce a situation in which, as the military end-item program increased, European forces would become increasingly dependent on American sources for replacements and spare parts. This would place an endless and growing drain on the United States in an area where these countries should eventually become self-sufficient.

In the years immediately following World War II, the use of European resources for defense production had been restricted by the

severe economic conditions existing in the countries concerned and by the consequent need to concentrate on the reestablishment of sound economies. Although annual expenditures of the European North Atlantic Treaty countries for defense production and procurement had nearly doubled in the period from 1947 to 1950, they were still barely in excess of one billion dollars. A considerable proportion of these expenditures represented the cost of consumables and other soft goods, and the level was so low that no appreciable dent had been made in the requirements for capital goods. With economic conditions improving, it was therefore timely and necessary to find the means for reactivating available European armament capacity. It was believed that if U. S. aid could be provided in sufficient amount to avert an undue drain of dollars and other hard currencies, the North Atlantic Treaty countries could, with the indigenous resources available to them, materially increase their production of weapons. Accordingly in presenting the first MDAP program to Congress, the Executive Branch requested authority to utilize a substantial sum for the following two purposes: (1) To procure and deliver any types of materials and manufacturing equipment which might be required for additional European production and which was readily procurable only in dollar markets, and (2) to offset the economic impact resulting from a concentration by these nations on military production.

As finally enacted, the law restricted the use of MDAP funds by prohibiting (1) the provision of any production equipment or machinery other than "machine tools"; (2) the defraying of the cost of maintenance of any production enterprise; (3) the direct or indirect compensation of any government for any diminution in its export trade as a result of its program of increased military production; (4) the payment of any form of incentive or inducement to the owner of any armaments facility for undertaking the production of military equipment; and (5) the compensation of any person for personal services rendered in or for any such establishment, except for personal services rendered by U. S. employees for the purpose of establishing or maintaining production therein. In spite of these limitations, it was expected that the authority which was granted to furnish materials, components, and machine tools necessary for European defense production would provide the means for removing a primary bottleneck and permit very substantial production to get under way immediately. This was the theory behind what is commonly known as the "additional military production program" (AMP) for which, out of the billion-dollar MDAP appropriation for NATO countries for fiscal year 1950, it was anticipated that perhaps \$85,000,000 might be effectively utilized. It was estimated that aid of this character and in this amount might result in European production with a value of between five and ten times this sum, the difference being represented by the facilities, manpower, materials, and production equipment which the Europeans could contribute without any serious drain on dollar resources.

The initial results of the AMP program were disappointing. Although by no means representing a fair index of all the increased production efforts being undertaken by European countries, it was still significant that as of October 1, 1950, only 204 AMP projects (proposals for U. S. aid for specific production undertakings) had been submitted to the United States and of these it had been possible to

approve only approximately 125, and some of these only partially. Forty of the remaining ones had either been withdrawn or were disapproved, and the balance were under review or deferred. Those that had been accepted requested assistance of approximately \$21,500,000 (only 25 percent of the amount originally earmarked for this purpose out of fiscal year 1950 funds), but they called for production with an end-item value of nearly \$300,000,000. While the ratio between aid requested and the value of resulting production was favorable (about 1 to 13) and many extremely urgent items were covered (small arms, fighter aircraft, trucks, trailers, tractors, anti-tank mines, rockets and rocket launchers, fuses, minesweeping gear, minesweepers, tanks, grenades, ammunition of all calibers and types, gunboats, destroyer escorts, mortars, howitzers, radar, field cable, etc.), the total production contemplated was disappointing in terms of requirements. More vigorous efforts were needed to overcome the inertia and other obstacles to a substantially larger effort.

These obstacles, in addition to those already mentioned, were absence of detailed requirements—firm orders to be based on final determinations of size and composition of total forces; working out of standardization of equipment plans; lack of experience and know-how in armament production in Europe, and the financial limitations of the countries concerned. Without minimizing the gravity of the other problems, which is great indeed, the ultimate limiting factor on greatly increased production was the inability, or the unwillingness, of many NATO governments, either for economic or domestic political reasons, to provide quickly the additional resources required to undertake a large production program. Insofar as the financing of those dollar imports of raw materials, production equipment, and components which were directly needed in defense manufacturing were involved, Additional Military Production (AMP) aid provided the solution, particularly after the original MDAP Act had been amended to expand the categories of production equipment which could be provided. It did so by making such articles available on a grant basis whenever the country in question lacked the dollar foreign exchange with which to purchase them. AMP did not, however, offer answers to the following problems:

(i) The provision of the local currency required to finance production projects;

(ii) The financing of those previously anticipated dollar imports which a country needs in order to maintain a minimum level of economic stability and which, because of a loss in dollar earnings resulting from a diversion to defense purposes of indigenous resources (manpower, facilities, and materials) heretofore devoted to production for export, can no longer be covered by the country's available dollar exchange;

(iii) The financing of those additional dollar imports which may be required by a country in order to preserve a minimum level of economic health and which are occasioned by either (a) the necessity of wholly or partially compensating for a diversion to defense purposes of indigenous resources (manpower, facilities, and materials) previously devoted to supplying essential civilian needs, or (b) the necessity, if inflation is to be avoided, of partially or wholly meeting that portion of the increased consumer

demand that is generated by defense mobilization which cannot be handled by appropriate domestic controls;

(iv) The provision of local currency or nondollar foreign exchange to finance the procurement by one European country of military equipment produced in another.

In short, increased production is dependent upon (a) the ability of European nations to increase their military budgets without at the same time releasing such unmanageable inflationary pressures or so reducing standards of living that there would be a threat to their internal stability, and (b) the willingness of these governments, wherever such ability exists, to make the hard political decisions required to effectuate these increases, such as decisions to reimpose controls, raise taxes, and institute rationing.

The special financial obstacles incident to securing the production of equipment for transfer to other European countries have been briefly mentioned in an earlier section. The problem has a very simple basic principle: equipment should be produced in those countries which can produce it most quickly and economically and transferred to those nations which can use it most efficiently in the common defense. It is in establishing the criteria under which and the machinery through which transfers can be effectively handled that difficulty is encountered. Lacking a satisfactory solution, most European countries have hesitated to assume the risk of producing any item in excess of their own needs except in the unusual case where there was a buyer willing and able to make a firm commitment for the excess.

It was imperative to find solutions for these various financial problems, and by October 1950 it was already becoming apparent that a part of the answer, although only a part, might lie in the provision, in direct support of foreign defense efforts, of more flexible types, but not necessarily larger amounts, of American economic assistance. It was equally important, however, that the form and size of any further U. S. financing, as well as the methods of administering it, should be so framed that they would strengthen and not weaken the pressures on other countries to take those measures of which they themselves were capable.

*Procedures for supplying AMP assistance.*—In the early days of the program, and to a considerable extent still, the rapid initiation of specific production projects was handicapped by the necessity of developing orderly procedures for the furnishing of United States assistance and of training United States and foreign personnel in the operation of these procedures. These procedures should, on the one hand, prevent the dissipation of American aid on impractical or unwise production ventures or the provision of aid when it is not in fact needed and, on the other hand, not be so burdensome as to discourage their use. The inclination of Europeans was to express an intention to produce a given weapon or, more often, a general category of weapons; to allege a requirement for United States-financed materials and tools; but to avoid the laborious task of first converting a proposal into terms which were sufficiently concrete to permit a real evaluation of its merit. The natural tendency of those administering the program was to ask for very detailed information which often required weeks to collect. Striking a sensible balance between these two extremes was difficult without the benefit of actual experience and in the absence

of United States and foreign personnel familiar with the problems. At the very minimum, however, at least if an increased production program was to go forward smoothly along intelligent lines, there were certain factors which required consideration in connection with every project, either by the nation proposing the project as part of its detailed production planning or by the United States in reviewing the eligibility of the project for AMP assistance. These included such questions as the model of equipment to be produced; technical feasibility; the availability of patents and licenses; the impact of the project on the local economy; the availability of necessary funds for local expenses in the budget of the proposing government; the advantages of producing the specific equipment abroad rather than of supplying it as part of the United States end-item program; the availability of local labor; the technical skills which would be necessary; etc. While procedures should be simple, one cannot waive all inquiry into these relevant substantive factors upon which the workability of a particular production venture would invariably depend.

*The disincentive of the United States end-item program.*—There has always been the danger, and this danger is very much with us still, that other countries, as long as they hoped or were led to believe that they would receive the necessary weapons as a grant in any event, would be disinclined instead of encouraged to produce these weapons in their own plants at a considerable cost to themselves. The Mutual Defense Assistance Program would inevitably have this effect until it could be made abundantly plain, by action as well as by work, first, that any weapons which a country was physically and economically capable (with United States AMP assistance if necessary) of producing efficiently in its own facilities in time to meet its expanding force requirements would not be furnished by this country on a grant basis instead; and second, that a similar policy would apply when the country, though itself incapable of producing the weapons, was in a position to procure them from another country which was able and ready to manufacture and supply them. The firmest demonstration of such an intention would be the continued exclusion from a country's end-item program of weapons of this nature. Such a course was not easy at the outset of the program (and it still is not) because of grossly inadequate knowledge, for the many reasons mentioned at earlier points, of what weapons each country could physically produce and is capable of financing. Moreover in many categories of weapons, while foreign capacity for their production may exist or be created, this capacity may be sufficient to fill only a portion of requirements or, though sufficient for this purpose eventually, will with the best of efforts be unable to meet the time schedules imposed by the mounting needs of an expanding force. In any of these instances the total exclusion of such weapons from the grant program was often realistically impossible because it meant or incurred the risk that forces would come into being and not have the necessary equipment; yet the inclusion of some quantities thereof created the hope, and sometimes the expectation, that the balance would be covered in a subsequent year's program. The only satisfactory solution to this dilemma would come after the completion of the long and painstaking process of accumulating detailed data as to the actual capabilities of various European countries to produce each major type of equipment. At such time, it would be possible to state to each European

Government those items which the United States would no longer furnish to it or furnish only up to stated quantities. In the meanwhile with time so precious, it was often more dangerous to run the risk that equipment, by its exclusion from the MDAP program, would not be available when required by forces than to accept the possibility that its inclusion, in modest amounts, might lead foreign countries to hold back in its production.

The period covered by this report was one in which the existence and character of the foregoing obstacles gradually became apparent and in which the first major efforts were made to overcome them. The most urgent need, and consequently the one to which the greatest energy was devoted, was to convince other nations that they should and could, at least with the proper internal controls, devote a larger proportion of their resources to military production. This was part of the broader problem of obtaining an enlargement of their total defense programs. American initiative toward this end was reflected in such activities as the High Priority Production Program and the strong requests of last July to each NATO government for an increase in military efforts. These activities were supplemented by continuing representations to all of the countries and by the negotiations, commenced at the end of the summer (in the first instance with the United Kingdom), in which the United States (i) sought a definitive commitment from each government to a large, specific increment in its defense program and (ii) tendered additional grant assistance which, in form and amount and to the extent permissible under existing legislation was directly related to the size and character of, and was required to make possible the realization of any production increment promised. Budgetary increases for production purposes did follow, but they fell far short of the magnitude which would ultimately be necessary to meet deficiencies. New efforts to raise production sights were therefore initiated.

The High Priority Production Program, together with the End-Item Task Force Program which was described in an earlier section, represented the first concerted international attempts to remove some of the other obstacles to additional production.

Other less dramatic but equally important measures were also under way, measures which were designed to eliminate some of the technical barriers to overseas production. Among them was the initiation of United States technical assistance. This included visits to European plants by American personnel who were qualified to supervise the installation of new types of machinery or to give instruction in the operation of new processes. It also included the financing of visits to this country of foreign technicians who needed first-hand information on the best methods of producing weapons which were unfamiliar to them. Another significant step was the commencement of negotiations with each North Atlantic Treaty country for an agreement which would cover the responsibilities of each party for patent and similar claims which were based on the use of devices, processes, technological information, or other forms of property protected by law in connection with equipment, materials, or services supplied as mutual assistance or furnished in the interests of production undertaken by agreement of the parties in furtherance of mutual defense. The agreements, and success in the difficult, complementary task of working out arrangements for the transfer of technical information and know-how and for

the issuance of licenses to manufacturers abroad, would significantly affect the ability of European countries to produce United States types of equipment in cases where their production was otherwise feasible.

As progress went forward in the solution of some of these problems, new and inherently graver difficulties began to emerge. These were the growing shortages in the raw materials and machine tools which were required for the combined defense efforts of the United States and its European partners. These difficulties would increase, and the size and success of the entire European production program would ultimately depend upon the manner in which they were handled.

#### *4. Extending the program to new areas*

As a result of Far Eastern developments, and also partly as a result of the changes made in the legislation during July, it became desirable and possible to extend the program to several countries which had not been included in the program originally. This was particularly true in the Far East, and in July the decision was made to furnish military assistance to Formosa so that the forces located on that island, in conjunction with the Seventh Fleet, would be in a better position to resist any Chinese Communist military invasion. Concurrently, the character of the original program for South Korea was radically revised from one which consisted primarily of replacements and spare parts for the maintenance of United States equipment already on hand to one composed only of equipment urgently required for the operations of South Korean forces in the active combat in progress. Within a few weeks thereafter, when the size of the prospective operational requirements of these forces became clear and conditions of combat made it impossible to distinguish between equipment destined for them and equipment destined for American and other United Nations forces, it was decided to suspend further Mutual Defense Assistance deliveries to the area and, instead, to treat the aggregate equipment needs of all participating forces as a single set of operational requirements which would be financed in the first instance, but subject to subsequent reimbursement from other United Nations participants, out of Department of Defense appropriations. That portion of Mutual Defense Assistance funds which had been earmarked for a South Korean program was, therefore, to the extent it had not already been obligated, transferred to finance other urgent programs in southeast Asia. In Europe, Portugal was added to the list of MDAP recipients and, at the close of the period covered by this report, the advisability of further extending the program was under consideration.

#### *5. Revising priorities*

In determining, within the limitations of funds and available equipment, the size and priority of programs for nations which are recipients of Mutual Defense Assistance, the following factors among others have generally been controlling:

- (a) The relative urgency and magnitude and the specific character of the requirements of each nation;
- (b) The relative capacity of each nation to absorb and effectively utilize any material assistance which may be provided;
- (c) The evidenced readiness of each nation to complement with its own fullest efforts any aid which we may furnish and, in the Western Hemisphere and North Atlantic area, the demon-

strated willingness of each nation to participate with us and with other friendly nations in collective arrangements for defense which are founded on the principles of self-help and mutual aid;

(d) The ability of each nation to finance the cost of some or all of the assistance which it requires;

(e) The relative strategic importance to the United States of the several areas in which these nations are located;

(f) The necessity on the part of the United States of preserving a safe margin of military stocks with which to meet its own immediate requirements, both currently and in the event of war, and to discharge its military roles under collective security arrangements to which it is a party.

The outbreak of warfare in the Far East dictated a reexamination of existing programs in the light of these several factors and a determination of the extent to which, if any, the total amount of, or the rates of delivery under, programs for certain countries should be increased or accelerated at the expense of those for other countries. This reexamination did not result in any revision in basic strategic priorities, but it did indicate the desirability of certain shifts in immediate emphasis and of temporary changes in delivery priorities. Western Europe remained, as it always had been, the area of primary concern because the security of that area is the heart of the strength of the free world. The countries of Western Europe exercise some influence or control over a large proportion of the free world's power, and what happens there has direct political, economic, and military repercussions in Africa, the Middle East, the Far East, and Latin America. We share with its peoples a fundamental community of interests which extends to every sphere of activity, and its defense is recognized as an inseparable part of our own defense. We cannot be secure if Western Europe is insecure, and our adherence to the North Atlantic Treaty was an explicit admission of this fact.

At the same time, the fast-deteriorating situation in southeast Asia demanded an increase and acceleration of immediate shipments to that region. In Indochina active war was in progress and showed every sign of intensifying and reaching a critical stage by early fall. Without prompt and substantial replenishment of their equipment, it appeared unlikely that the forces of the French Union and the Associated States would have the military strength to resist the growing power of the Communist Ho Chi Minh. In the Philippines also the Huks were continuing and expanding their depredations, and the Government was having difficulties in containing, not alone eliminating them. Accordingly programs were augmented and delivery priorities adjusted to meet the needs of these and other similarly critical situations in the Far East. The large appropriations sought for this area in the President's supplemental request reflected this decision, as did subsequent actions in administering the total program.

#### *6. Other prospective adaptations of the program*

As time went on, it was clear that other adaptations would be required in the nature and composition of the program or in its administration to reflect the world developments that have been detailed in a preceding section. The full list of these and their precise form were not immediately apparent and would depend in part on the course of

future events. Some system of munitions allocation would certainly become necessary, so that equipment, as it came off the production line or was withdrawn from service stocks, could be distributed between United States and foreign requirements; and, among the latter, in proportions which reflected the relative urgency and importance, from both the military and political standpoints, of the competing demands for material at any given time. Similarly, the priorities and allocation machinery of the United States Government would have to recognize and provide for the industrial requirements of other countries which were dependent for critical materials, machine tools, and other production equipment upon American sources. As early as September, the first signs of this need appeared and discussions were commenced between MDAP officials and those charged with the priority program. The complementary problem of world raw-material shortages was also becoming acute and would necessitate the development over succeeding months of a mechanism and procedures for international commodity control and allocation. Concern over this question was reflected in the September meeting of the Deputies; exploratory international discussions followed. The same Deputies meeting also marked the first efforts to find a way in which German manpower might play a part in the defense of Western Europe. These efforts would have to be continued, and there should be parallel efforts elsewhere to explore the possibility of mobilizing the material and personnel support of other non-Soviet nations which were as yet unassociated in the common defense. As these efforts succeeded, the Mutual Defense Assistance Program would require further adjustments in order to obtain maximum attainment of its twin objectives—the support of increased foreign defense production wherever it was practical and the furnishing of finished military equipment wherever it would provide a material accretion in the effective fighting forces of the free world in crucial areas. The totality of these adjustments and others would in turn require a far closer association, if not an actual merger in the handling, of Mutual Defense Assistance and various forms of foreign economic assistance.

### III. THE MUTUAL DEFENSE ASSISTANCE PROGRAM IN ACTION: THE SECOND SIX MONTHS

The first 6 months of the Mutual Defense Assistance Program, extending from October 6, 1949, when the act was signed, to April 6, 1950, had represented a period of planning and preparation.

The second 6 months, the period covered by this report, marked the commencement of active operations—the building and expansion of the pipeline that would eventually carry several billion dollars of military weapons to our allies in many parts of the world. By the end of this period, approximately 330,000 measurement tons of equipment and commodities had been shipped, including nearly 500 tanks and combat vehicles, and each succeeding month was bringing a substantial increment in the rate of delivery, giving rise to the expectation that this figure would be doubled by the end of the calendar year. These figures moreover did not reflect the transfer of some 3,500 general-purpose vehicles from United States stocks in Germany or the delivery of a considerable number of B-29 aircraft to the United Kingdom, four destroyer escorts, several submarines

and a submarine rescue vessel, other smaller naval craft, and substantial quantities of other types of aircraft.

The requirements of section 409 of the Mutual Defense Assistance Act of 1949 have been met thus far in that United States flag commercial vessels have carried 79 percent (254,929 measurement tons) of the tonnage shipped on oceangoing vessels through September 30, 1950.

The transition from planning to activity was also reflected in the sharp upswing in the obligation of MDAP funds, an index of the extent to which programs were now being converted into contracts. From March 31, 1950, when total obligations were just under \$42,000,000 (representing less than 3 percent of the total funds appropriated for fiscal year 1950), obligations jumped to about \$1,000,000,000 on June 30 (approximately 84 percent of the amount authorized). By the first of October, obligations were in the neighborhood of \$1,900,000,000, indicating not only the virtual exhaustion of all fiscal year 1950 funds but also the commitment of nearly 25 percent of the regular appropriations which had just been made available for fiscal year 1951. It was too early, of course, to reflect the impact of the \$4,000,000,000 supplemental appropriation that was enacted in late September. Commitments, obligations, and expenditures during this period, as well as the general status of MDAP funds on October 1, 1950 are reflected in appendix E hereto.

The training program now also was in full swing with a total of approximately 12,100 foreign students having already participated in United States training courses or scheduled to do so in the months following—1,900 officers and 6,300 enlisted men in schools in this country and 1,700 officers and 2,200 enlisted men in installations of the European Command in Germany. Approximately 45 mobile training teams had also been programed or were already in the field, proceeding from country to country and giving on-the-ground training in the operation of certain specialized types of equipment, such as sonar, radar, aircraft, and 90 mm. antiaircraft weapons. Training aids and materials (publications, films, etc.) were being delivered in growing quantities and, after translation and distribution, were becoming part of the basic instructional data of many foreign military establishments.

While operations commenced, preparations did not cease. The originally planned overseas organization remained to be completed through a rounding out of the complements of Military Assistance Advisory Groups in those countries where, in April 1950, only the initial increments had reached their stations. Moreover, the sudden expansion of the program in the summer and its extension to additional areas required a repetition of many steps which had been necessary when the original, more limited program had been inaugurated. On April 1, 1950, for example, arrangements for grant aid had been made with only 12 countries, and the reimbursable aid program, handicapped as it then was with legal impediments, had evoked only a dozen requests for assistance. By October grant aid was either already being extended or was about to be extended to seven additional recipients (Portugal, Iran, Indochina, Thailand, Burma, Indonesia, and Formosa) and approximately 175 inquiries (the 95 then already priced totaling over 200 million dollars) had been received from 34 different countries requesting reimbursable assistance. Each new

addition to the grant-aid program brought with it new problems, and every request by another nation for reimbursable assistance added others.

During June a bilateral agreement was concluded with Iran and in the following months we began negotiations for similar understandings with Thailand, Indochina, Indonesia, and Burma. Although the law did not require bilateral agreements with countries in the "general area of China," it was felt advisable in most situations to insist on commitments which were comparable to those which had been received from the NATO countries, thus reducing to specific, detailed terms in an intergovernmental compact the conditions under which assistance was to be furnished and the purposes for which and manner in which the recipient was to utilize it. The drafts which were presented for the consideration of these Far Eastern nations bore a close resemblance to those which had been accepted by other participants in the Mutual Defense Assistance Program, but there were adaptations which were responsive to the unique conditions prevailing in Far Eastern countries. Each draft usually proposed provisions akin to those which were specifically required by section 402 of the Mutual Defense Act in cases where an agreement was legally mandatory. This particular section of the law stipulated the following undertakings: (1) That the assistance to be furnished would be used to further the policies and purposes of the act; (2) that none of the material furnished would be diverted from the purpose for which it was given without the consent of the United States; (3) that the security of any assistance provided would be adequately safeguarded; and (4) that the recipient, consistent with the Charter of the United Nations, would itself engage in mutual aid to the United States and other free nations. In addition there were articles dealing with the furnishing of strategic materials to the United States; the reception, treatment, and status of personnel of one government who might be stationed in the territory of the other for purposes of carrying out the agreement; the provision by the recipient government of local currency required to meet the local administrative expenses of the United States; the duration of the agreement; and the conditions upon which the agreement would become effective. There were also, in most instances, suggested annexes which were designed to serve two purposes: (1) To spell out in greater detail the administrative arrangements required to supplement the broad provisions of the draft agreement; and (2) to clarify, by expanding upon, some of the more complicated articles which had been advanced in the main body. The annexes customarily dealt with such matters as the precise amount of local currency, if any, to be made available by each country for the administrative expenses of the MDAP country group; the handling of dollar costs which might be required of the foreign nation if it were required to meet administrative expenses in the United States connected with the operation of the program; and the diplomatic immunities to be accorded MDAP personnel stationed abroad. As of the first of October, negotiations with the several nations mentioned were at different stages, and in some cases there were indications that an exchange of notes might be more consistent with the circumstances than a formal document. Late in September a draft of a proposed bilateral agreement, substantially identical with those concluded with other NATO

countries, was also presented to the Portuguese Government for consideration.

In the case of Far Eastern countries, the situation demanded the extension of some assistance even before bilateral agreements could be concluded or detailed surveys made of requirements. The battle with communism might be lost in this area, unless supply action were begun in advance of contractual formalities and unless we assumed the risk that small amounts of the equipment actually shipped might not be responsive in all particulars to the needs as they were subsequently determined by the American military experts who would have the opportunity later for a thorough local survey. Conditions were particularly serious in Indochina, and supply action was therefore commenced at a very high priority on a list of items which had been urgently requested by the French authorities. In late June, eight C-47 transport aircraft were flight delivered to Indochina. By the end of September, the French aircraft carrier *Dixmude* had sailed from Alameda, California, with 40 aircraft (F-6-F's) and other cargo, and two French LST's had departed from Pearl Harbor transporting 18 LCVP's and convoying 6 LSSL's. During the same period, an initial shipment of Navy items was made to Thailand, consisting of vehicles, spare parts, and miscellaneous equipment for the Thai Marines; and it was anticipated that small arms, machine guns, mortars, and other equipment for the Army program would go forward during October. With minor exceptions, a small and limited program to strengthen the Indonesian constabulary had already been completed, and the first MDAP equipment for the Chinese Nationalist forces on Formosa was expected to leave a U. S. port early in October. The first of ten reconditioned patrol craft (Coast Guard cutters) for Burma would also be ready for shipment the following month, and two additional craft would be available each succeeding month until all ten had been delivered. This limited program for Burma is worthy of special comment since it illustrates the varied U. S. objectives which the Mutual Defense Assistance Program can sometimes serve. Burma is a country whose economic life depends upon the several river arteries which carry rice to Rangoon and Bassein for milling, then upstream to feed the northern Burmese and transport teak and other commodities down river for export abroad. If these arteries are blocked, the economy of the country withers, creating the kind of internal instability upon which subversion thrives. In the summer of 1950 this threat was real. River bandits and Communist elements were seriously interfering with river traffic and threatening to sever it completely. The patrol craft programed under MDAP, together with comparable British vessels that were already available, would, it was hoped, remove this danger.

The urgency for promptly meeting, either for political or military reasons, some of the known and most critical requirements in southeast Asia did not obscure the necessity for a thorough examination of the long-range needs of the area. For this reason, a joint State-Defense-ECA Survey Team, comprised of approximately 25 civilian and military personnel, departed for the Far East early in the summer. This group, under the direction of John Melby of the Department of State, Maj. Gen. G. B. Erskine, United States Marine Corps, of the Department of Defense, and Glenn Craig of ECA, had the mission of

visiting the principal countries in Southeast Asia and accurately assessing the specific needs of each for further military assistance. By early October they had visited Indochina, Malaya, the Philippines, Thailand, and Indonesia and their preliminary reports on most of these countries had been forwarded to Washington as a basis for programing. During the period August 5 to 26, a preliminary survey was made of the needs of the Nationalist forces on Formosa by another group from General MacArthur's Command. On the other side of the world, an MDAP survey team visited Portugal in late August and early September, thereafter submitting a report that would permit the development of a realistic program for that country at a very early date.

Simultaneously, arrangements were being made for the establishment of Military Assistance Advisory Groups in some of the new countries to which the MDAP program was being expanded. In September the first MAAG increment arrived in Indochina, ready to receive and to provide necessary instruction in the handling, maintenance, and use of the initial deliveries which were imminent there; the military attaché's staff was increased to take care of these functions in Indonesia, and the first increment of the MAAG for Thailand left the United States early in October. In Portugal the establishment of a MAAG would necessarily await the subsequent negotiation of a bilateral agreement. In Burma the program was of such a limited character due to the British aid program there, that the constitution of an Advisory Group appeared to be unnecessary. These several Military Assistance Advisory Groups, each headed by a specially selected and experienced officer of general or flag rank and responsible to the chief of the diplomatic mission, would be rounded out as rapidly as possible and become the core of the country-level staff on Mutual Defense Assistance matters. Its size and composition in any case would be determined by the nature and magnitude of the problems that were likely to be encountered in administering the program contemplated for the country it was serving and by agreement with that country. While political and financial considerations dictated that the group should be kept small, the very nature of its task, which is complicated and highly technical, usually requires a considerable number of extremely competent specialists. As in other countries where such groups were already functioning, each of these new groups would be responsible for assuring (1) that the equipment programed (and this might cover the whole range of military equipment lists) is properly requisitioned so that the articles desired can be correctly identified by the supply organization in the United States and can be delivered to the port, and at the time is best suited to the requirements of the receiving forces; (2) that this equipment is properly received and that the receiving personnel have the knowledge and skill required to handle, transport, and store it; (3) that necessary training is provided in the assembly, use, maintenance, repair, and operation of the equipment delivered so that maximum benefit will be derived from its provision; (4) that the equipment is used to best advantage and not diverted to purposes for which it was not intended; and (5) that future programs are thoroughly realistic both in terms of the actual needs of the particular country and in terms of the country's capacity to absorb and effectively to utilize the items included. Failure to perform these functions efficiently would result in the dissi-

pation of valuable materials through misuse, improper maintenance, inadequate storage, or poor tactical employment. The strength and the competence of an advisory group therefore largely determines the success of the program in strengthening the forces of the country in which it is stationed.

Meanwhile the program elsewhere in the world was being advanced by the movement to their posts of the additional personnel who were required to complete the MAAG complements. These complements in numerous cases had been, or were about to be, increased above original plans in order to meet the numerous problems of administration and training which a few months' experience in operating the program had disclosed. By early October more than 1,300 military and civilian personnel were stationed abroad in the various Military Assistance Advisory Groups, including those in the larger, special military missions to Greece and Turkey, and it appeared that this number might approach 2,000 by early 1951. The stationing of such large groups in foreign countries created and required solutions for those many difficulties which usually accompany the establishment of large official contingents in other lands—difficulties with housing, allowances, transportation, security, office space, communications, etc. Often relatively trivial in character, these housekeeping and related problems can nonetheless adversely affect the morale, efficiency, and work performance of the personnel concerned. Their solution was therefore accorded a high priority.

On the domestic side, further steps were also being undertaken to round out the staff required to supervise the program and to carry the increased load imposed by its expansion. At the same time it was becoming apparent that there was a need, both in Washington and in Europe, for meshing, or at least relating more closely and logically, the organization responsible for the handling of Mutual Defense Assistance and the groups which were charged with the conduct of United States participation in the North Atlantic Treaty Organization. To this end, an informal interagency study was begun early in the fall, although it would be several months before the intricate relationships could be rearranged and many similar functions merged in a sensible new pattern that could cope successfully with combined operations of this magnitude and complexity.

As sound initial programs for new areas were developed, there remained the even more important task of formulating the programs which were required to carry forward for another year with new appropriations the objectives which had already been set in Europe and the Middle East. This task was facilitated by the progress, described in an earlier chapter, which had been made in North Atlantic Treaty planning and by the existence, in most of the countries involved, of well-established Military Assistance Advisory Groups of the character detailed above. Their personnel were now familiar with local problems and in a position to tailor the program to needs, objectives, and fund limitations. By October 1 final matériel programs for fiscal year 1951 of approximately \$600,000,000 had already been approved, and additional programs totaling about \$120,000,000 were within days of approval. These programs were based on the regular fiscal year 1951 appropriations, which became fully available on September 6. In addition interim supplemental fiscal year 1951 programs, designed to accelerate the production of long lead-time

items and based on the supplemental funds made available on September 27, had been authorized to the extent of nearly \$3,000,000,000. With the exception of these interim programs, which were directed to the procurement in bulk of heavy equipment for which known over-all requirements were very large and which would subsequently be refined in the same fashion, every program represented a careful balancing of needs against availabilities and had been subjected to the same general process of screening and rescreening to which the 1950 programs had previously been subjected. The size and composition of each were derived from a detailed analysis of the most urgent requirements of each country and each area and after taking into account the experience and knowledge which had been gained in formulating and initiating the program for the year before. In other words, these programs were developed and would be administered in accordance with the strict standards which had been set at the outset of the Mutual Defense Assistance Program. The importance of these standards is such that the following summary of them appears appropriate:

(1) Each program must be related to and further the attainment of specific, clear-cut objectives. In general this will mean helping to equip forces of a specified size and character which are capable of performing certain missions and which the recipient nation has budgeted for and is able to support.

(2) Decision as to the contents of a particular program must be preceded by a careful determination of the net requirements and of the priorities among requirements of the forces to be equipped, such determination to take into account the ability of the recipient country to help herself through indigenous production, the repair of existing stocks, and the acquisition, without adverse economic consequences, of materials from other sources.

(3) In selecting the items to be included in a particular program, the following factors among others will normally govern: (a) The size and relative urgency of the recipient nation's major net equipment deficiencies; (b) the suitability of and necessity for particular types of equipment, taking into account the exact role of the forces for which the equipment is destined and the terrain and climate in which they will operate; (c) the technical and physical capacity of the recipient nation's forces to absorb, effectively utilize, and maintain specific types of equipment; (d) the types of equipment already in the hands of the recipient's forces; (e) the difficulties of procuring items in small quantities; (f) the availability of equipment in existing U. S. military stocks; and (g) applicable strategic considerations.

(4) Every effort must be made, through training, checking on use, and other devices, to assure that equipment delivered achieves its maximum usefulness—that it fills a specific need; is not diverted for other uses; is properly received, handled, transported, stored, assembled, and maintained so as to give it the longest useful life; is accompanied with spare parts adequate to keep it operational for a reasonable period under conditions of proper use; and is employed by the individual soldiers, sailors, or airmen, and by the forces of which they are a part to the best possible military advantage.

(5) Every program should be composed and handled in such a way as to maximize the opportunities and increase the willingness of a recipient nation to engage in self-help and mutual aid to the fullest

extent of which it is capable. The object must be to stimulate as well as to complement the efforts of other nations to help themselves and one another.

#### IV. CONCLUSION

The story of the Mutual Defense Assistance Program which has been recorded in these pages bespeaks its own lessons. The world as we find it is a world in which the ability of free men to preserve their freedom depends upon the ability and will of free men to defend themselves against the sinister, virulent, and powerful forces which seek to enslave them. Everywhere, Soviet communism, evil and strong, is assaulting the ramparts of liberty—probing for weakness and endeavoring by the exploitation of weakness to spread the hopeless darkness which covers its present, already vast empire to the farthest reaches of the earth. The events which have been chronicled in this report have demonstrated the nature and ever-present character of this danger. They have also proved that this danger can only be removed by building comparable strength throughout the free world—spiritual strength, political strength, economic strength, and military strength. Force must be confronted with force—force defensively so great that Soviet communism will never dare to test it. Toward this end the Mutual Defense Assistance Program clearly has an indispensable role. It must therefore be continued in the future for so long and in such size and form as may be required to build the kind of military strength among free nations that will preserve the security of these nations, including the United States, against Soviet aggression.

The task of meeting Soviet communism on its own terms in every sphere is a manageable task, but it requires more than plans, promises, and hopes. It will demand the best and most that every free nation can contribute. The price will be high, but it is a price which the free nations can pay, and it is a price that they must pay if they wish to preserve their freedom. The Mutual Defense Assistance Program and other programs directed toward strengthening the non-Soviet world are a necessary part of that price. There is no other choice, no easy middle road of concession or neutrality, because Soviet communism brooks no compromise except where compromise will serve its own imperialistic ends. So long as this condition persists, free men will either meet the challenge and pay the price or cease to be free. Whether they will have the foresight and wisdom to look beyond the shadows of their own hamlets and perceive and understand this fact, and whether they will have the courage and be prepared to make the heavy sacrifices required to deal therewith, are the great issues of our time. American foreign policy proceeds on the assumption that the quality of free men and nations is such that these issues can and must be resolved on the side of freedom and liberty.

## APPENDIX A

*Mutual Defense Assistance Program—Status of appropriations as of Sept. 30, 1950*

APPROPRIATION OR FUND 110/10045 AND 110/10045.005—MUTUAL DEFENSE ASSISTANCE, NORTH ATLANTIC AREA, EXECUTIVE OFFICE OF THE PRESIDENT, 1950-51

Agency	Appropriated	Allocations made	Committed	Obligated	Expended	Allocated funds	
						Uncommitted	Unobligated
Defense-----	<sup>1</sup> \$1,000,000,000.00	\$973,405,975.00	\$947,832,189.26	\$876,771,133.84	\$82,903,160.24	\$25,573,785.74	\$96,634,841.16
ECA-----		20,000,000.00	17,998,000.00	17,998,000.00		2,002,000.00	2,002,000.00
State-----		1,400,000.00	1,247,164.62	1,247,164.62	1,208,100.89	152,835.38	152,835.38
Total-----	1,000,000,000.00	994,805,975.00	967,077,353.88	896,016,298.46	84,111,261.13	27,728,621.12	98,789,676.54

APPROPRIATION OR FUND 110/10046—MUTUAL DEFENSE ASSISTANCE, GREECE AND TURKEY, EXECUTIVE OFFICE OF THE PRESIDENT, 1950-51

Defense-----	<sup>2</sup> \$200,801,500.00	\$183,152,005.53	\$172,784,274.87	\$167,408,279.08	\$28,281,487.74	\$10,367,730.66	\$15,743,726.45
ECA-----		8,587,000.00	5,240,000.00	5,240,000.00	1,634,754.12	3,347,000.00	3,347,000.00
State-----		2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00		
Total-----	200,801,500.00	193,739,005.53	180,024,274.87	174,648,279.08	31,916,241.86	13,714,730.66	19,090,726.45

APPROPRIATION OR FUND 110/10047—MUTUAL DEFENSE ASSISTANCE, IRAN, REPUBLICS OF KOREA AND THE PHILIPPINES, EXECUTIVE OFFICE OF THE PRESIDENT, 1950-51

Defense-----	<sup>2</sup> \$33,208,500.00	\$29,860,118.00	\$26,407,654.44	\$24,986,468.50	\$999,261.37	\$3,452,463.56	\$4,873,649.50
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APPROPRIATION OR FUND 110/10048—MUTUAL DEFENSE ASSISTANCE, EMERGENCY FUND, GENERAL AREA OF CHINA, EXECUTIVE OFFICE OF THE PRESIDENT, 1950-51

Defense.....	\$75,000,000.00	\$64,000,000.00	\$52,599,261.20	\$51,762,015.92	\$14,671,588.40	\$11,400,738.80	\$12,237,984.03
ECA.....		750,000.00	749,816.00	749,816.00	57,974.74	184.00	184.00
State.....		2,930,000.00	336,293.23	336,293.23	4,672.42	2,593,706.77	2,593,706.77
Total.....	75,000,000.00	67,680,000.00	53,685,370.43	52,848,125.15	14,734,235.56	13,994,629.57	14,831,874.85

APPROPRIATION OR FUND 1110045—MUTUAL DEFENSE ASSISTANCE, NORTH ATLANTIC AREA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense.....	\$4,504,000,000.00	\$2,093,639,572.00	\$739,014,618.46	\$732,303,406.48	\$1,949,021.20	\$1,354,624,953.54	\$1,361,336,165.52
ECA.....		5,000,000.00	3,034,000.00	3,034,000.00		1,966,000.00	1,966,000.00
State.....		350,000.00	265,937.77	265,937.77	158,871.26	84,062.23	84,062.23
Total.....	4,504,000,000.00	2,098,989,572.00	742,314,556.23	735,603,344.25	2,107,892.46	1,356,675,015.77	1,363,386,227.75

APPROPRIATION OR FUND 1110045.005—MUTUAL DEFENSE ASSISTANCE, NORTH ATLANTIC AREA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951  
(CASH APPROPRIATED FOR LIQUIDATION OF 1950 CONTRACT AUTHORIZATION)

Defense.....	\$455,523,729.00	\$79,000,000.00	( <sup>3</sup> )	( <sup>3</sup> )	\$4,537,613.04		
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APPROPRIATION OR FUND 1110046—MUTUAL DEFENSE ASSISTANCE, GREECE AND TURKEY AND IRAN, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense.....	\$324,500,000.00	\$189,440,526.00	\$4,262,302.71	\$2,727,722.97	\$102,917.32	\$185,178,223.29	\$186,712,803.03
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APPROPRIATION OR FUND 1110047—MUTUAL DEFENSE ASSISTANCE, REPUBLICS OF KOREA AND THE PHILIPPINES, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense.....	\$16,000,000.00	\$9,326,058.00	\$1,318,994.00	\$1,011,076.92	\$28,267.72	\$8,007,064.00	\$8,314,981.00
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<sup>1</sup> Includes \$500,000,000 Contract Authority.

<sup>2</sup> \$10,568,500 was transferred from Appropriation 110/10046 to 110/10047 on July 3, 1950.

<sup>3</sup> Commitments and obligations are incurred against contract authorization (110/10045.005).

*Mutual Defense Assistance Program—Status of appropriations as of Sept. 30, 1950—Continued*

APPROPRIATION OR FUND 1110048—MUTUAL DEFENSE ASSISTANCE, EMERGENCY FUND, GENERAL AREA OF CHINA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Agency	Appropriated	Allocations made	Committed	Obligated	Expended	Allocated funds	
						Uncommitted	Unobligated
Defense.....	\$75,000,000.00	\$14,344,500.00	\$8,578,290.00	\$45,871.67	\$45,871.67	\$5,766,210.00	\$14,298,628.33

APPROPRIATION OR FUND 1110049—MUTUAL DEFENSE ASSISTANCE, NATIONS IN SOUTHERN AND EASTERN ASIA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense.....	\$303,000,000.00	\$180,000,000.00				\$180,000,000.00	\$180,000,000.00
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APPROPRIATION OR FUND 11X8242—ADVANCES FOR MUTUAL DEFENSE ASSISTANCE, EXECUTIVE OFFICE OF THE PRESIDENT (PROCUREMENT ASSISTANCE), NO YEAR TRUST FUNDS

	Receipts	Allocations made to Defense Department	Committed	Obligated	Expended	Allocated funds	
						Uncommitted	Unobligated
	\$13,831,093.44	\$13,831,093.44	\$13,617,616.17	\$5,129,965.09	\$203,257.68	\$213,477.27	\$8,701,128.35