

December 13, 1957

MEMORANDUM

EYES ONLY

SUBJECT: Discussion at the 348th Meeting
of the National Security Council,
Thursday, December 12, 1957

Present at the 348th Council meeting were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Acting Secretary of Defense; and the Director, Office of Defense Mobilization. Also present were Mr. Fred C. Scribner, Jr., for the Secretary of the Treasury; the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (participating in Items 1, 3 and 4); the Federal Civil Defense Administrator; the Acting Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Under Secretary of State Herter; the Assistant to the President; the Deputy Assistant to the President; the Director, U. S. Information Agency; the Director, International Cooperation Administration; Special Assistants to the President Stassen, Larson, Cutler, Killian, and Dearborn; Assistant Secretary of State Smith; Mr. John H. Ohly, ICA (for Item 2 only); the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

1. REPORT BY THE SECRETARY OF STATE ON THE NATO MEETING

Secretary Dulles began by pointing out that the forthcoming NATO meeting was being given what he called "a special character". The meeting would be attended by the heads of governments of fifteen countries. Moreover, this NATO meeting would be taking decisions of greater importance than usual. The decisions in question would be both of a specific and of a general character. The first specific, continued Secretary Dulles, would relate to the acceptance by the United States of the plan for a NATO atomic stockpile, which had been initially put forward by the French at Bonn last May. This proposal had now been formulated in terms acceptable to the U. S. Joint Chiefs of Staff. The nuclear weapons with warheads would be located at points on the Continent to be selected with the advice of General Horstad. Technically, and in accordance with existing

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December 12, 1957

law, these nuclear elements would remain in the custody of the United States; but they would be accompanied by selected NATO units of different nationalities who would have been trained in the use of the nuclear-capable weapons without their nuclear warheads.

Secondly, said Secretary Dulles, the United States will set forth the content of its accelerated missiles program. We will not fix any specific date, but will state that our IREMs will be ready to be deployed in the NATO area whenever the NATO nations are ready to receive them. As to the precise areas where the IREMs will be deployed, Secretary Dulles indicated that there were differences of opinion, both military and political. It would presumably take some time to iron out these differences. Further time would be required for the physical preparation of the launching sites of the IREMs and for the training of NATO forces in the use of IREMs. Finally, there was the financial problem of the costs of these missiles. In view of all these factors which tended toward delay, Secretary Dulles felt that there was very little doubt that the United States would be in a position to supply IREMs.

Secretary Quarles commented, in response to a question from Secretary Dulles, that the latter's summary had been accurate. He added that the Joint Chiefs of Staff had made some preliminary selection in the NATO area of sites for launching IREMs, but that SACEUR had not yet acted officially on this selection.

Secretary Dulles then pointed out that there was a good deal of discussion being generated by the opposition parties in the various NATO governments with respect to the question of where to deploy these missiles. Indeed, there was a real danger that this could become a serious political issue.

Thirdly, said Secretary Dulles, we would announce at the NATO meeting that our Atomic Energy Act would be amended in order to permit more liberal exchange of atomic energy information. We will certainly seek authority to exchange information with our NATO allies if it is of a character that we know the Soviets already have. In cases where such information is not of very great significance, we will seek to exchange information with our allies even if we are not sure whether the Russians possess such information or not.

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Next we shall submit a project for the pooling of scientific knowledge with our NATO allies on nuclear energy matters, on missiles, on outer space developments, and the like.

From a political point of view, Secretary Dulles stated that one of the most difficult issues which would confront the NATO meeting was the degree of consultation which should be sought in the NATO Council. It was harder for the United States than for other NATO nations to agree to full consultation on all policy matters, because of the world-wide commitments and interests of the United States. However, we will agree to increase the exchange of policy information in the future around the NATO Council table. After all, as far as the United States is concerned, we have no policies which we seek to hide or are ashamed to acknowledge. All our policies are designed to protect freedom in the world. Nevertheless, we do not want to be in a position where we are unable to act promptly if necessary for the reason that we are obliged to consult with the NATO Council before taking action. With a volatile and unpredictable individual like Khrushchev at the head of the Soviet Union, we must be able to act quickly in various parts of the world. Khrushchev will certainly try to test out the resolution of the United States in a variety of circumstances and places. We must be in a position to act almost instantaneously when confronted by one of these Soviet attempts to probe our resolution and will. If we do not react instantly to such a probe, the prestige of the Soviet Union would become committed, with much more serious results. Furthermore, there were some problems between members of NATO where it was plainly better to deal outside the NATO Council than within it. This was true of the Cyprus problem. Likewise, France does not want the Algerian question discussed in the NATO Council. Exceptions such as these seem to preclude a hard and fast rule that all such policy matters must be discussed in the NATO Council before a NATO nation acts. But in general, we would do more by way of consultation, and we will increase the stature of our permanent representatives in NATO.

Thereafter, Secretary Dulles indicated that there would be discussions at the NATO meeting in the economic field. The Italians, the Germans, and the French are all particularly anxious for such discussions. NATO is no exception to the other international bodies, in that its members all desire to have a voice in determining how the United States spends its money overseas. We are trying to work out a compromise measure which will provide for some kind of international fund, but not such a fund for which the United States alone subscribes all the money.

There will also be discussion of Pella's suggestion for a NATO fund to provide assistance to the underdeveloped areas of the Middle East. There are certain features in Pella's proposal which we do not like, notably repayment in local currencies; but we may agree on some plan which would provide that help to underdeveloped countries should be undertaken through a multilateral approach. We may even want to set up a new mechanism for this purpose, although there are a lot of multilateral mechanisms already in existence which can serve the purpose.

Lastly, there would undoubtedly be a discussion of disarmament. In this field the United States proposed to re-affirm the proposals which it made last May, coupling this with an indication of some measure of greater flexibility.

Secretary Dulles concluded by stressing that the main importance of the meeting would arise from the presence at it of President Eisenhower. This should in itself provide a rejuvenation of NATO, which clearly needed it in many instances, notably in the case of France, which was a very weak partner indeed in the NATO alliance and caused us all a great deal of anxiety. Secretary Dulles thought that the Gaillard regime might fall at any moment and possibly confront the French with a Hobson's choice between a Gaullist regime on the one hand and a popular front of left-wing parties on the other.

Apropos of these remarks, the President said that one was almost compelled to take a strong attitude toward France. Changing his thought, the President wondered whether, at the open meeting at 12 noon on Monday, we should not emphasize a peace move and a disarmament move as a means of indicating our peaceful intentions.

The National Security Council:

Noted and discussed an oral report by the Secretary of State on the forthcoming NATO meeting.

2. U. S. SECURITY EFFORT OVERSEAS, FY 1958 AND FY 1959
(NSC Action No. 1812; NSC 5707/8; Memo for NSC from Executive Secretary, subject: "U. S. Security Effort Overseas, FY 1957", dated November 29, 1957; Memo for NSC from Executive Secretary, subject: "U. S. Security Effort Overseas, FY 1958 and FY 1959", dated December 9, 1957)

Mr. Cutler delivered a report on the U. S. Security Effort Overseas, FY 1958 and FY 1959, following an outline (copy of which is attached to this memorandum). When Mr. Cutler had reached his discussion of trends which could be perceived after analysis of the charts and data which he had presented, the President expressed surprise that we were apparently asking for less money for the mutual security programs in FY 1959 than we had earlier agreed that we needed.

With respect to Mr. Cutler's comments on the development loan fund, the Vice President inquired whether we had not previously argued, in defense of this development loan fund, that it involved an increased trend toward loans for foreign assistance coupled with a decrease in grant assistance.

(At this point the President temporarily left the meeting.)

The Vice President continued by pointing out that we must make this point clear to the Congress because the totals for our military and economic assistance remained about the same, and this would require explanation to the Congress.

Mr. James Smith, the Director of ICA, predicted that loans would probably be down in the next fiscal year, and that grants would remain about the same.

(At this point Secretary Dulles also left the meeting.)

Mr. Cutler then said that Mr. Smith wished to make a statement at this point. Mr. Smith explained that he wished to speak to the economic rather than the military side of the mutual security program. He pointed out Khrushchev's challenge to the United States some three weeks ago, and Khrushchev's statement that the Soviet Union would soon surpass the United States in competition in the field of peaceful production. There was clear evidence, continued Mr. Smith, that Khrushchev has put this program to work. After citing various instances of Soviet assistance and activities in the underdeveloped countries, Mr. Smith also pointed out the role of Communist China and the Satellites. He also listed briefly what assistance was being given by the Soviet Union to non-Satellite nations in terms of credits or other forms of assistance. He believed that this economic competition from the Soviet Bloc posed a very serious challenge

to the United States and the Free World. He accordingly said he strongly supported the figures just presented by Mr. Cutler for the Mutual Security Program for FYs 1957, 1958 and 1959. Beyond this, Mr. Smith recommended that the United States call for the establishment of a long-term international economic corps for peace, whose function would be to assist the less-developed nations. The National Security Council must respond to the challenge offered by Khrushchev.

When Mr. Smith had finished his statement, Mr. Cutler reverted to the question he had posed at the end of his presentation --namely, the desirability of asking the Department of Defense and the Joint Chiefs of Staff to undertake a study with respect to our military assistance programs in the period 1960-65. He first asked Secretary Quarles to comment on the desirability of such a study.

Secretary Quarles replied that the United States must certainly look ahead, but that there were very great uncertainties in so doing. For example, we do not know what the Soviets will be doing in the period 1960-65, although whatever they did would obviously affect what we do. Another factor was the progressive improvement in the economies of our allies and, accordingly, of the portion of the burden which these allies could take over from the United States. Perhaps the best way to approach such a study as that proposed by Mr. Cutler would be to do it in terms of a probable range. In any event, the Department of Defense would do its best in what would certainly be a very complicated task.

Mr. Cutler pointed out that of course he did not expect complete accuracy in a study covering future years, but was seeking only general orders of magnitude. He then asked Admiral Burke, as Acting Chairman of the Joint Chiefs of Staff, for his views on the feasibility of the proposed study.

Admiral Burke pointed out that it would be very hard for the Joint Chiefs of Staff to produce anything very meaningful. The assumptions chosen for such a study would almost certainly provide the answer to the problem. In order to make a meaningful study we would have to know more than we possibly could know about a great many factors.

In view of Admiral Burke's comments, Mr. Cutler wondered whether, instead of calling for the study he proposed, the Council could ask the Department of Defense and the Joint Chiefs of Staff to tell the Council what might be accomplished in the way of a useful study.

The Vice President expressed doubts that anything useful could be anticipated from the study proposed, and went on to state that it had occurred to him, in looking at the charts and the data

which Mr. Cutler had used, that the matter of greatest concern to the United States in the future was where emphasis should be placed as between military and economic assistance. In the first place, said the Vice President, it seemed clear to him that the Soviet Union was now placing much more emphasis on economic programs than it had previously done. From our own standpoint, we must not allow ourselves to be so obsessed with the patterns of the past that we were incapable of changing the pattern and changing the emphasis. The Vice President believed that we must give much more thought and attention to economic assistance and, wherever possible, less to military assistance. He added that of course in certain countries, like Korea and other areas where the Chiefs of Staff felt that military aid was needed at a high level, we could not change this emphasis. On the other hand, there seemed to be areas where we could increase our economic assistance, and in general economic assistance was less costly than military assistance.

Admiral Burke commented that the Joint Chiefs of Staff would agree with the point made by the Vice President. The latter went on to observe that if we were not very careful in our analysis of the facts and figures which had been presented today, there was danger that we would continue in our old ruts and be unwilling to try out any new paths. The economic side, he said, was the wave of the future.

Mr. Allen Dulles confirmed the view that the Soviets were shifting emphasis to economic from military assistance. He added that in many underdeveloped countries--such as Egypt and Syria--the receipt of armament had reached, so to speak, the saturation point. Such countries had already received larger armaments than they could effectively support or use.

Secretary Quarles commented that, along the lines suggested by the Vice President, and as one analyzed our military assistance programs, one finds that a large part of the pressure for military assistance from foreign countries derived from local tensions and local conditions rather than as a response to our great problem of containing Communism. To Secretary Quarles this meant that the United States should make a greater effort to quiet down local tensions. If we succeeded in doing this we would be able to cut down on our military assistance programs and increase the amounts available for economic assistance.

The Vice President commented that another factor which had always tended to emphasize our military assistance programs over our economic assistance programs, was the comparative ease of selling our policy of military assistance to the American people and the Congress, and the difficulty of selling our program of economic aid.

At this point Mr. Cutler suggested that the Council request the Department of Defense and the Joint Chiefs of Staff to see what they could suggest in the way of a study and report to the Council before they actually undertake any study.

Secretary Herter pointed out that in the UN today the United States was going to propose a greatly expanded technical assistance fund for economic development.

(The President returned to the meeting
at this time, 10:30 a.m..)

Mr. George Allen, Director of the U. S. Information Agency, said he felt that many people in the world believe that all our answers to world problems are military answers. This was a mistaken view which we must nevertheless correct. At present we give too many opportunities to Soviet propoganda describing us as warmongers. To illustrate his point, Mr. Allen read excerpts from a speech which was being made today by the Secretary of Labor. Mr. Allen pointed out that he was far from insisting that the public relations factor was the governing factor; but it was certainly an important factor.

The President commented that in terms of our setting forth our military capabilities before the world, we were damned if we did and damned if we didn't. He was not sure that Mr. Allen's point was correct. The problem was how to inform our own people in a logical way of our military capabilities, without at the same time scaring our allies to death.

Mr. Allen replied that there was even an unfortunate impression going around abroad that the President was going to the forthcoming NATO meeting in order to beg our allies to permit us to station atomic weapons on their soil. The President answered that this, of course, was completely erroneous. We were only trying to assure our allies of our support if they were attacked.

The Vice President, addressing the President, said that the President could give assurance on the score of our strength in very short order at the NATO meeting. But it also seemed to the Vice President that the great appeal that the President exerts in the world today is that he was considered to be a man of peace. Accordingly, the Vice President thought that the President's greatest contribution would consist in a re-affirmation of the peaceful objectives and purposes of the United States. Mr. Allen said that he could not agree more.

The National Security Council:

- a. Noted and discussed an oral presentation on the subject by the Special Assistant to the President for National Security Affairs; in the light of the enclosures to the

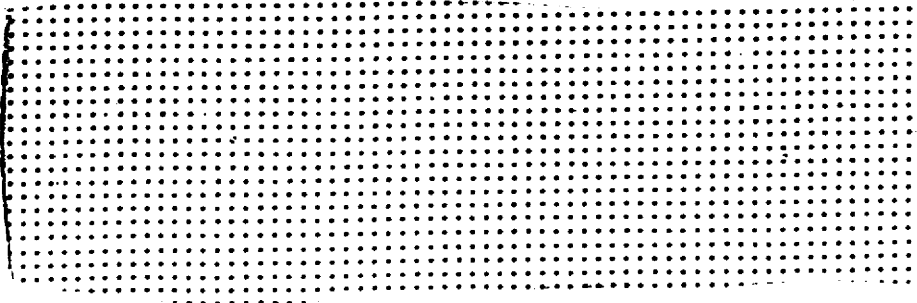
reference memoranda of November 29 and December 9, 1957, and of the statement of issues regarding the Mutual Security Program which had been raised by Mr. Hollister, copies of which were distributed at the meeting.

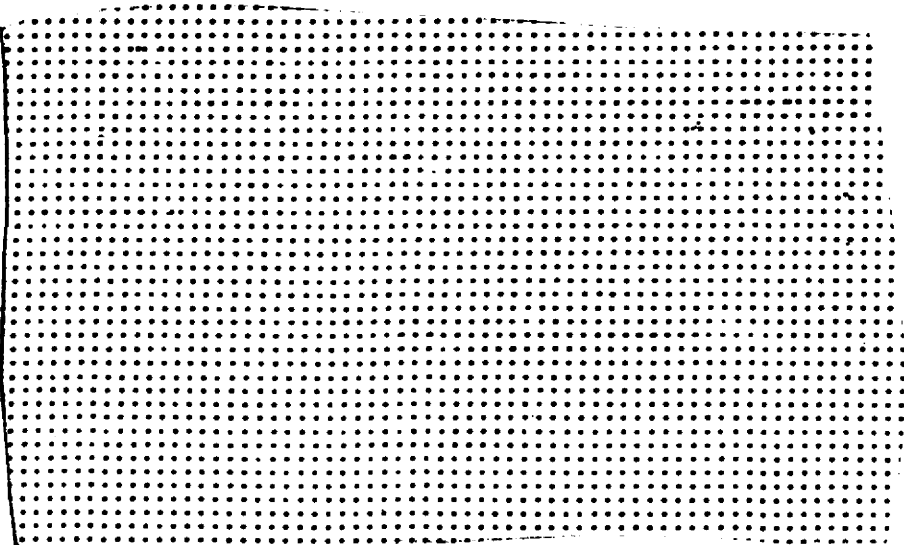
- b. Noted that the Department of Defense and the Joint Chiefs of Staff would consider and report to the Council on the feasibility of making a study along the lines suggested at the meeting by the Special Assistant to the President for National Security Affairs. Taking into account the tremendous changes in weapons technology and the resulting problem of modernization and provision of advanced weapons, the suggested study would (on the assumption of a continuation of present basic policy) review the missions, force levels and equipment programs for the nations receiving U. S. military assistance in the period 1960-65, and estimate the general order of magnitude of the probable costs thereof.
- c. Noted an oral statement by the Director, International Cooperation Administration, on the need for the United States to respond to the Khrushchev challenge in "the peaceful field of trade", and the Director's proposal to call on all of the nations of the world to establish a substantially more effective international economic corps for peace. (This proposal will subsequently be submitted in writing for appropriate consideration.)

NOTE: The action in b above, as approved by the President, subsequently transmitted to the Secretary of Defense for implementation.

The action in c above subsequently transmitted to the Director, ICA, for submission of a written proposal.

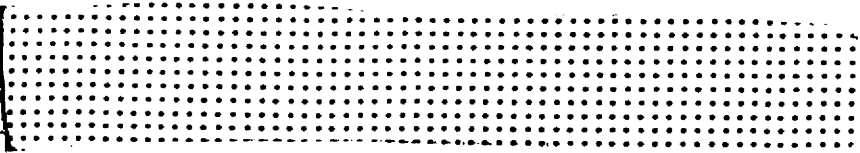
3. SIGNIFICANT WORLD DEVELOPMENTS AFFECTING U. S. SECURITY
(SITE 11-10-57)





Thereafter, Mr. Dulles referred briefly to the meeting of the Supreme Soviet scheduled for December 19, the fourth session of this body this year. He added that the Central Committee would be meeting almost any day now, to set the agenda for the meeting of the Supreme Soviet. The fact that the Central Committee was in session would provide propaganda direction for Soviet efforts to disrupt the NATO meeting.

The President made reference to the "more moderate tone" of his latest letter from Bulganin. He also described his interim reply to the Bulganin letter, which reply he described as "polite".



Mr. Dulles indicated that the anti-Dutch campaign in Indonesia was continuing unabated. In his first speech in a long time, President Sukarno had indicated no compromise with the Dutch. The Communist-dominated labor union, SOESI, has continued to take over Dutch enterprises, which course of action was given an air of legality by the government appointing Indonesian officials to supervise these enterprises. In any case, the bulk of the great Dutch investment in Java was now in Indonesian hands.

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The President inquired whether there would be any compensation to the Dutch, or whether the Indonesian action amounted to straight confiscation. Mr. Dulles replied that there was no clear answer as yet. The Indonesians say they will provide compensation, but it is extremely doubtful. Meanwhile, Mr. Dulles pointed out, the anti-Dutch campaign was having extremely serious repercussions in Indonesia. The price of rice had been trebled in recent weeks. Moreover, the Soviet bloc was exploiting the situation by offering the Indonesians ships, technicians, etc., to replace the Dutch. There were also unconfirmed reports that the authorities in Sumatra would soon declare their independence of Djakarta. There was also pretty good evidence that the Indonesian military commander in Central Sumatra had forbidden the oil companies henceforth to pay their revenues to the Central Government in Djakarta.

With respect to the situation in Iran, Mr. Dulles pointed out that the Shah was receiving blandishments from the USSR. He is, of course, short of cash, and has been turning to us for additional help. Nevertheless, he is under great pressure to accept Soviet offers, and the situation in Iran needed to be carefully watched.

The National Security Council:

Noted and discussed an oral briefing by the Director of Central Intelligence on the subject, with specific reference to Soviet ballistic missiles capabilities (including the high-lights of SNIE 11-10-57); the forthcoming meeting of the Supreme Soviet; and the situations in Indonesia and Iran.

4. PEACEFUL USES OF ATOMIC ENERGY

(NSC 5507/2; NSC Action No. 1726; NSC 5725; Memos for NSC from Executive Secretary, same subject, dated December 4 and 9, 1957; NSC Action No. 1824)

Mr. Cutler pointed out in his briefing note that when the Council considered last week the new policy paper on the peaceful uses of atomic energy (NSC 5725), three paragraphs were postponed for decision at the meeting today, in order that the views of the Atomic Energy Commission in regard thereto could be put in writing and circulated to the Council. These views had now been stated and were before the Council. The first of the postponed issues dealt with actions which might be necessary to maintain U. S. pre-eminence in power reactor technology. This issue had been covered in paragraphs 24 and 33 of NSC 5725. Mr. Cutler then read the language for these paragraphs proposed by the Atomic Energy Commission. He noted that the Joint Chiefs of Staff were in agreement with the language proposed by the AEC for these paragraphs, and then called on Admiral Strauss to explain why the AEC had disagreed with the version of these paragraphs originally offered by the NSC Planning Board, and why the AEC was suggesting this new and more general phraseology.

Admiral Strauss explained that the AEC had objected to the earlier version of these paragraphs because the Commission could not agree that private industry in the United States was not in a position to step in and finance a domestic power reactor program with its own funds. After referring briefly to U. S. power reactors which were in the course of being built or being planned at the present time, Admiral Strauss repeated that the Commission did not yet feel that there was a need for Federal financing of the U. S. power reactor program. He admitted, however, that this could, of course, be a wrong prophecy.

The President also said that he was at a loss to understand the reason for all this pessimism about private financing of the U. S. power reactor program. On the contrary, he felt that the progress under private auspices had been miraculous.

Admiral Strauss said he thought he could undertake to answer the President's question. The answer was that there had been earlier a certain over-optimism among some of the large companies in the United States with respect to the estimated costs of construction of atomic power plants. Since these projects were now in some cases in the red, the companies in question would like nothing better than to have Federal subsidies to bail them out.

Mr. Cutler then inquired whether the Council would accept the phraseology of paragraphs 24 and 33 submitted by Admiral Strauss. There was no dissent.

Mr. Cutler then took up the other disputed paragraph, 34-b, reading as follows:

"b. Develop and submit to the Council measures for the initiation of new large-scale prototype nuclear power projects in the United States of types which appear most promising at this date."

Mr. Cutler explained that Admiral Strauss favored the deletion of subparagraph 34-b, and asked Admiral Strauss to state his reasons for favoring deletion. Admiral Strauss replied that his reasons were based on the view that it was not the function of the National Security Council to concern itself with program matters as opposed to policy matters. Mr. Gordon Gray could not agree with Admiral Strauss, and felt that the Council did have a responsibility in this area, although he said he would not contest Admiral Strauss' recommendation for deletion of subparagraph 34-b.

The National Security Council:

- a. Discussed the draft revisions of paragraphs 24, 33 and 34 of NSC 5725, submitted by the Chairman, Atomic Energy Commission, pursuant to NSC Action No. 1824-b-(8) and

transmitted by the reference memorandum of December 9, 1957; in the light of the views of the Joint Chiefs of Staff thereon, as read at the meeting.

- b. Adopted the following revisions of paragraphs 24, 33 and 34 of NSC 5725:

- (1) Page 18, paragraph 24: Revise to read as follows:

"24. World opinion equates pre-eminence in power reactor technology with leadership in the peaceful applications of atomic energy. Accordingly, the development of measures to maintain U. S. pre-eminence in power reactor technology is of continuing concern and paramount importance."

- (2) Page 25, paragraph 33: Revise to read as follows:

"33. In order to maintain U. S. leadership in the peaceful application of atomic energy, develop additional measures necessary to facilitate the use of U. S. reactor technology and full-scale prototype power reactor plants abroad."

- (3) Page 26, subparagraph 34-b: Delete the subparagraph.

NOTE: NSC 5725, as amended by NSC Action No. 1824-b and by the action in b above, subsequently approved by the President; circulated as NSC 5725/1; and referred for implementation to the Secretary of State and the Atomic Energy Commission, advising with the Operations Coordinating Board in order to assure coordination with respect to those matters which relate to the implementation of national security policies for which the OCB is designated as the coordinating agency.

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At the conclusion of the meeting, the President expressed the opinion that there should be a meeting of the National Security Council next week, even though he himself would be absent. Mr. Cutler replied that unfortunately there was no business quite ready for a Council meeting next Thursday. The Vice President suggested that there be no meeting of the Council during the interval between December 23, when a meeting had been scheduled, and the reconvening of the Congress in January. The President said he would be leaving Washington for a time about New Year's Day, and Mr. Cutler accordingly suggested that the next meeting (after the December 23 meeting) be held on January 6.

S. Everett Gleason

S. EVERETT GLEASON