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20th August, 1951

There is attached copy of the first draft of the Report to the North Atlantic Council. It is for the use of the Drafting Committee only.

(Signed) N.E.P. SUTTON.

13, Belgrave Square,
London, S.W.1.

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NORTH ATLANTIC COUNCIL

SEVENTH SESSION, OTTAWA, SEPTEMBER, 1951

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DOCUMENT

C7-D/1

28th August, 1951

Draft

20th August, 1951

REPORT BY THE NORTH ATLANTIC
COUNCIL DEPUTIES

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I. REPORT OF THE CHAIRMAN(1) Introduction

This is the third report from the Council Deputies to the North Atlantic Council. The first report, prepared for the Fifth Meeting of the Council in New York in September, 1950, (C5-D/2), covered the first one and one-half months of the existence of the Council Deputies as a permanent NATO body, a period in which only the first steps toward a new form of international cooperation in building an integrated defence force had been taken. The second, prepared three months later for the Sixth Meeting of the Council in Brussels in December, 1950, (C6-D/4), covered a period during which the principal concern of the Council Deputies had been the question of the participation of Germany in Western Defence. It reported further progress on the matters described in the first report, and also the initiation of action on a number of the questions covered in the present report.

This third report covers the first eight months of 1951, during which the form of the North Atlantic Treaty Organization has taken more definite shape, with the reorganization of its top structure, the creation of new civilian agencies in the production and financial and economic fields, the recruitment of an international staff for all the civilian agencies, the establishment of a major portion of the military command structure, and progress toward solution of many pressing problems that have arisen in all fields. Therefore, this represents an attempt to establish a new form of report, adapted to the new organization of the North Atlantic Council, with representation by Foreign, Defence and Finance Ministers, which will draw together a report of action taken in all fields by the NATO civilian agencies, all of which now report to the Council Deputies. The report of the military agencies/

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agencies will be transmitted separately by them to the North Atlantic Council. This report will be confined to a survey of action which has been taken up to 28th August, the date of the report, and separate action papers will be presented to the Council with respect to pending matters which require decision by the Council.

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I (continued)

(2) Summary of progress to date

The various matters on which action has been taken by the Council Deputies, by the Defence Production Board, and by the Financial and Economic Board are set forth in more detail in the subsequent sections of this report. In general, the period since the last meeting of the Council has been one in which it has been necessary to devote much attention to problems of organization and administration, in order to make it possible for the NATO civilian agencies to carry forward the task of effective coordination of the cooperative defence efforts of the member nations. Since such a cooperative effort in peacetime is without precedent, the problems of organization are, to a large extent, unique, and it is not surprising that they have taken some time, much careful thought, and the frequent reconciliation of divergent views. At the same time, substantial progress has been made toward solution of some of the more pressing substantive problems. In brief summary, the principal developments have been as follows:

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A. Action by the Council Deputies:

(1) Organization and Administration

(a) The top structure of NATO has been reorganized and simplified, by the merger of the Defence Committee and the Defence Financial and Economic Committee into the North Atlantic Council, and the Council Deputies have been firmly established as the permanent working organ of the Council, responsible for coordinating the activities of and giving guidance to all the other permanent organs of NATO.

(b) The Defence Production Board has been established, the Coordinator of Defence Production appointed, and work in this field effectively organized.

(c) The Financial and Economic Board has been established, and its work effectively organized.

(d) An international staff for all the civilian agencies of NATO has been created. Agreement has been reached on the sharing of its cost by member governments. The first budget estimates, for the period from 1st July to 31st December 1951, have been approved and a substantial portion of the staff has been recruited.

(e) A treaty covering the status of the civilian treaty organization, national representatives to it and its international staff has been negotiated, signed, and submitted to governments for ratification.

(f) Agreement has been reached on the sharing by member governments of the administrative costs of SHAPE and its subordinate commands, and initial budgets for these commands for the period ending 31st December 1951 have been approved.

(g) A treaty covering the status of the armed forces of NATO military commands has been negotiated, signed, and submitted to governments for ratification.

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(h) Arrangements for liaison between the Council Deputies and the Standing Group have been effected by the appointment of a Standing Group Liaison Officer in London.

(i) In the ocean shipping field, the Planning Board for Ocean Shipping has developed in detail the plan for establishing a Defence Shipping Authority to ensure the control and allocation of shipping in time of war; the Financial and Economic Board is studying questions relating to civilian sea-borne import requirements and priorities, and the Council Deputies are awaiting advice from the Standing Group on studies by the regional planning groups concerning arrangements which should be adopted for controlling the destination of shipping.

(j) In the raw materials field, the functions previously assigned to the Advisory Group on Raw Materials have been assigned to the Financial and Economic Board, which is keeping this subject under review insofar as NATO interests are concerned, in collaboration with the Defence Production Board, by maintaining contact with the work of the bodies directly concerned with raw materials questions on a world-wide basis.

(k) In the field of statistics covering basic data essential to effective action by all NATO agencies, a Central Statistical Service has been established to work with NATO agencies and member governments by assisting them in the creation of reliable data, by preparing progress reports, and by coordinating the statistical work of the NATO agencies to avoid duplication of requests and overlapping of reports.

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(2) Action on matters which are primarily political

(a) Since 20th May 1951 the Council Deputies have been discussing the question of the association of Greece and Turkey with Western Defence. The results of this discussion are set forth in a separate action paper (C7-D/..), for consideration by the Council (Agenda Item).

(b) With respect to German participation in Western Defence, pursuant to the request of the Council at its Sixth Meeting, the Deputies have been kept informed of the progress of the discussions between the three Occupying Powers and the German Federal Government, and of the Conference called by the French Government concerning the establishment of a European Army.

(c) The Deputies have continued to exchange views on political matters of common interest, and have covered the political, economic and military conditions in Yugoslavia and in the USSR and the satellite countries, and also the subject of ideological warfare.

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C7-D/1 DRAFT: 16th August, 1951(3) Action on Military Build-up and Requirements

(a) The Coordinator of Defence Production, at a meeting of the Council Deputies on 30th July 1951, proposed that a meeting of senior representatives of the Council Deputies, the Defence Production Board, the Financial and Economic Board and the Standing Group be convened at an early date to give comprehensive consideration to the over-all situation with respect to carrying out the Medium Term Defence Plan, with a view toward considering any necessary readjustments in production, in finance and procurement, or in military requirements. A preliminary meeting was held on 14th August, 1951 and a programme of action presented to the Council Deputies. The action taken by the Council Deputies and the subsequent work of representatives of the above agencies, has resulted in the action paper (C7-D/..) which is being presented to the North Atlantic Council under the heading "Proposals for coordinated action by North Atlantic Treaty agencies in carrying out the Medium Term Defence Plan" (agenda item _____).

(b) As a result of proposals made by the Chairman of the North Atlantic Council, M. Van Zeeland, at the end of 1950 concerning the need for devising a system for financing arms production in Europe, this question was studied by the Council Deputies, the permanent working staff of the Defence Finance and Economic Committee, and later by the Financial and Economic Board. The results of these studies will be made available in connection with the proposals referred to in the preceding paragraph.

(c) At the end of April 1951, the Standing Group asked the Council Deputies to give urgent attention to the problem of providing funds for expenditure on airfields included in

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the "second slice" of infrastructure for the Western European region. It developed that there were widely divergent opinions among member governments as to the method which should be adopted for sharing these costs. After extended discussion the agreement reached was that the cost should be shared in accordance with the formula described in Item (3) (c) below:

[Note: This item, II (3) (c), cannot be completed until the Council Deputies have considered this question further.]

(d) Reports were made to the Council Deputies by representatives of several member governments concerning increased rearmament programmes adopted during 1951. Current programmes for reports to various NAT agencies and the establishment of the Central Statistical Office should make it possible to provide more frequent periodic reports on this subject in the future.

(e) In response to a request from the Defence Committee, the Council Deputies transmitted to member governments a questionnaire designed to ascertain the extent to which each government adhered to certain principles concerning national military service, mobilization, and training. In March, 1951, after the replies had been examined by the Council Deputies, assisted by representatives of the Standing Group and of SHAPE, they were referred to the Standing Group for a military appraisal to determine whether the measures adopted by each country would produce the forces required by the Medium Term Defence Plan.

(f) The question of implementing the Defence Committee's decision regarding the appointment of a Supreme Allied Commander Atlantic was discussed during February and March, but no decision was reached.

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(g) On three occasions the Canadian Government offered equipment to other NATO countries, which was transferred to two countries, Belgium and the Netherlands, after obtaining a recommendation from the Standing Group.

(h) A proposal from SHAPE for the establishment of a NATO Defence College was approved by the Standing Group and the Military Representatives' Committee, and the Council Deputies were asked to consider a method of financing its operations. On 25th June 1951 they agreed that capital, operational and maintenance costs should be included as a charge in the SHAPE budget, and that national funds should be expended for the pay, allowances and subsistence of students and instructors.

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(4) Public Information Activities

The principal development in the information field was the successful convening of the first NATO Information Conference in April 1951, which was attended by senior information officials from all twelve member countries and by representatives of the Standing Group and SHAPE. This provided an opportunity for an exchange of views which should prove helpful in enlarging the effectiveness of the NATO information programme.

B. Action by the Defence Production Board.

△Note: To be prepared after receipt of the Defence Production Board's report.▽

C. - Action by the Financial and Economic Board

△Note: To be prepared after receipt of the Financial and Economic Board's report.▽

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- (3) Problems requiring policy decision by the Council at September and October meetings.

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(4) Lines of future action by all NATO agencies.

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II. PROGRESS REPORT FROM THE COUNCIL DEPUTIES

(1) Action on Organization and Administration

(a) Reorganization of the top structure of NATO

The North Atlantic Council, at the Sixth Session in Brussels in December, 1950, affirmed "its adherence to the objectives of simplifying the structure of NATO and promoting further the effectiveness of the operations of all of its agencies", and "requested the Council Deputies and other NATO agencies concerned to study the Canadian and any other proposals designed to achieve the foregoing objectives, and to make recommendations or take appropriate action as speedily as possible" (Council Resolution: C6-D/5 Final).

The Council Deputies first took action on that resolution when, on 10th January, 1951, they considered a redraft of an earlier Canadian memorandum setting forth proposals for the reorganization of the top structure of NATO. This question was discussed at a total of fifteen meetings of the Council Deputies. Finally, on 2nd May 1951, the Council Deputies on behalf of their respective governments approved the new terms of reference of the North Atlantic Council and Council Deputies, and announced the reorganization of the North Atlantic Treaty Organization (Document: D-D(51)86 Final). In the course of those discussions the Council Deputies, in accordance with the Council's instructions, also considered the problems relating to political guidance for the military bodies raised in Part I of the Report by the Defence Committee to the North Atlantic Council on the Creation of an Integrated Force for the Defence of Western Europe, the Establishment of a Supreme Headquarters in Europe and the Reorganization of the NATO Military Structure (Document: D.C.24/3).

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The reorganization of the Council resulted in merging the former Defence Committee and Defence Financial and Economic Committee into the Council, and in establishing the Council Deputies as the permanent Working organ of the North Atlantic Council, responsible for coordinating the activities of and giving guidance to all the other permanent organs of NATO. It was agreed that: "The members of the North Atlantic Council shall represent their respective Governments. The Council shall incorporate not only the Council envisaged by Article 9 of the Treaty but also the Defence Committee referred to in the same article. The Council shall be composed of members of ministerial rank although, in exceptional circumstances, member Governments may be represented by other persons duly designated for the purpose. Heads of Governments may attend meetings of the Council in person. Otherwise, Governments shall be represented by their Minister for Foreign Affairs and/or their Minister of Defence or by other competent Ministers, especially by their Minister responsible for financial and economic affairs, according to the nature of the Agenda".

The terms of reference of the Council Deputies were defined as follows:

"To enable the Council effectively to carry out its responsibilities and to exercise them continuously, each Government shall be represented by a Council Deputy. Each Deputy shall represent all Ministers concerned with NATO matters in his Government and shall be responsible to such Minister or Ministers as his Government may determine. The Council Deputies constitute the permanent working organ of the North Atlantic Council. When the Council is not in session the Council Deputies shall carry out the policies of the Council, recommend to Governments the measures necessary to this end,

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formulate issues requiring decisions by the Council or by member Governments, and otherwise constitute a body which may register the approval of their Governments on matters before them for consideration.

"The Council Deputies shall also:

- (a) be responsible for coordinating the activities of and giving guidance to all the other permanent organs of the North Atlantic Treaty Organization;
- (b) exchange views on political matters of common interest within the scope of the Treaty;
- (c) deal directly with the military committee as at present constituted, and when that body is not in session with the Standing Group, on political matters having military implications and provide those bodies with the political guidance upon which strategic decisions should be based. The Standing Group shall maintain close liaison with the Council Deputies and provide that body with advice on military matters;
- (d) promote and coordinate public information activities in furtherance of the objectives of the Treaty while leaving responsibility for national programmes to each country;
- (e) consider what further action should be taken under Article 2 of the Treaty, taking into account the existing agencies in this field".

With respect to the term "guidance", which occurs in paragraphs (a) and (c) above, the Council Deputies recorded an agreed interpretation, the text of which is as follows:

"For the purposes of paragraph 11 of D-D(51)86 Final, the term 'guidance' is interpreted to be synonymous with the term 'direction'. Thus general guidance by the Council Deputies described in paragraph 11 (a) has the same meaning as general direction, and political guidance described in paragraph 11 (c) has the same meaning as political direction. The term 'guidance' is preferred as being more usual and appropriate in describing the relationship between two bodies of such standing as the Council Deputies and the Standing Group. The latter will not be free to reject or to alter political guidance received from the Council Deputies. In

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the event it finds such advice militarily unacceptable, it will follow the procedure set forth in paragraph 16 of D.C.24/3 (Final). With respect to that paragraph it is observed that:

- (i) The words 'militarily unacceptable' are interpreted as meaning 'militarily impracticable of accomplishment';
- (ii) the new terms of reference of the Council Deputies preclude the possibility of conflicts with strategic conceptions previously approved by higher NATO agencies;
- (iii) the word 'report' is interpreted literally and not as conferring any new authority upon the military agencies of NATO".

With respect to the Defence Production Board, it was agreed that it should in the future report to the Council Deputies, instead of the Defence Committee; keep the Council Deputies currently informed of its work, and receive guidance from them. The new Financial and Economic Board, established at this time, was placed in a similar relationship with the Council Deputies.

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II (1) (continued)

(b) APPOINTMENT OF COORDINATOR OF DEFENCE PRODUCTION.

I. When the North Atlantic Council, at the Sixth Meeting in December 1950, established the Defence Production Board, it provided that the appointment of the Coordinator and his terms of reference should be recommended by the Board and approved by the Council. After receiving the recommendation of the Defence Production Board, the Council Deputies, on behalf of the North Atlantic Council, adopted a resolution on 15th January, 1951 appointing Mr. William R. Herod as Coordinator of North Atlantic Defence Production and confirmed his terms of reference as in accordance with the terms of reference of the Defence Production Board.

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II (1) continued

(c) Establishment of FEB

On 26th February 1951 the French Deputy drew the attention of the Council Deputies to the problem of the economic and social impact of the common defence programme, emphasizing the dangers inherent in rising prices and shortages of raw materials. He requested that the Council Deputies, acting under Articles 1 and 2 of the Treaty, recommend and supervise the execution of future measures designed to ensure the economic equilibrium of the Atlantic community. This statement was discussed in detail at subsequent meetings, and supported by the representatives of several other governments. On 19th March 1951, the United States Deputy presented a proposal for the establishment of a NATO Financial and Economic Board, to replace the existing agencies in this field, with broader terms of reference. After this proposal had been examined at several meetings of the Council Deputies, a special committee of experts was established to study the problem. It met in London on 10th April 1951 and its report was adopted by the Deputies on 30th April 1951, in a resolution setting out the terms of reference of the new Financial and Economic Board, to be located in Paris, and to be composed of representatives of each country at a senior official level.

The terms of reference of the Board provide that it shall be responsible for considering and making recommendations upon financial and economic problems arising in connection with NATO defence programmes and upon the best use of financial and economic resources in member countries in support of the common defence effort. It shall advise the other NATO bodies under the Council Deputies on all relevant economic and financial questions arising out of their work and may recommend to the Council Deputies such directions to these other bodies as may seem necessary from the economic and financial point of view.

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II. (1) (Continued)

(d) Establishment of international staff for civilian agencies, agreement on sharing costs, and first budget

The Resolution of the North Atlantic Council establishing the Council Deputies (D-4/15 Final) adopted on 17 May 1950, provided that:

"With the advice of the Chairman, the Deputies shall establish a suitable full-time organization composed of highly qualified persons contributed by Member Governments. The Chairman, in addition to presiding at meetings of the Deputies, shall be responsible for directing the organization and its work."

Pursuant to that resolution, the Council Deputies at their first meeting proceeded to establish a Secretariat at their London Headquarters, consisting of individuals contributed by Member Governments, designed to provide committee service for the Council Deputies and their working groups, such as the preparation of summary records and the circulation of documents. The first addition to this Secretariat charged with substantive responsibilities was the Information Service, which was established on 27 November 1950 (D/D 187). With the decision to establish SHAPE and the DPB in December 1950, it became apparent that it would not be possible to provide an adequate permanent staff for the NAT Organization on the basis of the contribution of individuals by Governments, and that there was a need for an international staff financed out of a budget to which all Member Governments would contribute. This question was discussed in detail during January and February 1951, and on 26th February, 1951, the Council Deputies adopted a resolution (D-D(51)47(Final)) establishing the principles to be applied in setting up the NATO international staff, as follows:

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"1. To enable the civilian agencies of NATO to perform their tasks, it is essential that their operations be drawn together and closely coordinated, and that the concept and objective of NATO should be a single cohesive organization. This concept and objective should be emphasized and should be pursued in all organizational steps affecting the civilian agencies of NATO.

"2. To this end a common administrative system should be developed which would apply to the staff of all civilian agencies of NATO. While for operational purposes such staff would be responsible to their respective boards or other directing authorities, they would for administrative purposes be members of a unified NATO staff.

"3. The NATO staff serving all NATO civilian agencies should be kept as small as possible consistent with the efficiency of the operation of the organization."

The Chairman of the Council Deputies was requested to make and put into effect arrangements based on the foregoing principles, and to advise the Council Deputies from time to time of progress in carrying forward the organization of the various agencies and the coordination of their activities.

The Council Deputies adopted Financial Regulations and Staff Regulations recommended by an expert committee. Two points on which it was necessary to reconcile divergent views between member governments were the formula for sharing costs and the salary scales. The cost-sharing formula finally adopted was the following:

/France

France	22.5%
United Kingdom	22.5%
United States	22.5%
Canada	8.0%
Italy	8.0%
Belgium	5.0%
Netherlands	5.0%
Denmark	2.0%
Norway	2.0%
Portugal	2.0%
Luxembourg	0.25%
Iceland	0.25%
	<u>100.00%</u>

With respect to salary scales, it was agreed after considerable discussion to establish a NATO scale on the basis of the OEEC scale in Paris, modified somewhat to meet the needs of the NAT organization with its headquarters in London. While this scale was regarded as sufficient to attract qualified personnel from most European countries, it was lower than the government scales of the North American countries, and therefore, to make it possible to recruit personnel from those countries, it was agreed that governments might arrange for supplementary remuneration of their own nationals.

On 21st May, 1951 Mr. Nigel Sutton was appointed Executive Secretary of the North Atlantic Treaty Organization, to assist the Chairman of the Council Deputies in the direction of the operations of the international staff of the Council Deputies, in coordination of the work of the civilian agencies of the Organization, and in the administration and supervision of their international staffs.

Plans for the organization of the Central Staff of the Council Deputies, the Defence Production Staff, and the Financial and Economic Staff were then prepared, and were incorporated in the initial budget estimates for the period from 1st July 1951 to 31st December 1951. After review and

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revision by the Budget Committee, revised estimates, aggregating, £ _____, were approved by the Council Deputies on _____ August, 1951.

The organization proposed for the civilian agencies is set out in the attached charts [attach charts from D-D(51)173, revised to reflect Budget Committee action].

Since the beginning of June 1951 recruitment of the international staff for all the civilian agencies has been proceeding rapidly. A total of _____ had been employed by 15th August; and it is expected that substantially all of the authorized 390 posts will be filled by the end of October.

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II (1) (Continued)

(e) Agreement on the Status of the North Atlantic Treaty Organisation, National Representatives and International Staff.

After the Council Deputies had decided to establish a NATO international staff, the question of an agreement to cover the status of NATO, national representatives and International Staff, was referred to an expert working Group. The draft negotiated by the working group was submitted to the Council Deputies on 20th July, 1951, and transmitted to member Governments with some comments. Final agreement was reached, and the Agreement signed on - August 1951, subject to ratification.

The draft follows generally the form of agreement which, beginning with the General Convention on Privileges and Immunities of the United Nations of 1946, has been adopted to define the privileges and immunities of practically all important international organisations. Certain departures have, however, been made from the precedents in order to meet the particular requirements of NATO.

Since NATO differs from most other international Organisations, in that it has subsidiary bodies in permanent session in several countries, it has been found convenient to include in the general Agreement provisions, mainly concerning international representatives, which are generally found in a Headquarters Agreement.

Another feature of this Agreement is that it provides exemption from taxation on the salaries and emoluments for members of the staff who are paid directly by the Organisation at the normal rates, but enables those States which arrange to pay their nationals employed on the staff at a higher rate out of their own budgets to charge income tax on the salaries and emoluments so paid.

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At the time of signature of the Agreement the Council Deputies adopted a resolution recommending that Member States give effect to the Agreement through administrative action, to the maximum extent possible pending ratification.

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II (1) (continued)

(f) Agreement on sharing costs of SHAPE and other military agencies, and approval of first budgets

The first step toward the creation of an international budget for SHAPE was the establishment by the Standing Group on 20th January, 1951 of an International Ad Hoc Budget Committee to recommend an international budgeting and accounting system for SHAPE and a formula for sharing its costs among NAT member governments. This committee completed a report on the scope of the budget, on budget and accounting procedure, and on various possible methods of sharing costs, which the Standing Group transmitted to the Council Deputies for consideration on 16th February, 1951.

It was found that serious differences of opinion existed between member governments as to the basis for arriving at a formula for sharing the expenses of SHAPE and its subordinate commands. The problem was complicated by several factors, including the uncertainty as to the total amounts involved, the question of whether the capital costs of headquarters construction should be shared on the same basis as administrative costs, the fact that some subordinate headquarters were partly international and partly national in character, and the fact that not all member governments participated in SHAPE and that it could be anticipated that all governments would not participate in all other Supreme Commands. After extended discussion, and in the light of the development of new facts as the various commands were established, the following agreements were reached:

(a) On 2nd May 1951 it was agreed that all member governments should share in the expenses of all Supreme Commands.

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(b) On August 1951, it was agreed that the current and capital costs of SHAPE and its subordinate headquarters should be shared as follows:

<u>Country</u>	<u>Operating Budgets</u>	<u>Capital Budgets</u>
United States	22.5%	40.0%
United Kingdom	22.5	22.5
France	22.5	17.0
Canada	8.0	5.1
Italy	8.0	5.1
Belgium	5.0	3.1
Netherlands	5.0	3.1
Denmark	2.0	1.3
Norway	2.0	1.3
Portugal	2.0	1.3
Luxembourg	0.25	0.1
Iceland	0.25	0.1
	<hr/>	<hr/>
	100.00%	100.0%

In the meantime, interim advances were made to SHAPE to cover initial expenses, first by France and the United States, and later by all member governments. These were followed by budget estimates prepared by SHAPE and its subordinate commands, which, after review by the Budget Committees, have been approved by the Council Deputies in the following amounts:

SHAPE:	
1 Dec. 1950 - 30 June 1951	<hr/>
1 July 1951 - 31 Dec. 1951	<hr/>
Army Forces Central Europe	
1 July 1951 - 31 Dec. 1951	<hr/>
Flag Officer Central Europe	
1 July 1951 - 31 Dec. 1951	<hr/>
Air Forces Central Europe	
1 July 1951 - 31 Dec. 1951	<hr/>
Allied Forces Northern Europe	
1 Apr. 1951 - 31 Dec. 1951	<hr/>
TOTAL	<hr/>

Estimates for the Allied Forces Southern Europe are now in preparation, and will be considered as soon as they are available.

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The above budgets were approved by the Council Deputies in August, 1951 and Governments have been asked to advance funds to cover them in accordance with a schedule worked out with SHAPE and with each government. Since the interim advances made to SHAPE have been exhausted, it is of the highest importance that each member government make its additional advances toward these budgets promptly, as otherwise SHAPE and its subordinate commands will not have the funds required to continue operations.

Provisional estimates for SACLANT were transmitted to the Council Deputies by the Standing Group on 6th August, 1951. These will be considered at the Budget Committee on _____, and in the meantime the Council Deputies have given preliminary consideration to the question of interim advances and to the formula to be adopted for sharing these costs.

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II (1) (Continued)

(g) AGREEMENT ON STATUS OF ARMED FORCES

The Council Deputies at their Meeting on 15th January, 1951 agreed that a special conference should be held to prepare an Agreement establishing the status of armed forces of the North Atlantic Treaty Organization countries while serving in the territory of other North Atlantic Treaty countries. A conference took place in London on 29th January, 1951, and used as a basis of its work the agreement on the status of the armed forces of the Brussels Treaty Powers and a draft submitted by the United States Delegation. On 28th February, 1951, the Chairman of the conference submitted a draft Agreement to the Council Deputies, and this was transmitted to member governments for approval. The twelve countries of the North Atlantic Treaty Organization signed the Agreement in London on 19th June, 1951.

The Agreement covers personnel belonging to the land, sea and air armed services as well as civilian personnel accompanying a Force. The principal points covered by the Agreement include the following:-

A Force; and its civilian component and the members thereof as well as the dependents, must respect the laws of the Receiving State and to abstain from any political activity in the Receiving State. Members of a Force are exempt from passport and visa regulations and immigration inspection on entering or leaving the territory of a Receiving State, and must have only a personal identity card issued by the Sending State and an individual or collective movement order issued by an appropriate agency of the Sending State or of the North Atlantic Treaty Organization. The Receiving State shall either accept as valid the

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driving permit issued by the Sending State or issue its own driving permit, provided that no driving test shall be required. Members of a Force shall normally wear uniform and may possess and carry arms on condition that they are authorised to do so by their orders.

The military authorities of the Sending State shall have the right to exercise exclusive jurisdiction over persons subject to the military law of that State with respect to offences, including offences relating to its security, punishable by its law but not by the law of the Receiving State. The Authorities of the Receiving State shall have the right to exercise exclusive jurisdiction over members of a Force with respect to offences, including offences relating to the security of that State, punishable by its law but not by the law of the Sending State. Where the right to exercise jurisdiction is concurrent, the military authorities of the Sending State shall have primary jurisdiction in relation to offences solely against that State or another member of its Force, and to offences arising out of the performance of official duty, and in the case of any other offence the Receiving State shall have primary jurisdiction.

Procedures are established for the settlement of claims for damage caused in a Receiving State.

Members of a Force shall have the right to purchase locally goods and services for their own use under the same conditions as citizens of the Receiving State. A Force may import duty free its equipment and a reasonable quantity of provisions, supplies and other goods for the exclusive use of the Force. Authorities of the Receiving and

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Sending State shall assist each other to prevent offences against customs and fiscal laws and regulations.

In the event of hostilities, each of the contracting parties shall have the right, on 60 days notice, to suspend any of the provisions of the Agreement, but provision is made for immediate consultation with a view to agreeing on suitable provisions to replace the suspended provisions. It may be denounced by any contracting party, on one year's notice, after it has been in force for four years.

A resolution was adopted by the Council Deputies, when the Agreement was signed recommending Member States to give effect to the Agreement to the maximum extent possible by means of administrative action, pending the ratification of the Agreement.

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II (1) (Continued)

(h) Liaison with Standing Group

In their report to the Defence Committee in December 1950, (D.C.24/3 part VII paragraph 49(i)) the Military Committee proposed that "a small Standing Group Liaison secretariat should be established in London for liaison with the Council Deputies, and the MPSB and the DFEC, and other working committees as appropriate". This report was approved by the Defence Committee and the North Atlantic Council in December, 1950.

With effect from the 2nd July, 1951, Major General Richard Lindsay, U.S. Air Force, a member of the Standing Group staff, has been designated by the Standing Group as their Liaison Officer to the Council Deputies. Office accommodation for General Lindsay and a small staff has been provided in 15, Belgrave Square, London.

General Lindsay's major responsibilities are (SG.112/1 (Final) and SGM-1254-1):-

- (i) to present to the Deputies the approved views of the Standing Group;
- (ii) to keep the Standing Group informed of matters within their particular sphere which are under consideration by the Council Deputies;
- (iii) when specifically authorized to do so by the Standing Group, to perform liaison duties in connection with matters referred to the Council Deputies by the Standing Group which are of interest to major NATO commanders.

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II (1) (continued)

(i) Progress on Organisation in shipping field

Since the last meeting of the North Atlantic Council the Council Deputies, on behalf of the Council, have considered two reports by the North Atlantic Planning Board for Ocean Shipping.

(a) Defence Shipping Authority

The second report of the PBOS (PBOS 2/26) recommended the establishment in case of war or emergency of a Defence Shipping Authority, a recommendation which was approved by the Deputies. The third report (PBOS 3/23) developed in detail the organisation and procedure of the Authority, as agreed at the third meeting of the PBOS held in London in April 1951. In time of war or emergency the Defence Shipping Authority would exercise the control and allocation of ocean-going merchant shipping to ensure the greatest possible economy in its employment and to render it effectively and readily available to meet the needs, both military and civil, of the cooperating nations in accordance with approved priorities. It would also advise the central authority charged with the higher direction of the common effort on all matters affecting merchant shipping.

The Council Deputies took note of the Organization and Procedure of the Defence Shipping Authority and of a resolution approving the plan which had been adopted at the third meeting of the Board (PBOS 3/23, Annexes I and II). Furthermore, they agreed to a procedural proposal by the PBOS for making available to certain non-NATO nations details of the plan and the text of the resolution. Since that date the Council Deputies have agreed to the information being transmitted to Greece, Turkey, Sweden, members of the British Commonwealth and to 20 Latin-American States.

/ (b)

CONFIDENTIALC7-D/1 Draft: 20th August, 1951(b) Central Authority and Shipping Requirements in time of War or Emergency.

In their third report the PBOS requested the Council to designate the NATO body which, as central authority, be responsible for the determination of shipping requirements and of the relative priorities of those requirements.

In considering this question, and pursuant to a proposal by the French Deputy (D-D(51)55), the Council Deputies on 7th June 1951 decided to ask the FEB to report on (i) the feasibility and the proper scope of a realistic examination, at the present time, of civilian sea-borne import requirements for commodities in time of war on a strict austerity basis, and (ii) the feasibility of establishing the principles which should be applied by NAT organisations in war time to the establishment of priorities among import programmes (D-D(51)135(Final)).

Pending receipt of the report by the FEB the Council Deputies have taken no decision as to the body which should be charged with the responsibility for allocating civil requirements in time of war nor to the machinery which will be required to arbitrate between conflicting military and civil claims.

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(c) Organisation to deal with questions concerning reception of merchant shipping including that of change of destination

At a meeting held on 21st March, 1951, the Council Deputies had before them a memorandum from the Standing Group (SGM-283-51) to which was attached a report by the Western European Regional Planning Group on the organisation required to deal with questions concerning the reception of merchant shipping, including that of change of destination. The Council Deputies noted that the Standing Group recommended the PBOS should assume responsibility for co-ordinating the arrangements

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which individual nations might make, and should also establish whatever international machinery might be considered necessary to allow merchant shipping to be diverted from the port of one nation to that of another.

However, on being informed that the question was under review by Working Party of the Western European Regional Planning Group, the Council Deputies agreed to await the results of that study before taking a decision on the recommendation of the Standing Group.

In June the Standing Group transmitted to the Council Deputies a report by the Northern European Regional Planning Group on the Organization required to deal with reception and change of destination of merchant ships (SGM-931-51). Action on it has also been deferred.

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II (1) (Continued)

(j) Assignment of responsibility for raw materials questions.

At the sixth meeting of the Council in December 1950, the problem of the scarcity of raw materials was referred to Deputies for study, on the understanding that, without receiving any formal instructions, the Deputies would bear in mind the ideas expressed in the course of the discussion and would take whatever decisions were necessary.

Prior to the Council Meeting referred to above, the Council Deputies had established an Advisory Group on Raw Materials (D-D/207). The first report prepared by this Group (D-D/215) was considered by the Council Deputies on 5th January, 1951. In accordance with their terms of reference, the Advisory Group had limited their study to the current and prospective copper, zinc and nickel situation from the point of view of the fulfilment of the defence programme.

The Council Deputies approved this report for transmission to the individual NAT Governments, subject to the proviso that, for the time being, the attention of non-member Governments should not be drawn to the contents of the report. The Defence Production Board was asked to submit recommendations on the best method for calculating the NAT requirements of the raw materials in question. It was agreed that no further action was required from the Advisory Group on Raw Materials until such time as current discussions in other fields had been completed.

At the same meeting, the United Kingdom Deputy submitted a statement on the status of the Washington talks on scarce raw materials between the United States, the United Kingdom and France.

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The Council Deputies agreed to continue their consideration of this problem when the discussions in Washington and the proposed discussions in CEEC had been completed.

On 30th April 1951, when the Council Deputies approved the establishment of a Financial and Economic Board for NATO, they provided that it should succeed to the functions and the responsibilities of the Advisory Group on Raw Materials problems, and that, when functions and responsibilities had been transferred, the Advisory Group should be dissolved.

At a meeting of the Council Deputies on 26th June 1951, when the Chairman of the FEB and the Coordinator of DPB were present, there was a discussion of the raw materials problem, when the following points were made:

(a) The general task entrusted to the FEB in connection with raw materials was that of holding a watching brief in NATO interests so far as raw materials were concerned, and contacting the bodies more directly occupied with raw material problems to see that the needs of NATO are safe-guarded.

(b) There are several aspects of the raw materials problem. NATO bodies have no concern with some of these aspects, such as the widening of the source of supply, but with other aspects such as the technical specifications of the use of raw materials the DPB was directly interested, and useful work could be done by NATO agencies acting in collaboration.

(c) Neither the DPB nor the FEB should duplicate the work on raw materials being done by other bodies, in particular the Washington Raw Materials Conference.

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II (1) Continued

(k) NAT Statistical Programme and Reports Control

On February 26 1951, the Council Deputies adopted a resolution (D-D(51)47 Revised of February 22) setting up a NATO Statistical Service. On March 6th 1951, the Working Group on the collection of Basic Statistics, reported to the Council Deputies (D-D(51)67) on the form such a service should take, outlined its functions and laid down its terms of reference.

The principal objective of the NAT Statistical Programme that has been developed pursuant to these plans has been to assure the availability of reliable statistics on progress of NAT programmes and on substantive problems under consideration by NAT agencies. The collection of basic data from original sources or from published reports of other organizations, and the organization and presentation of such data in the form best suited for use by NATO bodies, is the primary concern of the NAT Statistical programme.

The first step in carrying out such a programme was the creation of a central Statistical Service as a part of the Central Staff of the Council Deputies. This service consists of a Chief Statistician and a small group of statistical experts with supporting clerical and technical personnel. Budgetary provision has been made for approximately twelve persons and the present staff consists of four persons.

This small central staff will serve as a coordinating group concerned chiefly with the preparation of summary progress reports and with the coordination and development of more detailed and extensive statistical programmes within the other NATO bodies. The specific activities of this group

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since its establishment in May of 1951, have been as follows:-

- (a) Preparation of an initial summary progress report on NATO activities based on incomplete data available from various sources (OPR(51)1, June 15, 1951).
- (b) Consultation with and technical assistance to the Basic Data Committee of the DPB in development of a system of statistical reports on munitions production (DPB(51)70, revised).
- (c) Consultation with statistical experts in Washington on the completion of the costing exercise of the Standing Group and summarization of cost estimates for presentation to the Council Deputies (D-D(51)60, August 13, 1951).
- (d) Discussions with FEB staff on the establishment of a statistical programme for that organization.
- (e) Consultation with the Chief Statistician of SHAPE on mutual statistical reporting problems.
- (f) Preparation and discussion of a draft of a Proposed Plan of Reports Control (MISC(51)18, June 15, 1951). The proposal outlines a procedure for review of questionnaires and other requests for reports emanating from NATO agencies and addressed to member countries. It is designed to avoid duplicate requests for similar data and to reduce the reporting burden placed on member countries.
- (g) Participation in the Joint Working Group on Production, Finance and Military Requirements Problems (D-D(51)202, August 15, 1951).
- (h) Consultation on statistical reporting problems with chief statisticians of the following organizations: Statistical Office of the United Nations, Economic

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Commission for Europe, O.E.E.C., the central statistical offices of member countries, the Munitions Board and Department of Defence of the United States, and the Economic Cooperation Administration.

- (i) Establishment of a statistical reference service through which reports of agencies publishing international statistics are available for use of the entire NATO staff.

The development of sound plans and the successful execution of such plans depend heavily on the availability of a substantial body of reliable statistics compiled and presented in the form best suited for use by NATO bodies. Much remains to be done before an adequate programme can be said to exist, but a substantial start has been made. In addition to following through on the activities outlined above, the future statistical programme will concentrate on the establishment and expansion of statistical offices and functions in DPB and FEB and the inauguration through these offices of a carefully designed system of periodic reports that will provide data essential for planning, operating and progress reporting purposes. Review of existing data and evaluation of their reliability and usefulness must also continue. Close liaison and cooperation with the statistical offices of the NATO military organizations will also be maintained.

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II (2) Action on matters which are primarily political

(a) Association of Greece and Turkey with Western Defence

Note: Preparation of this item has been deferred until discussion of this subject has been completed by the Council Deputies. It will be necessary to decide whether the report should contain a description of the points raised in the Council Deputies' discussions (as was done in the Working Group's report, D-D(51)182), or should merely be a brief statement that the question was discussed at a specified number of meetings between 20th May 1951 and _____ August 1951, leaving the detailed statement of substantive issues to a separate action paper to be presented to the North Atlantic Council.7

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II (2) (Continued)

(b) GERMAN PARTICIPATION IN WESTERN DEFENCE

The North Atlantic Council, at their Sixth Session in Brussels, having agreed on a basis for discussion with the Germany Federal Government in regard to the part that Germany might assume in the common defence, invited the Governments of the three Occupying Powers to explore the matter with the Germany Federal Government and to keep the other parties to the North Atlantic Treaty informed as fully as possible of the course of the discussions (Document: C6-D/1).

The procedure adopted for keeping the Deputies representing the non-Occupying powers fully informed, in accordance with the Council's decision, was that the Deputy of the Power which held the Chairmanship of the Allied High Commission during any given month, in agreement with the other two Occupying Powers, made a statement in the Council Deputies on the progress of the negotiations during that month. Between 17th January and 11th June the Council Deputies received a total of eight comprehensive reports on the discussions. The final report covered the discussions which took place during the month of May.

At their Sixth Session the Council also took note of the French Government's intention to call a Conference of the countries (including the German Federal Republic) which might wish to participate in a European Army, and in view of the importance of the French Government's proposals, requested the Deputies to keep themselves informed as fully as possible of the progress of the Conference. They also requested the Deputies to consider in due course the recommendations made at this Conference from the point of view of NATO requirements (Document: C6-D/1).

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Accordingly, the Council Deputies invited the French Deputy, who served as Chairman of the Paris Conference, to keep them informed of the proceedings. The French Deputy made seven statements between 19th February and 25th July, records of which were circulated for the information of Deputies and their respective Governments. In his final progress report the French Deputy informed the Council Deputies that an interim report on the results of the Paris Conference had been referred to the Governments which took part in the Conference and also to those represented by observers.

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II (2) (continued)

(c) Discussions of political matters of common interest.

From time to time the Council Deputies have met with the heads of other NAT bodies, and with ministers of member Governments. On one occasion they met with His Excellency M. Alcide de Gasperi, Prime Minister of Italy, who was accompanied to the meeting by His Excellency Count Carlo Sforza, Italian Minister of Foreign Affairs (DR(51)21). On another occasion the Chairman of the North Atlantic Council, His Excellency M. Paul van Zeeland, attended a meeting to discuss arrangements for the next meeting of the Council and also outstanding problems relating to the production of arms in Europe (Summary record DR(51)35). Other members of the Council who have met with the Council Deputies include: the Honourable Lester B. Pearson, Canadian Secretary of State for External Affairs (DR(51)50); His Excellency M. Ole Bjørn Kraft, Danish Minister of Foreign Affairs (DR(51)37), and the Right Honourable Herbert Morrison, U.K. Secretary of State for Foreign Affairs (DR(51)48).

The Council Deputies also discussed problems of mutual concern with the last two incoming Chairmen of the Standing Group, Vice Admiral Jerauld Wright (DR(51)25), and Lieutenant General Paul Ely (DR(51)52). Furthermore, they met with General of the Army Dwight D. Eisenhower, Supreme Allied Commander Europe (DR(51)4), and Lieutenant General Alfred M. Gruenther, Chief of Staff, SHAPE (DR(51)26).

The Council Deputies' terms of reference authorize them to "exchange views on political matters of common interest within the scope of the Treaty" (Council Resolution 4/7, paragraph (c) and D-D(51)86(Final)). The Council Deputies,

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early in 1951, decided not to confine their discussions in this field to specific political problems which might be referred to them for exploration or decision, but instead, at regular intervals, to exchange views on political questions of a general nature.

In the first instance, having ascertained the views of their respective Governments, the Deputies reviewed the present position of Yugoslavia (D-D(51)29(Final)). Subsequently, they embarked on a series of discussions covering the USSR (D-D(51)169) and the satellite countries: Hungary, Rumania, Bulgaria and Albania (D-D(51)80(Final)); Eastern Germany (D-D(51)90); Poland and Czechoslovakia (D-D(51)133(Revise)). In general, views were exchanged on the political, economic and military conditions in those countries. Furthermore, prior to the meeting of national information officials in April, the Deputies gave detailed consideration to the subject of conflict of ideas. The views expressed in the course of discussion were summarized in a Memorandum of Guidance for the NATO Information Conference (D-D(51)63 Final).

Early in April, in the light of experience in previous discussions, the Council Deputies agreed on the procedure to be followed in their political exchanges (D-D(51)92 Final). The purpose of these consultations was stated to be fourfold:

(a) to provide an informal means of exchanging information and points of view on political matters of common interest within the scope of the Treaty;

(b) to provide a summary of this exchange of information which would show the points on which there were common views and those on which views differed;

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(c) to provide a channel for inter-governmental consultation on political questions of common concern within the scope of and connected with the Treaty. Such questions might either be proposed by agreement of the Deputies themselves, or might be taken up at the request of one or more of the NAT governments. Such consultation might, with the agreement of the Governments directly concerned, also refer to matters of common concern to NATO as a whole, which might be under discussion elsewhere;

(d) where appropriate, as a result of such consultation, to make recommendations to governments.

It was agreed that the summaries of the Deputies' political discussions should be regarded as an informal exchange of views and should not in any sense be regarded as committing NAT Governments to a particular course of action. However, at their meeting on 20th June, 1951, (D-R(51)49) the Council Deputies agreed to extend the area of their exchange of views in appropriate cases to include statements of national policy.

In the case of Yugoslavia the Deputies' exchange of views has proved of considerable practical value (See II, 5(c)).

SECRETC7-D/1: Draft 16th August, 1951II (3) Action on Military Buildup and Requirements(a) Proposals for coordinated action by NAT agencies in carrying out Medium Term Defence Plan

The Coordinator of Defence Production, at a meeting of the Council Deputies on 30th July 1951, proposed that a meeting of senior representatives of the Council Deputies, the Defence Production Board, the Financial and Economic Board and the Standing Group be convened at an early date to give comprehensive consideration to the over-all situation with respect to carrying out the Medium Term Defence Plan, with a view toward considering any necessary readjustments in production, in finance and procurement, or in military requirements.

A preliminary meeting was held on 14th August 1951, attended by representatives of the Council Deputies, the DPB, the FEB and the Standing Group. It was agreed that broad statistical figures dealing with:

- (i) the cost of the total MTDP,
- (ii) the "costing exercise" for countries' commitments under DC.28, planned programmes of mutual aid and any feasible projections thereof,
- (iii) planned defence expenditures by NATO countries and any feasible projections thereof,
- (iv) planned defence production expressed in financial terms,
- (v) available capacity for defence production expressed in financial terms,

would be jointly prepared by experts of the Financial and Economic Staff, the Defence Production Staff and the Central Staff, drawing on other assistance as necessary, to provide a general presentation showing the order of magnitude of the problems involved.

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This programme was reviewed by the Council Deputies on 20th August 1951.

[This item will be completed after further action has been taken by the Council Deputies and the Joint Working Group.]

II (3) (Continued)

(b) Proposals for Financing Arms Production in Europe

A memorandum by the Chairman of the North Atlantic Council, M. Paul Van Zeeland, which was sent to the Council Deputies at the end of 1950 (D-D(51)1), pointed out that the necessary bases were available on which to calculate the volume and type of arms to be the minimum indisputably essential to the equipment of the Atlantic Force, and that two conditions were now essential to increase arms production in Europe:

- (a) the arms to be purchased must find a definite purchaser;
- (b) the producing countries must have the assurance that a payment scheme will be set up.

To fulfil these conditions, the Chairman suggested that a system be devised of guaranteeing payment by the twelve nations, and that the possibility existed of establishing an Inter-Atlantic fund by earmarking a proportion of the exceptional profits likely to arise with the growth of economic activity associated with expanded defence programmes.

The suggestions made by the Chairman were reference to the DPB and the FEB, where they provided the starting point for a careful analysis of the problems involved in the full use of existing capacity.

Later, the Belgian Delegation to the FEB, as the placing of orders for production is urgent, has submitted a Memorandum on the prefinancing of arms production in Europe (FEB-D(51)25 of 16th July 1951). This suggests that a "Joint Prefinancing Fund" be constituted with contributions from member countries, for the prefinancing of armament production, and is now being studied by the FEB.

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The results of the work by these agencies on this subject are being presented to the Council in the action paper on "Proposals for coordinated action by North Atlantic Treaty Agencies in carrying out the Medium Term Defence Plan", described in the preceding section of this report.

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II (3) (Continued)

(c) Arrangements concerning infrastructure.

1. At the end of March 1951 the Standing Group requested (STAND 70) that the Council Deputies make a strong and urgent request to governments of nations concerned, to provide the funds immediately necessary for expenditure on airfields contained in the "second slice" of the Western European Region Infrastructure Programme (WR/MC(51)87). (The "first slice" of the Infrastructure was agreed upon by the Brussels Pact countries in May 1950 (£30 million)).

Information was obtained by the Deputies concerned, showing that there was no immediate danger as far as the airfields were concerned, (MISC(51)15). For the immediate requirement funds had been made available by Belgium and the Netherlands, and would shortly be made available by France. Standing Group was informed of the position on the 12th May, 1951.

2. On the 10th May, 1951 the Council Deputies approved the terms of reference (D-D(51)130) of a Special Committee on Infrastructure, to consist of military and financial experts of all the NATO countries, and also of representatives of SHAPE and such other supreme or subordinate commands as and when appropriate. It should be the task of the Committee to examine the technical aspects i.e. the feasibility and practical aspect of arrangements for the financing of such Infrastructure (as defined in SGM 31350) as may be from time to time required for the defence of the whole NATO area in accordance with priorities laid down. It was decided that such a separate arrangement had to be made without waiting for the results of the burden sharing exercise because funds had to be made available immediately. The financial burdens resulting from this special arrangement would be included in the total Defence burdens.

3. The Special Committee on Infrastructure began its work with the study of the provision of funds for the
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airfields to be constructed under the second slice of the infrastructure programme.

Those funds which were originally evaluated at £18.7 million by the Western European Regional Planning Group, were later on raised to £41 million by SHAPE because of changes in prices, and in the minimum standards required. They cover the construction of 16 new airfields and extensions of 10 other airfields.

△Note: This section will be completed when this subject has been considered further by the Council Deputies. See report of Special Committee D-D(51)196_7.

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II (3) (continued)

(d) Report by individual countries on progress of the rearmament programme.

At a meeting of the Council Deputies on 31st January, the United Kingdom Deputy gave an account of his Government's increased armament programme, announcement of which had been made by the Prime Minister in the House of Commons. The Deputies took note of the statement and agreed it would be useful, in the event of important changes being made or developments in national rearmament programmes, to have the facts put before the Deputies. Thus, in the course of the next few weeks, the Deputies of Canada, Norway, Italy and Belgium drew attention to the plans of their respective Governments for increasing their defences. In some instances information of a highly confidential nature was made available to the other NATO Governments.

At a later date Mr. Charles E. Wilson, Director of the United States Office of Defence Mobilisation, outlined at a meeting of the Deputies the three-year plan for defence production which is being carried out in the United States.

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II (3) (continued)

(e) National military service, mobilization and training.

In response to a request from the Defence Committee for the Council Deputies to use their good offices with their respective governments to secure acceptance of certain principles governing National Military Service, Mobilization and Training, in December 1950 a questionnaire was sent out to all Deputies for transmittal to governments. The principles furnished by the Defence Committee were as follows:-

(1) System of National Service

- (a) Period of national service should be for a minimum of 18 months to 2 years, according to the conditions prevailing in the respective countries.
- (b) Call-up and release of National Servicemen should be spaced evenly over the year.
- (c) There should be a period of at least two weeks, preferably four weeks, of compulsory annual reserve training for National Servicemen for the required number of years after they have completed their active service.
- (d) An adequate number of Junior Leaders and Specialists should be trained from National Servicemen.
- (e) Few highly trained technicians can be found from National Servicemen; Air and Naval forces must therefore be composed largely from long service regulars.

(2) Training of National Servicemen

The basic training of National Servicemen must be carried out in training establishments in the home country and not in covering forces, which must be ready for battle at short notice. The number of regular servicemen/

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servicemen must be sufficient to meet both the needs of training establishments and the covering forces. The two roles cannot be combined.

(3) National Mobilization

National mobilization machinery must be designed to ensure that reserve formations can become effective quickly. This is only possible if these formations are based on adequate cadres and that the reservists carry out their reserve training in the unit in which they will be mobilized.

The object of the questionnaire was to ascertain to what extent the various governments adhered to the principles set forth, and thus obtain information necessary to recommence specific corrective action to be taken by governments concerned.

At two meetings in March 1951, to which a representative from the Standing Group and a representative from SHAPE was invited, the Council Deputies examined the replies submitted by each country, together with a tabulated summary and a brief factual analysis of the answers prepared by the Secretariat. It was found that the principles set forth were not fully observed in a number of countries, although in certain cases steps were being taken to adopt them. It also appeared that all countries were convinced that, either under their present system, or when the new measures contemplated had been introduced, it would be possible for them to meet their present engagements (D.C. 28) under the Medium Term Plan. It was suggested that in this respect a military judgment was called for, and that SHAPE was the most competent body to carry out an evaluation.

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The Council Deputies, as a result of their examination of the replies to the questionnaire, invited the Chairman to take the following action:

(a) To request SHAPE, through the Standing Group, to make an appraisal to determine whether the measures adopted by each country with respect to the matters raised in the questionnaire would produce the forces required for the Medium Term Plan as to quantity, quality and in time.

(b) To invite the Standing Group to report to the Council Deputies those deviations in countries which should be brought to the attention of governments with a view to securing prompt corrective action.

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II (3) (Continued)

(f) Appointment of Supreme Allied Commander Atlantic

In accordance with the Defence Committee's decisions regarding the North Atlantic Ocean Command Organisation (D.C.24/2 and D.C.24/3), the Council Deputies in February 1951 discussed a draft resolution concerning the appointment of the Supreme Allied Commander Atlantic. The proposed procedure was for the Council Deputies to adopt this resolution after consultation with the individual governments and specifically with Defence Departments.

The resolution, as amended during discussions, was last considered at a meeting held on 9th April 1951, but was not acceptable to all member governments. No progress has been made since that meeting.

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II (3) (Continued)

(g) Offers of Equipment by Canadian Government.

In January, 1951 the Council Deputies considered a memorandum by the Canadian Deputy (D-D(51)18) informing the Deputies that armament and ancillary equipment of the order required for one Infantry Division could be made available for transfer from Canada to other NATO countries. In this memorandum reference was made to an earlier offer to transfer similar equipment for one Infantry Division, which, on the recommendation of the Standing Group, had been transferred to the Netherlands. The Council Deputies agreed that:-

(a) The respective governments should be informed of the offer of the Canadian Government.

(b) The Standing Group should be asked to recommend which country should receive the equipment.

Early in February, 1951 the Standing Group informed the Council Deputies that the second offer of Canadian Phase II equipment had been recommended for transfer to Belgium.

In mid-April 1951 the Canadian Deputy informed the Council Deputies that the Canadian Government would offer for transfer to NATO countries further equipment of United Kingdom type as and when the Canadian Army could release it. The processing of the offer would, as in the past, be done by the Standing Group.

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II (3) (Continued)

(h) Establishment of NATO Defence College

Early in June 1951 the Council Deputies were invited by the Military Representatives Committee to consider a system of financing a NATO Defence College. The establishment of such a college was originally proposed by SHAPE. The desirability of this project and the factors involved in such an establishment had been approved by the Standing Group and the Military Representatives Committee.

At their meeting on the 25th June 1951 the Council Deputies approved a resolution providing that:

- (a) Capital, operational and maintenance costs should be included as a charge of the SHAPE Budget.
- (b) National funds should be expended for the pay, allowances and subsistence of students and instructors of each nation.

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II (continued)

(4) Public Information Activities

[In course of preparation].

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II (5) Miscellaneous matters

(a) West Berlin Industry

In January 1951, the Council Deputies approved a resolution recommending that each member government seek every opportunity to encourage the placing of orders for exports from Berlin particularly for items needed in NAT defence programmes (D-D(51)13 (Final)).

This resolution was prompted by the fact that one-fourth (287,000 people) of West Berlin's labour force was unemployed and the current annual balance of payments deficit was about \$260 million. At the same time, only two-thirds of the existing industrial capacity of West Berlin was being used. The full use of West Berlin industry would give an additional annual production of some \$120 million, thus reaching a total production of about \$500 million from a level of about \$400 million.

In May 1951, the Council Deputies were informed that the export trade of West Berlin to NATO countries had shown a substantial improvement and had risen in March to a figure which, on an annual basis, would be about \$40 million.

As the unemployment position in West Berlin was still serious, the Council Deputies, at their meeting of 26 May 1951, reaffirmed their previous resolution and drew the attention of their Governments to the continuing need to encourage the placing of orders for exports from West Berlin, particularly for items needed in NAT defence programmes.

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II (5) (Continued)

(b) East-West Trade

In January 1951 the Council Deputies adopted a resolution (D-D(51)11) which requested that the Defence Production Board examine the question of the likelihood of critical shortages in respect of supplies of goods the export of which to the Soviet bloc might be prevented, in certain circumstances, on account of their importance to the NAT defence effort. The Defence Production Board was asked to recommend what action could best be taken to prevent export of such articles. The Defence Production Board listed a group of items which should be preserved to the utmost for NATO rearmament, but expressed the view that the DPB was not competent to suggest what form control of these items should take. After a thorough discussion, the question of the method of controlling such exports was referred to a Working Group, which prepared a resolution for the Council Deputies in which the Financial and Economic Board, in consultation as necessary with other appropriate international agencies, was requested to examine this matter with a view to securing prompt agreement among NAT countries as to the specific measures to be taken in this field. This resolution was finally adopted by the Council Deputies on _____ August 1951.

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II (5) continued

(c) Aid to Yugoslavia

When the Council Deputies held a general exchange of views concerning Yugoslavia, on 22nd January 1951, it was recognized that, considering the increasing pressure on Yugoslavia from the East and the rapid arming of the Soviet satellites, the economic position of Yugoslavia was a matter of vital political importance to the North Atlantic Treaty Governments. It was pointed out that the strategic advantages deriving from Yugoslavia's independence of the Soviet bloc are considerable and that it is also a matter of great importance to the Western Powers as an example of successful national resistance to Soviet imperialism. These considerations were also recognized by the NAT Governments in their replies to a communication from the United States Government when the latter proposed in November, 1950, to extend food assistance to Yugoslavia under the Mutual Defence Assistance Act of 1949 as amended, and more recently when the United States Government proposed to assistance in raw materials under the same legislation. In their replies the NAT Governments agreed that maintenance of the capacity of Yugoslavia to defend itself against aggression was vital to the security of the North Atlantic area.

In a memorandum of 7th July 1951 the French, United Kingdom and United States Deputies proposed the adoption of a resolution which would give general NATO endorsement to the principle that all NAT countries should cooperate in relieving the serious economic strain on Yugoslavia, which had resulted in an approach by the Government of Yugoslavia to the three Governments for economic assistance. The resolution, adopted by the Council Deputies on 1st August 1951, recommends to member governments that, "if they are approached by the Yugoslav Government to extend economic assistance, they should cooperate to the fullest extent possible".