

FOR RELEASE A. M. MAY 30TH

REPORT ON EUROPEAN TRIP

OF

SENATOR STYLES BRIDGES  
COMMITTEES ON APPROPRIATIONS  
AND ARMED SERVICES

AND

SENATOR STUART SYMINGTON  
COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

FEBRUARY 21 TO MARCH 5, 1954



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1954

47213

COMMITTEE ON APPROPRIATIONS

STYLES BRIDGES, New Hampshire, *Chairman*

HOMER FERGUSON, Michigan	CARL HAYDEN, Arizona
GUY CORDON, Oregon	RICHARD B. RUSSELL, Georgia
LEVERETT SALTONSTALL, Massachusetts	PAT McCARRAN, Nevada
MILTON R. YOUNG, North Dakota	DENNIS CHAVEZ, New Mexico
WILLIAM F. KNOWLAND, California	BURNET R. MAYBANK, South Carolina
EDWARD J. THYE, Minnesota	ALLEN J. ELLENDER, Sr., Louisiana
JOSEPH R. McCARTHY, Wisconsin	LISTER HILL, Alabama
KARL E. MUNDT, South Dakota	HARLEY M. KILGORE, West Virginia
MARGARET CHASE SMITH, Maine	JOHN L. McCLELLAN, Arkansas
HENRY C. DWORSHAK, Idaho	A. WILLIS ROBERTSON, Virginia
EVERETT MCKINLEY DIRKSEN, Illinois	WARREN G. MAGNUSON, Washington

EVERARD H. SMITH, *Chief Clerk*

COMMITTEE ON ARMED SERVICES

LEVERETT SALTONSTALL, Massachusetts, *Chairman*

STYLES BRIDGES, New Hampshire	RICHARD B. RUSSELL, Georgia
RALPH E. FLANDERS, Vermont	HARRY FLOOD BYRD, Virginia
MARGARET CHASE SMITH, Maine	LYNDON B. JOHNSON, Texas
ROBERT C. HENDRICKSON, New Jersey	ESTES KEFAUVER, Tennessee
FRANCIS CASE, South Dakota	LESTER C. HUNT, Wyoming
JAMES H. DUFF, Pennsylvania	JOHN C. STENNIS, Mississippi
JOHN SHERMAN COOPER, Kentucky	STUART SYMINGTON, Missouri

PHILIP ALLEN, *Chief Clerk*

**LETTER OF TRANSMITTAL**

MAY 20, 1954.

*To Members of the Senate Appropriations and Armed Services Committees:*

There is herewith submitted a report on the European trip made by a subcommittee consisting of Senators Styles Bridges and Stuart Symington.

Sincerely,

STYLES BRIDGES,  
*Chairman, Committee on Appropriations.*  
STUART SYMINGTON,  
*Committee on Armed Services.*

III

## REPORT ON EUROPEAN TRIP

### INTRODUCTION

During consideration in the Senate last July of the Mutual Security Appropriation Act for the fiscal year 1954, there was considerable apprehension among some members with respect to the offshore procurement program.

This was especially true as it related to the placing of contracts for the assembly and manufacture, in Europe, of some of America's latest type jet aircraft.

Many members of the Senate were also concerned with the French Indochina situation, the question of the ratification of the European Defense Community, communism in certain free countries, the number of Communists allegedly employed in some of the plants engaged in the manufacture of military items, and the huge overall military construction program now scheduled for Europe.

The subcommittee felt it important to look into these matters; and also, in this air atomic age, to survey the defenses of Europe, especially in their relationships to the overall defenses of the free world.

In view of the interest in these matters, a bipartisan subcommittee of 2 members visited 5 European countries.

The subcommittee consisted of Senator Styles Bridges, chairman of the Senate Committee on Appropriations and chairman of the Senate Armed Services Subcommittee on Aircraft Procurement; and Senator Stuart Symington, member of the Senate Armed Services Committee, and its Subcommittee on Aircraft Procurement. The subcommittee departed from New York on Sunday, February 21, 1954. It visited France, Germany, Italy, United Kingdom, and Spain. The return to the United States was made on March 6, 1954.

The subcommittee was accompanied by Mr. Jarlath M. Slattery, director, professional staff, Appropriations Committee, and Mr. Thomas J. Scott, Assistant Chief Clerk of the Appropriations Committee; and Mr. James Anton, special counsel, preparedness staff, Armed Services Committee. Mr. Stanley Sommer, of the Defense Controller's Office, USRO, and now a member of the staff of the Appropriations Committee and Mr. Ray Ryan, production technical consultant, met the committee in Europe and accompanied it on its inspection trip.

In addition to visits with most of the heads of state of the various countries in question, the subcommittee conferred with representatives of the Department of State, the Foreign Operations Administration, and the Department of Defense.

The subcommittee also visited many of those aircraft plants in Western Europe which manufacture planes and parts and are financed from American funds, and conferred with representatives of government and industry in these countries.

During the subcommittee's visit to Spain, an inspection was made of several of the planned Air Force bases in that country.

Upon return to the United States, the subcommittee issued the following statement:

MARCH 6, 1954.

Senator Styles Bridges (Republican, of New Hampshire) and Senator Stuart Symington (Democrat, of Missouri) arrived in Washington today after a 2-week visit to five European countries: France, England, Germany, Italy, and Spain.

Senator Bridges is chairman of the Senate Appropriations Committee and ranking member of the Senate Armed Services Committee. He is also chairman of a Subcommittee on Aircraft Procurement and Production of the Senate Armed Services Committee.

Senator Symington is a member of the Senate Armed Services Committee and also a member of the above subcommittee chaired by Senator Bridges.

The purpose of this bipartisan trip was to obtain information on the construction and production programs now being carried out in Europe with American assistance. It was considered important to obtain this information prior to the appropriation bills, recommended by the administration, coming before the Senate.

In addition, Senators Bridges and Symington were interested in looking over the defenses of Europe in their relationship to the so-called New Look military budget recently advanced by the administration.

Some 16 military installations and producing plants were examined by the Senators on their trip.

Those with whom these matters were discussed include Prime Minister Churchill of England; the British Minister of Defense, Lord Alexander; Secretary of State for Commonwealth Relations, Lord Salisbury; the British Foreign Minister, Mr. Anthony Eden; President Coty of France; the Minister of Defense of France, M. Rene Pleven; the French Military Service Secretaries; Generalissimo Franco of Spain, along with members of his Cabinet; and many leading political and industrial authorities of Italy.

In addition, Senators Bridges and Symington talked with various Americans in Europe, including Ambassador Aldrich in London; Ambassador Luce in Italy; Ambassador Dunn in Spain; Ambassador Hughes and Mr. Theodore Achilles, Minister Plenipotentiary, in France; the Honorable James B. Conant, High Commissioner in Germany; also President Eisenhower's special representative, Mr. David Bruce.

Military people with whom the Senators talked about the current situation included Gen. Alfred M. Gruenther, Supreme Allied Commander Europe; and his Air Deputy, Gen. Lauris Norstad; Gen. Thomas T. Handy, Deputy Commander in Chief United States European Command, Frankfurt; Adm. William Fechtler, Commander in Chief Allied Forces Southern Europe; Lt. Gen. William M. Hoge, Commanding General, United States Army Europe, Heidelberg; Rear Adm. John R. Perry, CED, USN, representing Vice Adm. Gerauld Wright, Commander in Chief North Eastern Atlantic and Mediterranean Command; Lt. Gen. William H. Tunner, Commanding General United States Air Forces Europe, Wiesbaden; Maj. Gen. Francis Griswold, Commander of the Air Force in the United Kingdom; Gen. August Kissner, Chief of the Joint United States Military Assistance Advisory Group in Spain; and Rear Adm. Harold W. Johnson, CEC, USN, in charge of United States base construction in Spain.

Among those who accompanied the Senators on the trip were Messrs. Jarlath M. Slattery and Thomas J. Scott of the Senate Appropriations Committee; Mr. James Anton of the Senate Armed Services Committee; Mr. Raymond Ryan, industrial consultant to the Senate Appropriations Committee; Mr. Stanley Sommer, of the Defense Controller's Office, USRO; Hon. Edward B. Wilber, Deputy Assistant Secretary of State; and Mr. Henry R. Domers of the General Accounting Office.

Also accompanying Senator Bridges and Senator Symington were Brig. Gen. Robert J. Wood, Chief, Defense Annual Review Team, USRO; and Col. Allen B. Gaston, SHAPE.

The Senators left New York Sunday evening, February 21, and departed for the United States from Paris Friday evening March 5.

Subjects investigated included the infiltration of communism into plants manufacturing goods for offshore procurement along with the security steps taken in those countries where this condition was a problem.

During the trip the Senators gave no interviews as to their reactions to facts submitted and conditions surveyed. They said they had come to obtain facts pertaining to American appropriations; and also to observe preparations for the security of the free world.

After their return to the United States, Senator Bridges and Senator Symington, aided by the Staff of the 2 committees, will submit a formal report, including conclusions and recommendations to the above 2 committees. This report will be available to the public.

In addition, classified matters with respect to the above points will be discussed with the members of the committees in question, and also certain members of the administration.

Both Senators were grateful for the constant courtesy and consideration shown them by the members of the American Embassies, by those at military headquarters, and by the foreign governments visited—and take this opportunity to express their appreciation for the many kindnesses shown them during the trip.

#### POSTWAR FOREIGN ASSISTANCE

Since World War II the United States Congress has provided in excess of \$60 billion for aid to the foreign nations of the world. Of this amount, a total of \$45,458,000,000 in aid has been delivered, and the balance of some \$15 billion is programmed.

These amounts do not include additional aid given foreign nations in the form of artificial price supports on such commodities imported into the United States as copper, rubber, tin, etc.

Of the total foreign aid through June 30, 1953, \$33,097,000,000 has been delivered to Western Europe, including Greece and Turkey.

This \$33,097,000,000 includes \$6,430,000,000 in military assistance to Western Europe, Greece, and Turkey, and \$26,667,000,000 in economic assistance for these countries.

Since the end of World War II (to June 30, 1953) economic assistance given to France, Italy, and the British Commonwealth amounts to \$15,645,000,000. Of this sum, the British Commonwealth received \$7,610,000,000; the Republic of France received \$5,303,000,000; and the Republic of Italy received \$2,732,000,000.

Because of their classified nature, the detailed figures for military assistance provided each country are not contained in this report. The information, however, is available in the committee.

The progress made in the industrial recovery of these countries since the inception of the European recovery program has been tremendous, as is apparent from the industrial production indices.

## REPORT ON EUROPEAN TRIP

*Industrial production indices*

[1948=100]

	1948	1949	1950	1951	1952	1953 <sup>1</sup>	Weight in combined index
Austria.....	100.0	133.3	158.7	180.9	182.6	179.9	2.0
Belgium-Luxembourg:							
Belgium.....	100.0	101.0	103.1	118.6	115.5	113.9	3.7
Luxembourg.....	100.0	95.0	100.0	123.0	123.0	113.7	.2
Denmark.....	100.0	105.9	119.0	121.4	115.5	119.6	1.8
France.....	100.0	108.9	111.1	123.3	126.7	125.6	14.4
Germany (Federated Republic).....	100.0	143.6	181.8	216.4	232.7	251.6	19.3
Greece.....	100.0	117.9	149.3	170.1	170.1	190.3	.8
Iceland.....	100.0						
Ireland.....	100.0	114.3	129.9	132.5	127.3	136.4	.8
Italy.....	100.0	110.1	126.6	144.3	145.6	157.7	8.6
Netherlands.....	100.0	112.3	123.5	128.4	129.6	143.2	3.5
Norway.....	100.0	108.6	123.5	132.1	132.1	137.8	1.2
Portugal.....	100.0						
Sweden.....	100.0	104.4	108.7	113.0	112.0	111.2	4.8
Switzerland.....	100.0						
Turkey.....	100.0	106.5	108.7	115.2	132.6	(?)	1.0
United Kingdom.....	100.0	105.8	115.0	119.5	115.0	121.1	37.9
Total.....	<sup>3</sup> 100.0	<sup>2</sup> 112.5	<sup>2</sup> 125.0	<sup>3</sup> 136.3	<sup>3</sup> 137.5	<sup>4</sup> 144.3	100.0

<sup>1</sup> Subject to revision.<sup>2</sup> Not available.<sup>3</sup> Excluding Iceland, Portugal, and Switzerland.<sup>4</sup> Excluding Iceland, Portugal, Switzerland, and Turkey.

Source: OEEC, General Statistics.

The progress made in European defense preparation has also been heartening. This has been brought about through the coordinated efforts of the United States and other NATO nations. However, the per capita defense expenditure of the European countries does not approach the heavy burden being borne by every man, woman, and child in the United States. The following table illustrates this condition:

*Per capita defense expenditure*

[In United States dollars, United States fiscal years]

	1949-50	1950-51	1951-52	1952-53	1953-54 (estimated)
Belgium-Luxembourg.....	18	22	39	48	53
Denmark.....	12	13	20	25	34
France.....	34	47	74	94	93
Greece.....	8	11	11	11	12
Italy.....	11	13	17	17	17
Netherlands.....	23	22	30	31	40
Norway.....	15	20	29	41	46
Portugal.....	6	6	6	7	8
Turkey.....	11	11	12	14	15
United Kingdom.....	48	54	81	98	97
Total European NATO.....	26	31	45	54	55
Germany <sup>1</sup> .....	22	25	41	40	40
Total NATO plus Germany.....	25	30	45	52	53
Spain.....					
Yugoslavia.....	9	10	11	11	11
United States.....	(?)	(?)	38	36	35
Canada.....	85	143	279	314	298
	32	65	115	134	142

<sup>1</sup> Primarily occupation costs.<sup>2</sup> Not available.

NOTE.—Precise comparisons of the levels of defense expenditure between European countries and the United States are not possible. The conversion into dollars has been made on the basis of official foreign exchange rates, and the purchasing power of the dollar is appreciably higher in most European countries than in the United States. Intra-European comparisons of the converted dollar figures are subject to similar limitations. Adjustments to make figures truly comparable cannot be made.

REPORT ON EUROPEAN TRIP

OFFSHORE PROCUREMENT PROGRAM

During the winter of 1951-52, the United States inaugurated a program of offshore procurement.

This term describes all purchases by United States military and civilian services in areas outside this country. It includes mutual defense procurement, funded from appropriations to the President for the mutual security program, and also defense procurement, the latter funded from appropriations to the Defense Department.

The report is concerned primarily with that phase of offshore procurement funded from appropriations to the President for the foreign military assistance programs.

Basic authority for the offshore procurement program is contained in section 401 of the Mutual Defense Assistance Act of 1949, as amended, and section 506 (a) (2) of the Mutual Security Act of 1951, as amended.

Based on many conferences held with American representatives abroad, together with analyses of the legislative history incident to the authorization acts, it is our understanding that the objectives sought in the offshore procurement program are as follows:

1. To establish and maintain a military production base in Europe.
2. To create technical know-how in Europe for the production of military equipment, particularly for such items as ammunition, aircraft, and spare parts.
3. To enable members of the North Atlantic Treaty Organization to sustain ultimately, with their own funds, the proper maintenance of equipment, and also to support their own military-force commitments.
4. To strengthen the economies of all members of the North Atlantic Treaty Organization.

STEPS REQUIRED FOR IMPLEMENTATION OF OFFSHORE PROCUREMENT

Implementation of this program is brought about in the following manner:

1. Military assistance advisory groups, along with the United States Commander in Europe, develop end-item programs. The latter are thereupon submitted for approval to Washington military departments.

2. The Director of Offshore Procurement (offices in Paris) in coordination with the United States regional office in Paris; Commander in Chief, Europe; United States Army, Europe; Naval Procurement Office, London; United States Air Force, Europe; Bureau of Ships representative; and North Atlantic Council International Staff, develops tentative offshore procurement programs which are then submitted for approval to the Secretary of Defense.

3. The military departments submit tentative end-item programs. Programs agreed upon between the military departments are submitted for approval to the Office of the Secretary of Defense.

4. In addition, the Office of the Secretary of Defense receives final approval of end-item and offshore procurement programs from the Foreign Operations Administration and the Department of State. The Office of Secretary of Defense thereupon directs the military departments to implement the program.



5. All three military departments then issue procurement directives to the various European commands.

6. The procurement service in Europe, under the monitorship of the Director of Offshore Procurement, thereupon executes contracts.

#### COST OF OFFSHORE PROCUREMENT PROGRAM

The value of all contracts placed from the inception of the offshore procurement program through November 30, 1953, aggregates \$2,219,760,000. With the exception of \$68 million, all of this money has been placed in countries which are members of the North Atlantic Treaty Organization.

For the current fiscal year, the Congress has appropriated \$4,731,507,000 for the foreign-assistance programs.

In support of its request for foreign-aid funds for the fiscal year 1954, the executive agencies involved advised the committees of Congress that it was their intention to utilize from \$1 to \$1.5 billion in the 1954 fiscal year offshore procurement program.

The subcommittee was informed, however, that not a single offshore procurement contract had been placed against the funds appropriated last August.

#### TYPES OF CONTRACTS

Most of the contracts placed in Europe under this program are negotiated contracts. Many of them are government-to-government contracts; i. e., contracts between the United States Government and a European government.

In these government-to-government contracts, there is no direct contractual relationship between the United States Government and the principal manufacturer of such items as aircraft, ammunition, etc.

A memorandum of understanding has been entered into, or is in the process of negotiation, between the United States Government and each of the governments in question. All government-to-government contracts will be subject to the terms of these memorandums; two of the most important relate to inspection and profit.

The profit clause would appear to provide that any excess of receipts over costs shall be refunded to the United States. In the computation of excess receipts, however, the contracts between the two governments will be considered collectively, not individually. It is possible, therefore, for a foreign government to realize a profit from an individual contract, which profit need not be refunded because of losses on other contracts.

The inspection provision provides that any inspection shall be carried out by representatives of the foreign governments in question when it is requested by the United States. The United States can accept end items upon certification by the foreign government that the products so inspected meet all specifications. Our Government, however, has the right to verify such inspections.

Contracts for such end items as ammunition, etc., may be awarded at a price of up to 110 percent of the United States prices, or by special authorization from the Department of Defense as high as 117 percent. These ceilings have been waived in some instances.

Of the total \$2 billion in offshore procurement contracts placed as of November 30, 1953, approximately 70 percent represents purchases of ammunition, aircraft, and ships.

Aircraft purchases amount to \$442,265,000. The latter figure approximates 20 percent of the dollar value of all offshore contracts.

#### AIRCRAFT PROCUREMENT

Under the offshore procurement program, contracts have been awarded for the purchase of 959 fighter aircraft.

#### UNITED KINGDOM

Two contracts, entered into with the United Kingdom, provide for the purchase of 465 Hawker Hunter interceptor day fighters, and 107 Sea Hawk Navy planes.

The Hawker Hunter contract totals \$140,074,200. In addition to the purchase of the completed aircraft, the contract calls for spares, test equipment, and training aids.

Each completed aircraft is to be delivered at a price of \$207,000; delivery to commence in March 1955. This type of plane is now being manufactured and delivered to the Royal Air Force.

A contract for 107 Sea Hawks was executed a year ago in the amount of \$12,810,040. The unit price for these 107 Sea Hawks is \$119,720. Delivery under this contract commenced in June 1953.

#### BENELUX NATIONS

In April 1953, a contract was entered into with Belgium for the purchase of 64 Hawker Hunter planes, including spares. The contract totaled \$24 million. The unit flyaway price is \$234,206. Delivery on this contract is to commence in March 1955.

Another contract for \$18 million was entered into with the Netherlands in April 1953 for 48 Hawker Hunters. The unit price of these aircraft as flyaways is also \$234,206. Delivery is also scheduled to commence in March 1955.

The committee noted that the price of these planes being manufactured in Belgium and the Netherlands is \$27,236 more than the United States pays the United Kingdom for the same aircraft.

If at any time, however, Hawker Hunters are bought by the Benelux nations for their own use at a price which is lower than the prices we have contracted to pay, the offshore procurement price will come down.

Some Air Force officials in Europe stated that, primarily for strategic reasons, they were not too pleased with the placing of these fighter contracts in the Low Countries.

#### FRANCE

A contract has also been executed with the French Government for the manufacture of 225 Mystere IV aircraft. The total of this contract is \$86,540,000. The unit price of each aircraft is \$280,000. Delivery on this order is to commence in June of this year.

ITALY

A letter contract has been executed between the United States Government and Italy for the assembly of 50 F-86K fighters. This contract was executed in May 1953. The contract is for \$22,500,000 and includes in addition to the assembly of the 50 aircraft, funds for special tools, ground handling equipment, training devices, and detailed production tooling.

As of this date, the contract has not been definitized; and, in any case, the unit assembly price is not known.

The prime contractor to the Italian Government is the Fiat Co. of Turin, Italy. The procurement of F-86K aircraft in Italy was directed by Headquarters, United States Air Force, in April 1953, with the approval of the Office of Military Assistance, in the Office of the Assistant Secretary of Defense and the Munitions Allocation Council.

Representatives of the United States Air Force, the Republic of Italy, and Fiat met in Washington on May 12, 1953, at which time they agreed, in principle, on the contract in question.

All the component parts are to be purchased in this country from the North American Aviation Co.

This is an expensive procedure. It will result in the ultimate cost of these 50 planes being greatly in excess of the price paid for 50 such planes in the United States.

Although the contract with Italy is for \$22.5 million, the total sum allocated for the production of these planes is \$54.5 million, because North American is being paid \$29.5 million for the parts being sent to Fiat and also \$2.5 million for two prototypes.

The stated object of placing this contract in Italy was to revive the aircraft industry in that country.

The planned assembly in Italy of this all-weather night fighter is part of the so-called Batt-Ismay plan. The United States agreed to contribute \$225 million to this plan from the fiscal year 1953 funds.

American officials informed the subcommittee—

that aircraft production was a very expensive piece of business to get into and we should go very carefully because we knew that Italy could not finance it from the start and we might be left to pick up the pieces.

It would appear that the placing of this contract in Italy was an instance of "directed procurement" (purchases made in a specifically designated location for a specific purpose, to be contracted for with little consideration for price).

The contract in question contains the following policy statement:

The parties understand that the United States Government desires that a manufacturing source of the airplane be established in Italy.

Prior to the execution of the letter contract in May 1953, a technical assistance agreement had been entered into between North American, Fiat, and the Italian Government. This agreement provides that the Italian Government shall pay to North American, in United States dollars, an aggregate amount of \$750,000.

This contract includes a royalty payment from Fiat to North American of \$5,000 per plane; but the latter figure is not too pertinent, because the United States Government will pay the cost incident to this uneconomical operation.

DIRECTED PROCUREMENT CONTRACTS

The subcommittee also looked into 2 contracts, 1 between the United States Air Force and Republic Aviation, International, and 1 between the United States Air Force and Curtiss Wright, Europa.

Republic Aviation, International, is a corporation organized under the laws of the Republic of Switzerland and is a wholly-owned subsidiary of Republic Aviation Corp.

In June 1953, the Air Force executed a contract with Republic Aviation, International, for the purchase of spare parts for approximately 669 F-84F airplanes. This contract is in an amount not to exceed \$50,189,757.

The contract, a cost-plus-a-fixed-fee contract, allows a profit of 8½ percent, and has an incentive provision which makes possible a profit increase to 10 percent.

Though Republic Aviation, International, is a Swiss corporation, most, if not all, of the work will be performed in French plants.

The contract with Curtiss Wright, Europa, was executed in June 1953. It is in an amount not to exceed \$27 million.

The contract provides for the delivery of sufficient spare parts for 340 overhauls, 944 maintenance periods; also rotating stock for J-65 engines.

Curtiss Wright, Europa is a corporation organized under the laws of the Netherlands. It is a wholly owned subsidiary of the Curtiss Wright Corp.

The work under this contract will be performed in plants throughout Western Europe. The profit allowed is 8½ percent. In addition, the parent corporation, Curtiss Wright, is to be paid \$451,181 for general and administrative expenses, irrespective of the value of the services rendered.

Air Force officials advised that these contracts with Republic Aviation, International and Curtiss Wright, Europa were executed only after prolonged discussions over the amount of allowable profit.

PRODUCTION CAPABILITIES OF AIRCRAFT PLANTS IN EUROPE

The subcommittee inspected 2 of the manufacturing facilities of Avions Dassault in Paris and 1 of its plants at Bordeaux; also the Fiat Co. at Turin, Italy; also 2 Hawker Aircraft Co. plants outside London in Kingston on Thames, and 1 in Dunsfold, England.

FRANCE

The Dassault company is manufacturing the 225 Mystere IV airplanes for the offshore procurement program. The aircraft was designed by M. Dassault.

Examination of the company's facilities in Paris and Bordeaux indicated that the production potential of this company could reach 200 aircraft a month. The present tooling, however, is adequate to support a schedule of only 50 to 75 planes a month, with not more than 30 percent of the component parts subcontracted.

Although the tooling is in good repair and well maintained, the Mystere IV is not designed for high production. It is estimated that a maximum of 40 aircraft per month could be produced.

The workmanship in these plants is far above average and would compare favorably with the best in the United States.

It is expected that the first Mystere IV—the latest in the Mystere line—will come off the assembly line by the scheduled date of next June. The company should have little difficulty meeting delivery dates.

It would appear that the management, engineering, and factory personnel of Avions Dassault are well-qualified to handle the order in question.

#### ITALY

The Fiat Co. in Turin employs some 70,000 people, and therefore it is obvious the assembly of but 50 fighter planes will utilize only a small number of these employees. In fact, it is contemplated that only around 1,200 workers will be employed in the assembly of these 50 planes.

Fiat has been producing aircraft for the past 25 years. In that time they say they have manufactured over 2,000 planes. Nevertheless, neither they, nor any other Italian aircraft company, are building a combat aircraft of Italian design.

This large Italian company has enough machine tools to support the production of parts for several thousand planes per month.

The first F-86K is scheduled to be delivered in June of 1955. Fiat and North American assert they will meet this schedule.

Fiat are well-known manufacturers of many products, including automobiles, trucks, buses, farm machinery, refrigerators, and radios.

#### UNITED KINGDOM

The Hawker Hunter is designed for a high rate of production. Hawker Aircraft Co., Ltd., together with its associated companies, could produce 300 Hawker Hunters a month, with a minimum of subcontracting.

It was noted that many of the tools in this company's plants were modern and all well-maintained. Major jigs and subassembly jigs were so designed that, in the event of bombing attacks, the tools could be readily moved to another area.

Although exterior surfaces show a high degree of care in assembly and finish, subassembly and production details do not measure up to workmanship standards established by United States Air Force inspection in American aircraft plants.

Hawker Aircraft personnel are highly qualified to manufacture aircraft. They compare favorably with American producers.

Nevertheless, it is doubtful if the schedule of deliveries to the United States for the North Atlantic Treaty Organization will be met. It would appear there will be considerable delay in the planned delivery of the first 25 aircraft.

#### CONSTRUCTION—INFRASTRUCTURE

The term "infrastructure" means military facilities for common use needed to permit effective combat operations of integrated forces.

It should be distinguished from our own base program. The latter will be discussed later.

Infrastructure includes tactical airfields, signal communications, jet-fuel storage and pipelines, naval bases, and a radar program. It is paid for as the result of an international cost-sharing agreement among the North Atlantic Treaty Organization nations in which the United States participates.

Requirements for infrastructure are programed annually in so-called slices. Each slice is a year's program. The funds available for the program through fiscal year 1954 total \$1.6 billion. The cost of this program is shared on a pro rata basis. The United States contribution in terms of dollars is \$600 million, or 38 percent.

This program provides for over 100 airfields in the North Atlantic Treaty Organization, plus additional fields in Germany.

In addition to the airfields, there is planned a supply and storage system for jet fuel, including tanks at airfields, and pipelines, to permit the flow of jet fuel to the fields.

Also there are elements of a radar screen, plus certain radio navigational aids.

Major naval facilities are provided in the Mediterranean area and elsewhere.

Of the airfields programed, more than two-thirds are in a sufficiently advanced stage of construction so they could be used in an emergency.

Legislative authority for the original United States participation in infrastructure was granted by section 521 of the Mutual Security Act of 1951.

The fiscal year 1955 program has been submitted to Congress and calls for continued authorization to conclude the United States contribution through fiscal year 1956 in an amount not to exceed \$780 million, of which \$123 million will be required in fiscal year 1955.

When this program comes before the Senate, it should receive careful examination, because there has been some indication several North Atlantic Treaty Organization countries will be unwilling to contribute next year.

Tables reflecting infrastructure financing, as well as a summary of infrastructure contributions and percentages by country, follow:

*NATO infrastructure—summary of infrastructure contributions and percentages by country, by slice, based on Sept. 30, 1953, cost estimates*

[In millions of dollars]

Country	Slice I		Slice II		Slice III		Slice IVa	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Belgium.....	\$11.5	13.1	\$17.6	5.1	\$33.1	6.5	\$11.5	5.2
Canada.....			15.2	4.5	27.2	5.3	13.7	6.2
Denmark.....					20.5	4.0	7.3	3.3
France.....	40.1	45.5	73.8	21.5	67.2	13.2	30.2	13.8
Greece.....							5.6	2.5
Italy.....					40.3	7.9	14.6	6.6
Luxembourg.....	.5	.5	.6	.2	.5	.1	.1	.1
Netherlands.....	12.0	13.6	10.0	2.9	20.8	4.0	9.4	4.3
Norway.....					15.5	3.0	7.0	3.2
Portugal.....								
Turkey.....							9.0	4.1
United Kingdom.....	24.1	27.3	60.7	17.7	67.2	13.2	19.6	8.9
United States:								
Gross.....			164.9	48.1	218.3	42.8	91.8	41.8
Net of taxes.....			143.1	41.7	196.9	38.6	85.0	38.7
Total.....	88.2	100.0	342.8	100.0	510.6	100.0	219.8	100.0

REPORT ON EUROPEAN TRIP

*NATO infrastructure—summary of infrastructure contributions and percentages by country, by slice, based on Sept. 30, 1953, cost estimates—Continued*

Country	Slice IVb		Slice V		Slices VI-VII		Grand total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Belgium.....	\$9.5	5.1	\$12.8	5.1	\$22.8	5.1	\$118.8	5.8
Canada.....	13.3	7.1	17.9	7.1	32.0	7.1	119.3	5.8
Denmark.....	5.7	3.1	7.7	3.1	13.7	3.1	54.9	2.7
France.....	25.7	13.7	34.6	13.8	61.7	13.7	333.3	16.3
Greece.....	1.9	1.0	2.5	1.0	4.5	1.0	14.5	.7
Italy.....	12.1	6.5	16.3	6.5	29.2	6.5	112.5	5.5
Luxembourg.....	.4	.2	.5	.2	.9	.2	3.5	.2
Netherlands.....	7.6	4.1	10.2	4.1	18.2	4.1	88.2	4.3
Norway.....	4.7	2.5	6.4	2.5	11.4	2.5	45.0	2.2
Portugal.....	.6	.3	.8	.3	1.4	.3	2.8	.1
Turkey.....	3.8	2.0	5.1	2.0	9.1	2.0	27.0	1.3
United Kingdom.....	21.4	11.5	28.8	11.5	51.4	11.5	273.2	13.3
United States:								
Gross.....	80.1	42.9	107.7	42.8	192.3	42.9	855.1	41.8
Net of taxes.....	71.9	38.5	100.3	39.9	178.6	39.8	775.8	37.9
Total.....	186.8	100.0	251.3	100.0	448.6	100.0	2,048.1	100.0

UNITED STATES MILITARY CONSTRUCTION PROGRAM IN WESTERN EUROPE

The United States construction program is designed to provide basic operational facilities adequate to develop full use of the airfields' combat potential, and, in addition, military logistical support. Standards of the Supreme Headquarters Allied Powers Europe do not provide all the minimum facilities to make a completely operational base.

This plan also represents a maximum of facilities that the member nations could agree to fund multilaterally.

Under SHAPE standards, strictly operational facilities are provided: airfield pavements, maintenance facilities, fuel storage, operational buildings, and utilities.

The using nations are required to supplement these limited facilities at their own expense, to the standard they require. The United States Air Force adds troop housing, medical facilities, messes, welfare, and morale facilities, along with additional utilities.

FRANCE

The program of United States military construction in France includes additions to North Atlantic Treaty Organization airfields built with infrastructure funds, in order that they be brought up to United States standards. It also includes lines of communications for logistical support of both the Army and the Air Force.

The total ultimate cost of this program in France is estimated at about \$565 million. Of this amount, approximately \$415 million has been provided.

Construction on the new line of communications across France was begun in 1951. It starts at the port areas of Bordeaux and St. Nazaire on the southwest coast, then crosses France along a line, Tours-Orleans-Paris-Verdun-Metz.

Under the North Atlantic Treaty Organization agreement, the United States Air Force will occupy airbases, along with a number of other logistical supply and communication sites.

GERMANY

Construction for the United States forces in Germany has been accomplished entirely with deutschemark financing. Deutschemarks equivalent to about \$850 million have been made available.

Housing and other facilities required to support United States forces in Germany have been provided at no direct cost to the United States. In fact, the availability of family quarters has enabled the United States Government to realize an actual saving in quarters allowances for military personnel stationed in Germany.

UNITED KINGDOM

In 1951 construction was started on a group of bases to be utilized by the United States Air Force in the United Kingdom, cost to be shared by the United Kingdom. To date \$160 million has been authorized as the United States contribution, \$110 million of this having been appropriated against the authorization.

SPANISH AIRBASES

Under bilateral agreements between the Governments of Spain and the United States, concluded in September 1953, the United States is authorized to develop, build, and use jointly with Spanish forces certain airfields and naval facilities in Spain.

In return Spain is eligible for United States economic, technical, and military assistance under the mutual security programs. It is expected these airbases will cost a little less than comparable stateside bases.

For the fiscal year 1954, planned assistance to Spain totals \$226 million. This amount provides for economic and military assistance.

As the economic assistance fund generates local currency (termed "peseta counterpart"), a portion of this counterpart fund will be made available to the United States Government to help defray the construction costs of these military bases.

AIR FORCE AND NAVY CONSTRUCTION PROGRAM

The overall cost of the Spanish construction program is estimated at \$261 million. Of this sum, \$200 million is for the Air Force program, \$61 million for the Navy program.

The Spanish program has been divided into two phases. The first phase, beginning in 1954 and continuing through 1956, provides for the construction of four air bases, a Navy port and air station, pipelines and terminals, aircraft control and warning network, communications network, and strategic facilities.

The second phase will be initiated in 1955 and continue through 1957. This phase will provide for the continued construction of the airbases, along with additional pipelines and terminals. First-phase construction fund requirements for the Air Force are estimated at \$40 million, for the Navy, \$19 million.



The subcommittee recognizes and approves the strategic importance of locating airbases and other military facilities in Spain.

The United States will not be charged any rental for land which is used for these facilities and under the terms of the agreement can occupy them for 10 years.

The base-construction program in north Africa was approved and started prior to the agreement for Spanish bases. This is also true of base construction in other European countries.

Since the Spanish base program is now under way, the question of bases in other European areas should be reexamined.

#### COMMUNISM IN WESTERN EUROPE

The two bastions of Communist strength in Western Europe are found in France and Italy. In other parts of free Europe, Communist strength is less of a problem.

In Holland the Communists are relatively unimportant as a political party. They have approximately 33,000 members. The Government exercises strict control over party members and sympathizers, and has them under close observation.

The party polled but 6 percent of the popular vote in the last election. Its strength came mainly from the Amsterdam area, where it received 22 percent of the vote.

Six Communist Party members were elected to the legislature.

In Belgium there are some 30,000 members in the Communist Party. Twelve percent of these pay dues. The party received 3 percent of the popular vote, and elected seven members to the Lower Chamber of the Parliament.

In West Germany the Communist Party elected no members to the National Legislature. It received about 2 percent of the popular vote cast, and claims to have 126,000 members.

In the United Kingdom there are approximately 35,000 members of the Communist Party. The party polled less than 1 percent of the popular votes in the last election. It holds no seats in Parliament.

The Communist Party and all other front organizations are illegal in Turkey, in Spain, and in Portugal. In all other North Atlantic Treaty Organization countries, it is estimated the Communists have around 100,000 members.

#### ITALY

Italy is a dilemma and a paradox.

In Italy there are eight political parties. They range from the Communists on the extreme left to the Neo-Fascists on the extreme right.

The Christian Democrats polled about 5 percent more popular votes than the Communists in the election of June 1953; and therefore, as the strongest party, formed the present government.

This formation of a government was accomplished when Mario Scelba became Prime Minister through a coalition of Christian Democrats and three small splinter parties of the center—the Social Democrats, the Republicans, and the Liberals.

This coalition is extremely shaky. It has a bare working majority of 51 percent. (See appendix A and appendix B.)

The democratic center could solidify its position by taking the Monarchists into the government, but the Christian Democrats feel

that a party dedicated to the restoration of the monarchy cannot logically be brought into the government.

The Monarchists comprise the poorest class of people in Italy. If the symbol of the monarchy is lost to them, there is danger they will turn to communism.

The situation would appear to be touch and go, with the Kremlin-inspired fuse burning brightly and steadily.

It is now obvious the Soviets are making an all-out play for Italy, one of the most fertile and fruitful fields available for their conquest.

Soviet goals are either to have Italy peacefully vote itself behind the Iron Curtain, or keep the country in such turmoil that it would fall prey to subversion and sabotage in the event of any conflict.

Loss of Italy would be a serious matter to the free world, for Italy is the key to the Mediterranean.

From a production standpoint, the country is technically centralized in the North, and, therefore, a relatively small group of determined men could immobilize it.

The seriousness of the situation is pointed up by the fact that since 1948 the Communists have gained in strength, while the democratic center has lost heavily.

In the 1953 elections, except for one province, every province in Italy showed an increase in the Communist popular vote over 1948. In one province, the decrease amounted to less than one-tenth of 1 percent.

The stakes are very high. The Government may lose a vote of confidence, in which case elections would be called this year. In that event, provided the Communist Party was able to cut into the Christian Democrat strength by some 3 percent, the Communist Party would become the strongest party in Italy; and thereupon it would be very difficult to exclude them from the Government.

High American officials in Italy gave various illustrations of how leading industrialists play ball with the Communist union.

This is done not only to expedite production, meet schedules, and avoid strikes; it is also a way for the man who puts his pocketbook ahead of his patriotism to play safe.

When one industrialist was asked why he was a Communist, he answered realistically that under present conditions his company was doing very well, and in the event the Communists took over at least he would not go to jail or lose his head.

The officer and noncommissioned officer corps of the Italian military forces are relatively free of Communists; but the number of Communists in the ranks approximates 25 percent.

In Italy the Communist Party has 2,100,000 card-carrying members. In addition, the Communist Youth Federation has 437,000 active members.

Many believe the Nenni-Socialist Party is in reality a part of the Communist conspiracy. Including these pro-Communists, the figure totals 3,287,000.

The battle lines would appear to have been drawn, especially since the Italian Government has allied itself with the nations of the free world.

Many industrialists now realize the time has come when they must take a stand, or the plants they own may one day belong to the Communists. Accordingly, they have begun programs to better working conditions and raise the standard of living.

There is some comfort in the fact that 65 percent of the Italian voters are anti-Communist. But there is also grave danger in the fact that 35 percent of the voters are Communist.

## FRANCE

The No. 1 problem in France is the Indochina war. This war has dragged on for the last 8 years.

The continuation of the unpopular conflict is one of the best offensive propaganda weapons the Communist Party has at its disposal. The Communists are using every known propaganda weapon to feed the fever of dissatisfaction over this unique and complicated struggle.

The most numerous party in France is the Communist Party. One Frenchman out of four votes Communist. In the 1951 election slightly more than 5 million votes were cast for the Communist Party. This represented a 10 percent loss of their 1946 voting strength.

Because of the complicated electoral regulations put into effect by the present government, the Communists lost 80 of their parliamentary seats. They had 183 deputies out of 627 in the 1946 elections. (See appendix C and appendix D.)

The Communist Party has a membership of 450,000 as of today, with 50,000 to 100,000 members comprising the hard-core, militant group.

Most of the mayors in France are Socialists.

The Socialist Party is powerful and important because its members control the Ministry of the Interior and the Department of Education. The Socialists oppose the Stalinists, but profess sympathy for Marxism.

Thirty mayors in France are Communists. This would pose a serious problem in the event of armed invasion.

Communist influence may have been lessened since 1947 by internal strife, successive Government programs of anti-Communist action, and a growing sense of security arising from the military buildup of Western Europe.

Reliable sources reported that even though the Communist Party of France has been more or less pushed aside in the French Parliament, a form of fraternization exists between Stalinists and non-Stalinists which is dangerous. For example, it was reported there are Communists in their Atomic Energy Department with access to classified material. In this connection, these sources also made the following comments:

The party lost, in a rather artificial way, a good part of its seats and it no longer takes part in the administrations that have succeeded that of the Ramadier ministry in 1947. However, it does exist as a party representing a part of the French people, and although it is a foreign party and a foreign instrument, it is a part of the nation, or of the regime, if you prefer. Its members have lost their posts as officers of the parliamentary committees, but they take part in the work of those committees, at least in their general assemblies. By virtue of that, they are able to see that the party profits from all the information—domestic, foreign, economic, sometimes military—which is put at the disposal of the commissions by the cabinet ministers and the higher administrative offices.

The Communist Party has at its disposal a large number of publications, radio outlets, and other media for disseminating propaganda. This network of information facilities covers the entire country.

These media include a dozen publishing houses, more than 100 newspapers, magazines and periodicals, bulletins, poster distribution,

radio and word-of-mouth campaigns carried out primarily by the hard core, the militant group.

It is estimated the Communists spend at least \$6 million annually for propaganda.

The following examples indicate the widespread circulation of this Communist propaganda: The 12 major newspapers have a circulation of almost 2 million; 200,000 copies of posters are printed monthly for national distribution; and some 20 radio broadcasts are beamed daily into France from Moscow, Peking, Warsaw, Prague, and Bucharest.

In spite of Communist efforts to rally support for their press organs, it is heartening to note their circulation figures continue to drop; and as a result, some publications have been eliminated.

In November of last year the prestige of the party began to revive, as a result of an adverse Assembly vote. On this vote the request to waive the parliamentary immunity of certain Communist deputies on trial for treason was rejected.

The Communist Party is currently meeting with some success in its bid for national unity against the European Defense Community program and the Indochina war. Certain representatives of the non-Communist left, the center, and also rightist parties have joined most of the Communist line on these two issues.

Moscow is now allowing greater flexibility to its French leaders in the promotion of the Kremlin's long-term objectives.

The subversive potentialities of the Communist Party can only be viewed with grave apprehension. They have a hard core of militants who can be counted on in any emergency.

One official described this group, consisting of tens of thousands, as "bomb throwers."

Continued exploitation of economic and social difficulties aggravated by the impact of the rearmament program on the French standard of living can only result in the Communist Party becoming a strong virile, and unscrupulous force that must be reckoned with as one considers the vital implications of France to the European Defense Community, the North Atlantic Treaty Organization, and the overall defense of Europe as part of the free world.

#### LABOR UNIONS IN WESTERN EUROPE

The subversive potentialities of Communist-dominated unions in Europe is a threat which cannot be overlooked. The major threat exists in France and Italy, where the strongest and largest unions are dominated by Communists.

In the rest of Europe outside the Iron Curtain the Communists play a relatively minor role in the labor movement.

The Communists are intent upon maintaining and increasing their strength in the labor movements of France and Italy.

Italy is a key to the Mediterranean Basin. France is the gateway to Europe through which our lines of communications and supplies must run. Therefore, the Communists are spending many millions of dollars annually in both countries.

FRANCE

There are 21 million persons actively employed in France today. Of this number, 12 million are considered wage earners engaged in industry.

Responsible American officials state a minimum of 2½ million belong to unions. Membership claims by the unions, however, total over 7 million.

There are three major unions in France. The oldest is known as the General Confederation of Labor (CGT).

This union was formed in 1895. It is presently affiliated with the World Federation of Trade Unions, an international organization controlled from Vienna by the Soviets.

The General Confederation contains most of the labor leaders of France, and is made up primarily of skilled workers in the metal and heavy machine industries.

The union claims a membership of more than 5 million. Outsiders estimate it has 1¼ million members.

The second largest union is known as the General Confederation of Labor-Workers Force (CGT-FO). This union, which is commonly known as the Workers Force, split from the CGT in 1948 and is comprised mostly of government and textile workers. It does not follow the Soviet Party line, but its policy is considered to be Marxist in theory.

The union claims a membership of approximately 1 million members. It is estimated they have one-half million. The union is not affiliated with the international union controlled by the Soviets.

The third union is known as the French Confederation of Christian Workers (GFTC). It is the Catholic union, with a claimed membership of 900,000, an estimated membership of 500,000.

There are 4 other minor unions, with total membership approximating 250,000. Membership is made up mostly of supervisory employees or DeGaulist sympathizers.

According to State Department officials in France, the Communist-dominated union—admittedly the largest labor organization in France—has a greater influence among unorganized workers than either the Christian Workers or Workers Force unions. According to our officials in France, mandatory social security legislation for workers provides far more protection than in the United States, and, therefore, they say this sharply reduces workers' needs for trade-union protection.

This may be true, but unions in France are more political in nature than those in the United States.

Because the Communist-dominated union (CGT) receives more than one-half of the votes cast in any shop election in major defense industries, the potential subversive threat is real and dangerous. No wishful reasoning can get away from that fact.

ITALY

There are four major unions in Italy. The oldest and strongest is the Communist-dominated Italian General Confederation of Labor (CGIL).

For a time after World War II, CGIL was the only union in Italy. It is composed, for the most part, of Communists and Nenni-Socialists (Marxists).

This union claims a membership of 5 million, and it is conservatively estimated 3 million workers are members. It is affiliated with the International (Communist) Workers Free Trade Union.

The second strongest union is called the Italian Confederation of Labor Unions (CISL).

The latter is an anti-Communist trade union which in 1950 split off from the Communist-dominated CGIL. It is made up principally of Christian Trade Unionists, moderate Socialists, and right-wing Republicans. Its membership is said to be about 1,800,000.

The third union is called the Italian Union of Labor (UIL). It is strongly anti-Communist and is made up primarily of so-called Saragat Socialists and Republicans. This union was also formed by splitting off from the Communist-dominated CGIL. It has a membership of approximately 400,000.

The fourth union is called the Italian National Confederation of Labor Unions (CISNAL). This group also broke away from the CGIL. It is made up primarily of Monarchists and Fascist groups. It has a small membership, and plays an insignificant role in the labor movement of Italy.

The Communist-dominated CGIL plays an important role in Italian politics. Its leaders are Communist Party functionaries who also control the activities of the union.

A majority of the shop stewards elected by the rank and file of the CGIL are members of this union. They are the aggressive, hard-core militants of the Communist Party in Italy.

To date there have been no known acts of sabotage on defense orders. It is doubtful that these militant Communists would stand idly by in the event Italy became involved in a war for the defense of the free world. The threat here is real.

The Communist union is most powerful in those industries vital to defense. CGIL union controls transportation, shipping, metal, machine, and electrical industries.

In Turin, 72 percent of the workers employed by Fiat, Italy's greatest industry, are members of the Communist union.

In Genoa, 40 percent of the shipyard workers belong to the union.

In the most important metal and machine industries, approximately 60 percent of the workers are members.

Many defense items supported by United States grants are being manufactured in plants less than 20 minutes' flying time from Soviet-occupied territory.

#### HOLLAND, BELGIUM, AND ENGLAND

In Holland approximately 35 percent of all wage earners are unionized. There is no strong Communist union, however, and the Communists represent but around 1 percent of the total labor force.

The main strength of the Communist Party is in Amsterdam.

In Belgium, less than 1 percent of the organized workers, or approximately 10,000, belong to a Communist-dominated union.

In England, there is one small union which might be called Communist dominated. The Communists in England are scattered throughout the Trades Union Congress, and are found primarily in the metal and engineering fields. They constitute a relatively small threat in the labor movement.

WORLD FEDERATION OF TRADE UNIONS

The Communist-controlled World Federation of Trade Unions (WFTU) is the international front through which the U. S. S. R. coordinates propaganda and tactics in the field of labor throughout the world.

The French General Confederation of Labor (CGT) and the Italian General Confederation of Labor Unions (CGIL) are affiliated with this organization.

The federation claims to have a total membership of more than 80 million workers. It is estimated, however, that the actual figure is closer to 65 million, and that 75 percent of these are behind the Iron Curtain.

The World Federation of Trade Unions poses a threat to the stability of non-Communist countries. Its objectives are to obtain popular support for Soviet programs, propaganda, and fronts, under the guise of forming labor units to gain control of non-Communist labor.

The policies are made in the Kremlin. Although it does not supervise the day-to-day activities of affiliated unions, Moscow exercises minute control over the business of the unions.

That condition is accomplished by the local Communist Party, through officials who work themselves into key spots in the unions in question.

Not only does this World Federation direct policy decisions, but also it develops tactics adapted to mass organization.

The policy line is to pretend to be "democratic and independent," but friendly to the U. S. S. R. In other words, the aim is to control large numbers of rank-and-file non-Communist workers by enlisting their support for such limited Communist objectives as "peace" movements.

Another objective of the organization is to collect industrial, economic, social, political, and military information. World conventions and conferences are filled with delegates from all over the world who are paid to attend.

The delegates to these meetings are then indoctrinated with Soviet propaganda, and ordered to disseminate this propaganda throughout the labor movements of their own countries. The policy at this time is to oppose bitterly the European Defense Community along with western cooperation in Europe.

It is ironical that in this policy they have the full support of the DeGaullists and other right-wing elements in France.

The World Federation also acts as a channel for Soviet funds, transmitted to support labor unrest and political action in non-Communist countries.

When one considers that the president of this gigantic international union is also the head of by far the largest union in Italy, and the general secretary is also one of the strongest leaders in the largest union in France, one realizes the practical danger to any plans of the free world for any defense of Europe.

It is not clear what would happen in those countries in case of war, but there is little doubt what many of the political and union leaders would attempt to bring to pass.

#### RAF MODERNIZATION—UNITED KINGDOM

The British Government began a program of expansion and modernization of the Royal Air Force in 1953.

The subcommittee was informed that this plan in its entirety was beyond the resources of the United Kingdom, and therefore the United States Government was asked if it would be willing to support a portion of it. This would be done by filling in the financial deficiency gap through direct budgetary support and offshore procurement of certain aircraft and related items. The plan was concurred in by the United States Government.

The types of planes involved in this plan include Hawker Hunter day fighters, Swift interceptor day fighter and fighter bombers, the Javelin all-weather fighter, the Canberra light bomber, and three types of medium bombers.

The Pentagon decided, however, that United States funds should go into the purchase of some of these planes provided they were approved by evaluation teams of the United States Air Force.

It is estimated that the fiscal year 1954 portion of this program will amount to approximately \$260 million. This sum includes \$85 million appropriated last summer for direct budgetary support.

Additional funds will be requested for this program for fiscal year 1955.

#### SUBSIDY TO COMMERCIAL AVIATION BY UNITED KINGDOM

In addition to funds expended for the modernization of the Royal Air Force, the British Government also assists in the development of its civil aviation industry. The subcommittee was advised that it is impossible to determine the amount of money expended by the British Government in assisting civil aircraft development since World War II.

The principal reason advanced was that military and civil aircraft research and development are inextricably interrelated.

Another justification was that indirect assistance, such as Government grants, or subsidy payments to airlines, is usually given as a lump sum for several purposes, which may include, but usually does not identify, civil aircraft development as such.

It is known that official British assistance to civil aircraft development and operations since the end of the war has been substantial.

Aid has been extended to this industry by—

1. Direct aid to civil aircraft manufacturers;
2. Subsidies to the nationalized airlines;
3. Government investment in the airlines;
4. Gratis provision of various services, particularly airline operators.

Direct aid to civil aircraft manufacturers includes contracts for purchase of prototypes of specific aircraft; also, assistance for engine development.

Operating subsidies to the nationalized airlines are grants allotted the aircraft and airline corporations to compensate for excesses of expenditures over revenues by reason of the heavy expenses incident to developing and introducing new aircraft into scheduled services.



As to capital investment, the British Government owns the two major airlines. Their capital is raised by Government-underwritten temporary loans or stock issues to the Government.

Provision of various services by the Government includes providing equipment, maintaining airways, airports, and also varied services required for the conduct of civil aviation.

#### DEPENDENTS IN EUROPE

In view of the large number of American troops in Europe, the subcommittee sought information relative to the problem of dependents. At present there are almost 110,000 dependents of United States personnel in Germany and France.

In addition to the military, this figure includes State Department personnel and the personnel of other agencies.

Military officials informed the subcommittee that under present strategic deployment, men in uniform must serve at least 50 percent of their service in foreign lands.

These officials stated that if dependents were not with them, it would be necessary to substantially reduce overseas tours. It is their belief that to deny military personnel that most treasured American privilege, family life, would strike a damaging blow to service morale.

Military officials felt any dollar savings which might result from dependents not being allowed to accompany military personnel overseas would be more than offset by moral and morale deterioration.

The subcommittee believes the additional cost resulting from the continued presence of military dependents in Europe is justified as a means of maintaining effectiveness in our Armed Forces. This effectiveness may well be an important stake in our national survival.

#### ECONOMICS

As a result of the visit of the subcommittee to these five European countries, certain facts and principles stand out clearly.

With United States technical and financial assistance, these countries have made substantial progress in economic rehabilitation following World War II.

It was a noble humanitarian action to have given this economic aid. Also it was wise from a strategic standpoint, because otherwise at least some of the European countries would have fallen internally to communism.

Continued assistance, however, should be predicated on more clear-cut, specific, and mutual economic advantages.

Without attempting to predict limits to our economic ability to continue such aid, hardheaded bargaining—with benefits to our own economy given full consideration—is essential.

The weaker this economy becomes, as a result of unwise policies at home or abroad, the weaker is the whole free world, and regardless of any temporary advantage to our friends and allies.

The following points, therefore, merit emphasis:

1. America has contributed billions of dollars to help rebuild such basic industries as chemicals, steel, textiles, and aircraft.

2. These rebuilt industries contribute materially to the economic stability of the countries in question. However, these industries have now become formidable competitors of the same industries in the

United States. Our own income has been and is being taxed to strengthen this foreign competition.

3. That might be mutually advantageous if these foreign companies would compete with us on comparable terms of nonmonopoly and nongovernment subsidy—that is, as free competitive companies.

Too often this is not the case. Many foreign companies receive further aid from their own government, subsidywise, taxwise, and cartelwise. On top of this, the United States is urged to lower our tariff barriers so as to make it easier for the commodities of these countries to enter our markets in increased volume.

4. In addition, these countries employ various devices, such as exchange controls, to limit their imports of American-made products. Often they use our aid dollars as the means for support of soft-currency deals with other foreign countries.

5. So long as the United States continues to give aid abroad, we should have some say about how the economic policies of such countries affect our own industries and our own economy.

6. This Government has encouraged the offshore procurement program. That program has merit, in that it uses foreign resources more than our own and helps maintain employment in countries where unemployment fosters the growth of communism.

But offshore procurement acts as a form of United States subsidy for foreign products, many of which could be produced by American industry already expanded for defense purposes.

7. Some foreign countries have been increasing their rate of dollar accumulation, as against spending dollars in the United States.

Quantitywise, such foreign holdings of dollar and gold balances are not as yet adverse factors in the economic picture. The significant thing is how these dollars are to be used.

If used to establish free convertibility of currencies and to eliminate foreign exchange controls, they could be very beneficial. We should weigh, however, our flow of economic assistance against the amount of dollar balances of the countries in question. In this manner we could be more certain that economic assistance from our own dwindling stockpile of resources was only being given where absolutely needed.

All this adds up to something more than mere recognition of either the expense or complexity of our economic relations with friendly European countries.

Most of what has been granted, loaned, or given in the past has been helpful, though often unnecessarily expensive because of haste, waste, and failure to trade out foreign aid on a two-way street basis.

But it is not the purpose of this report to dwell on the merits and demerits of the past. It is hoped these observations may have practical influence on current and future policy and operations.

It is essential that United States representatives bargain with skill and experience every time they deal with representatives of foreign countries on matters of defense, economic assistance, tariffs, etc.

There is no sound reason why this country should not emphasize the need for elimination of trade discrimination against United States goods, more stabilized currencies, improved markets for our agricultural surpluses, and elimination of cartels operating to our disadvantage. This does not preclude cooperation with our foreign friends.

But that cooperation should be mutual—and all negotiations incident thereto should be on the basis of a two-way street.

#### AUTHORITY TO ACT IN EVENT OF AGGRESSION

The subcommittee examined the question of who had authority to set the North Atlantic Treaty Organization forces in action in event of aggression by an unfriendly power.

The present machinery to act in the event of aggression is cumbersome.

The procedure to be followed is that Supreme Allied Command Europe will obtain the permission of each government through its permanent representative on the North Atlantic Council to institute alert measures with respect to that nation's forces. In the event of an act of aggression, as each nation authorizes the Supreme Commander to institute alert measures, it is expected that SACEUR would be given authority to utilize that nation's forces in taking responsive action. This procedure would seem to carry grave disadvantages in this air atomic age.

The problem revolves around what may be considered an act of aggression. By the time this question has been decided, it could be too late.

United States troops take their orders from the United States.

Other national forces take orders from their own governments. Even though the national forces of other countries are committed to North Atlantic Treaty Organization, it is possible they would not be used as a part of North Atlantic Treaty Organization.

In the event of an act of aggression, every commander is charged with the security of his own forces.

General Gruenther, commander of SHAPE, serves in a dual capacity. He is commanding general of the North Atlantic Treaty Organization forces and commanding general of the United States Forces in Europe.

As head of North Atlantic Treaty Organization, General Gruenther could not put his forces into action until North Atlantic Treaty Organization recognized a state of war.

This mistiness in command authority should be cleared promptly; otherwise, in case of aggression against the free world, the billions of dollars the United States has invested in the defenses of Europe may turn into total waste.

This lack of specific authority incident to the North Atlantic Treaty Organization command also expresses itself in the civilian setup in some of the European countries visited by the subcommittee.

It came to the attention of the subcommittee that at one time there were four American representatives in Paris with the rank of Ambassador.

An idea of the problem can be gathered by the fact that after a particular meeting where the four Ambassadors were present, the French Minister of Defense called and asked which American Ambassador he should deal with on the subject at hand.

### SUMMARY

During our visit to these countries, the subcommittee ascertained the following:

As the result of the generosity of the American people, the standard of living in Europe is above prewar.

Industrial production has increased tremendously.

Great strides have been made in the strengthening of their military forces.

The currencies of many countries have become more stable.

Inauguration by the United States of its offshore procurement program has now resulted in the establishment of a military production base throughout Europe.

Approximately 70 percent of all offshore procurement contracts are for ammunition, aircraft, and ships.

There appears to be unnecessary delay in the placing of offshore procurement contracts. For example, by March of this year none of the fiscal year 1954 funds had been obligated.

In the purchase of aircraft, which purchases amount to 20 percent of the offshore procurement program, the United States does not occupy the normal position of a buyer.

Overall amounts are first agreed to between this country and the foreign government; then an agreement is reached, on a negotiated price basis, as to how many planes and/or spare parts will be furnished for the sum already decided upon.

Directed procurement contracts place United States procurement officers in Europe in a most unfavorable position with respect to negotiation.

In many instances, the percentage of profit allowed in offshore procurement contracts is greater than that allowed American firms for similar products.

The contract for the assembly of 50 F-86K aircraft in Italy is uneconomical; nor does it greatly increase the military production base in Europe.

The potential production capabilities of aircraft plants in Western Europe are excellent.

Communist strength in France and Italy is a grave threat to the stability of Europe; also to the ratification of the European Defense Community.

The largest labor unions of both France and Italy are Communist-dominated.

American support of the United Kingdom expansion and modernization of the Royal Air Force constitutes direct budgetary support to the United Kingdom.

The presence of military dependents in Europe increases the effectiveness of our Armed Forces.

The machinery to set the North Atlantic Treaty Organization in motion in the event of aggression is cumbersome and unwieldy to the point where it might be a forerunner to disaster.

The French people and their Government are frustrated with the Indochina war. Each day there is mounting sentiment to stop the war on any basis.

Contrary to opinion now commonly expressed in Europe, American dollars are not the "end-all and cure-all" of their economic, military, and political ills.

### RECOMMENDATIONS

A thorough and careful reappraisal of foreign aid should be made before the American people are asked to contribute further.

All American representatives engaged in this program should realize the resources of this country are not inexhaustible, and that the United States Treasury is not a bottomless pit. Hardheaded and experienced bargaining must be employed in all negotiations, so that practical benefit will be realized by the United States.

Every effort should be made to induce our North Atlantic Treaty Organization partners to place follow-on orders for military items, so the military production base established by the United States off-shore procurement program does not later collapse.

There should be a tightening of the administrative operations of the various agencies of our Government engaged in these programs in Europe. This would eliminate serious overlapping of functions and assure more economical and efficient operation.

Department of Defense officials in the United States should seek in every way possible to strengthen and comply with the regulations relating to contractual profits from offshore procurement.

Even though many of the offshore procurement contracts are government-to-government contracts, care should be taken to insure our procurement officials obtaining adequate cost data. At the present time, such cost data is not available to our representatives.

Greater consideration should be given to the utilization of competitive price bidding in the awarding of contracts.

In the light of the new Spanish construction program, the program of airbases in both Europe and North Africa should be carefully reexamined.

Contracts for standard military items should be substituted for sensitive items in those areas where Communists dominate the labor unions.

In the future, great care must be exercised in the awarding of off-shore procurement contracts to protect the American economy.

## APPENDIXES

### APPENDIX A

*Composition of chamber*

	Old (1948)		New (1953)	
	Seats	Percent	Seats	Percent
<b>Center:</b>				
Christian Democrats.....	301	52.5	265	44.9
Liberals.....	13	2.3	14	2.4
Republicans.....	10	1.7	5	.8
Social Democrats.....	35	6.1	19	3.2
Subtotal.....	359	62.6	303	51.3
<b>Left:</b>				
Communists.....	129	22.4	143	24.2
Nenni Socialists.....	51	8.9	75	12.7
Leftist Independents.....				
Cucchi-Magnani.....	2	.3		
Subtotal.....	182	31.6	218	36.9
<b>Right:</b>				
Monarchists.....	13	2.3	40	6.9
Neo-Fascists.....	6	1.0	29	4.9
Subtotal.....	19	3.3	69	11.8
<b>Mixed.....</b>	14	2.5		
<b>Total.....</b>	574	100.0	590	100.0

APPENDIX B  
Composition of Senate

	Old (1948)		New (1953)	
	Seats	Percent	Seats	Percent
<b>Center:</b>				
Christian Democrats.....	149	44.2	116	47.7
Liberals.....	11	3.3	3	1.2
Republicans.....	9	2.7	2	.6
Social Democrats.....	21	6.2	4	1.8
Subtotal.....	190	56.4	125	51.2
<b>Left:</b>				
Communists.....	66	19.6	54	22.2
Nenni Socialists.....	39	11.6	28	11.5
Leftist Independents.....	7	2.1		
PCI-PSI mixed.....			4	1.8
Alleanza Demo National.....			1	.4
Subtotal.....	112	33.3	87	35.8
<b>Right:</b>				
Monarchists.....	4	1.2	16	6.8
Neo-Fascists.....	1	1.3	9	3.6
Subtotal.....	5	1.5	25	10.4
<b>Mixed.....</b>	30	8.8	16	2.4
<b>Total.....</b>	337	100.0	243	100.0

<sup>1</sup> Life Senators.

APPENDIX C

*Political composition of French Parliament today*

	National Assembly	Council of the Republic	Versailles Congress
Communists.....	100	16	116
Socialists.....	195	56	161
Radicals.....	75	164	139
Union Democratique et Socialiste de la Resistance (UDSR)....	28	6	32
Mouvement Republicain Populaire (MRP).....	88	27	115
Colonial Independents.....	15	12	27
Independents.....	55	60	115
Peasants.....	47	19	66
Action Republicaine et Sociale (ARS).....	34	6	40
Rassemblement du Peuple Francais (RPF).....	78	45	126
No party.....	4	4	9
Total.....	627	2 319	946

<sup>1</sup> There is no Radical group as such in the Council of the Republic, but a group of the democratic left and of the Rassemblement des Gauches Republicains (RGR) (70 members, of whom 64 are Radicals and 6 UDSR).

<sup>2</sup> The normal complement is 320, but Mr. Sid-Cara, Senator, was elected Deputy and has not been replaced.



APPENDIX D

*Voting strength of Communist Party of France*

Party	Number of votes	Percent	Seats
Communist.....	5,038,624	26.6	103
Section Francais d'Internationale Ouvriere.....	2,764,262	14.6	104
Mouvement Republicain Populaire.....	2,353,486	12.4	85
Rassemblement des Gauches Republicains.....	2,194,192	11.5	94
Moderate (Independents).....	2,496,635	13.1	98
Rassemblement de Peuple Francais.....	4,134,916	21.8	117
Various.....			14

30

