Office Memorandum  - UNITED STATES GOVERNMENT

TO:       Jan Kottwitz
FROM:     WR BB

DATE:     5/20/77

SUBJECT: You may be interested in the attached. Would like to discuss with you either you've read it or
          you've commented.

            UK

This is really a general policy statement and ends up with Drugs. What about other parts of the world?

LR: Too many states => 600 etc to operate in absence of US policy
May 20, 1947

TO:       ED - Mr. Havlik       CA - Mr. Cleveland
          Stokes
          A-T - Mr. Stinabower
          OFD - Mr. Ness
          PA - Mr. Russell

FROM:    A-B - Joseph Jones

The attached draft speech was begun at the direction of the Secretary at the time he thought he might go out to Wisconsin to accept a degree. The Secretary felt at that time that he would like to develop further the line taken by Mr. Acheson in his Mississippi speech on May 8.

Although the Secretary abandoned the Wisconsin trip, I have completed the speech. It is my understanding that the Secretary will give several addresses during June, of which one may be on this subject.

I would therefore appreciate it if you would consider this draft carefully and let me have your criticism and suggestions at the earliest moment.

Except for the first four pages, which sound warnings similar to those of Mr. Acheson in Mississippi, this speech is written primarily with a view to its effect abroad. The indications of suspicion and skepticism with which foreign peoples are beginning to view American aid are alarming and it would seem to be of first importance to spell out our design for reconstruction and to give a positive concept about which peoples of Europe especially can rally and upon which they can pin their hopes. The political and economic policy of the Department has led up to an expression of this sort and now seems the psychological time to launch it. We have a great deal to gain by convincing the world that we have something positive and attractive to offer, and not just anti-Communism.

Attachment

A-B: Jomonson
"RECONSTRUCTION"

Proposed Address for Secretary Marshall

June, 1947

Two simple economic facts dominate foreign affairs today. One is that if peace and prosperity are to return to this earth, nations must be able to feed their peoples, to re-build their wrecked economies, to become self-supporting. The other is that if these things happen, a considerable part of the reconstruction commodities and the money to pay for them must for several years to come be provided by the United States on an emergency basis.

These facts cannot be escaped and they cannot be denied. The restoration of peace and prosperity in this world depends to an important degree upon the willingness of this country to supply the commodities and funds for reconstruction.

We are now charting our way through what is in a sense the most complex of the several stages of world recovery and reconstruction. In the first months after the cessation of actual fighting, the relief needs of devasted countries had top priority. There was no question about what
to do at that stage. The job was to feed the hungry and to pay the bill. That is what any humanitarian people would do.

But relief needs are now receding. The patient, brought in dangerously wounded from the battlefield, has received emergency treatment and has regained consciousness. But it will be some time before he builds up enough strength to walk and become self-supporting. Who is to help him during the period of convalescence?

If the world is to recover its powers, it will for a considerable period need convalescence loans or grants. These, I think, we can ill afford to deny, for we are the only country able to extend aid of this sort.

When the world has become self-supporting we hope to be able to turn over the job of financing reconstruction primarily to the International Bank and to private lending. But at the present time, private capital, either on its own or through the World Bank, is unwilling to take the risk involved.

Private bankers, as well as the officers of the International Bank for Reconstruction and Development, have made it clear that they will make loans only on projects that are economically sound and when there are good
good prospects for repayment, and that they will refuse loans where the political uncertainties are so great as to make a loan economically unsound.

It is precisely in those areas of convalescence, however, where the need for aid may be greatest. If we are not willing to extend convalescence aid, it is difficult to see how those countries are going to break out of a vicious circle in which economic conditions cause political uncertainty and political certainty precludes economic assistance through commercial channels.

What will happen if we do not provide adequate funds and commodities for subsistence and reconstruction abroad? This, I think, is hardly questionable: that if adequate help from the United States is not forthcoming, many of our allies in the late war, with which this country has long maintained friendly and mutually profitable relations, will be obliged in the months to come to cease imports of food and reconstruction material. Should this happen, human want, economic collapse, political crisis, collapse of democratic institutions, growth of extremism, and perhaps loss of independence would in many countries quickly follow. Our hopes for peace and prosperity would vanish. We would live in unprecedented isolation. We would
would live in growing poverty. We would live in growing fear.

The mathematics of the present situation are austere. The world is this year buying just twice as much from the United States as it is able to sell to us, and is still far from getting all it needs. The difference is being paid for this year largely by United States through emergency financing already authorised, and in part by foreign governments who are drawing down their extremely limited reserves of gold and foreign exchange. But the prospects are that the foreign need for imports of commodities will be as great next year and the year after that as in 1947, while the ability of foreign countries to supply commodities to us in exchange will be very little increased over 1947.

This will mean sharp economic and political crisis unless we in the United States are prepared to continue to bridge the gap in 1948 and 1949 with further loans or grants-in-aid. Even the present level of supply of commodities is far below what is needed abroad to keep people healthy and warm.

Nor is this situation one that we can wait until late in 1948 to think about. The overall figures of international finance must tend to conceal individual
Individual stresses and strains more acute than the general average.

Moreover, political crisis based upon bankruptcy does not wait until the last dollar is spent. It rides upon the wings of prospects and proceeds the empty till by months or years.

We must therefore be prepared, if we wish to have a world in which we can ourselves be prosperous or secure, to consider and to respond to heavy additional requests for foreign aid in the next twelve to twenty-four months.

What is the United States trying to accomplish with its financial and economic assistance to foreign countries? What principles are guiding the United States Government as it seeks to help the world back to recovery? What is our design for reconstruction?

It is plain that with a limited supply of commodities and limited funds available for reconstruction, the United States cannot aid all those who need or ask for help. And it would be senseless to proceed upon the basis of first come first served. We must have therefore, and we do have, a definite conception of the kind of world we would like to see re-built, and our policy and our actions are directed towards achieving that kind of a world.
Our conception of the kind of world we would like to see re-built includes improvements on the pre-war model. We have learned some things in the last quarter century about what makes for greater peace, prosperity, and happiness in this world. We are trying to build some of these improvements into the peace.

A principle that is guiding the United States in granting reconstruction aid was stated by President Truman in his special message to Congress on March 12. Said the President: "One of the primary objectives of the foreign policy of the United States is the creation of conditions in which we and other nations will be able to work out a way of life free from coercion."

And in elaboration of that principle, the President said: "I believe that it must be the policy of the United States to support peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political progress'.

This is not a structure or plan of reconstruction. It is one of the principles that will guide us in making reconstruction aid available to foreign
foreign countries. It means that top priority for American reconstruction aid will be given to free peoples who are seeking to preserve their independence and democratic institutions and human freedoms against any kind of extremism or totalitarian pressure, either internal or external.

Policy based on this principle is not negative. It is not against any country. It is a vigorous, positive policy for freedom and democracy. It recognizes that extremism flourishes in an atmosphere of economic disorganization and human want, that freedom and democracy and peace are difficult or impossible under such conditions. It recognizes that it is to the interest of all free peoples to pitch in with the economic assistance necessary to allow freedom and democratic institutions to exist and grow in needy countries. This is a liberal doctrine that does more than talk freedom and democracy. It actively supports them by strengthening their economic bases.

This policy has been alleged by some both at home and abroad to mean that the United States is imperialistic, that it is building up a coalition or a bloc of nations against another country.

These are not true. The United States is not interested in or engaged in.
in organizing or building any coalition or block whatever. All we are interested in is the building up of a world of free and independent and self-governing peoples in the belief that only in this way can peace be preserved in this world.

We do not seek imperialistic control. We reject such control. We merely seek to help peoples and nations to preserve their independence and their democratic institutions against control by any minority group or any outside power, including the United States. This we do in the interest of creating a stable basis for peace in the world.

The new structural design we seek to fill in through our reconstruction aid is that of the United Nations. With regard to each request for American reconstruction aid we ask these questions: Would the extension of aid in this instance be in accord with the principles of the United Nations? Would it advance the purposes for which the United Nations was founded? Would it therefore promote the authority of the United Nations?

That sort of men would we be, and what fate would we deserve, if, having agreed with other nations upon the design of a modern structure for cooperative international living, we should arbitrarily divert our
our attention and resources to building about the world a series of national-
istic eighteenth century fortresses?

We may make mistakes as we build this international structure. In fact,
we are almost certain to make mistakes. But we shall not make the mistake of
abandoning the United Nations blueprint.

At the same time, we must avoid the error of considering the United
Nations as a finished structure. That structure will never be completed;
and today it is in its earliest construction stages.

One projected wing of the United Nations structure which promises to
be of great importance has only recently opened its doors for business. I
refer to the Economic Commission for Europe. Other projects looking towards
an integrated and unified Europe within the framework of the United Nations
are in a public discussion stage, but may yet become a reality.

It is one of the primary aims of the policy of the United States to
promote the growth of a free, prosperous, economically integrated and politically
cooperative Europe that shall play an independent and stabilizing role
in world affairs. And it is the aim of the reconstruction aid of the United
States to support that policy. I believe
I believe that economic and political collaboration among all the countries of Europe and the practice of joint responsibility by the major powers for European economic reconstruction, will make an important contribution to the political unity of the powers and to the peace and prosperity of the world. I believe, conversely, that economic or political nationalism and disunity in Europe, especially in view of the present power relationships, is a threat to the peace and prosperity of Europe and of the world.

Today much of Europe lies in ruins. There is a colossal job of reconstruction to be done, and there are limited materials and funds available for the job.

Will Europe be rebuilt in its un-economic, pre-war compartments, each complete with nationalistic plans, each equipped with tariff barriers, immigration barriers and transport barriers, each possessing un-economic industries scantily fed by raw materials un-economically exploited, each threatening and impoverishing the other? Or will Europe be rebuilt upon modern, cooperative lines, deriving wealth from cooperative production and exchange, deriving strength from unity, and ultimate security from the United Nations?

It is a matter of vital interest to the United States how these questions are
are answered. For the reconstruction of a Europe patterned on the past can only bring impoverishment and insecurity patterned on the past. The end would be a war patterned on the future.

It is a matter of immediate concern that American reconstruction aid shall be used economically, yielding a generous return in the form of peace and prosperity. We want our investment to be worth while.

There have already been certain encouraging if preliminary steps in the direction of an economically coordinated Europe. Upon the cessation of active fighting in Europe, the most important problems to be tackled, aside from relief, were those of getting coal mined and getting wrecked and dis-organised railways operating again. These problems had to be solved before others could be tackled. It is significant that they were tackled by cooperative European action. The instrumentalities through which this work was accomplished were the European Coal Organization and the European Central Inland Transport Organization, which were organized shortly after V-E Day. Subsequently the Emergency Economic Committee for Europe was organized in order to assure the equitable distribution among European countries of other commodities in short supply, such as timber, alkalis, oil cake and
and fertilisers. This Committee also arranged for the marketing of surplus fish supplies; made a small start in the complex problem of reviving trade between Germany and the rest of Europe; provided a certain degree of coordination of electrical supplies in northwestern Europe, and assisted in reconstructing lines for the export of power from Germany to her neighbors.

Membership in these three bodies has varied, but in general has consisted of interested European countries plus the United States and the United Kingdom. The USSR was a member of the transport organization but did not accept membership on the other two. This membership pattern -- comprising all interested continental countries plus some or all of the major powers -- was a practical response to the necessity for solving Europe's problems on a Europe-wide basis, and also, to the necessity for the aid of the Powers in solving these problems.

These three organizations for European economic collaboration were recently merged into the Economic Commission for Europe and given the status of a regional agency of the United Nations Economic and Social Council. Practically
Practically all of the countries of Europe, plus the Soviet Union, the United Kingdom and the United States have accepted membership on the Commission, which held its organization meeting in Geneva in May, this year.

The potentialities of this organization are enormous. No form of economic collaboration is excluded by the Economic Commission for Europe. It can initiate plans for the coordination and even for the consolidation of air, highway, waterway and railway transport; it can initiate plans for abolishing or reducing customs and immigration barriers; it can initiate plans for regional power development, for rationalized exploitation of resources; it can initiate plans for integrating, rationalizing, and allocating European production and consumption of coal, steel and other vital commodities; it can initiate plans for multilateral clearing of accounts as against bilateral clearing; it can prepare the way towards full economic unification of Europe; and it can even lay the groundwork for political unification.

The Economic Commission for Europe can do all of these things. What it actually does accomplish depends upon the initiative which the countries of Europe are willing to take and the imaginative leadership they are able to...
to demonstrate. The United States and other non-European powers, for their part, can only promise financial and other support for cooperative European ventures and pledge their general economic and political policy in support of the growth of European unity.

This we do now promise and pledge. Moreover, we intend to scrutinize all requests for American aid with this further consideration in view: Does this project contribute towards and fit into an ultimate design of European unity?

We shall consciously keep the goal in view and try to warp all our intermediate national and international action in that direction.

A unified Europe, strong and respected, cannot be built in a day.

It is nevertheless necessary to be bold, to launch audacious projects now, before the rebuilding gets too far advanced -- now, while national designs for reconstruction can still be merged into a grand European design. For when the molds of post-war nationalism have further hardened, when capital, reputations and careers have once more become heavily invested in nationalism, it may be too late for Europe to save itself and the world from destruction.