

THIRD SEMIANNUAL REPORT TO CONGRESS ON  
THE MUTUAL DEFENSE ASSISTANCE PROGRAM

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MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE THIRD SEMIANNUAL REPORT ON THE MUTUAL  
DEFENSE ASSISTANCE PROGRAM COVERING THE  
PERIOD FROM OCTOBER 6, 1950, TO MARCH 31,  
1951, PURSUANT TO PUBLIC LAW 329,  
EIGHTY-FIRST CONGRESS



JUNE 25, 1951.—Referred to the Committee on Foreign Affairs  
and ordered to be printed

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## LETTER OF SUBMITTAL

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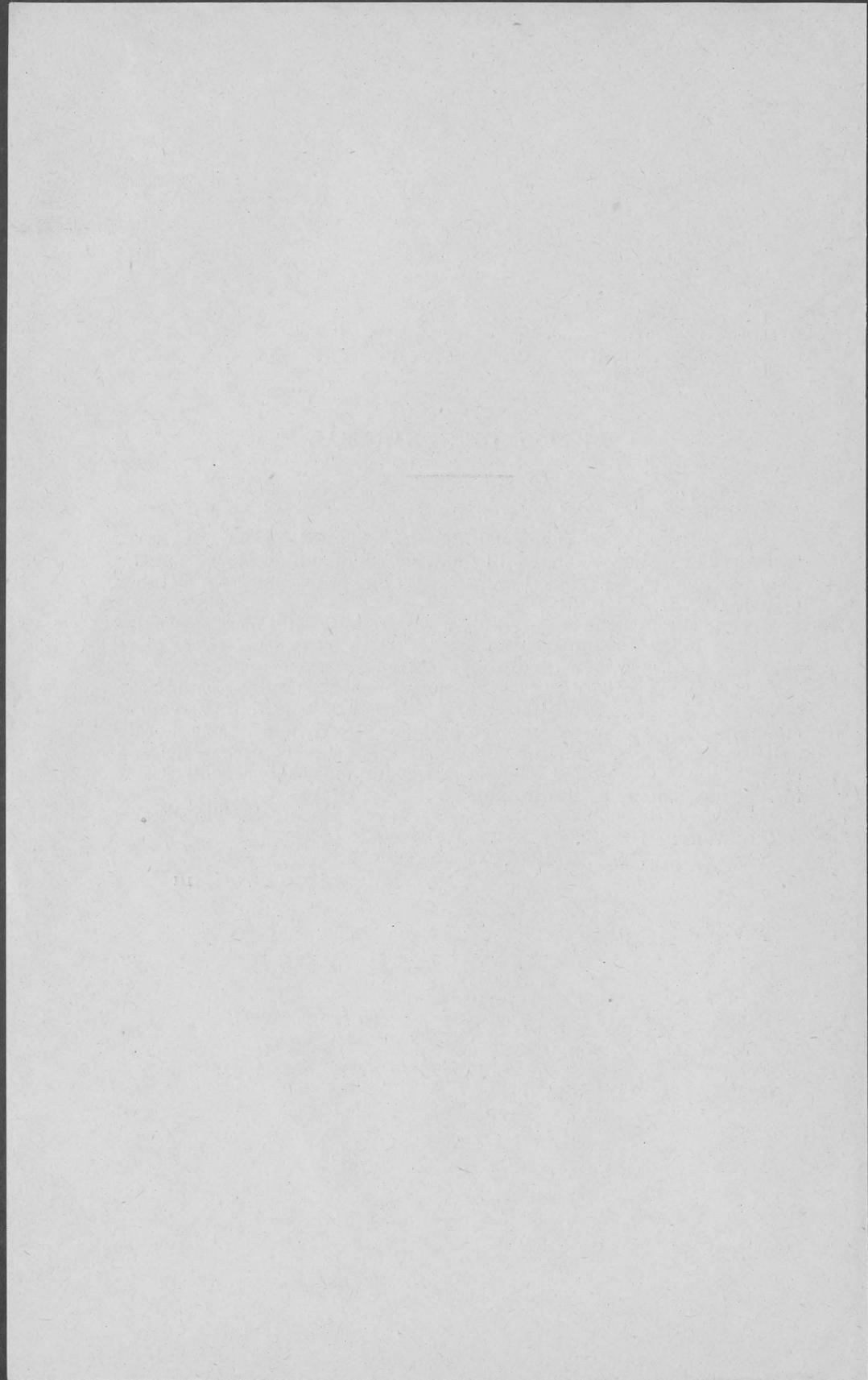
*To the Congress of the United States:*

Pursuant to the provisions of Public Law 329 (81st Cong., 1st sess., 63 Stat. 714), I submit herewith the Third Semiannual Report on the Mutual Defense Assistance Program, covering the period from October 6, 1950, to March 31, 1951.

During the 6 months covered by this report, United States shipments of military equipment and materials to free nations were more than three times as great as during the whole first year of the program. This assistance, together with training programs and help directed toward increasing military production abroad, has not only strengthened our friends in a material sense, it has strengthened their morale and their determination to resist aggression. The combined defense effort of the free world has in effect just begun, but there is good reason for encouragement at its progress.

HARRY S. TRUMAN.

THE WHITE HOUSE,  
*June 25, 1951.*



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# THIRD SEMIANNUAL REPORT ON THE MUTUAL DEFENSE ASSISTANCE PROGRAM

For the period October 6, 1950, to March 31, 1951

## I. INTRODUCTION

This report, the third semiannual report on the Mutual Defense Assistance Program (MDAP), covers the operation of the program from October 6, 1950, to March 31, 1951. Like its two predecessor reports, it seeks, as required by section 410 of the Mutual Defense Assistance Act of 1949, to provide Congress with a factual account of the progress of the program in achieving its objectives, the problems encountered in its administration, and the impact of world events during the period on its form and content. Unlike the first two reports, however, and on the assumption that they have already dealt adequately with this subject, this report does not attempt to redescribe the origin, concept, and general structure of the program or the now well-established relationship of the program to the principal objectives of United States foreign policy. On the contrary, with the exception of a short summary passage (sec. II) and a section on organizational developments (sec. VIII), it consists almost entirely of a description and an evaluation of the concrete developments which actually took place during the period under review in the following principal components of the undertaking: the matériel or "end-item" program (sec. III); the program to aid military production in Europe (sec. IV); the training program (sec. V); the reimbursable aid program (sec. VI); and the information program (sec. VII). In following this procedure, the report lays increased emphasis on the Mutual Defense Assistance Program in action and brings out, to an extent not practicable during the earlier planning stages, a picture of the actual operation and tangible consequences of such important aspects of the program as training assistance and reimbursable aid.

## II. GENERAL SUMMARY OF THE PROGRESS OF THE PROGRAM AND OF MAJOR DEVELOPMENTS AFFECTING THE PROGRAM, DURING THE REPORT PERIOD

The Mutual Defense Assistance Program first came into being with the enactment, on October 6, 1949, of the Mutual Defense Assistance Act of 1949 (Public Law 329, 81st Cong., 1st sess.) and the subsequent appropriation, on October 28, 1949, of \$1,314,010,000 in cash and contract authority to carry out its purposes during fiscal year 1950. This law authorized a coordinated program of military assistance to certain friendly nations whose security was vital to the security of the United States. This assistance might take any of several forms, principally the following: (1) The delivery of United States-produced equipment to fill directly equipment deficiencies of the forces of a recipient nation (frequently referred to as the "end-item"

program); (2) the provision of machine tools, materials, and components which are required by a country, in conjunction with its indigenous resources, to increase its own production of military equipment (commonly known as the Additional Military Production Program or AMP); and (3) the furnishing of training and technical assistance of a military character to foreign nationals. In the case of certain nations, such assistance was authorized on either a grant or a reimbursable basis, whereas for others it could only be supplied in a reimbursable form.

In the following year, Congress, reflecting the experience gained from the administration of the program during its first months and responding, with wisdom and foresight, to the critical turn of world events, amended the basic law to increase its coverage and effectiveness and to authorize its extension (Public Law 621, 81st Cong., 2d sess.) and, through regular and supplemental appropriation legislation enacted in September 1950, made available an additional \$5,222,500,000 to carry forward the program during fiscal year 1951 (Public Laws 759 and 843, 81st Cong., 2d sess.). Thus, by the commencement of the period covered by this report, Congress had appropriated a total of \$6,536,510,000 for the purposes of the Mutual Defense Assistance Program. Of this amount, roughly \$5,500,000,000 was available for grant assistance in the North Atlantic community; approximately \$535,000,000 for use in Greece, Turkey, and Iran; and just under \$500,000,000 for employment in the Far East.

In the 12 months following the enactment of the original law, many important steps had been taken. Basic planning had been completed; a United States organization to administer the program had been established here and overseas; agreements covering the extension of assistance had been negotiated with nearly all nations intended as recipients; several thousand people were already participating in the training program; and the actual delivery of military equipment had attained an appreciable volume and was increasing. In addition, and of immediate and significant import to the program, substantial progress had been made in certain phases of North Atlantic Treaty planning and in adapting the North Atlantic Treaty Organization to future problems of active programing and military operations. Moreover, as a result of NATO activities, the jarring impact of events in the Far East, and the operation of the Mutual Defense Assistance Program itself, European nations were beginning to increase their own rearmament programs by voting larger defense budgets, undertaking new military production, and providing for the raising and more effective training of additional forces.

In spite of these forward steps, however, there was still, on October 6, 1950, a very long way to go in terms of attaining the level of effort and performance which would be necessary over a number of years to achieve ultimate security objectives. While end-item deliveries were increasing, they still represented a trickle in terms of requirements, and the effectuation of the necessary increase faced the problems of the scarcity of existing military stocks, the competing demands of the Korean War and of rapidly expanding United States forces, the long lead times involved in the manufacture of new equipment, and the growing world shortages in production equipment and raw materials essential for munitions production. Similarly, although the new European defense efforts were encouraging, they fell short of

those which would be needed to meet requirements for either forces or equipment therefor, and the necessary multiplication in efforts would encounter not only grave political, economic, and financial problems in every country concerned, but also, in the military production sphere, the same shortages in critical items that hampered American defense production. Moreover, much remained to be done in solving some of the many difficult substantive issues before NATO—the organization of European production to meet those equipment deficiencies that must be met through European manufacturing; the establishment of a command structure and the assignment of national forces to it; the association of Germany with the western defense program; the acceptance by all of the participating countries of individual national commitments which would, in the aggregate, commit them to raise, train, equip, and maintain the total forces considered necessary for the defense of the North Atlantic Treaty area; the enormously complex and delicate task of getting 12 nations, each with different standards of living, 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.

The shape and character of the foregoing problems were described, to the extent that they had already emerged, in the second semi-annual report, and they were among the principal problems that required continuing attention during the 6 months covered herein. The second report also traced the evolution of certain important trends that were likely, as subsequent events have demonstrated, to have a far-reaching impact on the future of the Mutual Defense Assistance Program. Foremost among these was the growing necessity in North Atlantic Treaty countries, at the very time when the economic recovery program was nearing its goals, for providing some form of continuing economic assistance which would enable them to perform the new, physical tasks required to mount an adequate defense effort. The time for giving economic recovery a clear priority over efforts to build military strength was passing, and the day was fast approaching when all aid to NATO countries, whether military or economic in nature, would need to be related to, and 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 measures which were needed, in conjunction with American assistance, to assure attainment of the now inseparable goals of military strength and continuing economic stability. This implied that 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 a unified pattern to meet the peculiar problems of all types which would arise in each country as it undertook the particular military missions and production projects assigned to it under NATO plans. A comparable trend was also evident elsewhere in the world as, more and more, in such places as the Philippines, Formosa, Turkey, Indochina, etc., it was becoming apparent that the success of military assistance programs was often dependent upon, and certainly inextricably related to, the simultaneous conduct of complementary programs of economic assistance. This trend carried with it a strong indication that organizational mechanisms should be devised to assure the consistent

handling of, and, in fact, some form of coordination of all economic and military programs in those areas where both types of programs were necessary.

Just as the unsolved problems enumerated above were among the principal issues requiring attention during the 6 months in question, so also, during this period, the foregoing trends approached their logical ends and demanded adaptations in the Mutual Defense Assistance Program and other related activities. To some extent, moreover, new world events accelerated these trends. They also added new problems and, in certain respects, facilitated the solution of some of the old ones. The outstanding of these events was, of course, the intervention of Communist China in the Korean War, and the consequent sharp increase in the intensity of the world crisis, in the free nations' awareness of their peril, and in the potential demands on free world strength for a successful conclusion of these hostilities. There was also the heartening success of the United Nations forces, after the long withdrawal after the initial attacks of the Chinese Communist forces, in holding a line near the thirty-eighth parallel, and the equally reassuring actions of the armies of the French Union and Associated States in Indochina in repelling a number of heavy Viet Minh attacks. In the United States, as elsewhere, there was a new sense of urgency which was reflected, among other ways, in President Truman's proclamation of a national emergency on December 16, 1950. In issuing this proclamation, the President stressed the role of the Mutual Defense Assistance Program in meeting the critical world situation which had made this action necessary, saying:

We will continue to provide assistance to European countries and to other free countries in other parts of the world, because their defense is also important to our defense. \* \* \* Working together, the free nations can create military forces strong enough to convince the Communist rulers that they cannot gain by aggression. Working together, the free nations can present the common front, backed by strength, which is necessary if we are in a position to negotiate successfully with the Kremlin for peaceful settlements. Working together, we hope we can prevent another world war.

With this background, it is now appropriate to summarize very briefly the major developments in, and affecting the program, during the 6 months ending March 31, 1951. These included the following:

1. AN ENORMOUS INCREASE IN THE OPERATIONAL TEMPO OF THE PROGRAM

While active operations, in the sense of building and expanding the equipment pipeline, had commenced in the preceding 6 months, this was the first period in which deliveries reached a substantial volume, rising from a total of approximately 300,000 measurement tons on October 1, 1950, to about 1,000,000 measurement tons on April 1, 1951, exclusive of fly-away aircraft and several score of vessels delivered under their own steam. Moreover, after the large appropriations voted in September 1950, it became possible to expand supply operations severalfold, with the result that by the end of March 1951, programs with a value in excess of \$5,500,000,000 had been approved, supply action had been initiated on approximately three-quarters of this amount, and cumulative obligations had exceeded the \$3,000,000,000 mark by a considerable margin. The full scope of these increased matériel activities is described in section III of this report,

and the comparable acceleration in the tempo of training assistance and reimbursable aid are discussed in sections V and VI.

## 2. A FURTHER INCREASE IN THE LEVEL OF EUROPEAN DEFENSE EFFORTS

The second semiannual report recorded the encouraging signs of increases in the defense efforts of the several European NATO countries which occurred between the outbreak of hostilities in the Far East and the 1st of October. It also noted, however, that increases already effected or promised were far from adequate in terms of requirements and that, as a consequence, negotiations were either under way, or about to be initiated, both bilaterally with individual countries and through NATO, to obtain substantial additional commitments. These negotiations continue throughout the period covered by this report and attained considerable tangible success. However, the results still fell far short of objectives, and negotiations would need to be continued indefinitely in an attempt to obtain, within the limits of economic capabilities and political realities, progressively larger contributions by all of our NATO partners—contributions in forces, defense production, and financial resources. The results of these negotiations are reflected in the increased European efforts described in the following sections. These negotiations represented the concerted and coordinated views of all interested agencies of the United States Government applied through all possible channels. They also represented a significant departure in the techniques of negotiating economic and defense production aid levels and of relating the two. For the first time, the aggregate amount of all forms of aid for any NATO country, exclusive of end-item assistance, was measured in relation to the economic impact of, and conditioned upon the performance by the country of, a defense program of a certain magnitude. This marked the transition, forecast in the second semiannual report, from a clear priority for European recovery to the primary concentration of economic aid on building the sinews of military strength.

## 3. THE FURTHER STRENGTHENING OF THE NORTH ATLANTIC TREATY ORGANIZATION

The major problems confronting the North Atlantic Treaty Organization, and their implications for the Mutual Defense Assistance Program and its objectives, were detailed in the preceding report. The 6 months covered herein witnessed notable progress in the solution of many of them. Most dramatic, and unquestionably most significant, was the establishment of a NATO command structure in Europe—the Supreme Headquarters Allied Powers, Europe (SHAPE)—and the appointment, unprecedented in peacetime, of an American, General Eisenhower, as Supreme Commander (SACEUR). This signaled the definitive transition from a period in which NATO bodies devoted themselves almost exclusively to planning to a period of active operations directly within the NATO structure itself. Shortly thereafter, the scope of NATO operations was extended, when it was announced that another command was to be established covering the North Atlantic Ocean area (SACLANT). Less sensational but perhaps equally significant were the decisions which were taken, or in the making, with respect to the reorganization

of the North Atlantic Treaty Organization. These included (1) the replacement of the Military Production and Supply Board (MPSB) and its working group, by the Defense Production Board (DPB) and an international production staff under the direction of an outstanding American businessman, William R. Herod; (2) steps toward vesting the deputies with greater control and authority; (3) a decision to replace the Defense Financial and Economic Committee (DFEC) and its working staff with a permanent body, the Finance Economic Board (FEB), located in Paris, and an integrated supporting staff of international experts; (4) the close association of the work and personnel of the latter agency with that of the Organization for European Economic Cooperation (OEEC); and (5) the clarification of the status of the Council, together with its absorption of the high policy functions of the Defense Committee and the Defense Financial and Economic Committee. These changes would, it was hoped, speed the progress of planning and programming by the Organization as a whole and facilitate its ability to make decisions and see to their execution. These various NATO developments, coupled with the many substantive actions taken by the several NATO bodies during the period, resulted in a continually improving framework of objectives and plans against which to develop and implement the Mutual Defense Assistance Program in Europe.

#### 4. INITIAL EFFORTS TO DEAL WITH THE PROBLEM OF SCARCITIES

As indicated in the second semiannual report, the mounting shortages, not only in finished weapons but also in the materials and tools with which such weapons are fashioned, required a number of steps, both within the United States and on a world-wide basis, to assure the allocation of the most critical items in a fashion which would assure that they would contribute the most toward strengthening the free world. During the 6 months ending March 31, 1951, the need for some of these steps increased, and they were taken. In the field of finished weapons, the Joint Chiefs of Staff established a Joint Munitions Allocation Committee with the duty of continually determining, within broader governmental priorities, which of the weapons available or to become available through new production, should be allocated for Mutual Defense Assistance purposes and, of such weapons, the countries to which they should be delivered. In the field of production equipment and raw materials and in order to assure that our friends abroad would have the articles required to accelerate their own manufacture of munitions, formal arrangements were made for the consideration on an orderly basis of foreign requirements for critical United States supplies. This included the creation, within the Office of Defense Mobilization, of an interagency Committee on Foreign Supplies and Requirements, chaired by the ECA Administrator, to review and evaluate foreign requirements for supplies produced in the United States and our requirements for supplies from foreign sources. Simultaneously, working procedures were also developed with the National Production Authority for the issuance of defense-order ratings covering articles required for defense production abroad, when the Department of Defense was satisfied that the military end item to be produced was required to meet a valid foreign defense need and the ECA was convinced that the particular article

was necessary to accomplish the production task and was not available from sources other than the United States. On the international front, the first intergovernmental measures were taken toward increasing the availability of, conserving, and assuring the most effective distribution of a number of the world's most critical materials. In addition to work undertaken on a regional basis by the Organization for European Economic Cooperation (OEEC) and studies of the problem instituted by the North Atlantic Treaty Organization, a world-wide International Materials Conference was convened in Washington by the Governments of the United States, the United Kingdom, and France. This Conference, which is continuing, has established committees, composed of representatives of the principal producing and consuming countries, to study and recommend specific actions to their Governments on a series of different commodities. Committees established include ones for copper, zinc, and lead; sulfur; manganese, nickel, and cobalt; wool; molybdenum and tungsten; and cotton and cotton linters. Through these various measures, it is hoped that we can secure a proper balance between defense production here and similar production abroad and an intelligent distribution of the weapons which our munitions industries turn out.

##### 5. THE FURTHER PROGRESS OF EUROPEAN RECOVERY

The rapid progress of European recovery was dealt with at length in the preceding report and, as already noted, the 6 months covered by this report witnessed the acceleration of this trend. By mutual agreement, further Marshall plan aid for the United Kingdom was suspended in December of 1950; and virtually all other western European countries would have been self-sufficient by 1952 under ordinary circumstances. However, the demands on their still slender resources of a more ambitious defense program were producing, and would increasingly produce, new stresses and strains on their economies. Economic aid, therefore, was still required to provide those resources which were essential if they were to support this defense program without simultaneously undermining their newly acquired, hard-won but still precarious, economic stability and thereby completely vitiating such defense program. This change in circumstances required recognition, and early in the year the Organization for European Economic Cooperation (OEEC) and the NATO participants therein were advised that all further economic aid would be related to the character of the economic problems resulting from the undertaking of larger military efforts. This shift in approach did not mean an abandonment of economic strength as a major objective, but it did indicate that the distribution and performance of defense tasks must henceforth figure largely in determining the level and distribution of economic assistance. It also had two other important implications. It meant, in the first place, that Europe had now reached the point where she could contribute on a larger scale to the military efforts necessary to carry out NATO plans and, in the second place, that future military aid and economic aid to Europe would necessarily have to be administered in close conjunction with one another and both forms of aid directly adjusted to meeting, at the minimum aggregate cost, requirements that evolved from the work of the North Atlantic Treaty Organization. The new basis for negotiating all forms of

economic aid which was noted under heading 2 above was the first major recognition of this latter necessity.

#### 6. ADAPTATIONS IN UNITED STATES ORGANIZATION

The growing need for relating all mutual defense assistance activities to the activities of the North Atlantic Treaty Organization and for considering economic and military aid for Europe together was among the principal factors which required major adaptations in United States Government organization during this period. These adaptations, which are described at some length in section VIII, included the establishment, at the turn of the year, of the International Security Affairs Committee (ISAC), comprising high-level representatives of the Departments of State, Defense, and Treasury, of the Economic Cooperation Administration, and of the Special Assistant to the President, Averell Harriman.

### III. MATÉRIEL PROGRAM

#### 1. INTRODUCTION

During the period of this report, every effort was made to expedite actual deliveries of military equipment and materials pursuant to the fiscal year 1950 and fiscal year 1951 programs. Since most of the items were complex and required a long time to manufacture and also were needed in quantity by United States forces in Korea and elsewhere, deliveries were small compared to the amount of funds committed. Nevertheless, shipments during the 6-month period were very sizable and were more than three times as great as total shipments during the entire first year of the program. During the same period, intensive work was done on the development of illustrative programs for fiscal year 1952, which would form the basis for further legislation to be proposed.

Although previous reports on MDAP have described in some detail the procedures followed in the development of country programs and the criteria applied, the process represents to such a great extent the key to the whole undertaking that a brief summary may be in order here:

The first step in the process is the determination of the precise role that a given country can be expected to play in the common defense effort. The forces, equipment, and materials required to perform that role must then be calculated. The differences between the equipment requirements and the country's existing equipment constitutes the "deficiencies" which must be met if the country is to be able to perform its allotted task.

The problem then becomes one of determining in what manner and to what extent the country's deficiencies can be met either from the country's own production, from the United States on a grant or reimbursable basis, or in some other way. The United States cannot do more than supplement the country's own efforts. The specific program for MDAP equipment to be furnished by the United States which is finally drawn up will represent only an effort to help the country fill those needs which are of the highest degree of urgency. In most cases it was not expected that a country's equipment deficiencies would be fully met in the immediate future.

The task of making these various determinations is a complex one which can be accomplished only by on-the-spot work on the part of the United States military assistance advisory groups in the countries themselves, coordinated on a regional basis in Europe, and further coordinated and checked in Washington. Political and economic factors have to be taken into account, as well as considerations of over-all strategy.

A check list of the factors to be considered in the selection of the items for inclusion in a given MDA Program would include—

(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 ability of the country to produce the equipment itself;

(f) The difficulties of procuring items in small quantities; and

(g) The availability of equipment in existing United States military stocks or from foreign sources.

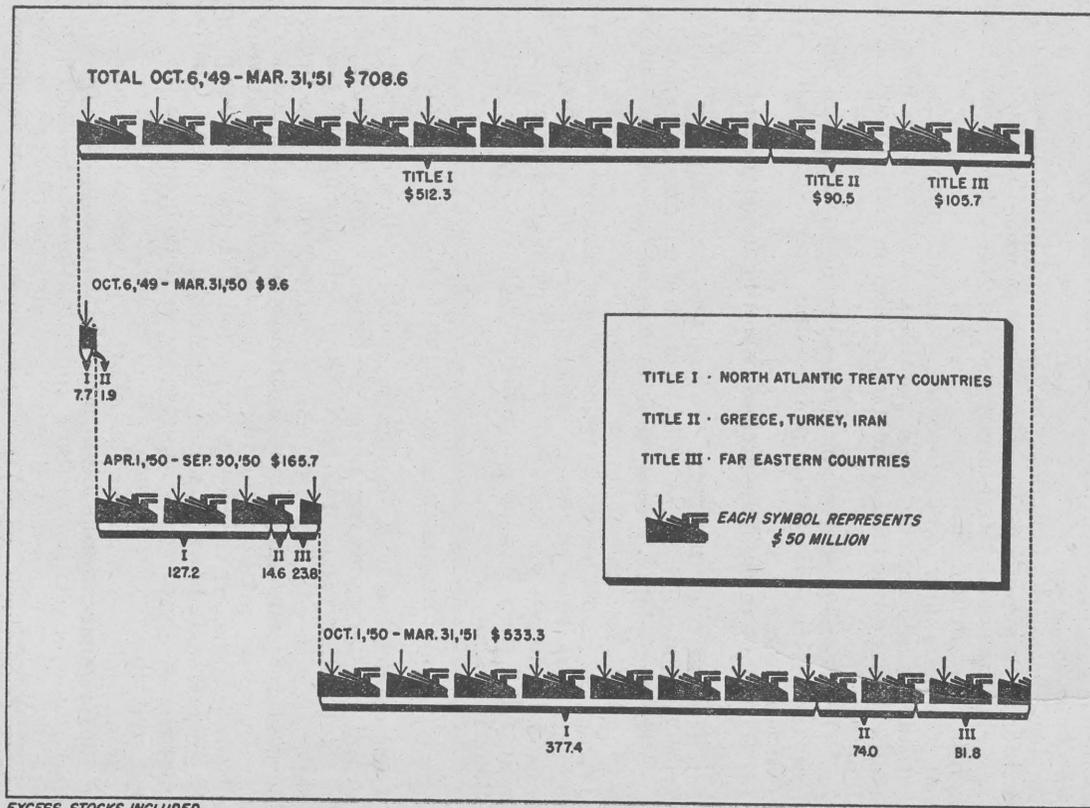
During the report period, as before, changes had to be made in the programs from time to time to meet unforeseen developments and occasional emergency situations. On the whole, however, the effort was to fulfill the programs which had been developed by the process summarized above.

## 2. PROGRESS DURING THE THIRD 6 MONTHS—TOTALS

Concrete achievements during the period of this report are summarized on the following pages in graph form. Chart I shows the total dollar value of MDAP shipments during the period as compared with the first two semiannual periods of the program. Chart II indicates the quantities of major items shipped such as aircraft, vessels, artillery and naval guns, tanks and combat vehicles, and motor transport vehicles, as compared with the previous periods. The comparison shows very real progress in each case. Chart III shows the steady progress being made in putting to use the funds made available by the Congress for the Mutual Defense Assistance Program. Represented on this chart are the 1950 appropriation, the 1951 regular appropriation, and the 1951 supplemental appropriation and in relation to those appropriations, the progress made up to March 31, 1951 in (a) allocating funds to specific agencies (e. g., Defense Department, ECA) for procurement of items on approved country programs ("allocated"); (b) the commitment or setting aside of funds by the technical services of procurement agencies (e. g., Army, Navy, Air Force) for specific purchases ("committed"); and (c) the orders actually placed ("obligated"). The same information is shown in more detailed, tabular form in appendix A; this table also shows the amounts actually "expended"; i. e., for which checks have been drawn.

CHART I

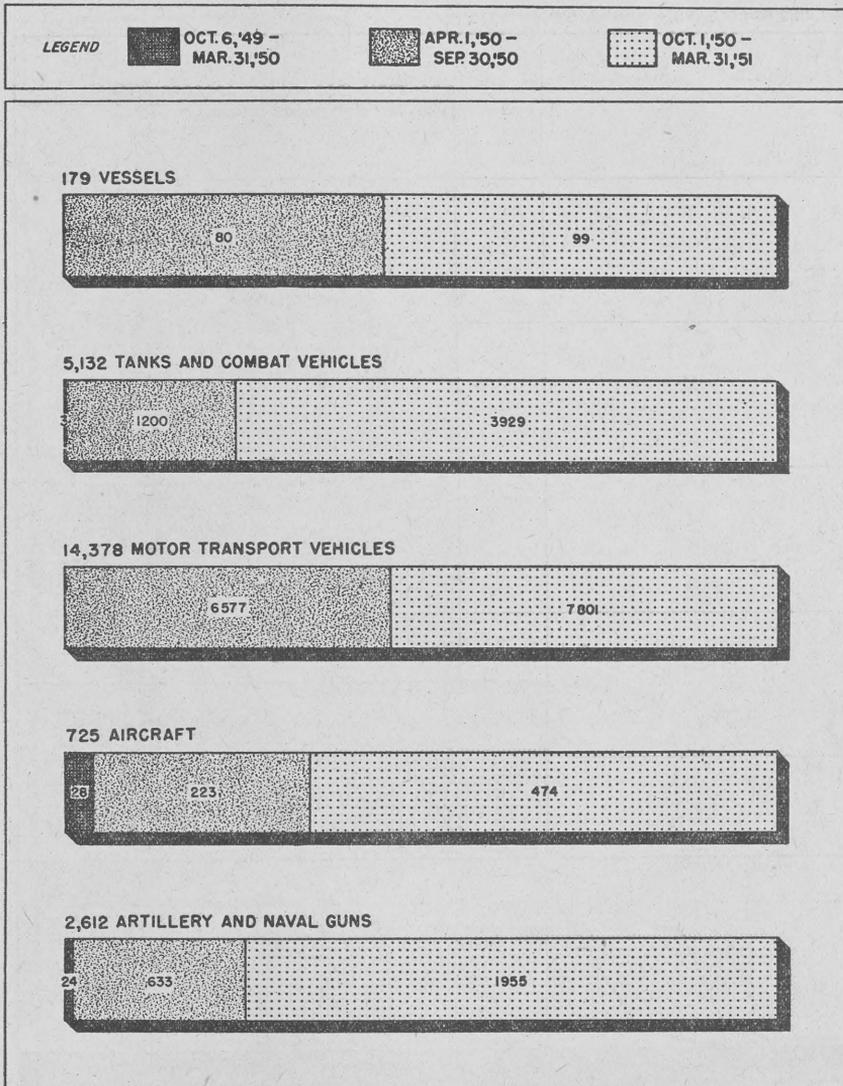
SHIPMENTS FROM PORT - GRANT AID IN MILLIONS OF DOLLARS



EXCESS STOCKS INCLUDED.

## CHART II

## SHIPMENTS TO PORT - QUANTITY OF SELECTED ITEMS

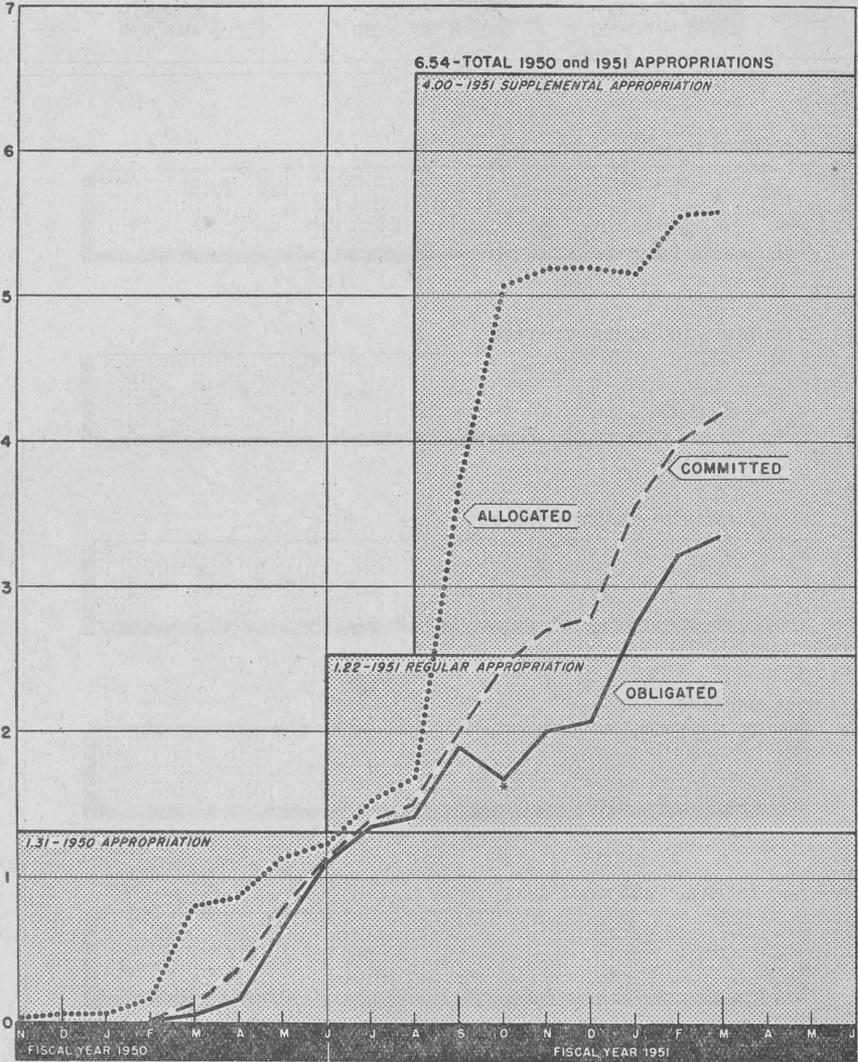


EXCESS STOCKS INCLUDED.

CHART III

**Total Funds Allocated, Committed, and Obligated against 1950-51 Appropriations**

BILLIONS OF DOLLARS - CUMULATIVE



\*ORDER CANCELLED.

It will be apparent from these charts and tables that shipments and actual expenditures, although rapidly mounting, have been small in comparison to the amounts available and allocated. There were several reasons for the lag, chief among them being the urgent demands of the United States Armed Forces, not only because of Korea but also because of the need to strengthen our own defensive capabilities in the Americas, in Europe, and in the Pacific. As excess stocks were depleted, the MDAP had to depend more and more on new procurement. Many of the items are highly complicated and require a long time to manufacture, and deliveries were necessarily delayed on that account.

### 3. PROGRESS IN NORTH ATLANTIC TREATY COUNTRIES—TITLE I

The period of this report was one of intense activity in defensive preparations among the North Atlantic Treaty nations. With the establishment of SHAPE under General Eisenhower's command and the further development of NATO, the work of MDAP went forward with a new spirit. Shipments to the NATO countries during the period were almost three times as great in terms of dollar value as shipments during the entire first year of the program. Shipments included the following major items:

Aircraft.....	319
Vessels.....	9
Tanks and combat vehicles.....	3,533
Artillery and naval guns.....	1,150
Motor transport vehicles.....	4,897

While it is impossible, for security reasons, to give details of shipments to individual countries or to describe the nature of the country programs, there follows a survey of each of the North Atlantic Treaty countries receiving grant aid under the Mutual Defense Assistance Program, describing the high lights and the impact of the program during the period. The principal conclusion which may be drawn from the survey is that the increased flow of MDAP equipment has been a stimulus to the morale of the military forces of the recipient countries and has encouraged them to face up to the needs of the hour. While it is true that some countries have physical capacity for military production which has not yet been utilized and that in many cases military budgets should be higher than they are at present, nevertheless progress is being made on all fronts.

#### *Belgium and Luxembourg*

Although small in size, Belgium and Luxembourg together are an important source of manpower and industrial power for the defense of Europe. During the period of this report, the flow of end items to these countries assumed increased proportions, and greater attention was given there to the necessity of making adequate preparations to receive, operate, and maintain the equipment. Satisfactory progress was reported both in Belgium and Luxembourg with respect to the utilization of the equipment, as the training of maintenance personnel improved to a level comparable to the United States standards and as logistic support organizations generally were developed. The equipment received was reported to be in excellent condition.

The receipt of naval equipment sharpened the realization in Belgium of the need for improvements in the training of officers and enlisted personnel sufficient to man vessels to be received and to handle supply and maintenance functions.

Ambassador Robert E. Murphy has reported as follows on the impact of the MDAP in recent months:

Thanks to MDAP, morale in the Belgian armed forces has been vastly heightened. In addition, the Belgian people are becoming increasingly conscious not only of their responsibilities within the North Atlantic Treaty framework but of the probability that the defense of Western Europe can be successful, thanks to concrete United States aid and to the new spirit of resolution among the North Atlantic Treaty Organization allies.

Concretely, the Belgian Army, because of MDAP, has been able to activate during the last half-year, two armored battalions, five artillery battalions, and an engineer construction battalion. Belgian units in the field receiving MDAP equipment responded with an almost electric reaction in morale. Experienced observers believe that the spirit of the Belgian Army is at its highest point since before the last war.

Press reaction is building up and is highly favorable to MDAP. For example, when the first F-84 aircraft were presented to the Belgian Air Force, the press coverage included 886 column inches and 43 pictures. An additional measure of the success of the MDAP in Belgium has been the increasing stridency of the Communist press which would not shout so loudly if the program had not succeeded so well.

Because Belgium's economy recovered from the effects of war relatively rapidly, Belgium is in a position to make a very great contribution to the defense of Europe, and in various ways the Belgians have evidenced their determination to do so. In March of 1951, the Parliament increased the conscription period to 24 months, entitling Belgium to the distinction of being the first continental European country to have taken that politically difficult step. Belgium's military budget for 1951 was roughly double that for 1949. On the other hand, Belgium has important unutilized capacity for the production of certain types of military equipment and could, without undue strain, increase its expenditures for military purposes very substantially.

#### *Denmark*

Denmark's primarily agricultural economy requires that the bulk of its military equipment be supplied from outside. MDAP shipments during the report period made a start toward filling those needs. The Danes are prepared to do their part by raising and training their share of troops as quickly as possible. The country's economy is already operating close to capacity.

MDAP equipment arrived from the United States in good or excellent condition, and the Danish maintenance system and facilities, especially for air force equipment, were attaining a satisfactory level of efficiency. Necessary depot construction for MDAP equipment was being speeded toward completion.

The Danish press, which, on the whole, expressed editorial approval of Denmark's firm commitment to the North Atlantic Treaty policy, commented that the supplies of military equipment being received were inspiring increased confidence in the Danish public.

Some delays in the use of MDAP matériel, however, were reported, caused by complicated governmental procedures.

Ambassador Eugenie Anderson has reported the following:

Deliveries of rifles, field artillery, and antiaircraft guns and naval mines had the initial effect of increasing the military capabilities of the Danish armed forces and increased the country's ability to arm reserves by approximately 30 percent. The full effect of the program will not, however, be felt until larger deliveries can be made.

The tempo and extent of the Danish Government's effort has immeasurably increased during the last 6 months. A law enacted in October created a separate air force, established a unified command, and temporarily increased the length of service from 10 to 12 months.

A reinforced battalion with supporting elements was assigned to the SHAPE command.

Total defense expenditures in the coming fiscal year are expected to be double the level of expenditures in the previous year.

The public dissemination of defense information has noticeably increased, including the release of pictures of American arms being used by the Danes. A private group of ex-resistance men has encouraged public support of the defense effort.

Communist political strength has decreased from 4.6 percent of the popular vote cast in September 1950 to 2.9 percent cast in April in the Upper House elections.

The democratic press and Government officials have repeatedly stated that Denmark will carry its share of the common defense burden. One editor recently said that the Danes believe the defense effort "must be a European task notwithstanding all the generous aid that has been received from the United States."

#### *France*

As the key country on the Continent of Europe, France has been receiving, and must continue to receive, the largest amount of MDAP aid. During the period of this report, deliveries to France were sharply accelerated and several ships a week were unloading at Cherbourg.

In a recent broadcast to the United States, Minister of National Defense Jules Moch reported that by April 1, 1951, more than 250,000 tons of armaments had been unloaded in French ports.

The vast majority of equipment received was being issued to operational units, with a small proportion being retained in depot or reserve stocks. French Army maintenance systems and facilities were satisfactory.

The French Navy established a centralized receiving unit for all MDAP matériel received, including four destroyer escorts which arrived in French waters in October. Plans were under way during the period for transfer to France of the carrier *Langley*, which is expected to fulfill a vital role in the French Navy under its new name, *LaFayette*. A hunter-killer antisubmarine warfare group was formed. The Navy was also fast acquiring operational and maintenance experience with United States-type aircraft.

For the air force, North American T-6 trainers arrived in sufficient quantities to be introduced into the primary-basic flying school at Marrakech in French Morocco. The first shipment of 17 F-84-E Thunder Jets were set up and flown in recent ceremonies at Reims.

Supplied with MDAP tanks, heavy artillery, and vehicles, the French Army proceeded with the refitting of five divisions and with the activation of five other divisions which are to be in a state of readiness in Europe by the end of 1951, in addition to two divisions available in North Africa. Modern antiaircraft equipment received under MDAP made possible the activation of a number of new antiaircraft battalions.

Commenting on the impact of the program in France, Ambassador David Bruce stated:

The receipt of increasing quantities of modern war matériel and equipment brought about a marked improvement in the morale and efficiency of the French military establishment during the period.

France took a number of steps to make her rearmament effort more effective. Compulsory military service was extended from 12 to 18 months, and exemptions under the conscription law were eliminated. A greatly increased defense budget for 1951, totaling some \$2.6 billion, was voted, together with a vote of \$400 million in new taxes. Programs for basic and specialized military training were expanded, and a campaign was initiated to make career service in the armed forces more attractive. French cooperation in fields such as the standardization of weapons has resulted in French use of our .30 caliber machine gun ammunition.

The Communist campaign to interfere with deliveries of MDAP equipment continued ineffectual.

France's primary contribution to the defense of the free world must be in terms of trained manpower, and in that respect great progress has been made. France has well over 700,000 men under arms, a large proportion of whom are fighting in Indochina, and another 1,500,000 in the organized reserve. A 3-year program has been announced designed to provide 10 divisions for Western European defense by the end of 1951 and 28 divisions, either in being or readily mobilizable, by 1954. On the other hand France's military production still does not fully employ existing capacity in manpower and facilities; a substantial increase is anticipated for the coming year if necessary economic aid is received. Legislation has been enacted calling for a sixfold increase in ground force matériel production, threefold for the air force, and twofold for the navy.

#### *Italy*

Italy's needs for large-scale assistance from the United States are peculiarly great, because that country is dependent on imports for many of its raw materials and because the necessity of raising standards of living (especially in depressed areas) in order to preserve internal stability, severely limits the diversion of existing resources to military uses. Italy's forces are close to the limit of 300,000 men imposed by the Italian peace treaty, but training, equipment, and facilities must all be much improved before these forces can be considered fully effective.

MDAP shipments, beginning to arrive in quantity during the report period, were enthusiastically received by the Italian armed forces. There were some early difficulties in the use and maintenance of the equipment caused by lack of training, but substantial progress in that regard was recorded. Officers of the military assistance advisory group noted, during their attendance at Italian maneuvers and visits to military installations, a marked improvement in the morale of both officers and men resulting from the new equipment received from the United States under the end-item program.

In November a ceremony was held at Naples on the occasion of the arrival of a shipment of 38 light (M-24) tanks and 104 trucks. On that occasion the Italian Minister of Defense, Signor Pacciardi, stated that "the dangers threatening our country and our civilization are not an American invention, but a reality which we must face manfully, above all with our own forces." In January three destroyer escorts were ceremonially transferred to the Italian Navy at Norfolk Navy Yard, Portsmouth, Va.

Italy has substantial unused military production capacity, and efforts to make better use of it were making progress in spite of complex difficulties.

October 1950 witnessed the formation in Italy of an interministerial committee representing the Departments of Foreign Affairs, Defense, and Industry to consider proposals of general policy regarding NATO and MDAP matters and to work with United States representatives on these matters. This greater cooperation between military and economic authorities gave impetus during the report period to the development and implementation of the rearmament program.

Ambassador James C. Dunn commented on the program as follows:

During the report period the Italian Government initiated and pressed forward plans to secure authority for obligating during 1951 \$400 million for increasing the defensive capacity of the Italian armed forces. This represented an additional program over and above the normal military budget which was in the order of \$500 million for fiscal year 1951. This action is evidence of Italian willingness and eagerness to contribute to the common defense of the free countries of Western Europe against aggression and of the seriousness with which Italy takes its commitments under the North Atlantic Treaty. It is noteworthy that the Italian Government committed itself to this program without any advance assurance of United States economic and military aid.

Although the \$400 million authorization had not been enacted by the Parliament as of March 31, 1951, the Embassy was hopeful that the Government would push it through, so that the military production program could move ahead.

#### *Netherlands*

With a population of 10,000,000 and very considerable industrial resources, the Netherlands is one of the more important countries of Europe in terms of its potential contribution to the NATO effort. Largely because of political complications, the fall and winter of 1950 witnessed a series of delays in the development of the country's defense program. However some progress was made: (1) A special organization was set up to handle MDAP matters and (2) the conscription period was extended to 12-18 months for the army, 21 months for the navy, and 24 months for the air force. Finally, in March a coalition government came to power and resolved, as the Foreign Minister put it, that the Netherlands should do its full share in maintaining world peace by building defenses against aggression. This government promptly formulated a comprehensive military-economic program calling for contemplating a 75-percent increase in the previously planned defense expenditures for 1951.

Our Embassy reported that American equipment was increasing the effectiveness of training and the operational capabilities of additional military units. During the period, the Netherlands Army decided to adopt United States tables of organization for its divisions and to train them in United States tactical doctrine. The use of MDAP matériel received was reported to be adequate.

Following a period of intensive training of Dutch Navy personnel sent to the United States for the purpose, two destroyer escorts were transferred to the Netherlands Government on October 23 at Boston. The Chief of Staff of the Netherlands Navy and the Minister of the Netherlands Embassy in Washington were present, together with Members of Congress and representatives of the Departments of State and Defense.

The capacity of the Netherlands to produce military equipment is not yet being fully utilized, and every effort is being made to improve the situation. However, even if fully utilized, the Netherlands productive capacity could not meet all the needs of its projected forces and substantial end-item assistance will continue to be necessary.

#### *Norway*

Norway, with a population of only 3,000,000 and an economy which is not highly industrialized, is nevertheless determined to make the most of its limited capabilities for the common defense effort. The people are solidly behind the country's western orientation, and there is little of the apathy and defeatism found in certain circles elsewhere in Europe. Norway's contribution to the common effort must necessarily be chiefly in forces, facilities, and raw materials. For most of the equipment needed by its forces, it must look elsewhere.

During the report period the Norwegian military establishment effected an improvement in its handling of MDAP equipment received, which had been deficient chiefly because of a shortage of trained personnel and a lack of proper planning.

Ambassador Charles U. Bay has reported as follows on the program:

Throughout the period, the build-up of Norway's defense system continued in accordance with NATO plans and commitments, with valuable assistance from MDAP. The length of the conscription period was provisionally increased from 9-10 months to a full year, with refresher training for reserves extended to 60 days for the army and 90 days for other services. Many difficulties remained to be overcome, particularly in recruiting, training, and organizing of forces.

During the last winter the services have gone a long way toward achieving a realistic concept of the demands of modern warfare, the effectiveness of all the services has been improved by MDAP equipment, and the tempo of training has been increased. The receipt of 10 C-47 transports has enabled the air force to operate across expanses of Norway's terrain not traversed by land communications, thus improving over-all logistical effectiveness.

Despite the impact the program will have on Norway's standard of living, virtually all elements of the nation's political life have given continuing evidence of their support for the program and for Norway's participation in NATO. Necessary anti-inflationary controls have been strengthened. Norway has one of the most comprehensive systems of rationing in Western Europe, which includes coffee, sugar, cheese, cocoa, other foods, textiles, fuel oil, and coke for house heating. In addition, Norway has continued an extensive system of import-export controls and construction licenses, and has moved ahead in the allocation of scarce materials.

The military program approved by the Norwegian Parliament is intended not only to fulfill commitments heretofore made in NATO but also to accelerate their fulfillment, in spite of the inevitable resulting strains on the economy. Although this policy has been criticized in some quarters, the most typical attitude was expressed by the Prime Minister in March: Asked whether Norway could afford the burden of military preparedness, he replied that Norway could "even less afford war and annihilation."

#### *Portugal*

On January 5, 1951, a bilateral agreement was concluded at Lisbon covering a Mutual Defense Assistance Program for Portugal. The chief of the military assistance advisory mission arrived in March and the first American equipment was due to arrive in April. At the same time the first Portuguese personnel departed for training. As in other countries, General Eisenhower's visit in January was enthusiastically received by the press and public with editorial com-

ment to the effect that "America can save the old Continent only if the latter cooperates."

Ambassador Lincoln McVeagh has reported that Portuguese public opinion has supported the Government's position with respect to NATO and MDAP and that Communist influence has been negligible.

The needs of Portugal's armed forces for modern equipment and training are very great, and Portugal has neither the industrial plant nor the financial resources to meet their needs herself. Study of the precise nature and extent of those needs had only begun during the report period.

#### *United Kingdom*

During the period of this report the United Kingdom received a relatively small amount of MDAP assistance, mostly in the form of air force matériel. Occasional delivery delays interfered with on-the-job training of maintenance personnel, but in general maintenance and operation of the equipment received were reported to be adequate.

Ambassador Walter S. Gifford has reported:

The British were aware of increased American strength in Britain during the report period. The arrival of MDAP B-29's as an American contribution to the RAF offered additional concrete evidence of the growing ability of the West to deter aggression. The increasing knowledge of these developments was an important factor in the acceptance by the British public of the steps undertaken to expand the defense program with resultant predictions of increased austerity.

Great Britain was preoccupied during this entire period with the problem of mobilizing its resources for the defense task and expressions of public opinion were increasingly concerned with what Britain herself should and could do, with decreasing emphasis on American aid as a condition for Britain's greater efforts. Following the Brussels conference of the Council of Foreign Ministers, the Government undertook a program of informing the public that the rearmament program would be of such magnitude as to interfere with economic recovery, even though at the same time the Government announced that Marshall plan aid was being suspended. According to Ambassador Gifford, "Britain took pride in the fact that she had gained economic independence sooner than anyone had expected."

In January the Government formally announced an expanded 3-year rearmament budget of \$13 billion, approximately twice the pre-Korea level of expenditure. Provision was made for an increase of military production from \$700 million in 1950-51 to an average of over \$2,100 million for the ensuing 3 years.

At its peak, this production will be at approximately three times the pre-Korea rate. It is expected that limited quantities of certain items can and will be produced in excess of Britain's own requirements for transfer to other NATO countries provided raw material and machine tools can be obtained from abroad. Other critical military end items which cannot be produced in the United Kingdom will still need to be provided by the United States. In addition to the military production plans, the Prime Minister announced the Government's intention to call up reserves for the refresher training, to accelerate civil defense, and to reduce civilian consumption.

Because of the greatly increased defense effort, Britain's balance-of-payments position was expected to suffer and social services and other civilian benefits to be curtailed, in spite of the criticism of some members of the Labor Party. The Chancellor of the Exchequer, Sir

Hugh Gaitskell, seemed to speak for the British people when he said in a broadcast to the United States: "We'll sacrifice our standard of living, but we shall not sacrifice our freedom."

#### 4. PROGRESS IN GREECE, TURKEY, AND IRAN—TITLE II

During the report period the military assistance program in the eastern Mediterranean and the Middle East was limited to the three countries specified in title II of the Mutual Defense Assistance Act, as amended; namely, Greece, Turkey, and Iran. (In the 1949 act, Iran was included in title III, along with the Far East, but was put in title II in the 1950 amendments.)

These three countries, forming a chain along the southern border of the Soviet-controlled areas of southeastern Europe and the Middle East, received MDAP shipments during the report period at a greatly accelerated rate. The dollar value of shipments to this area was some four and one-half times as great as the dollar value during the preceding full year. The bulk of the assistance went to Greece and Turkey, where excellent progress was recorded. In Iran the assistance program was just getting started; its effect was salutary, but limited.

The situation in each of the three countries during the report period is described below, together with some of the high lights of the MDAP programs.

##### *Greece*

By the end of the period under review, the United States program of military aid to Greece had been in operation for almost 4 years. Inaugurated as a separate program for Greece and Turkey in May 1947 and continued under the Mutual Defense Assistance Act, the undertaking has achieved a high degree of success. During the report period, the once powerful guerrilla forces were further reduced to about 200 bandits, capable of little more than occasional food-stealing raids on mountain villages. Although some clandestine crossings of Communist bands into Greece from Albania and Bulgaria took place, none was reported during the month of March 1951 and the border regions remained quiet.

Over the same 4 years Greece has developed with United States aid a well-equipped and well-trained fighting force of more than 150,000 which can be greatly expanded in the event of an emergency by drawing upon reserves who had experience in the fight against communism or have received training under the 24-month conscription period now in effect.

Except for four destroyer escorts transferred to the Greek Navy, end-item aid delivered to Greece during the period under review represented in very large part matériel needed to maintain equipment on hand, replace worn-out or obsolete equipment, or to equip newly organized units. Our Embassy has reported that troop morale was unusually good during the entire period, due in large measure to a constant supply of MDAP equipment.

Public opinion in Greece was reported to be solidly behind the Government's effort to fulfill its responsibilities toward the free world, and press comment emphasized the importance of United States military assistance and the eagerness of Greece to provide an even greater contribution to the efforts of the Western Powers. Much

publicity was given to an appraisal by the United States military authorities stationed in Greece to the effect that man for man and unit for unit the present Greek Army fighting elements are among the best trained in Europe and that her forces are fully capable of conducting modern warfare, when adequately equipped with essential weapons.

While the industrial capacity of Greece is limited, progress is being made in increasing local military production, especially of uniforms, shoes, and certain ammunition and demolition items.

### *Turkey*

In Turkey, as in Greece, the United States military aid program has made a major contribution toward modernizing and strengthening the Turkish armed forces. During the 4-year span, the military equipment provided, ranging from tanks, guns, aircraft, and submarines to medical supplies, radar, and jeeps, has amounted to more than half a billion dollars. Many thousands of officers and men have been trained directly in the use of that equipment and they in turn have passed on their new learning to other thousands.

In the period under review, MDAP equipment continued to arrive, including 155-millimeter howitzers, 3.5-inch rocket launchers, anti-aircraft guns, ammunition, and two submarines. The program was intended to help meet remaining equipment deficiencies which had to be overcome if the full potential of the Turkish military establishment was to be attained. The maintenance and operation of the equipment was reported continuously improving and additional major maintenance facilities were becoming available. Morale of the Turkish armed forces has been high. United States observers have noted that the Turkish soldier has great regard for his equipment and is characteristically more concerned with learning more efficient ways to use his bayonet than he is with the cut of his uniform or his plain diet.

Turkey's willingness to devote a very large proportion of her total expenditures to defense needs, despite the pressing need and desire for social improvements and economic developments, has been outstanding. For example, an expanded public buildings program, instituted some years ago to meet a serious deficiency in the capital city of Ankara, has been interrupted; a shell of an uncompleted building designed to house the Parliament stands as evidence of an unwillingness on the part of the Turks to budget for nonessentials if such expenditures must be made at the expense of the military effort.

The Turkish people in this period have continued to demonstrate their willingness to make heavy sacrifices in order to develop and maintain Turkey's military strength and to associate themselves with the efforts being made by the free world to halt aggression.

### *Iran*

In comparison to Greece and Turkey, military assistance to Iran is still in its early stages. After extended negotiations, a bilateral agreement was executed with the Iranian Government on May 23, 1950, containing the prescribed guaranties with respect to the use of the equipment to be furnished. Shipments of military equipment began shortly thereafter but did not reach sizable proportions until early in 1951; they included tanks, guns, trucks, and training planes.

Although Iran is almost self-sufficient in small arms and ammunition, having an efficient plant for such production, it lacks other facilities for military production and does not have the resources with which to purchase necessary equipment from abroad. The United States military assistance program for Iran has been designed to fill some of the Iranian armed forces' highest priority needs. Ambassador Henry Grady has reported that the arrival of MDAP shipments have had "an invigorating effect upon the Iranian Army." During most of the period under review the political situation in Iran was relatively quiet. In commenting upon MDAP, as it affects Iran, Ambassador Grady had the following to say:

In Iran, MDAP faces a difficult and long-term problem. This sparsely settled country which is only now emerging into the modern world shares a 1,500-mile border with the Soviets. Her poverty makes her a target for Communist propaganda in peace. Her oil and warm-water ports makes her a target for the Soviets in war. Iran feels insecure.

Unlike the United States or Europe, this country cannot work toward a 2-year goal when she can confidently face her giant neighbor. Over a period of years she must improve her economy and social structure so that her people will have something to fight for, and at the same time she must slowly improve her army so that she will have something to fight with.

Our first objective under MDAP has been to instill spirit and confidence in the army by giving it the modern arms that will enable it to face the invader with something more than rifles.

#### 5. THE FAR EAST—TITLE III

The Mutual Defense Assistance Program in the Far East, although far smaller than the program in Europe, is of particular urgency because MDAP equipment is actually being used in combat against Communist-led forces, notably in Indochina and the Philippines, and because local military production facilities are, in contrast to Europe, either extremely limited or nonexistent.

Some of the far eastern governments have not wanted to give the impression of joining forces with the West against the Communist bloc and accordingly have requested little or no assistance of a military character. In most countries of the area absorptive capacity for military assistance is sharply limited although constantly increasing.

MDAP shipments to the Far East during the third 6-month period of the program were stepped up severalfold. Early in the report period, a United States Government mission which had been surveying the defense needs of the Southeast Asia countries, headed by John Melby of the Department of State, Maj. Gen. G. B. Erksine, USMC, of the Department of Defense, and Glenn Craig of ECA, returned to Washington and the results of their survey proved invaluable in the revision of current programs and the development of future programs.

There follows a country-by-country summary of the results of MDAP in the Far East. It should be noted that there was no MDAP in Korea during the period because military operations in Korea, on behalf of the United Nations effort, have been financed from other appropriations, except for local purchases in Japan. Military aid has been furnished to Malaya but on a reimbursable basis only.

#### *Burma*

▶ The MDAP for Burma has been limited, and Burma was not among those countries receiving grant aid under the fiscal year 1951 program.

However, funds were made available from the fiscal year 1950 program for 10 United States Coast Guard patrol vessels, with appropriate spare parts and ammunition. This transfer was covered by an exchange of notes with the Government of Burma during the report period and eight of the vessels were delivered. After being loaded at Singapore, they were taken from there to Rangoon by Burmese crews. The remaining two vessels are expected to be delivered by mid-July.

For several years portions of the Irrawaddy Delta area and certain districts bordering on the harbor entrance have been infested with insurgents. The patrol vessels are intended to help preserve public order and keep open the river channels which are of great importance in Burma's internal and foreign trade.

#### *China (Formosa)*

In November 1950 a sizable shipment of ammunition for artillery and small arms was delivered to Formosa under MDAP on an emergency basis. Negotiations with the National Government at Taipei culminated in an exchange of notes in February 1951 (the text of the notes is set forth in appendix B). Supplementary programs to increase the defensive capabilities of the Chinese National Army, Navy, and Air Force were undertaken, and plans were drawn for the establishment of a military assistance advisory group and for future matériel programs.

#### *Indochina*

The story of the MDAP in Indochina during the report period is more dramatic than that of any other area because of the fact that critical military operations against Communist forces were actually in progress there. On several occasions, United States military equipment, including fighter aircraft, combat vehicles, and napalm arrived just in time to be rushed into action and, in some cases, to contribute materially to the defeat of Viet Minh forces. Among the types of material delivered have been 84 fighter planes, 40 of which were delivered in October on the French carrier, *Dixmude*, and 44 in February on the United States carrier *Windham Bay*. In addition a number of B-26 light bombers have been delivered, as well as naval vessels and engineering equipment, such as cranes, tractors, and trailers.

In December 1950, an MDAP agreement was signed at Saigon by the United States, France, and the three Associated States of Vietnam, Cambodia, and Laos. Because of the necessity of building up native armed forces to supplement and in part relieve French units fighting in Indochina, one of the principal objectives of the MDAP has been to help equip the new armies of the Associated States, particularly Vietnam. This objective is the more important because the French will have difficulty providing the necessary divisions for NATO and also furnishing replacements and reinforcements in Indochina.

Minister Donald Heath has described the impact of MDAP in Indochina as follows:

MDAP first showed that it was battle worthy in January 1951. The Viet Minh, flushed with their recent victories against isolated French outposts, drove in full force against Hanoi, the historic capital of Tonkin. This was the first occasion on which the Viet Minh had deployed and attacked as an army rather than as guerrilla or ambushing forces. Near the small village of Vinhien, less

than 20 miles from Hanoi, the attack was broken by the air, artillery, and napalm of the Franco-Vietnamese forces. All these arms had been supplied under MDAP; some of them had been landed in Indochina less than 2 weeks before the battle. While French and Vietnamese soldiers who fought at Vinhien and the inspiring leadership of General De Lattre de Tassigny merit every honor for their courageous defense, MDAP may well have provided the final margin of victory, as all sectors of Indochinese opinion have testified.

Since the victory of Vinhien and the demonstration of MDAP in action, Vietnam has steadily increased its armed forces, greatly expanded its officer training program, and pledged 55 percent of the country's revenue to national defense. France has appreciably reinforced its expeditionary corps and has increased its appropriations for Indochina. The third and essential component is MDAP. If the Indochinese program can be continued and increased, the new native confidence in resistance to communism may be translated into an effective national army and the battle of Vinhien may become known as the turn of the tide in the struggle for Vietnam's security and independence.

### *Indonesia*

In Indonesia a limited MDAP was under way during the report period, devoted to supplying the Indonesian Government with army-type equipment such as vehicles, ordnance and signal items for the purpose of developing a trained national constabulary, amounting ultimately to two mobile police brigades. A sizable proportion of the program had been delivered by October 1950 but deliveries continued throughout the report period. On November 1, the first unit of a training school with MDAP equipment was opened and thereafter two additional subschools and two radio schools commenced operations. By March 31 all the vehicles and some of the radios and weapons provided to Indonesia had already seen heavy use.

The Embassy reported:

After more than 10 years of war or civil strife conditions, law and order have not yet been restored in newly sovereign Indonesia. Many dissident and bandit groups remain. Communist-inspired strikes and disorders continue to occur, particularly in important ports. Civil police are called upon to cooperate with the military in pacifying the country and are taking over the task of maintaining order increasingly from the military. Aside from increasing the efficiency and improving the morale of the police with modern equipment, the Government has been strengthened to the extent that it has demonstrated to the nation its determination to suppress dangerous and unlawful elements.

### *The Philippines*

During the period of this report the Philippine Government increased its efforts to eliminate the Communist-led rebellious groups which have been disrupting the peace and security of the islands. Accordingly, MDAP matériel furnished to the Philippines contributed to these efforts and has actually been used for combat purposes, not merely for training and preparations for future defensive operations. The guerrilla methods employed in this fighting, the long periods of extremely heavy rainfall, the swampy and mountainous terrain over which operations must be carried on, and the flexibility of the widely distributed combat units of the dissidents, all combine to tax severely the equipment and matériel employed by the Philippine armed forces. The aid furnished by the United States has provided the Filipinos with essential items which the economy of the islands was unable to provide.

By the end of the report period a large proportion of the 1950 and 1951 MDAP for the Philippines had been shipped, but there had been some delays in deliveries for a variety of unavoidable reasons. The

equipment which arrived during the period under review was made up in large part of ammunition, vehicles, naval stores, and spare parts.

Members of the Joint United States Military Advisory Group to the Republic of the Philippines continued to provide technical counsel to their opposite numbers in the armed forces of the Philippines (AFP), while the chief advisor has given advice to the top officials of the Philippine Government either on request or on his own initiative. Constant and continuing inspections of the battalion combat teams, constabulary units, military area headquarters, and depots have been conducted, and reports of deficiencies rendered to the Commanding General, AFP, and to the Secretary of National Defense.

#### *Thailand*

On October 17, 1950, a mutual defense agreement was signed with the Thai Government. After a variety of equipment had arrived, including vehicles, artillery, small arms, naval guns, and air force matériel, a public ceremony took place in Bangkok on January 24, 1951. The ceremony included a review of units of the Thai armed forces equipped with vehicles and ordnance still showing the original United States markings. Our Embassy in Bangkok reported that the invited guests and large crowds who witnessed the ceremony were deeply impressed with this practical evidence of American interest and help. The Embassy commented that this ceremony coincided with the first meeting called by the Prime Minister for provincial governors and officers throughout the kingdom to discuss anti-Communist defense, so that these officials were able to return to their provinces aware of what assistance was being extended by the United States.

Early in February, a mass training flight of 26 T-6's (provided under the MDAP) over outlying areas also served to stimulate public consciousness of the MDAP.

Distribution of MDAP equipment within the Thai armed forces was accelerated toward the end of the report period, as a result of suggestions made by the United States Military Assistance Advisory Group. The training and equipping of a number of infantry battalions, along with a complete overhaul of the basic army training system, was moving ahead rapidly. The necessity for intensive training of Thai units in the use and maintenance of United States equipment was fully recognized, even though in some cases there were consequent delays in the final delivery of equipment to the Thai forces.

The Embassy in Bangkok has reported:

The high morale among the personnel of all services has been evidenced by their full cooperation with our program and their eagerness to learn. The presence of the United States Military Assistance Advisory Group (MAAG) has contributed to the stability of the present Government and, in turn, to the fulfillment of the Thai commitment of the United Nations. Communist concern over the MAAG has been more and more obvious in the local Chinese press, Peking broadcasts, Viet Minh broadcasts, and even in the Soviet press. Except for procommunist elements, the reaction to MDAP has been definitely favorable.

#### 6. AID TO YUGOSLAVIA

The aid program for Yugoslavia is described here separately, because Yugoslavia is not one of the North Atlantic Treaty nations eligible for aid under title I of the act, nor is it eligible under title II (Greece, Turkey, and Iran) or title III (the Far East). Aid was

extended to Yugoslavia during the report period under the terms of section 408 (c) of the act, as amended, Yugoslavia being a nation—whose strategic location makes it of direct importance to the defense of the North Atlantic area and whose immediately increased ability to defend itself \* \* \* contributes to the preservation of the peace and security of that area and is vital to the security of the United States.

The reason for the assistance was the fact that in the fall of 1950 Yugoslavia was confronted with one of the worst crop failures in its history, which dangerously weakened the ability of Yugoslavia to defend herself against aggression because it imperiled the combat effectiveness of the Yugoslav armed forces. The President, after consultation with the other NATO nations, found that this was a development seriously affecting the security of the North Atlantic area and that Yugoslavia was eligible for aid under section 408 (c) of the act, and so notified the Congress.

The United States responded to Yugoslavia's urgent need in other ways as well. The Yugoslav Emergency Relief Assistance Act of 1950 was adopted and food shipments were made pursuant to it, as reported to Congress in House Document 112 (82d Cong., 1st sess.). In the meantime as part of a stopgap program, food shipments were made under an Export-Import Bank credit to Yugoslavia, by a contribution from ECA, from various nonprofit American voluntary relief organizations, and from other NATO countries. The food supplied under the MDAP was exclusively for the purpose of meeting the requirements of the Yugoslav armed forces and was shipped pursuant to notes exchanged in Belgrade on November 20, 1950, between the United States and Yugoslav Governments.

American observers enjoyed complete freedom of movement and every facility for observation and supervision, and the Yugoslav Government has given continuous publicity to the relief assistance furnished by the United States. A provision in our aid agreement with Yugoslavia assuring the United States access to strategic materials has been meticulously observed by the Yugoslavs and has been a major factor in favorable deliveries of ores to the United States despite scarcities and soaring prices.

#### 7. USE OF UNITED STATES COMMERCIAL SHIPPING

Through March 31, 1951, the requirements of section 409 of the Mutual Defense Assistance Act having to do with the use of United States-flag commercial vessels had been met by a very wide margin. Of the total of more than 1,000,000 measurement tons (40 cubic feet of space) shipped up to that date, 73.2 percent (well over the required 50 percent) had been transported on United States-flag commercial vessels. The break-down by maritime trade area was as follows:

<i>Area</i>	<i>Percent in United States commercial vessels</i>
Scandinavian range.....	83.5
United Kingdom-Ire range.....	51.0
Bayonne-Hamburg range.....	80.2
Mediterranean area.....	66.1
Far East area.....	76.1
Persian Gulf area.....	75.0

An insignificant amount of tonnage was shipped to the South American area, none of it in United States vessels. The bulk of the trans-

fers to the Latin-American nations under the reimbursable aid program was in the form of vessels, aircraft, et cetera, which are transported under their own power.

The figures on which these percentages are based include not only end items, which comprise the bulk of the tonnage, but materials and equipment provided under the additional military production program and food shipped to Yugoslavia.

#### IV. THE PROGRAM TO AID MILITARY PRODUCTION IN EUROPE

##### 1. GENERAL

The Mutual Defense Assistance Act authorized the provision of assistance in the form of materials and production equipment required by our European allies in producing military equipment. Through March 31, 1951, the United States had undertaken to provide production equipment, materials, and components for Belgium, Luxembourg, Denmark, France, Italy, the Netherlands, Norway, and the United Kingdom to the value of some \$25,000,000. This was expected to result in more than \$300 million of new production. Additional import requirements for major production programs in certain of these countries were being screened, and it was anticipated that more United States financing would be required in the near future.

The assistance thus provided has enabled the European nations to obtain a part of the materials and machinery which are essential to their expanding military production programs. Since the North Atlantic Treaty was signed on April 4, 1949, the annual value of the military production of the European nations which are parties to the treaty has increased from \$700,000,000 to approximately \$1,500,000,000, and the trend is sharply upward.

Previous reports on the Mutual Defense Assistance Program have considered in detail the problems to be solved in obtaining more complete utilization of the productive capacity of Europe. Substantial progress has been made in the solution of some of these problems, including:

- (1) Determining equipment requirements with due regard to timing;
- (2) Determining acceptable and standard types of equipment;
- (3) Determining production locations, with due regard for strategic considerations and relative production efficiency;
- (4) Finding ways to overcome lack of military production experience and know-how.

##### 2. WORK IN EUROPE

The North Atlantic Treaty Organization (NATO) has been instrumental in the progress that has been made, and it seems appropriate here to mention some of the activities of that Organization in this field.

The principal body within NATO concerned with military production is the Defense Production Board (DPB). This Board, which was established in December 1950, with headquarters in London, replaced the Military Production and Supply Board and its subsidiary agencies. Its general objectives are the achievement of maximum military equipment production in the most efficient manner, at the least cost, and in the shortest time to meet the military matériel

requirements of the NATO defense plan. These objectives are pursued through coordinating and integrating the various national production programs so that they may together fulfill NATO-wide production objectives. The Board is concentrating its activities on certain major categories of equipment which are most urgently needed and particularly on those aspects of production and procurement which involve major problems of international cooperation among the NATO members. A unified international staff has been organized to serve the Board under a Coordinator of North Atlantic Defense Production, who is ex officio a member of the DPB.

During the period of this report, nine international groups of industrial experts, created in July and August of 1950, were engaged in surveying NATO countries' production capacity. These groups of experts, or end-item task forces, generally limited their surveys to finishing capacity for the production of the following end-item categories, deemed to be of the highest priority and presenting problems in NATO-wide coordination of production:

1. Combat aircraft.
2. Artillery.
3. Ammunition and explosives.
4. Electronics.
5. Combat vehicles.
6. Small arms and ammunition.
7. Engineering equipment.
8. Transport vehicles.
9. Shipbuilding.

This initial body of information is continuously undergoing refinement by the DPB and country production experts. Coupled with the equipment requirements for the defense plan, it provides the factual basis for integrating European military production and coordinating over-all European programs with United States programs. The Coordinator of Defense Production has already recommended tentative NATO-wide production plans for several of the above categories of items designed to provide for the production of sufficient equipment to meet total NATO deficiencies. However, analysis by the task forces and subsequent findings have tended to indicate that finishing capacity is generally in excess of primary and secondary processing capacity. Consequently, it would appear that, apart from budgetary factors, the major obstacles to European defense production of certain items may be shortages in raw and semiprocessed materials, machine tools, fuel, and power and possible lack of conveniently located skilled labor.

It has been recognized that standardization of weapons was desirable from a production point of view, as well as from the point of view of usage, maintenance, and repair and the DPB has worked toward that end. On the whole, however, progress has been slow, particularly where problems of comparatively new weapons, national pride, reinvestment, retraining, and the like are involved.

### 3. MILITARY EXPENDITURES A MAJOR PROBLEM

The fundamental and primary problem to be solved in achieving a fuller and more effective use of European military production potential is a budgetary or fiscal one. Consequently, the major effort of

the United States during the months which have followed the outbreak of hostilities in Korea has been to seek the enlargement of military budgets in the NATO countries. This objective was regarded as realistic because of the fact that through the European recovery program a sound economic base had been largely achieved in most of the European countries which are parties to the North Atlantic Treaty. The necessity for the policy—for a more rapid attainment by the North Atlantic Treaty Powers of greater strength for the common defense—was emphasized by the clear proof that the Soviet Union was prepared to resort to the use of armed force to achieve its objectives.

This policy of encouraging our partners to undertake a larger and accelerated defense program has obvious limitations. It would be folly to seek a level or rate of defense effort which would have the effect of destroying or seriously weakening the political and economic stability which the Marshall plan has helped to reestablish during the past few years. Neither we nor our partners can afford to provide the Communists with the opportunity to capture Europe from within. Thus military budgets must be kept within limits which do not result in intolerable burdens on the people. It is encouraging to record that, despite these limitations, very substantial increases in the military budgets of almost all the NATO countries have taken place during the past few months.

Of equal importance to the problem of adequate appropriations for defense is the problem of effective utilization of resources. Not only must there be funds with which to provide defensive strength; these funds must be wisely spent and directed to meeting first things first. Consequently, it must be realized that the funds provided cannot and should not be utilized solely for the production of military equipment. The first and most important demand on European military budgets is and must be to provide for the raising, training, and maintenance of the forces to which they are committed under North Atlantic Treaty plans. Similarly, these budgets must first provide for the personal equipment of these troops and for the military installations required by them. An important consideration in this connection which should be borne in mind in judging European military efforts is the fact that the relative cost of maintaining a soldier in Europe is much smaller than in the United States. However, it is also true that these countries have committed themselves to large increases in forces which of necessity place heavier burdens on their defense budgets.

It is therefore worthy of note that European military budgets have in fact provided for substantial increases in amounts to be used for the production or procurement of military equipment in Europe. It is true that much remains to be done before these appropriations can be translated into military equipment in being. All of the problems which face this country, for example, in moving from the passage of a military appropriation bill to delivery from the factory of the finished military items, exist in Europe. In addition special problems result from Europe's shortage of modern productive plant and technology.

As indicated in previous reports on this program, the authority to provide assistance to European military production granted in the Mutual Defense Assistance Act has not made it possible to deal directly with some of the fundamental problems which determine the ability of the European nations to gear their economies to a greater defense

In the interest of economy, training has been carried out overseas to the greatest extent practicable by using training facilities and personnel under the control of the Commanding General, European Command, and by the dispatch of mobile training teams and the training of technical assistance experts where required.

The recommendations of military personnel in the field are given great weight in the formulation of training programs. Since the establishment of SHAPE, coordination with that headquarters on the training program has been considered vital to NATO defense.

## 2. TYPES AND EXTENT OF TRAINING

Training has been provided in several different ways:

First, there are formal courses of instruction for foreign trainees, conducted in service schools in this country and overseas. As of March 31, 1951, more than 17,000 such course units had been approved under the program for foreign trainees. A statistical breakdown appears on the following page.

Second, there are the mobile training teams composed of United States service instructor and technical personnel, organized to give on-the-ground instruction in the maintenance and operation of specialized or complicated equipment furnished under the matériel programs. As of March 31, 1951, 65 such teams had been approved during fiscal year 1951, 50 for the NATO countries, 14 for Greece, Turkey, and Iran, and 1 for the Far East. Altogether, 96 officers and 355 enlisted men were involved.

*Number of spaces approved for MDAP trainees in training installations in the United States and overseas (up to Mar. 31, 1951)<sup>1</sup>*

Dates	For training in United States		For training overseas		Totals			
	Officers	Enlisted	Officers	Enlisted	NATO countries	Greece, Turkey, Iran	Far East	Overall
As of Oct. 6, 1950.....	1,908	6,296	1,702	2,192	9,372	2,044	682	12,098
Spaces approved during period of this report.....	835	3,773	347	667	3,850	880	492	5,222
As of Mar. 31, 1951.....	2,743	9,669	2,049	2,859	13,222	2,924	1,174	17,320

<sup>1</sup> This table reports the number of spaces in training installations programed and approved for foreign trainees; it does not show the number of individual students. In many cases trainees attend more than 1 course. Included in this table are a small number of spaces approved for foreign trainees to accompany maneuvers in the European area and also for orientation tours of foreign officers in the United States.

A third type of training, training technical assistance, is performed by industry representatives who provide field instruction in the maintenance and operation of newly developed and/or technically complicated items such as aircraft, aircraft engines, radar, and fire-control equipment. This training is similar to that frequently given by representatives of private companies to our own forces and is performed pursuant to contracts with the Army, Navy, or Air Force. As of March 31, 1951, 73 such individuals had been approved during fiscal year 1951 for the NATO area, 14 for Greece, Turkey, and Iran, and 2 for the Far East.

Fourth, large quantities of training aids are supplied. These include training films, training manuals, technical bulletins, cutaway

models, diagrams, mock-ups, and in some cases elaborate training apparatus, all of which will assist foreign military personnel more readily to understand the maintenance and utilization of the weapons furnished.

Finally, the military assistance advisory group in each country gives such limited instruction and technical advice as may be practicable locally. In Greece, Turkey, Iran, the Philippines, and in the recently initiated programs for Thailand, and Formosa, local instruction by such groups or by related United States missions is extensive.

### 3. ADMINISTRATION OF THE PROGRAM

As noted above, great emphasis has been placed upon the selection of instructor-type students, who will be able to train their own nationals in the operation and care of United States weapons.

Prospective trainees have been carefully screened by their own defense establishments, in accordance with the recommendations and advice of our military assistance advisory groups. They have been also carefully screened from a security point of view by United States personnel, under instructions jointly issued by the Departments of State and Defense.

Foreign trainees have received their regular salaries from their own countries, but for the most part these salaries have been far from enough to cover the cost of the trainees' maintenance in the United States over and above their fixed expenses at home. A per-diem allowance has therefore been given all grant-aid trainees in this country to cover the cost of rations and quarters and also incidental expenses to the extent of about \$1 per day per man for both officers and enlisted men.

In a few cases, particularly in Air Force training, a few specially qualified foreign personnel have been retained in our service schools as student-instructors after their training periods to assist in instruction of their own fellow nationals.

In general, foreign trainees attend the same classes as United States personnel, at established Army, Navy, and Air Force schools in this country and overseas. Thus, for example, foreign students have been taking regular courses at the Infantry School at Fort Benning, Ga., the Armored School at Fort Knox, Ky., the Signal School at Fort Monmouth, N. J., and at the Command and General Staff College at Fort Leavenworth, Kans. In a few cases, as in certain Air Force courses, special schedules have been established for foreign trainees to meet their particular requirements.

Navy training has been based primarily on the need for thoroughly trained crews to man ships transferred under MDAP. In these ship-transfer cases, specialists in the crews have received formal school instruction and practical training in—for example—torpedoes, communications, mine-laying techniques, antisubmarine warfare, and engineering. The crews become familiarized with their new craft by training aboard, both at the naval shipyards and on shakedown cruises.

Special attention has been given to solving the language problems which necessarily arise. Interpreter-instructors, including flight instructors, with both technical and language qualifications, have been assigned to instruction of foreign aviation cadets.

In the European area, foreign trainees have attended both central schools and the troop schools established in the various commands. English-speaking military personnel from the participating countries are on duty at these training centers as interpreters and are fully oriented in the course subject matter and in our instruction methods. Field maneuvers have provided opportunities for training in the operational use of our matériel, and foreign officers are regularly detailed as MDAP trainees to attend these maneuvers as observers.

A few senior key officers from all countries receiving training assistance have been invited to the United States for orientation tours at our staff headquarters and training installations. These orientation tours for key officers, such as chiefs of branch or of staff departments, and school commandants have proved of great value in increasing understanding in foreign defense establishments of United States staff and technical methods and procedures.

The training programs have been kept constantly under review in the light of reports received from the military assistance advisory groups and special training groups, which show progress made, note deficiencies, point up special problems, and include appropriate recommendations.

#### 4. RESULTS

Trainees who have completed their instruction have regularly been assigned to key places in their own defense establishments, in some cases in executive posts, more often in instructional positions. Reports from the military assistance advisory groups have indicated increasingly satisfactory results in terms of the maintenance and operation of equipment and general application of the instruction received.

The countries receiving this assistance have clearly recognized its importance. The foreign minister of one of the NATO countries recently stated in an address that the students of his country had made splendid records in their courses in the United States service schools and that they had returned to pass on their knowledge to others, thus steadily increasing the country's military knowledge and experience.

Trainee reaction in general has been highly favorable. This applies to schools of all services and has been made evident during both routine and nonscheduled inspections by Defense and State Department officers.

Morale of the trainees has been high. There have been a few instances, normal at the start of such a wide-ranging undertaking, of individuals wrongly placed in courses, of financial hardship cases, etc., but speedy and careful consideration and adjustment of these minor difficulties have increased the favorable reaction of the trainees.

The disciplinary picture has been unusually good, with no difficulties other than two or three minor incidents handled locally and one case referred to the Department of State for consultation with the Embassy concerned.

Officials from foreign defense establishments with trainees in our schools have visited training establishments of all services, and have strongly supported the methods of administration and the methods and results of instruction in use. No unfavorable comments have been received.

Inspections of foreign troops by our military assistance advisory groups and military attachés overseas have revealed the high morale of personnel who have received United States equipment and are becoming familiar with or are putting into practice their already gained familiarity with its use and capabilities.

MDAP staffs have organized tours for journalists of NATO countries to visit the school installations of the European Command, resulting in widespread highly favorable publicity for the program in the several countries.

As a consequence of the MDAP and NATO programs as a whole, cross training by the military personnel of neighbor European countries who have received United States equipment has proved practicable. For example, the French, have provided effective training in the use of American artillery matériel for Belgian personnel at a French establishment.

#### 5. COSTS

For fiscal year 1951, the dollar cost to the United States of approved MDAP training programs was \$34,324,205, or less than 1 percent of the total MDAP budget. At the same time, substantial contributions toward the training program were made by recipient countries. The statistics are tabulated below:

#### *Approved training programs, fiscal year 1951*

##### DOLLAR COSTS TO THE UNITED STATES

Area	Army	Navy	Air Force	Totals
NATO countries (title I).....	\$3, 233, 136	\$5, 913, 376	\$18, 950, 953	\$28, 097, 465
Greece, Turkey, Iran (title II).....	1, 573, 110	1, 764, 577	1, 278, 821	4, 616, 508
Far East (title III).....	300, 835	406, 419	902, 978	1, 610, 232
Total, all areas.....	5, 107, 081	8, 084, 372	21, 132, 752	34, 324, 205

##### LOCAL CURRENCY COSTS

[Dollar equivalent of local currency contributed or to be contributed by recipient countries]

NATO countries (title I).....	\$16, 445	\$91, 677	\$559, 998	\$668, 120
Greece, Turkey, Iran (title II).....	30, 762	-----	91, 134	121, 896
Far East (title III).....	-----	13, 000	-----	13, 000
Total, all areas.....	47, 207	104, 677	651, 132	803, 016

#### VI. REIMBURSABLE AID PROGRAM

Under section 408(e) of the Mutual Defense Assistance Act, as amended, the President was authorized to transfer equipment, materials, and services to certain nations on a reimbursable basis and to provide them with procurement assistance. The purposes of this section of the act were well defined in the report of the House Committee on Foreign Affairs accompanying the 1950 amendments to the act, as follows:

First, to demonstrate the desire of the United States to strengthen the association of this Nation with other countries pursuing the common goal of peace; second, to improve the general security position of the United States by promoting standardization of armaments with friendly nations, thereby increasing the efficiency if and when combined military operations should ever be necessary;

and, finally, to make possible the procurement of equipment needed by these nations for the purpose of security which, as a practical matter, they could not procure without the assistance of our military establishment.

#### 1. NATURE AND SCOPE OF THE PROGRAM

The countries which were declared by the act to be eligible for reimbursable aid fall into three groups. In the first category are those eligible for grant assistance under the act.

The second category of countries eligible for reimbursable aid are those which have "joined with the United States in a collective defense and regional arrangement." Since the North Atlantic Treaty nations are included in the first category, this second category, as a practical matter, covers 19 Latin-American nations.

The third category 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." But the act also provided that no such nation could be eligible until it had provided the United States with certain special assurances. Several nations have been declared eligible for assistance under this category during the period, among them Australia, Saudi Arabia, and Union of South Africa.

#### 2. DEVELOPMENT OF PROCEDURES AND CRITERIA

From the outset of the program it has been considered wise as a matter of policy to require appropriate assurances from all countries receiving reimbursable aid, whether or not such assurances were required by law. However, except where the law required otherwise, the meeting of urgent requests for equipment which does not have a high offensive potential has not been postponed pending negotiation of agreements containing such assurances.

MDAP bilateral agreements with grant aid countries, containing the basic assurances required by section 402 of the act, have covered both grant and reimbursable aid. In the case of other (nongrant aid) countries, the agreements have ordinarily contained, as a matter of policy, the same basic assurances, and in addition the special assurances required as a matter of law from countries eligible for reimbursable aid under the third category described above. These various assurances include: (a) An undertaking to use any assistance furnished under the act to further its policies and purposes; (b) appropriate restrictions against retransfer of title for any material furnished; (c) provision for the security of information; (d) provision for reciprocal aid; and (e) an undertaking that the equipment, materials, or services requested—

are required for and will be used solely to maintain [the country's] 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 that it will not undertake any act of aggression against any other state.

Each separate request is carefully screened when it is received and it is approved only if clearly in accord with American political, economic, and military objectives in the area. When there are conflicting requirements for available equipment, which is the rule rather than the exception, priority judgments have to be made on the basis of United States policy objectives.

During the period under review, the policy was established that serviceable combat equipment should not be sold to commercial firms for resale to governments, even though the latter might be eligible for reimbursable aid, but that such transactions should be handled directly between the governments involved.

Reimbursable aid has not been furnished in connection with the purchase of equipment which is readily available on the open market in the amounts, form, and time required.

### 3. PROGRAM AS OF MARCH 31, 1951

From the beginning of the program, a total of 494 requests had been received from 48 foreign governments as of March 31, 1951. Of these, 48 requests had been withdrawn and 9 were from countries not declared eligible. No total dollar value can be ascribed to these requests because the process of valuing, or "pricing," the equipment, materials, or services requested is a complicated and expensive one, which is not undertaken until the request is in principle approved. However, the figure would probably be very high, since the total dollar value of requests approved and priced as of March 31, 1951, which was \$469,815,864, represented far less than the total requests received.

Shipments of equipment and materials under the reimbursable aid program increased sharply in the 6-month period under review, but the total amount of such shipments has been limited by delays in funding their purchases on the part of nations whose requests have been approved and priced. The program has also been limited by the ceiling of \$100,000,000 provided in the act for the total amount of contracts that might be entered into for future deliveries over and above the cash amounts paid in.

Chart IV shows (a) the dollar values of requests approved and priced and of requests funded by the requesting countries, through March 31, 1951, broken down by area, and (b) the dollar value of reimbursable aid shipments for the three 6-month periods.

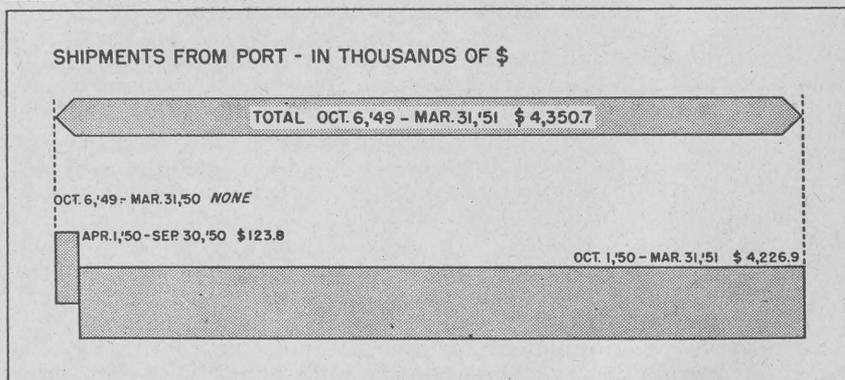
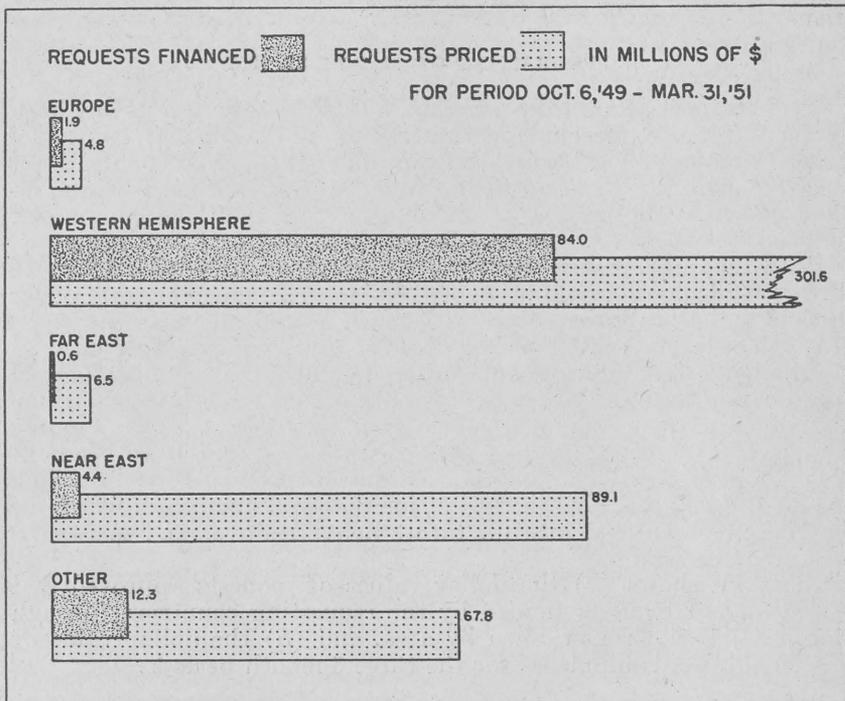
### 4. SIGNIFICANCE OF REIMBURSABLE AID

The reimbursable aid program is peculiarly characteristic of the basic philosophy of the Mutual Defense Assistance Act as a whole, in that it provides a means whereby the United States can help the friendly nations of the world to help themselves. Particularly because of the increasingly acute problem of availabilities, reimbursable aid will doubtless steadily play a more important role in the total program.

Although considerations of national security prohibit descriptions of specific programs, a few illustrative examples may be mentioned. Of particular significance is the fact that the Canadian Government has embarked on a large-scale program of converting its military establishment from British to United States equipment, and has provided British-type equipment for two divisions to another NATO power on a grant basis. These steps would almost certainly have been impossible if the Canadians had not been able to purchase the United States-type equipment that they needed under the Mutual Defense Assistance Program's reimbursable aid program. Among the Latin-American countries purchases of equipment of various types needed to maintain equipment of United States origin, already in the

CHART IV

## REIMBURSABLE MILITARY ASSISTANCE (TITLE IV)



hands of these countries, have been particularly important. In addition Argentina, Brazil, and Chile have each purchased two light cruisers.

#### 5. LIMITATIONS IN SECTION 408 (E)

Experience during the report period has indicated that the intent of Congress in providing for a reimbursable aid program could not be fully realized under section 408 (e), as amended in 1950. As noted above, the ceiling of \$100,000,000 for the total amount of contracts that might be entered into for future deliveries, over and above cash amounts paid in, has proved to be a seriously limiting factor. Requests from the Government of Canada alone have far exceeded that figure. Once the ceiling has been reached, the program is virtually brought to a halt, because recipient countries are understandably averse to paying cash in advance for items which cannot be delivered for a year or two after the order is placed. Accordingly, it is felt that the ceiling should be raised to \$500,000,000.

Section 408 (e) (i) as presently worded requires that certain countries requesting reimbursable aid must—

provide the United States with assurance that such equipment, materials, or services 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 that it will not undertake any act of aggression against any other state.

As noted above, it has been deemed wise as a matter of policy to request the same sort of assurance from other countries as well, even though the law did not so require.

The request has been raised whether the assurance was intended to preclude the possibility of using the equipment for United Nations purposes. A positive answer to this question could not be made, although it seemed clear that such was not the intention of the Congress. Accordingly, it is felt that the section should be clarified by adding to the required assurance after the words "of which it is a part," the words "or in United Nations collective security arrangements and measures."

### VII. THE INFORMATION PROGRAM

Foremost among the obstacles encountered by the United States and her allied countries in achieving the defense build-up sought in our security program, are the psychological ones—doubts, bordering on defeatism, existing among the free peoples, doubts that they will ever be able to build the strength needed to deter Soviet aggression or to defeat it should the enemy strike.

General Eisenhower dwelt on this point in his address to Congress last February 1, urging the need for letting the word understand what we are about as well as to have our own people understand what we are trying to do. He said:

I believe that the United States needs a very, very much stronger information service. In our case, I will not call it propaganda, because the truth is all we need. We don't have to falsify the record or our intentions.

Recognizing the need of informational programs required to mobilize public opinion in our allied countries behind the defense programs of their governments, the International Security Affairs Committee,

during the period of this report, created a special public information committee to assure development through existing organizational arrangements of adequate domestic and overseas information programs.

This committee has undertaken formation of a comprehensive program for informing peoples of all our allied countries of the urgency of the common defense program. The program is intended to attack the problem on the broadest base—to convince our allies that a united free world is invincible if every free nation exerts maximum effort in its own defense build-up as its contribution to a total free world defense force.

This comprehensive program is directed toward bringing all our information resources, both at home and abroad, to bear on this problem and toward encouraging through every reasonable means similar activities on the part of the governments of our allied countries.

This program during the period under study had only been started, but significant steps had been taken. These include the following projects, a few of which had been inaugurated earlier:

(1) Formation within NATO of an international information service seeking to stimulate the informational activities of all NATO governments concerning the mutual defense program.

(2) Bringing into the United States from the NATO countries many leading newspapermen, radio commentators, and labor leaders, etc., to observe defense activities in the United States, as well as the increasing sense of urgency of the American people for the mutual defense build-up. The first group of these visitors is scheduled to arrive in the United States late in June, and groups will continue to arrive at intervals of a few weeks each for the remainder of the year.

(3) Servicing of the national and provincial newspapers in all military assistance countries with stories and pictures of trainees from those countries at work in the United States learning how to use and care for American military equipment.

(4) Production of documentary motion pictures of these trainees in the United States, with emphasis on the importance of the defense efforts. The first of these films is complete, and is being translated into the various languages for showing abroad.

(5) Widespread publicizing at home and abroad of military aid shipments and arrivals in countries of destination, through public ceremonies, speeches, photographs, and posters, etc. (A number of such ceremonies are referred to in the descriptions of the country programs above.)

(6) Inserting in every United States passport an informational pamphlet concerning NATO and the Mutual Defense Program to enable tourists abroad to spread the word and answer questions.

(7) Directing a special orientation program toward all teachers, leaders, and specialists brought to the United States under the exchange-of-persons program of the Department of State.

(8) Arranging through our missions abroad for a flow of information into the United States concerning the development of the defense programs of each individual country receiving assistance.

(9) Staffing of the United States Information Service offices in our missions with special mutual defense information officers.

It is emphasized that these projects have been inaugurated on a priority basis in order to make an initial and immediate assault upon the psychological obstacles confronting the mutual defense efforts.

They are merely illustrative of the total program, which is still in the process of development.

## VIII. ORGANIZATIONAL DEVELOPMENTS

### 1. INITIAL ORGANIZATION

The organization to administer the Mutual Defense Assistance Program, as of the beginning of the period covered in this report, was fully described in the prior semiannual reports, and that description need not be repeated in detail here. However, a summary of the main elements of the organization is essential for an understanding of the later developments:

(1) Pursuant to section 404 of the Mutual Defense Assistance Act of 1949, the President on January 27, 1950, issued Executive Order 10099 authorizing the Secretary of State to perform the functions vested in the President by the act, with the exception of certain specified functions. This order also directed the Secretary of State to make full and effective use of other Government agencies and to advise and consult with the Secretary of Defense and the Administrator for Economic Cooperation.

(2) Pursuant to this Executive order the Secretary of State established under his direction an Office of Mutual Defense Assistance to discharge the Department of State's responsibility for this program. At the same time the Secretary of Defense established an Office of Military Assistance to carry out his responsibilities under the act, and the ECA Administrator designated a special adviser for MDAP.

(3) There was also established a Foreign Military Assistance Steering Committee (composed of the Secretaries of State and Defense and the Administrator for Economic Cooperation) and a Foreign Military Assistance Coordinating Committee (FMACC) on which each of the Cabinet-level officials was represented by the person primarily responsible to him for MDAP matters. The FMACC was the group through which interagency problems were handled and in which the separate recommendations on policies developed by each agency were correlated into an agreed upon policy for implementation by the Government as a whole.

As noted above, these were the organizational arrangements in effect at the beginning of the period under review.

### 2. NEW ORGANIZATION—ESTABLISHMENT OF THE INTERNATIONAL SECURITY AFFAIRS COMMITTEE

As a result of (a) a deterioration in the world situation, (b) an increase in the scale and diversity of United States international security activities, and (c) a change in the character of much of the economic aid to European countries from support of general economic recovery to support of their defense effort, it became clear that the Mutual Defense Assistance Program would need to be more closely related to United States economic aid programs and to the work of the North Atlantic Treaty Organization.

Recognizing this need, the interested agencies under the leadership of the Bureau of the Budget studied the problem extensively. This study resulted in a memorandum agreed to by all the agencies con-

cerned, which was approved by the President on December 19, 1950 (the text is set forth in appendix C). It provided that—

(1) Each of the principal agencies concerned would designate a top official of the agency to be responsible for the international security affairs activities of that agency.

(2) An International Security Affairs Committee (ISAC), composed of representatives of the Departments of State and Defense, ECA, the Treasury Department, and the Executive Office of the President, would be established to review and coordinate policies and programs as between the several departments and agencies.

(3) The person appointed in the Department of State would have the title of Director of International Security Affairs and would be Chairman of the International Security Affairs Committee. On behalf of the Secretary of State, he would be responsible for insuring the necessary interdepartmental coordination of the various security programs. In performing this function on behalf of the Secretary of State the Director would in fact be exercising responsibility for the Government as a whole.

(4) The Assistant to the Secretary of Defense for International Security Affairs and the Assistant to the Economic Cooperation Administrator would have the same authority and responsibility with respect to their agencies as the Director of International Security Affairs had with respect to the Department of State.

The Secretary of State issued an order on December 27, 1950, establishing the office of the Director within the Department, and on January 8, 1951, Thomas D. Cabot assumed the position of Director. The Secretary of Defense designated Maj. Gen. James H. Burns, USA (retired) as Assistant to the Secretary of Defense for International Security Affairs; the Economic Cooperation Administrator designated N. E. Halaby as his Assistant for International Security Affairs; the Secretary of the Treasury designated William McC. Martin, Jr., as his assistant; and the Executive Office of the President designated Lincoln Gordon to act for Mr. Harriman. Mr. Martin has since been replaced by W. Lawrence Hebbard.

The International Security Affairs Committee (ISAC), thus constituted, held its first meeting on February 2, 1951, and by the end of the report period, March 31, had held 13 meetings. Decisions in this Committee must be unanimous. If agreement cannot be reached, matters can be referred to the heads of the member agencies or, if necessary, to the President. Actually, experience has shown a remarkable degree of unanimity in the Committee. In fact, all problems submitted to the Committee have been resolved without recourse to higher authority.

### 3. REGIONAL-LEVEL ORGANIZATION IN EUROPE

One of the first tasks which the new International Security Affairs Committee undertook was to define the responsibilities and relationships of the United States regional representatives in London and Paris, and of the various United States representatives in the European capitals. The United States Representative to the North Atlantic Treaty Council Deputies, Ambassador Charles Spofford, the ECA Special Representative in Europe, Ambassador Milton Katz, the United States Military Representative for Military Assistance in

Europe, General Handy, the United States Representative on the Defense Production Board, William Batt, and Charles E. Wilson, Director of the Office of Defense Mobilization, all assisted in this work. The division of responsibilities was ultimately established as follows:

(1) The United States Deputy to the North Atlantic Treaty Council Deputies was to be responsible for general political guidance and for assuring political-economic-military coordination;

(2) The United States military representative for military assistance in Europe and his staff were to be responsible for coordination of the United States military matériel supply and training programs and for giving guidance to the military assistance advisory groups at the country level;

(3) The ECA special representative in Europe was to be responsible for economic mobilization activities and United States economic assistance programs and for coordinating the work of ECA missions; and

(4) The United States member of the Defense Production Board was to be responsible for representing the United States position in connection with NATO munitions production programs. He has appropriate access to and is served by the ECA organization in Europe.

(5) In addition, plans were under way as of March 31 for the creation of a NATO Finance and Economic Board composed of senior economic officials from the member countries, in a position parallel with the Defense Production Board and similarly subject to coordination by the Deputies. The United States member would be responsible for representing the United States position in the field of economic mobilization and maintenance of basic economics, including parallel action on materials conservation and limitation, conversion of civilian production, economic stabilization, and stimulation of additional production of scarce materials, power and fuels, and other defense-supporting requirements.

The United States regional representatives are formally coordinated through the European Coordinating Committee, composed of the United States Deputy (Ambassador Spofford) as Chairman, the United States Military Representative for Military Assistance in Europe (General Handy), and the ECA Special Representative in Europe (Ambassador Katz). The United States representative to the DPB is associated with this group. Arrangements were being made for effective collaboration between the European Coordinating Committee and the United States element in Supreme Headquarters of Allied Powers in Europe (SHAPE) by the assignment in an associate capacity of a senior United States officer serving with SHAPE.

#### 4. COUNTRY-LEVEL ORGANIZATION

The organization of the mutual security program at the country level follows a pattern which was not changed during the period of this report. In general, the following principles apply: The Ambassador is the senior representative for the United States, and is responsible for coordination, general direction, and leadership of the entire United States effort, for insuring that the broad United States foreign policy in relation to the country is reflected in all of the operations, and for providing coordinated recommendations to United States regional representatives and Washington. The ECA mission chief is

responsible for administration of United States economic assistance to the country, for following, influencing, and reporting on the country's economic mobilization, including defense, defense-supporting, and nonmilitary production, economic stabilization, and the maintenance of the basic economy, and for reviewing, reporting, and making recommendations with respect to country availabilities and deficiencies in scarce materials and products. The chief of the military assistance advisory group (MAAG) is responsible for making recommendations for and administering United States military end-item aid in coordination with ECA and country production programs, for assistance in military training, and for the military aspects of production programs in the country. To achieve successful operation at the country level, the several United States representatives function as a team under the leadership of the Ambassador.

### IX. CONCLUSION

The months of October 1950 through March 1951 were historic months. The security of the free world was challenged in a major way. For a time it seemed as if the collective forces of the United Nations in Korea were in danger of a severe defeat, and that the year 1951 might witness irrevocable gains by the forces of world-wide Communist aggression. But during these same months the free world demonstrated in a deeply stirring way its capability of meeting the challenge and its determination to assure its own security.

One of the most significant developments was the great increase in the flow from the United States to the far corners of the world of the concrete means to make effective the growing determination of the free nations to resist aggression. Never in the history of the world, except for times of world conflict, had such enormous amounts of military matériel been transferred from one nation to its friends for purposes of defense.

Although the shipments were large and varied, they were small compared with the shipments yet to come and already in the pipeline. Yet all together the total amounts of military aid programed would fall far short of meeting the needs, if the free world was to be secure. The stimulus of the rapidly arriving shipments upon the morale, not only of the military personnel of our allies, but upon their civilian populations, was undoubtedly great. There was no reason to believe that the magnitude of the aid was creating the feeling among any of our allies that the United States could do the job alone. On the contrary, the sense of urgency felt in the United States and transmitted abroad in the concrete form of shipments of matériel was having a stimulating effect upon the will of other nations to buckle down to the fulfillment of their own defensive needs. But, even under the best of conditions, it was clear that the United States still faced a tremendous job in continuing to help meet defensive needs which could not otherwise be met. The challenge had been taken up, but the battle was far from won.

# APPENDIXES

## APPENDIX A

### GRANT AND PROGRAM

#### *Mutual Defense Assistance Program—Status of appropriations as of Mar. 31, 1951*

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> \$1,000,000.00						
ECA.....		\$976,063,764.00	\$955,797,554.49	\$920,105,170.36	\$256,656,890.95	\$20,266,209.51	\$55,958,593.64
State.....		20,000,000.00	19,350,000.00	19,350,000.00	4,927,710.83	650,000.00	650,000.00
		1,300,000.00	1,270,514.44	1,270,514.44	1,264,484.16	29,485.56	29,485.56
Total.....	1,000,000.00	997,363,764.00	976,418,068.93	940,725,684.80	262,849,085.94	20,945,695.07	56,638,079.20

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						
ECA.....		\$189,919,387.79	\$178,007,149.01	\$175,701,521.23	\$61,375,953.94	\$11,912,238.78	\$14,217,866.56
State.....		6,310,000.00	5,037,131.67	5,037,131.67	4,369,487.11	1,272,868.33	1,272,868.33
		385,636.00	385,636.00	385,636.00	385,636.00		
Total.....	200,801,500	196,615,023.79	183,429,916.68	181,124,288.90	66,132,077.05	13,185,107.11	15,490,734.89

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> \$38,208,500						
		\$36,404,725.00	\$25,927,173.63	\$25,610,382.77	\$13,578,784.84	\$10,477,551.37	\$10,794,342.23

<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.

*Mutual Defense Assistance Program—Status of appropriations as of Mar. 31, 1951—Continued*

APPROPRIATION OR FUND 110/10048—MUTUAL DEFENSE ASSISTANCE, EMERGENCY FUND, GENERAL AREA OF CHINA, EXECUTIVE OFFICE OF THE PRESIDENT, 1950-51

Agency	Appropriated	Allocations made	Committed	Obligated	Expended	Allocated funds	
						Uncommitted	Unobligated
Defense.....	\$75,000,000	\$71,320,000.00	\$56,264,055.66	\$55,380,059.03	\$35,936,752.44	\$15,055,944.34	\$15,939,940.97
ECA.....		750,000.00	749,816.00	749,816.00	271,709.16	184.00	184.00
State.....		2,930,000.00	1,840,534.86	1,840,534.86	1,044,046.39	1,089,465.14	1,089,465.14
Total.....	75,000,000	75,000,000.00	58,854,406.52	57,970,409.89	37,252,507.99	16,145,593.48	17,029,590.11

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

Defense.....	\$4,504,000,000	\$3,589,131,256.00	\$2,646,289,553.39	\$1,857,004,180.39	\$48,386,853.41	\$942,841,702.61	\$1,732,127,075.61
ECA.....		11,000,000.00	6,744,000.00	6,744,000.00	1,000,000.00	4,256,000.00	4,256,000.00
State.....		2,534,743.00	2,175,912.99	2,175,912.99	774,034.52	358,830.01	358,830.01
Agriculture.....		14,400,000.00	13,767,359.43	13,767,359.43	13,068,748.79	632,640.57	632,640.57
Total.....	4,504,000,000	3,617,065,999.00	2,668,976,825.81	1,879,691,452.81	63,229,636.72	948,089,173.19	1,737,374,546.19

APPROPRIATION OF 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	\$390,097,900.00	( <sup>3</sup> )	( <sup>3</sup> )	\$60,210,198.39		
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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	\$302,222,953.00	\$134,624,185.17	\$116,685,508.25	\$27,883,741.88	\$167,598,767.83	\$185,537,444.75
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<sup>3</sup> Commitments and obligations are incurred against contract authorization (110/10045.005).

APPROPRIATION OR FUND 1110047—MUTUAL DEFENSE ASSISTANCE, REPUBLICS OF KOREA AND THE PHILIPPINES, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense .....	\$16,000,000	\$15,707,832.00	\$10,996,604.09	\$7,509,710.00	\$842,338.88	\$4,711,227.91	\$8,198,122.00
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APPROPRIATION OR FUND 1110048—MUTUAL DEFENSE ASSISTANCE, EMERGENCY FUND, GENERAL AREA OF CHINA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense .....	\$75,000,000	\$50,000,000.00	\$32,369,198.62	\$31,997,249.09	\$9,417,893.04	\$17,630,801.38	\$18,002,750.91
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APPROPRIATION OR FUND 1110049—MUTUAL DEFENSE ASSISTANCE, NATIONS IN SOUTHERN AND EASTERN ASIA, EXECUTIVE OFFICE OF THE PRESIDENT, 1951

Defense .....	\$303,000,000	\$274,925,019.00	\$111,618,647.30	\$100,650,836.94	\$7,829,345.20	\$163,306,371.70	\$174,274,182.06
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*Reimbursable aid program*

APPROPRIATION OR FUND 11X8242—ADVANCES FOR MUTUAL DEFENSE ASSISTANCE, EXECUTIVE OFFICE OF THE PRESIDENT, NO YEAR TRUST FUND

	Receipts	Allocations made to Defense Department	Committed	Obligated	Expended	Allocated funds	
						Uncommitted	Unobligated
Defense:							
Cash receipts .....	\$51,327,915.33	\$51,327,915.33	\$27,555,006.37	\$23,640,034.51	\$7,901,865.40	\$23,772,908.96	\$27,687,880.82
Obligational authority .....	37,110,429.32	37,110,429.32	33,856,332.00	33,856,332.00		3,254,097.32	3,254,097.32
Total .....	88,438,344.65	88,438,344.65	61,411,338.37	57,496,366.51	7,901,865.40	27,027,006.28	30,941,978.14

## APPENDIX B

NOTES EXCHANGED BY UNITED STATES AND CHINESE NATIONALIST  
GOVERNMENTS CONCERNING MILITARY ASSISTANCEAMERICAN EMBASSY,  
*Taipei, January 30, 1951.*His Excellency Dr. GEORGE K. C. YEH,  
*Minister of Foreign Affairs, Taipei.*

EXCELLENCY: Pursuant to instructions from my Government, I have the honor to deliver the following statement:

"The Government of the United States is prepared to make available to the Republic of China under the terms of Public Law 329, Eighty-first Congress, as amended, certain military material for the defense of Taiwan against possible attack.

"This material, and any other furnished under the authority of the law referred to is transferred on the understanding that it will be used and disposed of pursuant to the following undertakings and that failure to do so by the Chinese Government will be contrary to the understanding of the United States Government, and may be considered by the United States to be cause for the cessation of further deliveries (it being understood that the undertakings contained in the first three paragraphs below apply as well to the material transferred to the Chinese Government under that law since June 27, 1950);

"1. The Chinese Government will use the material to maintain its internal security or its legitimate self-defense.

"2. The Chinese Government will take such security measures as may be agreed in each case between the United States Government and the Chinese Government in order to prevent the disclosure and compromise of classified military articles, services, or information furnished by the United States Government.

"3. The Chinese Government agrees to receive personnel of the United States Government who will discharge in the territory under the control of the Chinese Government the responsibilities of the United States Government under this agreement and who will be accorded adequate facilities to observe the progress of the assistance furnished, to confirm that the material furnished is being used for the purposes for which it is provided, and to carry out such other operations or arrangements as shall be mutually agreed pursuant to this agreement. Such personnel, including personnel temporarily assigned, will, in their relations with the Chinese Government, operate as a part of the United States Embassy, under the direction and control of the Chief of the United States Diplomatic Mission.

"4. The Chinese Government will not transfer, sell, or otherwise dispose of the material provided pursuant to the above undertakings, or any other equipment susceptible of military use, without regard to its source, or the time or manner of its acquisition, without first obtaining the assurance of the United States Government that such equipment or material is not required by the United States for its own use or required to support programs of military assistance undertaken by the United States.

"The United States Government would appreciate a written assurance from the Chinese Government of its acceptance of the undertakings in this note."

Accept, Excellency, the assurances of my highest consideration.

(Signed) K. L. RANKIN.

[Translation from Chinese]

TAIPEH, TAIWAN, *February 9, 1951.*

Mr. KARL L. RANKIN,  
*Chargé d'Affaires, American Embassy, Taipei.*

MONSIEUR LE CHARGÉ D'AFFAIRES: I have the honor to acknowledge receipt of your note No. 13, dated January 30, 1951, which reads as follows:

"Pursuant to instructions from my Government, I have the honor to deliver the following statement:

"The Government of the United States is prepared to make available to the Republic of China under the terms of Public Law 329, Eighty-first Congress, as amended, certain military material for the defense of Taiwan against possible attack.

"This material, and any other furnished under the authority of the law referred to, is transferred on the understanding that it will be used and disposed of

pursuant to the following undertakings and that failure to do so by the Chinese Government will be contrary to the understanding of the United States Government, and may be considered by the United States to be cause for the cessation of further deliveries (it being understood that the undertakings contained in the first three paragraphs below apply as well to the material transferred to the Chinese Government under that law since June 27, 1950);

"1. The Chinese Government will use the material to maintain its internal security or its legitimate self-defense.

"2. The Chinese Government will take such security measures as may be agreed in each case between the United States Government and the Chinese Government in order to prevent the disclosure and compromise of classified military articles, services, or information furnished by the United States Government.

"3. The Chinese Government agrees to receive personnel of the United States Government who will discharge in the territory under the control of the Chinese Government the responsibilities of the United States Government under this agreement and who will be accorded adequate facilities to observe the progress of the assistance furnished, to confirm that the material furnished is being used for the purposes for which it is provided, and to carry out such other operations or arrangements as shall be mutually agreed pursuant to this agreement. Such personnel, including personnel temporarily assigned, will, in their relations with the Chinese Government, operate as a part of the United States Embassy, under the direction and control of the Chief of the United States Diplomatic Mission.

"4. The Chinese Government will not transfer, sell, or otherwise dispose of the material provided pursuant to the above undertakings, or any other equipment susceptible of military use, without regard to its source, or the time or manner of its acquisition, without first obtaining the assurance of the United States Government that such equipment or material is not required by the United States for its own use or required to support programs of military assistance undertaken by the United States.

"The United States Government would appreciate a written assurance from the Chinese Government of its acceptance of the undertakings in this note."

In reply, I have the honor to signify on behalf of the Chinese Government the acceptance of the undertakings set forth in your note under reference.

Please accept, Monsieur le Chargé d'Affaires, the assurances of my high consideration.

[SEAL]

## APPENDIX C

### MEMORANDUM OF UNDERSTANDING BETWEEN THE DEPARTMENTS OF STATE, TREASURY, DEFENSE, AND THE ECONOMIC COOPERATION ADMINISTRATION

#### ORGANIZATIONAL ARRANGEMENTS WITHIN THE UNITED STATES GOVERNMENT FOR POLICY FORMULATION AND IMPLEMENTATION WITH RESPECT TO INTERNATIONAL SECURITY ARRANGEMENTS AND MILITARY AND ECONOMIC ASSISTANCE FOR MUTUAL DEFENSE

1. The tremendous step-up in our foreign and domestic programs for increasing our own national security and that of the other free nations makes it imperative that we carefully examine the organizational arrangements within the United States Government for carrying out these programs. Certain aspects of these arrangements require urgent consideration and immediate decision.

2. The most urgent organizational problem which we now face involves the proper framework in which the questions relating to the North Atlantic Treaty and economic and military assistance programs can properly be coordinated. With respect to the organization in Washington, two basic decisions need to be made: (a) The proper relationship among State, Defense, the Economic Cooperation Administration, and the Treasury, on an interdepartmental basis; and (b) the adjustments which must be made within each of these agencies as a basis for an effective and coordinated Government-wide effort. The following arrangements are agreed to as a first step in resolving these questions.

3. (a) A Director for International Security and Assistance Affairs<sup>1</sup> will be appointed in the Department of State. He shall occupy the senior position

<sup>1</sup> In a covering memorandum transmitting this approved paper to the Director of the Bureau of the Budget on this same date, the President suggested the deletion of the words "and Assistance" from the title of the Director.

authorized by section 406 (e) of the Mutual Defense Assistance Act of 1949 as amended.

(b) The Director for International Security and Assistance Affairs, on behalf of the Secretary of State, shall represent and speak for the Department of State on matters of policy and program relating to the North Atlantic Treaty, other similar international programs, and military and economic assistance for mutual defense. He shall be responsible for coordinating all activities within the department related thereto. He shall have the authority, responsibility, and staff necessary to assure that he can speak positively and expeditiously on behalf of the Department of State.

(c) In addition, the Director for International Security and Assistance Affairs, on behalf of the Secretary of State, shall be responsible for providing continuing leadership in the interdepartmental coordination of policy and program with respect to the North Atlantic Treaty, other similar international programs, and military and economic assistance for mutual defense. In performing this function on behalf of the Secretary of State, the Director for International Security and Assistance Affairs will be exercising responsibility for the Government as a whole.

4. (a) There shall be appointed an Assistant to the Secretary of Defense for International Security Affairs. He should occupy one of the three positions, other than the senior position, authorized by section 406 (e) of the Mutual Defense Assistance Act of 1949 as amended.

(b) The Assistant to the Secretary of Defense for International Security Affairs shall have the same responsibility and authority within the Department of Defense as is provided in paragraph 3 (b), for the Director for International Security and Assistance Affairs with respect to the Department of State.

5. The Economic Cooperation Administrator and the Secretary of the Treasury shall each designate an official who shall have the same authority and responsibility with respect to his agency as is provided in paragraph 3 (b), for the Director for International Security and Assistance Affairs with respect to the Department of State.

6. (a) The review and coordination of policy and program as between the several departments and agencies shall be carried on by senior staff committee to be known as the Committee on International Security Affairs. The State Department Director for International Security and Assistance Affairs shall be the Chairman. In addition, the membership shall consist of the Assistant to the Secretary of Defense for International Affairs, a representative of the Special Assistant to the President, Mr. Harriman, and the ECA and Treasury officials provided for in paragraph 5. Representatives of other departments and agencies may be asked to sit with the Committee as appropriate.

(b) The Committee on International Security Affairs shall establish such permanent or temporary working groups as it finds necessary and shall develop such arrangements as are necessary for guiding interagency coordination outside of the Committee.

7. It is essential that operating responsibility be delegated to the greatest possible extent to those agencies which are equipped to handle it. This means that with respect to mutual defense and within the framework of established policies, the Department of Defense has primary responsibility for determining the military character of international programs, for developing and implementing the end item and military training programs, and for developing United States determinations as to military requirements in the formulation of programs for military production abroad; and the Economic Cooperation Administration shall have primary responsibility for developing and implementing plans for economic assistance required to support an adequate defense effort abroad, and for implementing approved programs for additional military production abroad.

8. The foregoing administrative arrangements shall be carried on with due regard for the established responsibilities of the National Security Council and other officials and agencies of the Executive Office of the President, and of the National Advisory Council on International Monetary and Financial Problems, and the existing authorities and responsibilities of these officials and agencies are in no wise modified by this agreement. This means that the National Security Council shall continue to be the agency "to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security."

9. Arrangements should likewise be made as quickly as feasible for improved coordination between United States Government officials and representatives at both the regional and country levels.

Approved:

(Signed) HARRY S. TRUMAN.

DECEMBER 19, 1950.