

EYES ONLY

~~TOP SECRET~~

July 23, 1954

MEMORANDUM

SUBJECT: Discussion at the 207th Meeting
of the National Security Council,
Thursday, July 22, 1954

Present at the 207th meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (Item 2); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the White House Staff Secretary; Bryce Harlow, Administrative Assistant to the President; 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. POSSIBLE USE OF ROK FORCES IN INDOCHINA
(NSC Actions Nos. 1054-b and 1147-b)

The National Security Council:

Adopted the recommendation of the Joint Chiefs of Staff, concurred in by the Secretary of Defense, that the present U. S. policy with respect to the possible use of ROK forces in Indochina (NSC Action No. 1054-b) not be changed at this time, but be kept under review in the light of future developments.

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

2. LARGE SHIP REACTOR PROGRAM
(NSC Actions Nos. 768-e and 779-a)

The National Security Council:

- a. Noted that the proposal by the Secretary of Defense that the Department of Defense, in collaboration with the Atomic Energy Commission, now go ahead with a research and development program directed toward the development

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| DECLASSIFIED WITH DELETIONS |
| E.O. 12958, SEC. 3.6(b) |
| Agency Case <u>9402243</u> |
| NLE Case <u>91-33 #8</u> |
| By <u>B3m</u> NLE Date <u>12/24/96</u> |

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of a nuclear-powered propulsion system suitable for large ships, will be handled through regular procedures, including normal budgetary review.

- b. Rescinded NSC Actions Nos. 768-e and 779-a as they relate to the large ship reactor program.

NOTE: The above actions, as approved by the President, subsequently transmitted to the Secretary of Defense and the Chairman, Atomic Energy Commission.

3. DISPOSITION OF MATERIEL BEING DIVERTED FROM INDOCHINA

The National Security Council:

Noted the following statement on the subject by the Secretary of Defense as read at the meeting:

1. The Army, Navy and Air Force have issued necessary instructions to stop movement of materiel into Indochina. Materiel which has departed the ports will be diverted or returned to port generally as follows:

a. The bulk of the materiel will be returned to the Z. I.

b. A great proportion of the ammunition that is presently enroute will be diverted to Formosa.

c. Certain small shipments which are part of a cargo on commercial vessels will be diverted to other countries where requirements for that equipment exist. Examples of this are Thailand, Formosa and a small part will go to AFFE.

2. The final disposition of the diverted equipment will be to expedite the build-up of MDAP materiel in other countries in the Far East South Pacific area such as Formosa, Thailand, Japan and the Philippines within existing programs.

4. EAST-WEST TRADE CONTROLS
(NSC Action No. 1170)

Mr. Cutler asked Governor Stassen to report briefly to the Council on the final phases of his negotiations in Paris with respect to the International Lists for export controls on strategic materials exported to the European Soviet bloc countries.

Governor Stassen stated that as a result of the talks here with the British over the 4th of July week-end, and the talks just completed in Paris, we had moved through the remainder of the International Lists. Of the items in question, the result had been that 43 items had been designated for embargo, 17 for quantitative control, 6 for decontrol, and 3 deferred pending further study. The three deferred items would remain embargoed until the issue came up for decision next December. Governor Stassen commented that the items described as most vital to the United States from the security point of view, in the NSC papers, had remained on the controlled lists. There was the additional advantage that agreement had been reached on transshipment and transaction controls. These latter were to be put on by the individual countries, but would be the subject of a subsequent general review.

Governor Stassen said that the revised lists would go into effect on August 16, 1954. These revised lists would consist of 176 items embargoed, 24 items designated for quantitative control, 55 items assigned to the watch list, and three items deferred but meanwhile embargoed. These three items were tinplate rolling mills, electric generators of a certain power, and strategic ball bearings.

With respect to shipping controls there had been no final word, but Governor Stassen expressed the opinion that we would have to yield to some degree with regard to the tonnage and the speed of vessels which the free world could build for the Soviet bloc.

The sum total of these negotiations, concluded Governor Stassen, was that we now have an 18-nation agreement with respect to the most significant strategic items. In addition, we have an 18-nation agreement with respect to transshipment and transaction controls.

When Governor Stassen had completed his report, Secretary Dulles complimented him on the manner in which he had conducted a very difficult series of negotiations. The results achieved had been much better than we had at one time believed possible.

The National Security Council:

Noted an oral report by the Director, Foreign Operations Administration, on the final results of the reexamination of the International Lists, which included the following major points:

- a. All items considered by the U. S. to be in the highest priority were retained on the Lists.
- b. Transshipment and transaction controls were agreed.
- c. The new lists will go into effect on August 16, 1954, approximately as follows: 176 items on the embargo list; 24 items on the quantitative list; and 55 items on the watch list.
- d. Deferred, pending further study, removal from the embargo list until December 1954 of tinplate rolling mills, electric generators of 10,000 to 60,000 KW, and ball bearings.
- e. The U. S. agreed to yield to a small extent on the total tonnage and the speed limitations under shipping controls on a three-year basis.

5. SIGNIFICANT WORLD DEVELOPMENTS AFFECTING U. S. SECURITY

The Director of Central Intelligence informed the Council that CIA had received word yesterday of the disappearance in Berlin of Dr. Otto John, Chief of the West German Security Services. It was too early to make a final judgment, but the disappearance looked very much like a defection. The results will be very serious for the West German Government, since this individual knew all about Communist penetration in West Germany. Mr. Dulles commented that John had worked closely with the British during the second World War and that they had complete confidence in him. Mr. Dulles himself had dined with Dr. John last month when he visited the United States, besides having had contact with him when Mr. Dulles was in Switzerland and Dr. John in Madrid during the last war. There remained the possibility that John had been kidnapped, but Mr. Dulles feared the worst. On the other hand, John had no knowledge of CIA operations beyond what the Soviets already knew.

Mr. Dulles then commented on the Geneva settlement, using a map of Indochina. He pointed out that the great problem which would be faced by Vietnam would be how to maintain order in the south, where, to put it mildly, the French were extremely unpopular as a result of the partition. As evidence of this, Mr. Dulles said that the Vietnamese Foreign Minister had resigned, and that there were unconfirmed rumors that the Vietnamese Prime Minister would also resign. It was to be hoped that the French would not replace these officials with obedient puppets. If they did, the tragedy which had resulted in the loss of northern Vietnam would soon be repeated in the south.

Admiral Radford inquired whether the armistice agreement did not provide for the withdrawal of French forces from South Vietnam as soon as the Vietnam Government so requested. Mr. Dulles replied that while this was so, who would make the request for French withdrawal? Certainly not Bao Dai, since he was completely under French control.

Admiral Radford went on to express the view that the United States could not continue to send military materiel to the free states of Indochina, and he also inferred that we would be obliged to withdraw our Military Advisory and Assistance Group (MAAG). Curiously, however, he had received an inquiry from General Ely respecting U. S. plans to continue the training of the native armed forces. Ely had suggested that somehow or other it would be necessary to "get around" the armistice prohibitions. Mr. Dulles replied that it was quite clear that the United States could not have MAAGs in either Laos or Cambodia, according to the armistice provisions. This was not clear in the case of Vietnam.

Mr. Dulles then said that as a result of questions which had arisen at a recent Council meeting, he had made an investigation of the world copper situation. The results indicated no great amount of buying of this commodity by Soviet bloc countries at this precise moment. Indeed, there was not very much copper available for purchase, since the United States had recently bought up a large amount of Chilean copper.

The National Security Council:

Noted and discussed an oral briefing by the Director of Central Intelligence on the subject, with specific reference to the Indochina situation under the Geneva Conference settlement, and the world copper situation.

6. COORDINATION OF ECONOMIC WARFARE ACTIVITIES

The President inquired whether there was anyone in the United States Government whose responsibility it was to undertake studies and to formulate plans for economic warfare. It seemed to him that there was no one in the entire Government whose job it was to figure out how to embarrass the enemy in this field. While Russia had been refusing to buy Asiatic natural rubber, China was buying it at twice the market price. The President said he could see no explanation of this except that it was designed to embarrass United States policy in the free Asian countries. Accordingly, we ourselves needed a man to think about this problem and nothing else.

Dr. Flemming expressed full concurrence with the President's view, and stated that the United States conducted its economic warfare activities on a "crisis basis" rather than in terms of an over-all strategy for economic warfare. Dr. Flemming's point was illustrated

by several members of the Council, and the President again repeated his fear that "what was everybody's business, was nobody's." He said that what he had in mind was no plan that would deprive the existing agencies of their responsibility in this field, but an individual who would see to it that the agencies discharged their responsibilities. Mr. Cutler suggested that the Bureau of the Budget be asked to prepare recommendations to meet the President's point with regard to economic warfare.

Returning to the subject of the copper situation, Governor Stassen expressed the opinion that the alleged considerable movement on the copper market was deceptive. Secretary Humphrey, however, insisted, nevertheless, that there had been a very considerable movement in recent weeks. Mr. Allen Dulles said that such reports were not correct in so far as he could determine, Governor Stassen said that at any rate FOA had been unable to discover any significant leak of copper to the Soviet Union. The probable explanation of the activity in the copper market was that several free world countries were at last beginning to build up more normal inventories of this metal.

Governor Stassen then mentioned the Soviet demand on the Danes that they build two tankers for the Soviet Union as the price for a Danish-Soviet trade agreement. The Danish Commerce Minister had explained to Governor Stassen the serious dilemma that this demand represented for Denmark. The President, turning to Secretary Humphrey and stating that the Secretary was certainly well versed in such matters, inquired whether he really believed that there was any good reason why the Danes should not agree to construct these two tankers. Wasn't all this fuss, he asked, rather silly? The President said he did not believe that, with the United States in the process of constructing twenty large and very fast tankers, it would make much difference if the Danes sold two small tankers to the Soviet Union.

Secretary Wilson said that this was one more case of the dangers of "getting a little pregnant". The Joint Chiefs of Staff regarded tankers as highly strategic items. If we abandoned the principle that they should be embargoed in order to do Denmark a favor, the British and others would soon be demanding permission to construct and sell ten tankers to the Soviets. The President replied that he didn't think all this was a matter of principle so much as an analysis of the merits of an individual case. Secretary Wilson then said that inasmuch as the war in Indochina was now actually over, we might just as well go ahead and let Denmark build the two tankers for the Russians.

Governor Stassen said that while he sympathized with the views of the Joint Chiefs of Staff on this issue, the Danish Minister of Commerce had pointed out to him a new and serious aspect of

Danish refusal to supply the tankers. The Commerce Minister had stated that in recent years the electoral strength of the Danish Communist Party had been reduced from 12 to 4%. Unemployment in Danish shipyards, exploited by Soviet propaganda against the U. S., might well reverse this trend.

Admiral Radford did not reply to this point, but indicated that he had received a number of interesting reports with regard to Soviet block, and especially Polish flag, tankers in the Far East. When all the reports were in, he proposed to summarize their content for the benefit of the Council. Meanwhile, Admiral Radford endorsed heartily the proposal for more effective prosecution by the Government of a program for economic warfare. Admiral Radford also adverted to the view of General Franco, who believed that if the United States undertook to supply the appropriate financial assistance it would be quite possible to build up markets in the free world for supplies and materials which were now perforce being sold by the free world to Soviet bloc countries. The President expressed the view that this was something which certainly should be studied as providing a possible way out of the dilemma of East-West trade.

The President then inquired why the United States did not do everything in its power to promote the sale of Middle East oil in Europe. Admiral Radford pointed out that 90% of Middle Eastern oil was already going to Europe and that the amount was increasing rapidly, an estimate confirmed by Mr. Allen Dulles.

The National Security Council:

Noted the President's request that the Bureau of the Budget study and prepare recommendations for Council consideration as to placing responsibility within the Executive Branch for coordinating all U. S. economic warfare activities.

NOTE: The action above subsequently transmitted to the Director, Bureau of the Budget.

7. U. S. OBJECTIVES AND POLICIES WITH RESPECT TO THE NEAR EAST
(Memos for NSC from Executive Secretary, same subject, dated July 6 and 14, 1954; Memo for All Holders of July 6 memo, dated July 12, 1954; NSC 155/1)

Mr. Cutler briefed the Council on the background of this paper, and the general character of the two proposed sets of revisions. He then began to read the course of action with respect to area defense set forth in paragraph 16. Before he had concluded, the President said that he very much liked this statement, but had a question which he wished to put to the Secretary of State. Was there not, he asked, a real danger that when the other nations of the Middle East find out that the United States is dealing primarily

with the so-called "northern tier" countries, these other nations would just sit back and relax their own defense efforts? After all, said the President, this would provide no defense in depth, and we certainly did not want such a relaxation to occur. Mr. Cutler pointed out that, apart from the northern tier nations, the only real element of military strength in the Middle East was Egypt, and the present report provided a link between Egypt and the northern tier countries. Moreover, we would promptly supply Egypt with military assistance as soon as the Suez base question was settled.

The President said that this was all very well, but that it did not assure the right attitude on the part of Egypt. Perhaps, said the President, he was more afraid of the words "northern tier" than of anything more concrete. Secretary Dulles said that he understood the President's fear that the phrase "northern tier" could well be dangerous. It would perhaps be better not to use it. Mr. Cutler pointed out, amidst amusement, that Secretary Dulles himself had coined the phrase "northern tier", but assured him that it would not be used outside of our NSC papers.

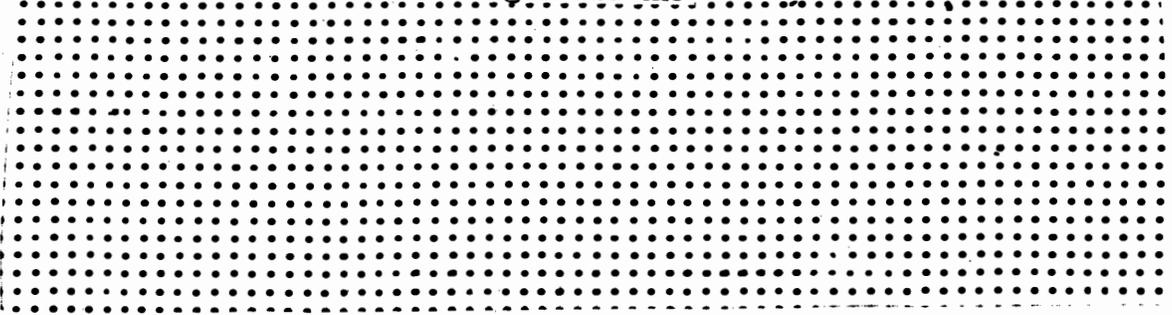
Mr. Cutler then directed the Council's attention to the disputed paragraph 13-b on page 5 of the report. This dealt with the danger of an agreement between the Saudi Arabian Government and the Greek shipowner, Onassis, by which the latter hoped to secure a monopoly for the lifting of all Saudi Arabian oil. Mr. Cutler said that the Department of Commerce felt this matter was so serious as to warrant insertion of the proposed paragraph 13-b. State agreed that the problem was serious, but felt that the paragraph was superfluous. Mr. Cutler then suggested that Secretary Dulles or Admiral Radford speak to the point. Secretary Dulles seemed disinclined to speak, and Admiral Radford therefore opened the discussion.

Admiral Radford said that the Joint Chiefs felt that the Onassis proposal represented one of the most unusual steps ever taken in connection with world shipping. After explaining the nature of the contract Onassis sought with the Saudi Arabian Government, Admiral Radford warned that if the contract was secured we could expect all the other oil-producing countries, including Venezuela, to follow the lead. In effect, each of these countries would say that everything that is exported out of them must be carried in the flag vessels of one particular country. Such a procedure would change the whole picture of world shipping, greatly to the disadvantage of the United States.

The President inquired whether it was not possible, with all the power of the United States, to "break" Onassis; let the rascal sign his contract and then proceed to break him. Mr. Allen Dulles and Secretary Humphrey pointed out to the President that Onassis was a dangerous and slippery character, and Secretary Humphrey in particular agreed that the activities of Onassis and other shady characters of his type in the Middle East presented the United States with a very dangerous problem. Admiral Radford

confirmed this by saying that Aramco had come to the conclusion that it would have to close up its operations in Saudi Arabia if the Onassis contract went through. He also pointed out that our own reserve of U. S. tankers would in this contingency have to go out of business. There would simply be no oil for them to carry if the pattern set in Saudi Arabia established itself in other oil-producing countries.

The President then inquired what representations the United States had made to Saudi Arabia. Secretary Dulles replied that there was no use whatever in talking about the



The President wondered whether we could bring pressure on the Saudi Government by purchasing Iranian oil. Secretary Humphrey said he didn't know the answer to the problem, but that the United States had got to do something or else all the oil in the Middle East will have to be shipped in this Greek's vessels. The President agreed with Secretary Humphrey, and said in any case we could not afford to sit around and get blackmailed. He then inquired where the Saudi Arabian oil was sold. Upon learning that it was sold in Europe, the President asked why friendly nations in Europe could not be induced to close their ports to "this guy's" ships. Secretary Humphrey pointed out that this would be very hard to do, since Greeks were notoriously mobile.

Admiral Radford repeated the view of the Joint Chiefs of Staff that even the proposed paragraph did not really face up to the situation. Secretary Humphrey then suggested that the Council should agree on the principle of fighting the Onassis contract as hard as possible, leaving to Defense the problem of deciding on the methods. Mr. Cutler suggested wording to meet the point raised by Secretary Humphrey, but Secretary Dulles inquired whether the strong language used meant that we would employ our naval vessels to balk Onassis. He pointed out the doubtful legality of the course of action proposed. What was really needed, he added, was one of our own people who can get the King's ear.

Governor Stassen suggested that



Mr. Cutler then suggested that the Council direct its attention to the other major problem--namely, ways and means of avoiding aggression by the Israelis or the Arabs. While there were a certain number of agreed recommendations on courses of action to achieve this objective, State and Defense were widely split on whether or not to decide now to use U. S. armed forces to prevent such aggression, or to restore the situation if aggression occurred. The gist of the difference in point of view could be summed up, said Mr. Cutler, by saying that the State Department wished "to put some teeth in the tripartite declaration." Mr. Cutler commented on the several courses of action in which this difference of opinion manifested itself, and when he reached paragraph 14, which recommended explanation to the American public and to the peoples of the states concerned U. S. intentions regarding the entire Arab-Israel problem, Secretary Dulles interposed to say that he objected to this paragraph.

At the conclusion of his analysis of the courses of action, Mr. Cutler called on the Secretary of State to speak first.

Secretary Dulles said that he doubted whether the differences between the Departments of State and Defense were actually as great as would appear from these split paragraphs. At least this would be the case, he said, when his own views were taken into account. He said that of course he recognized that it was desirable to make both the Arabs and the Israelis understand that if they resorted to violence they would have to face very serious consequences. Nevertheless, said Secretary Dulles, he could not grasp the meaning of the State Department proposal "to decide now to use force". Of course, we could not decide such matters in advance. This had been proved by Indochina. The Executive Branch alone did not have the authority to commit U. S. forces in advance. To do so would require either UN or Congressional approval, and possibly both. The State Department language, on the other hand, contemplated a decision by the Executive Branch to use force now in the absence of either variety of approval. Secretary Dulles therefore said he assumed that what we really mean is that we will simply tell the Arab states and Israel that if they should resort to military force, the United States would take a very serious view of the matter and would even consider the use of its armed forces to maintain peace.

Mr. Cutler explained that the State Department course of action merely called on us to "be prepared" to use force, and that one of the courses of action called for an effort to secure UN blessing. Secretary Dulles, however, repeated his dissatisfaction with the State Department position, and indicated that he was quite prepared to go along with the Defense version of the split paragraphs. He repeated his reasons for preferring the Defense proposal, and added the point that it was very unlikely that either the Arabs or the Israelis would allow themselves to be placed in a position of being charged with a clearcut aggression. Accordingly, it was both academic and unrealistic to recommend a course of action which called

for a decision in advance by the United States to commit its armed forces. However, Secretary Dulles emphasized that it was important for the United States to be in a position to let either side know that if they resorted to warfare the results would be very serious for them.

The President expressed sympathy for the views just set forth by Secretary Dulles, and indicated, with some impatience, that this was another example of trying to convert a specific problem into a general policy.

Secretary Dulles said that he was also in complete agreement with the objections of the Joint Chiefs of Staff to an attempt by the U. S. to invoke Article 51 of the UN Charter as an excuse for intervening in hostilities between the Arabs and the Israelis. He did not agree with the State Department position which suggested that Article 51 might be applicable to such a contingency.

The President said that with this problem we should make our views plainly and firmly known to the governments of Israel and the Arab states, but we need not tell either these governments or our enemies precisely what we were proposing to do.

Secretary Wilson observed that there was much good sense in the old principle that when a horse gets too frisky you should cut down on his oats. This principle applied to Israel, and Secretary Wilson said let's cut down a little more on assistance to the Israelis.

With respect to the difference of opinion between State and Defense on paragraph 12, of which the State Department called for a public declaration by the U. S. of its determination to prevent, by force if necessary, any alteration of existing armistice lines by an armed attack, Secretary Dulles said that he didn't care for either the State or the Defense version. This sort of problem did not lend itself to any kind of public declaration. The paragraph should merely read that we would make our policy known privately to Israel and the individual Arab states.

When paragraph 14 was reached, for which Secretary Dulles had earlier expressed dislike, he explained to the Council that it was utterly impossible to make public speeches on the subject of Israeli-Arab relations. It simply couldn't be done successfully. Assistant Secretary Byroade had recently tried. He had written and delivered a very sensible speech. However, it had been completely misunderstood both in the United States and in the Middle East. Moreover, continued Secretary Dulles, he doubted whether it was appropriate for the National Security Council to recommend this kind of course of action. It would obviously be disastrous if a lot of officials of the Executive Branch went around the country making speeches which attempted to explain our position vis-a-vis the Arab states and Israel.

After it was agreed to strike paragraph 14, Mr. Cutler asked Secretary Dulles to speak briefly about his recent soundings of Congressional opinion on the Administration's policies toward Israel and the Arab states. Secretary Dulles replied that the preponderant view in Congress was that the United States should take rather strong action to restrain the Israelis, who seemed the most dangerous and provocative of the antagonists. Congress understood the provocative attitude of the Israelis. While members of Congress from states with large Jewish populations, such as New York, Massachusetts, etc., had a different view, there was in general very good Congressional understanding of this problem and quite strong Congressional support for the Administration's policy of trying to be fair and impartial as between Israel and the Arab states. Finally, said Secretary Dulles, while superficially the situation between the Arabs and the Israelis was very bad indeed, it was basically somewhat improved over what it had been a few years back.

Governor Stassen said that on the economic side we had made a real effort to assist the Israeli Government to meet its difficult financial and economic problems, even though we have cut down the level of our economic assistance. Indeed, one Israeli official had informed him that the financial and technical advice which we have provided Israel was worth a hundred million dollars of economic assistance. In any event, Governor Stassen expressed the opinion that Israel was in better shape from an economic point of view with the reduced aid now being given it, than it had been when the United States had provided much larger sums for assistance. Governor Stassen also expressed the opinion that while of course we might not wish to make any public declaration of our policy or intentions toward Israel or the Arab states, the main points in our policy should be allowed to leak out, since only thus could we curb the extremists on both sides.

The President commented on a conversation which he had recently had with a visitor from Israel, who had stated to him that the government in Israel was thoroughly unreligious and materialistic. The President said he had been astounded by such a statement, since he had been of the opinion that a good many members of the Israeli Government were religious fanatics.

As Mr. Cutler was about to move on to the next item, the Vice President interrupted to say that he wished to be permitted one political comment. He said he believed that the decisions made by the Council on this policy paper were wise and defensible not only from the point of view of the national security but from the point of view of domestic political considerations. Presidents Truman and Roosevelt had been obliged to assure themselves of the Jewish vote and they had largely secured this vote. The Republicans, on the other hand, do not require this vote and aren't likely to get it, no matter how hard they try. They certainly would not get it by kowtowing to this view. Accordingly, the Administration should do what it thought

right. This would at any rate secure a not inconsiderable support among moderate and wise Jews in the United States.

The National Security Council:

- a. Adopted the amendments to the statement of policy on the subject in NSC 155/1 transmitted by the reference memorandum of July 6, subject to the following changes:

- (1) Revise the proposed paragraph 13-b to read as follows:

"b. The United States should take all appropriate measures to bring about the cancellation of the agreement between the Saudi Arabian Government and Onassis for the transport of Saudi Arabian-produced oil and, in any case, to make the agreement ineffective."

- b. Adopted the supplementary statement of policy on the Arab-Israel Problem transmitted by the reference memorandum of July 6, subject to the following changes:

- (1) Insert paragraph 10-e as proposed in the right-hand column, reading as follows:

"e. In the event none of the above courses of action are successful in causing the aggressor state to desist from armed attack and to withdraw within its own borders, consult (without prior commitment) with the UK, and to the extent practicable with other powers, on whether to take concerted action to:

"(1) Establish a blockade of the attacking state.

"(2) Use military forces to compel the attacking state to relinquish any territory seized and to withdraw within its own borders."

- (2) Reletter paragraph 10-g as 10-f, to read as follows:

"f. Make every effort at the outset to secure UN sanction and support for the above measures; but, if it appears that UN action will not be forthcoming promptly, be prepared in an urgent situation to take such measures without delay."

- (3) Include paragraph 11, reading as follows:

"11. In collaboration with the UK, and to the extent desirable and feasible with France and Turkey, develop plans, including military plans as appropriate, to support the measures in paragraph 10 above."

- (4) Revise Paragraph 12 to read as follows:

"12. At a time and in a way deemed appropriate, make the policy in paragraph 10 above known to Israel and individual Arab states privately."

- (5) Delete paragraph 14, and renumber the remaining paragraphs accordingly.

NOTE: The amendments to NSC 155/1 and the supplementary statement of policy referred to above, approved by the President. NSC 155/1, as amended and supplemented, and incorporating the amendments to the staff study transmitted by the reference memorandum of July 6, subsequently referred to the Operations Coordinating Board as the coordinating agency designated by the President, and circulated as NSC 5428.

8. ICELAND

(NSC 5426; Memo for NSC from Executive Secretary, same subject, dated July 20, 1954)

The President interrupted Mr. Lay's briefing of the Council on the content of the Iceland paper to inquire about the total size of the Icelandic fish catch. Mr. Lay replied that Iceland exported fish worth approximately \$46 million annually. In that case, said the President, why doesn't the United States buy up the entire export of Icelandic fish and give it to some country, such as Israel or Spain, which needed proteins?

Mr. Lay suggested the desirability of reconciling the quarrel between Great Britain and Iceland so that Iceland would regain its traditional market for its fish in Great Britain. Governor Stassen endorsed this proposal as the most promising course of action to deal with the dilemma of finding other markets than the Soviet market for Icelandic fish. The President, however, repeated his belief that we should find out precisely what the USSR is paying for Icelandic fish, and thereafter see if we cannot buy up the entire catch and give it to some country as part of our aid program. Governor Stassen said he would gladly explore this suggestion, but pointed out the danger

that if we followed this course of action with respect to Iceland, a great many other countries would want "an in" on it too. Otherwise, they would threaten to sell their products to the USSR.

To meet the President's point, Mr. Cutler suggested the inclusion of the phrase "including governmental purchase" in present paragraph 19.

The National Security Council:

Adopted the statement of policy contained in NSC 5426, subject to the following changes:

- a. In paragraph 19 insert, after "U. S.-Icelandic trade", the words ", including the possibility of U. S. governmental purchases of Icelandic fish and fish products for foreign consumption,".
- b. Include the proposed paragraph 23.

NOTE: NSC 5426, as amended, approved by the President; referred to the Operations Coordinating Board as the coordinating agency designated by the President. A revised page 7, reflecting the above Council action, subsequently circulated to all holders of NSC 5426.

9. THE GENEVA CONFERENCE

Secretary Dulles said that he had very little to add to what was now general knowledge about the Geneva settlement. The Communist demands had turned out to be relatively moderate in terms of their actual capabilities. This relative moderation could perhaps be explained as resulting from one of two causes or a combination of both. The first was the Communist conviction that they will secure what they really want gradually in the course of time. Second was the Communist fear that if they demanded too much the adverse reaction in the free world, and particularly in the United States, would increase the danger of general war, which they do not want now.

As the Council knew, continued Secretary Dulles, the United States had taken the position at Geneva that it would neither endorse nor be a party to the actual settlement. We had continued to resist pressures to be a party to the settlement, and had issued our own independent unilateral declaration.

The great problem from now on out was whether we could salvage what the Communists had ostensibly left out of their grasp in Indochina. Secretary Dulles indicated, in this respect, that the State Department had been actively carrying on negotiations with the

British, who seemed now willing to go ahead to make plans for the defense of the rest of Southeast Asia despite India. Present schedules call for getting going formally on discussions of the defense grouping for Southeast Asia by the end of August. Secretary Dulles thought that the real danger to be anticipated came not primarily from overt Communist military aggression but from subversion and disintegration. In view of this, he said that he would almost rather see the French get completely out of the rest of Indochina and thus permit the United States to work directly with the native leadership in these states. In answer to a question from Mr. Cutler as to whether or not the French would get out, Secretary Dulles said it was hard to reply. He thought that if the French believed they could secure real control in South Vietnam and elsewhere, many of them would be anxious to stay on. However, Mendes-France at least took a more realistic view of colonialism and, besides this, was most anxious to cut French commitments in the area.

Secretary Dulles then spoke briefly of a possibly serious situation with respect to Congress. Not long ago, when it looked as though the French would cease their military effort in Indochina, the Congressional leaders had informally agreed that the unexpended balance of U. S. aid to assist the French war effort would not be withdrawn but could be used on a flexible basis to assist the remaining free areas of Indochina. This agreement for a flexible handling of this money was now threatened by the results of Geneva, and the members of Congress were anxious to forget their earlier agreement. Of course, continued Secretary Dulles, it was not possible to say at this moment precisely how much money should be spent in any one of the free countries of Southeast Asia, but all of them in general must be built up if the dike against Communism is to be held. Accordingly, Secretary Dulles appealed to all the members of the Council to stand fast on this position. The President in turn called on all those present to support the views expressed by Secretary Dulles on these funds, and indicated that those who could not support the Secretary of State should stay away from Capitol Hill.

Governor Stassen expressed the opinion that if we all stood together we could carry Congress along with the necessity for using the unexpended balance of the aid to Indochina in other states of the area.

Mr. Cutler inquired of Secretary Dulles as to the possibility of getting any considerable number of free Asian states, especially the Colombo powers, into the Southeast Asian regional group, so that it would not appear to be just another white man's group. Secretary Dulles pointed out the two different aspects of the future regional grouping--a smaller one, primarily military in character and with relatively few Asian members at first, around which could perhaps be created a larger grouping of Asian states primarily for purposes of economic stability and growth.

The President expressed his strong support of this general concept.

The National Security Council:

- a. Noted and discussed an oral briefing by the Secretary of State on the outcome of the Geneva Conference, and possible developments which might follow in the immediate future.
- b. Agreed that the NSC Planning Board should review U. S. policies in the Far East in the light of the situation following the Geneva Conference.

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Before the meeting broke up, the President said that he had one or two matters to call to the Council's attention briefly. Apropos of the discussion at this meeting on the problem of Iceland, he said that he and the Secretary of Defense had recently been discussing the importance of Greenland. He pointed out the enormous advantage to the United States which would accrue from

The other point which he wished to mention concerned the desirability of adopting a plan to assure an adequate reserve force for the United States. The President indicated that certain outside groups, such as that headed by General Julius Ochs Adler, had not been consulted with respect to current planning on a reserve program.

Mr. Cutler reminded the President that the Council had already had one session on the subject of the Defense Department's reserve plan, and that the same subject would be up for discussion at next week's meeting. The President indicated his desire that before this subject came back again to the Council he wanted this outside group to be informed of its content and to have an opportunity to express its view.

Dr. Flemming pointed out that Generals Adler and McLain have been kept informed all along of the development of the reserve plan which was being worked out jointly by Defense and ODM. He also indicated that by next week ODM and Defense would have agreed on a revised plan for a reserve program which could be considered by the Council.

Mr. Lay observed that there were certain differences of view on this plan, and that General Adler and General McLain did not entirely agree with it. Dr. Flemming admitted that these

differences existed, but repeated that the dissenters had nevertheless been fully informed as to the development of current plans for a new reserve program.

S. Everett Gleason

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