



# **Foreign relations of the United States, 1955-1957. Western Europe and Canada. Volume XXVII 1955/1957**

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FOREIGN  
RELATIONS  
OF THE  
UNITED  
STATES

1955-1957

VOLUME XXVII

WESTERN  
EUROPE  
AND  
CANADA



DEPARTMENT  
OF  
STATE

Washington



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# Foreign Relations of the United States, 1955-1957

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Volume XXVII

# Western Europe and Canada

|                        |                     |
|------------------------|---------------------|
| <i>Editor in Chief</i> | John P. Glennon     |
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1992

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**BUREAU OF PUBLIC AFFAIRS**

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# Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major United States foreign policy decisions and significant diplomatic activity of the United States Government. The series documents the facts and events that contributed to the formulation of policies and includes evidence of supporting and alternative views to the policy positions ultimately adopted.

The Historian of the Department of State is responsible for the preparation of the *Foreign Relations* series. The editing of the series in the Office of the Historian, Bureau of Public Affairs, is guided by principles of historical objectivity and accuracy. Documents are not altered or deletions made without indicating where changes have been made. Every effort is made to identify lacunae in the record and to explain why they have occurred. Certain omissions may be necessary to protect national security or to condense the record and avoid needless repetition. The published record, however, omits no facts that were of major importance in reaching a decision, and nothing has been excluded for the purpose of concealing or glossing over a defect in policy.

At the time of the compilation of this volume in 1978 and 1979, the Department was guided in the preparation of the *Foreign Relations* series by official regulations first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925. A new statutory charter for the preparation of the *Foreign Relations* series was established by Title IV of Public Law 102-138, the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993, which was signed by the President on October 28, 1991. That new charter requires that the *Foreign Relations* series "shall be a thorough, accurate, and reliable documentary record of major United States foreign policy decisions and significant United States diplomatic activity." The new charter also requires that the *Foreign Relations* series be published "not more than 30 years after the events recorded."

## IV Preface

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### *Structure and Scope of the Foreign Relations of the United States Series*

This volume is part of a comprehensive subseries of volumes that documents the most important issues in the foreign policy of President Dwight D. Eisenhower's administration. The subseries covers the years 1955 through 1957. In planning the 1955-1957 triennium, the editors chose to present documentation on U.S. relations with and policy toward the nations of Europe in five separate volumes: Volume IV, Western European Security and Integration; Volume V, Austrian State Treaty and Summit and Foreign Ministers Meetings, 1955; Volume XXIV, Soviet Union and the Eastern Mediterranean; Volume XXV, Eastern Europe; Volume XXVI, Central and Southeastern Europe; and Volume XXVII, Western Europe.

### *Sources for the Foreign Relations Series*

The law requires that the published record contained in the *Foreign Relations* series must reflect all major foreign policy decisions and activities and include relevant documentation from all government agencies and entities involved in foreign policy formulation, execution, or support. The historical records of the Presidents and their national security advisers together with the still larger body of documentation in the Department of State are the principal sources for the *Foreign Relations* series. The National Archives and Records Administration, including the Presidential libraries that it administers, is the main repository and coordinating authority for historical government records and a major source for the documents and information included in the series. Specific sources used in preparing this volume are described in detail in the List of Sources, pages XIII-XVII.

### *Principles of Selection for Foreign Relations, 1955-1957, Volume XXVII*

This volume provides extensive documentation on U.S. relations with the states of Western Europe (France, Italy, Spain, Portugal, the United Kingdom, and Scandinavia) and Canada. Given the bulk of extant records, however, this volume includes only a selection of the most important documents dealing with U.S. policy toward these states.

Several important topics have been used as the focal points for the selection of documents included in this volume. The documentation on France concentrates on the problems created by the decline of French power and France's continued effort to play a major power role in Europe and globally. The chapter on Italy examines the continuing, although not always coordinated, efforts of the U.S. and Italian Governments to reduce the power and influence of the Italian Communist Party. Documentation on Portugal centers on the renegotiation of the Azores base agreement and on related Portuguese efforts to secure

U.S. backing for its colonial policies. The chapter on Spain concentrates on issues of military cooperation and economic development. Documents on the Scandinavian states deal with a variety of issues related to defense, trade, and economic development. The chapter on the United Kingdom covers issues from disarmament to nuclear cooperation and from European integration to Middle East policy in the wake of the Suez crisis. This documentation illustrates the depth of cooperation and the strength of personal ties that existed between the leaders of the two states despite the decline of British power after World War II. The chapter on Canada focuses on economic and defense cooperation issues and on the problem of anti-Americanism.

President Eisenhower was closely involved in formulation of policy toward the United Kingdom and also took an active role in the formulation of policy regarding Italy, France, and Spain. The editors have used the extensive materials available in the Dwight D. Eisenhower Library, including the memoranda of discussion at National Security Council meetings and other institutional NSC documents included in the Library's Whitman File. Documents from the Eisenhower Library or copies in Department files constitute a significant portion of the material printed in this volume.

The Department of State and the Embassies in Rome, Madrid, London, Lisbon, Ottawa, and Paris played continuous and important roles in the policy process. Secretary of State John Foster Dulles outlined major policy proposals for the President and made significant decisions within the lines of established policy for all the states of Western Europe and Canada as well as conducted intensive personal diplomacy with the leaders of Italy, Spain, Portugal, France, and the United Kingdom. The Embassies in these states also made important recommendations on policy. The editors have had complete access to all Department of State files, including the central decimal files; the special files of the Executive Secretariat; the various decentralized (lot) files originally maintained at the bureau, office, or division level; and the Embassy files retired to the Washington National Records Center of the National Archives and Records Administration. Additional documentation for this volume came from the Radford Papers at the Naval Historical Center and from other Department of Defense collections. Documents originated by the Central Intelligence Agency that are to be found among the collections of the Eisenhower Library were consulted. That research was accomplished with the full cooperation and assistance of the CIA.

Completion of the declassification of this volume and the final steps of its preparation for publication coincided with the development of procedures since early 1991 by the Central Intelligence Agency, in cooperation with the Department of State, that have expanded access by Department historians to high-level intelligence documents from

among those records still in the custody of the Central Intelligence Agency. The Department of State chose not to postpone the publication of this volume to ascertain how such access might affect the scope of available documentation and the changes that might be made in the contents of this particular volume. The Department of State, however, is making good use of these new procedures, which have been arranged by the CIA's History Staff, for the compilation of future volumes in the *Foreign Relations* series.

The declassification review process for this volume, which is outlined in more detail below, resulted in the withholding from publication of about 12 percent of the documents originally selected. The editors are confident that the documents published in this volume provide an accurate record of U.S. relations with the states of Western Europe and Canada during the 1955-1957 period.

The editors wish to acknowledge the assistance of officials at the Dwight D. Eisenhower Library, in particular David Haight; the National Archives and Records Administration; the Department of Defense; and other specialized repositories who assisted in the collection of documents for this volume.

#### *Editorial Methodology*

The documents are presented chronologically according to Washington time. Incoming telegrams from U.S. missions are placed according to time of receipt in the Department of State or other receiving agency, rather than the time of transmission; memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the chief technical editor. The source text is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Obvious typographical errors are corrected, but other mistakes and omissions in the source text are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Bracketed insertions are also used to indicate text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount of material not declassified has been noted by indicating the number of lines or pages of source text that were omitted. The amount of material omitted because it was unrelated, however, is not accounted for. All ellipses and brackets that appear in the source text are so identified by footnotes.

The first footnote to each document includes the document's source, original classification, distribution, and drafting information. This source footnote also provides the background of important docu-

ments and policies and indicates if the President or his major policy advisers read the document. Every effort has been made to determine if a document has been previously published, and this information has been included in the source footnote.

Editorial notes and additional annotation summarize pertinent material not printed in this volume, point out the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and summarize and give citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when necessary to supplement or explicate the official record.

#### *Declassification Review*

The Division of Historical Documents Review of the Office of Freedom of Information, Privacy, and Classification Review, Bureau of Diplomatic Security, Department of State, conducted the declassification review of the documents contained in this volume. The review was conducted in accordance with the standards set forth in Executive Order 12356 on National Security Information and applicable laws.

Under Executive Order 12356, information that concerns one or more of the following categories, and whose disclosure reasonably could be expected to cause damage to the national security, requires classification:

- 1) military plans, weapons, or operations;
- 2) the vulnerabilities or capabilities of systems, installations, projects, or plans relating to the national security;
- 3) foreign government information;
- 4) intelligence activities (including special activities), or intelligence sources or methods;
- 5) foreign relations or foreign activities of the United States;
- 6) scientific, technological, or economic matters relating to national security;
- 7) U.S. Government programs for safeguarding nuclear materials or facilities;
- 8) cryptology; or
- 9) a confidential source.

The principle guiding declassification review is to release all information, subject only to the current requirements of national security and law. Declassification review determinations involved concurrence of the appropriate geographic and functional bureaus in the Department of State, other interested agencies of the U.S. Government, and the appropriate foreign governments.

## VIII Preface

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### *Acknowledgements*

Under the supervision of former Editor in Chief John P. Glennon, Nancy Johnson compiled the documents on France, the Vatican, Scandinavia, and the United Kingdom; Lorraine Lees the documents on Italy; Stephen Harper the documents on Spain; Margaret Kohutanycz the documents on Portugal; and Madeline Chi the documents on Canada. Charles S. Sampson reviewed the manuscript. General Editor Glenn W. LaFantasie supervised the final steps in the editorial and publication process. Kay Herring prepared the lists of sources, abbreviations, and names. Rita M. Baker and Althea W. Robinson did the technical editing. Barbara A. Bacon of the Publishing Services Division (Natalie H. Lee, Chief) oversaw production of the volume. Paul A. Zohav prepared the index.

**William Z. Slany**

*The Historian*

*Bureau of Public Affairs*

February 1992

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# List of Sources

## Department of State

1. *Indexed Central Files.* The principal source of documentation for this volume was the indexed central (decimal) files of the Department of State. The most significant decimal files for this volume were:

611.41, 611.42, 611.51, 611.52, 611.53, 611.65, 611.651: United States relations with the United Kingdom, Canada, France, Spain, Portugal, Italy, and the Vatican  
741.00, 742.00, 751.00, 752.00, 753.00, 765.00: General political and defense matters in the United Kingdom, Canada, France, Spain, Portugal, and Italy

Other central files are cited in the annotation to the documents.

2. *Lot Files.* Documents from the central files have been supplemented by materials from decentralized office files, the "lot" files of the Department of State. A list of the lot files used or consulted in the preparation of this volume follows:

### Atomic Energy Files: Lot 57 D 688

Consolidated collection of documentation in the Department of State on atomic energy policy for the years 1944-1962, maintained principally by the Special Assistant to the Secretary of State on Atomic Energy Affairs but also by other offices of the Department of State.

### Conference Files: Lot 60 D 627

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1953-1955, maintained by the Executive Secretariat.

### Conference Files: Lot 62 D 181

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1956-1958, maintained by the Executive Secretariat.

### Conference Files: Lot 63 D 123

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1955-1958, maintained by the Executive Secretariat.

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### E-CFEP Files: Lot 61 D 282A

Documents of the Council on Foreign Economic Policy for the years 1955–1960, maintained by the Bureau of Economic Affairs. These files are part of Federal Records Accession No. 62 A 624.

### EUR Files: Lot 59 D 233

Files of the Office of the Assistant Secretary of State for European Affairs for the years 1945–1957.

### EUR/BNA Files: Lot 58 D 193

Files on British defense and foreign policy matters, 1950 to December 1957, maintained by the United Kingdom desk.

### EUR/BNA Files: Lot 64 D 241

Political files on British country, military, scientific, and political matters for the years 1949–1962, maintained by the United Kingdom desk.

### EUR/CAN Files: Lot 69 D 302

Canadian-U.S. military subject files for the years 1947–1964.

### G/PM Files: Lot 68 D 349

Subject files maintained by the Office of the Deputy Assistant Secretary of State for Politico-Military Affairs for the years 1950–1967.

### INR Files

Files retained by the Bureau of Intelligence and Research.

### Italian Desk Files: Lot 58 D 357

Consolidated subject files of the officer in charge of Italian affairs, Office of Western European Affairs, for the years 1944–1955. (Combines Lots 58 D 357, 56 D 289, 57 D 56, 58 D 156, and 58 D 243.)

### London Embassy Files: Lot 61 F 14

Files maintained by the Embassy in London for the years 1956–1958.

### Luce Files: Lot 64 F 26

Classified records of Clare Boothe Luce, Ambassador to Italy, for the years 1953–1958.

### Madrid Embassy Files: Lot 64 F 64

Central subject files maintained by the Embassy in Madrid for the years 1956–1958.

### MAP Files: Lot 59 D 448

Files on the Military Assistance Program for fiscal years 1953–1956.

### Martin Files: Lot 74 D 484

Files of Ambassador Edwin M. Martin for the period February 1947–January 1974.

NAC Files: Lot 60 D 137

Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945-1958, maintained by the Office of Near Eastern Affairs, Bureau of Economic Affairs.

NEA Files: Lot 59 D 518

Top Secret records pertaining to the Middle East for the years 1954-1957, maintained by the Office of Near Eastern Affairs, Bureau of Near Eastern, South Asian, and African Affairs.

OCB Files: Lot 61 D 385

Master set of the administrative and country files of the Operations Coordinating Board for the years 1953-1960, maintained by the Operations Staff.

OCB Files: Lot 62 D 430

Master files of the Operations Coordinating Board for the years 1953-1960, maintained by the Executive Secretariat.

Paris Embassy Files: Lot 64 F 64

Central subject files maintained by the Embassy in Paris for the years 1956-1958.

Paris Embassy Files: Lot 61 F 100

Records of the Office of International Economic and Social Affairs and the United States Mission to the North Atlantic Treaty Organization and European Regional Organizations for the year 1957, maintained by the Embassy in Paris.

PPS Files: Lot 66 D 70

Subject files, country files, chronological files, documents, drafts, and related correspondence of the Policy Planning Staff for the year 1955.

PPS Files: Lot 66 D 487

Subject files, country files, chronological files, documents, drafts, and related correspondence of the Policy Planning Staff for the year 1956.

Presidential Correspondence: Lot 64 D 174

Exchanges of correspondence between President Eisenhower and heads of foreign governments, excluding the United Kingdom, France, Germany, and the Soviet Union, for the years 1953-1960, maintained by the Executive Secretariat.

Presidential Correspondence: Lot 66 D 204

Exchanges of correspondence between President Eisenhower and heads of foreign governments for the years 1953-1964, maintained by the Executive Secretariat.

Presidential Memoranda of Conversation: Lot 66 D 149

A chronological record of cleared memoranda of conversations with foreign visitors for the years 1956-1964, maintained by the Executive Secretariat.

RA Files: Lot 58 D 374

Subject files relating mostly to European economic organizations and integration for the years 1950-1956, maintained by the Division of Economic Organization Affairs, Office of European Regional Affairs.

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### RA Files: Lot 58 D 455

Subject files relating mostly to European economic organizations and integration for the years 1954-1957, maintained by Stanley M. Cleveland in the Division of Economic Organizations, Office of European Affairs.

### RA Files: Lot 58 D 546

Consolidated subject files of the Deputy Director of the Office of European Regional Affairs, Joseph Palmer II, for the years 1952-1956.

### RA Files: Lot 61 D 252

General correspondence, including official-informal letters and memoranda, from the Director of the Office of European Regional Affairs for the years 1955-1959.

### Secretary's Memoranda of Conversation: Lot 64 D 199

Chronological collections of the Secretary of State's memoranda of conversation and the Under Secretary of State's memoranda of conversation for the years 1953-1960, maintained by the Executive Secretariat.

### S/P-NSC Files: Lot 62 D 1

Serial and subject master file of National Security Council documents and correspondence for the years 1948-1961, maintained by the Policy Planning Staff.

### Spanish Desk Files: Lot 59 D 108

Consolidated subject files of the Officer in Charge of Spanish and Portuguese Affairs, Office of Western European Affairs, for the years 1942-1958. (Combines Lots 59 D 108, 58 D 344, and 58 D 481.)

### S/S Files: Lot 66 D 123

Chronology of original documents on Project GAMMA, Joint US-UK Working Group on Near East Policy and Operations, for the period August 1957-February 1958, maintained by the Executive Secretariat.

### S/S-NSC Files: Lot 63 D 351

Serial file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947-1961, maintained by the Executive Secretariat.

### S/S-NSC (Miscellaneous) Files: Lot 66 D 95

Administrative and miscellaneous National Security Council documentation, including NSC Records of Action for the years 1947-1963, maintained by the Executive Secretariat.

### US-Canada Joint Board Files: Lot 63 D 156

Records of the Permanent Joint Board on Defense of the United States and Canada and correspondence relating to the Board and military cooperation for the years 1940-1958, maintained by the Office of British Commonwealth and Northern European Affairs.

### WE Files: Lot 58 D 132

Subject files of the Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, for the years 1940-1957.

WE Files: Lot 59 D 645

Subject files of the Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, for the period 1957-June 1958.

**Princeton University Library, Princeton, New Jersey**

Dulles Papers

Daily Appointment Books of John Foster Dulles, 1953-1959.

**Dwight D. Eisenhower Library, Abilene, Kansas**

CFEP Chairman Records

Records of the Office of the Chairman, Council on Foreign Economic Policy (Joseph M. Dodge and Clarence B. Randall), 1954-1961.

CFEP Records

Records of the Council on Foreign Economic Policy, 1955-1961.

Clarence Francis Papers

Papers of Clarence Francis, Special Consultant to the President and Chairman, Inter-Agency Committee on Agricultural Surplus Disposal, 1954-1960.

Dulles Papers

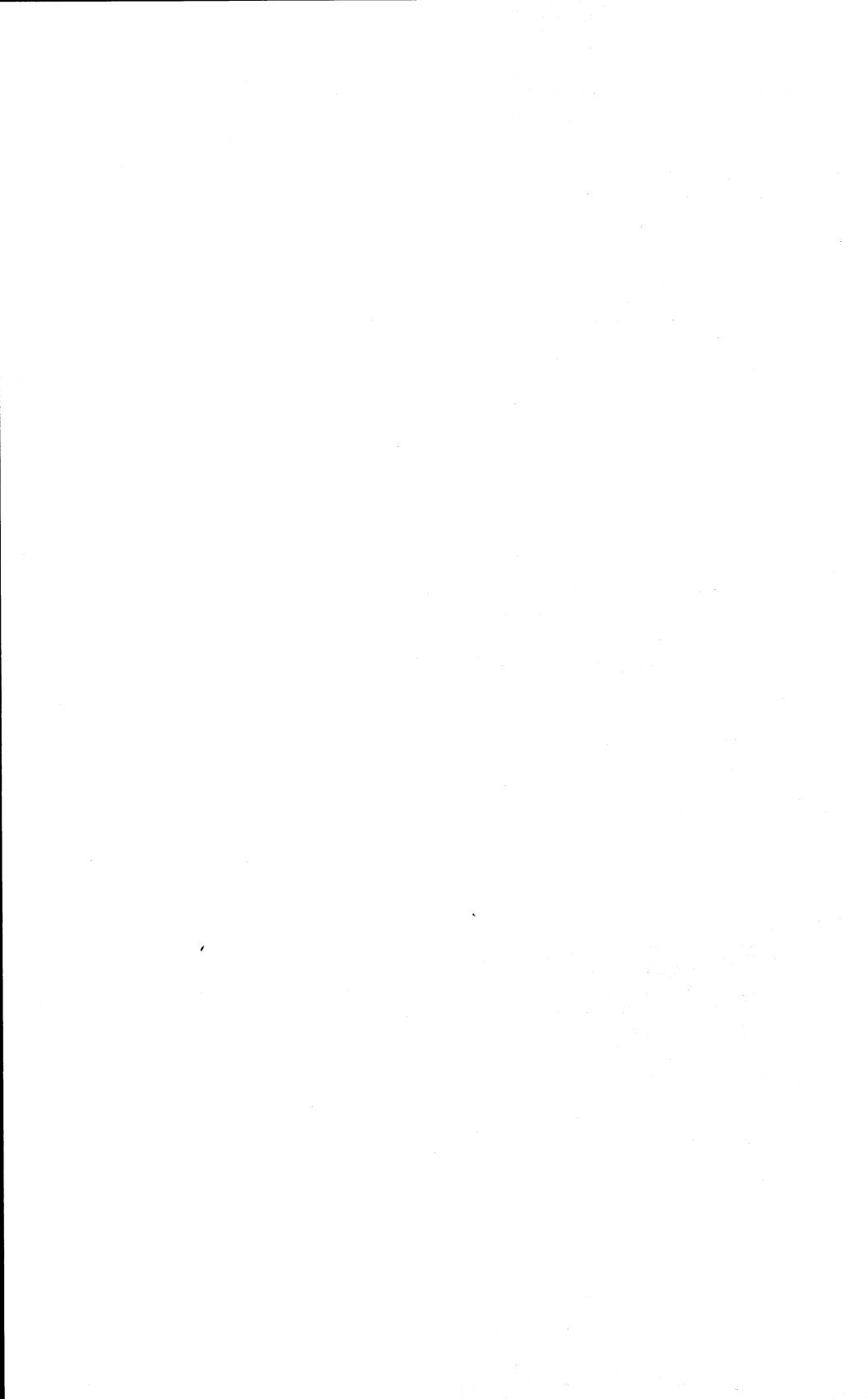
Papers of John Foster Dulles, 1952-1959.

Project Clean Up

Project "Clean Up" collection. Records of Gordon Gray, Robert Cutler, Henry R. McPhee, and Andrew J. Goodpaster, 1953-1961.

Whitman File

Papers of Dwight D. Eisenhower as President of the United States, 1953-1961, maintained by his personal secretary, Ann C. Whitman. The Whitman File includes the following elements: the Name Series, the Dulles-Herter Series, Eisenhower Diaries, Ann Whitman (ACW) Diaries, National Security Council Records, Miscellaneous Records, Cabinet Papers, Legislative Meetings, International Meetings, the Administration Series, and the International File.



# List of Abbreviations

- ACEP**, Advisory Committee on Export Policy  
**ADC**, Air Defense Command  
**AE**, atomic energy  
**AEC**, Atomic Energy Commission  
**AF**, Air Force; Bureau of African Affairs, Department of State  
**AFHQ**, Allied Forces Headquarters  
**AFL-CIO**, American Federation of Labor-Congress of Industrial Organizations  
**AFNE**, Allied Forces Northern Europe  
**AFOAT**, Air Force Office of Atomic Energy  
**AGIP**, *Azienda Generale Italiana Petroli* (Italian General Petroleum Agency)  
**ALN**, *Armée de la Libération Nationale* (Army of National Liberation)  
**Amb**, Ambassador  
**ARA**, Bureau of Inter-American Affairs, Department of State  
**Aramco**, Arabian American Oil Company  
**ARS**, *Action Républicain et Sociale*  
**ASEA**, *Allmanna Svenska Elektriska Aktiebolaget* (German Swedish Electric Company)  
**AWX**, all weather aircraft interceptor (fighter plane)  
**Benelux**, Belgium, Netherlands, and Luxembourg  
**BNA**, Office of British Commonwealth and Northern European Affairs, Bureau of European Affairs, Department of State  
**BOAC**, British Overseas Airways Corporation  
**BOMARC**, Boeing-Michigan Aeronautical Center (area defense surface-to-air missile)  
**BOT**, Board of Trade; balance of trade  
**BP**, Baghdad Pact  
**B/P**, balance of payments  
**CA**, circular airgram  
**CARE**, Cooperative for American Remittances to Everywhere  
**CD**, Christian Democratic Party  
**CDA**, Combined Development Agency  
**CDU**, *Christlich-Demokratische Union* (Christian-Democratic Union)  
**CE**, Council of Europe  
**CE**, Corps of Engineers, U.S. Army  
**CFEP**, Council on Foreign Economic Policy  
**CGIL**, *Confederazione Generale Italiana del Lavoro* (Italian General Confederation of Labor)  
**CGT**, *Confédération Générale du Travail* (General Confederation of Labor)  
**ChiCom**, Chinese Communist  
**CHINCOM**, China Committee of the Paris Consultative Group  
**CIA**, Central Intelligence Agency  
**CINCEUR**, Commander in Chief, Europe  
**CINCNE**, Commander in Chief, Northeast Command  
**CINCNORAD**, Commander in Chief, North American Air Defense Command  
**CINCONAD**, Commander in Chief, Continental Air Defense Command  
**CISL**, *Confederazione Italiana dei Sindacati Lavoratori* (Italian Confederation of Labor Unions)  
**COCOM**, Coordinating Committee of the Paris Consultative Group  
**COM**, Chief of Mission  
**COMISCO**, Committee of the International Socialist Conference  
**CP**, Communist Party  
**CRO**, Commonwealth Relations Office  
**CSC**, Coal and Steel Community  
**CSUSA**, Chief of Staff, United States Army  
**CT**, country team  
**CY**, calendar year  
**DA**, Defense Attaché  
**DC**, *Democrazia Cristiana* (Christian Democratic Party)

## XVIII List of Abbreviations

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|   |   |
|---|---|
| <b>DD/P</b> , Ofice of Programs and Planning, International Cooperation Administration                              | <b>FTA</b> , Free Trade Association   |
| <b>DEFREPNAME</b> , series indicator for telegrams from the Defense Adviser to USRO and Naval and Military Attachés | <b>FY</b> , fiscal year   |
| <b>Depcirtel</b> , Department of State circular telegram  | <b>FYI</b> , for your information   |
| <b>Dept</b> , Department  | <b>G</b> , Office of the Deputy Under Secretary of State  |
| <b>DEPTAR</b> , Department of the Army  | <b>GA</b> , General Assembly of the United Nations  |
| <b>Deptel</b> , Department of State telegram  | <b>GATT</b> , General Agreement on Tariffs and Trade  |
| <b>DEW</b> , Distant Early Warning  | <b>GDR</b> , German Democratic Republic   |
| <b>DLF</b> , Development Loan Fund  | <b>Georg</b> , <i>Gemeinschaftsorganisation</i> (Community Organization)                                  |
| <b>DM</b> , Deutschemark  | <b>GER</b> , Office of German Affairs, Department of State  |
| <b>DOD</b> , Department of Defense  | <b>GFR</b> , German Federal Republic  |
| <b>DOT</b> , dependent overseas territory   | <b>GNP</b> , gross national product   |
| <b>DRW</b> , Division of Research for Western Europe, Department of State   | <b>GOS</b> , Government of Spain  |
| <b>Dulte</b> , series indicator for telegrams from Secretary of State Dulles while away from Washington             | <b>GTI</b> , Office of Greek, Turkish, and Iranian Affairs, Department of State                           |
| <b>E</b> , Bureau of Economic Affairs, Department of State  | <b>H</b> , Office of the Assistant Secretary of State for Congressional Relations                         |
| <b>ECAFE</b> , Economic Commission for Asia and the Far East  | <b>HA</b> , High Authority  |
| <b>ECE</b> , Economic Commission for Europe   | <b>HMG</b> , Her (His) Majesty's Government   |
| <b>EDC</b> , European Defense Community   | <b>HQ</b> , headquarters  |
| <b>EFTA</b> , European Free Trade Area  | <b>H.R.</b> , House Resolution  |
| <b>Embtel</b> , Embassy telegram  | <b>IAEA</b> , International Atomic Energy Agency  |
| <b>ENI</b> , <i>Ente Nazionale Idrocarburi</i> (National Hydrocarbon Trust)   | <b>IBRD</b> , International Bank for Reconstruction and Development                                       |
| <b>EPA</b> , European Productivity Authority  | <b>ICA(W)</b> , International Cooperation Administration headquarters in Washington                       |
| <b>EPU</b> , European Payments Union  | <b>ICBM</b> , intercontinental ballistic missile  |
| <b>EUCOM</b> , European Command, United States Army   | <b>ICFTU</b> , International Confederation of Free Trade Unions   |
| <b>EUR</b> , Bureau of European Affairs, Department of State  | <b>IJC</b> , International Joint Commission   |
| <b>EURATOM</b> , European Atomic Energy Community   | <b>ILC</b> , International Law Commission   |
| <b>EXIM</b> , Export-Import Bank  | <b>ILO</b> , International Labor Organization   |
| <b>FDR</b> , <i>Freie Demokratische Republik</i> (Free Democratic Republic)   | <b>IMF</b> , International Monetary Fund  |
| <b>FE</b> , Bureau of Far Eastern Affairs, Department of State  | <b>INI</b> , <i>Instituto Nacional de Industria</i> (National Institute of Industry)                      |
| <b>FEC</b> , Far Eastern Commission; French Expeditionary Corps   | <b>IPC</b> , International Petroleum Corporation  |
| <b>FedRep</b> , Federal Republic of Germany   | <b>IRBM</b> , intermediate range ballistic missile  |
| <b>FLN</b> , <i>Front de Libération Nationale</i> , National Liberation Front (Algeria)                             | <b>IRD</b> , International Resources Division, Bureau of Economic Affairs, Department of State            |
| <b>FOA</b> , Foreign Operations Administration  | <b>IRI</b> , <i>Instituto Ricostruzione Industriale</i> (Institute for Industrial Reconstruction)         |
| <b>FonMin</b> , Foreign Minister  | <b>ISA/MDAP</b> , International Security Affairs/Mutual Defense Assistance Program                        |
| <b>FonOff</b> , Foreign Office  | <b>ITR</b> , Office of International Trade and Resources, Bureau of Economic Affairs, Department of State |
| <b>FPC</b> , Federal Power Commission   |   |
| <b>FRG</b> , Federal Republic of Germany  |   |

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| JCS, Joint Chiefs of Staff   | Niact, night action, communications indicator requiring attention by the recipient at any hour of the day or night |
| JIMCO, Joint Industrial Mobilization Committee                                     | NIE, National Intelligence Estimate  |
| JMAAG, Joint Military Assistance Advisory Group                                    | NIOC, National Iranian Oil Company   |
| JSC, Joint Service Chiefs  | NORAD, North American Air Defense Command  |
| JUSMAG, Joint United States Military Advisory Group                                | OIC, officer in charge   |
| LOC, line of communication   | OIR, Office of Intelligence and Research, Department of State  |
| LOFAR, Low Frequency Acquisition and Ranging; Low Frequency Analysis and Recording | OSD, Office of the Secretary of Defense  |
| MA, Military Attaché   | OSP, offshore procurement  |
| MAAG, Military Assistance Advisory Group   | OTC, Organization for Trade Cooperation  |
| MAP, Military Assistance Program   | PJBD, Permanent Joint Board on Defense   |
| MC, Military Committee (NATO)  | P, Bureau of Public Affairs, Department of State   |
| MDA(P), Mutual Defense Assistance (Program)  | PCF, <i>Parti Communiste Française</i> (Communist Party of France)   |
| ME, Middle East  | PCI, <i>Partito Comunista Italiana</i> (Italian Communist Party)   |
| MEDO, Middle East Defense Organization   | PL, Public Law   |
| MEEC, Middle East Emergency Committee  | PLI, <i>Partito Liberale Italiana</i> (Italian Liberal Party)  |
| METO, Middle East Treaty Organization  | PM, Prime Minister   |
| MFN, most favored nation   | PNM, <i>Partito Nazionale Monarchio</i> (National Monarchist Party)  |
| MNA, <i>Mouvement National Algérien</i> (Algerian National Movement)               | Noform, no foreign distribution  |
| MOD, Ministry of Defense   | NSC, National Security Council   |
| M.P., Member of Parliament   | OAS, Organization of American States   |
| MRP, <i>Mouvement Républicain Populaire</i> (Popular Republican Movement)          | OCB, Operations Coordinating Board   |
| MSA, Mutual Security Act; Mutual Security Assistance                               | ODM, Office of Defense Mobilization  |
| MSI, <i>Movimento Sociale Italiano</i> (Italian Socialist Movement)                | OEEC, Organization for European Economic Cooperation   |
| MWDP, Mutual Weapons Development Program   | OFD, Office of International Financial and Development Affairs, Bureau of Economic Affairs, Department of State    |
| NA, Naval Attaché; North Africa  | POL, petroleum, oil, lubricants  |
| NAC, North Atlantic Council; National Advisory Council                             | POLAD, Political Adviser   |
| NAMA, Naval Attaché-Military Attaché   | Poltel, series indicator for telegrams from the Permanent Representative at the North Atlantic Treaty Organization |
| NAMC, North Atlantic Military Committee  | PSDI, <i>Partito Socialiste Democratico</i> (Social Democratic Party) (Italy)                                      |
| NAT, North Atlantic Treaty   | PSI, <i>Partito Socialista Italiana</i> (Italian Socialist Party)  |
| NATO, North Atlantic Treaty Organization   | QR, quantitative restrictions  |
| NEA, Bureau of Near Eastern, South Asian, and African Affairs, Department of State | RA, Office of European Regional Affairs, Department of State   |
| NEACC, Near East Arms Coordinating Committee                                       | RAF, Royal Air Force   |
|  | reftel, reference telegram   |
|  | RGR, <i>Rassemblement de Gauche Républicain</i> (Assembly of the Republican Left)                                  |
|  | RNAF, Royal Norwegian Air Force  |

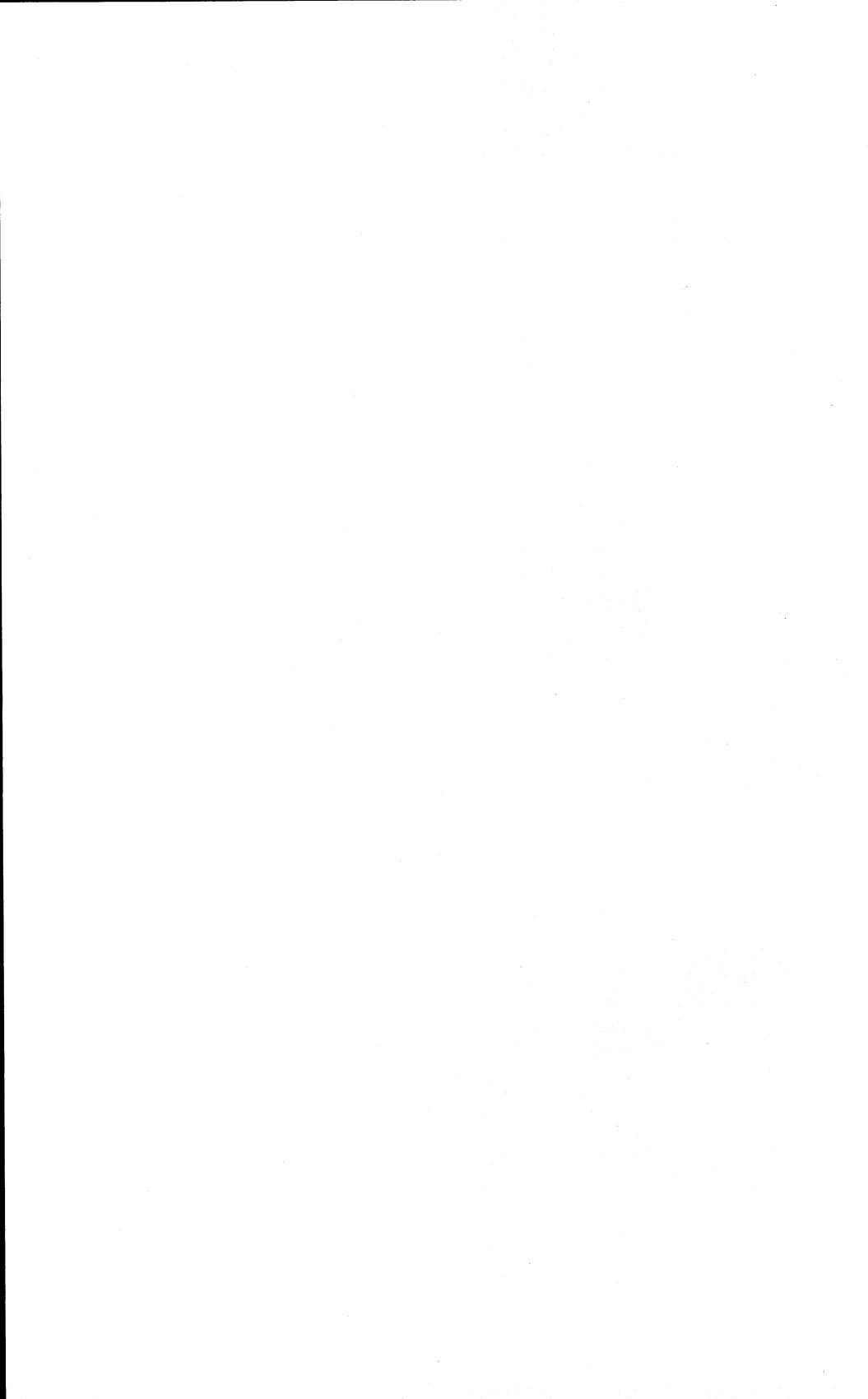
## XX List of Abbreviations

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| <b>RPF, Rassemblement du Peuple Français</b>   | Toica, series indicator for telegrams to the International Cooperation Administration in Washington from its missions abroad                          |
| <b>RRP, Refugee Relief Program</b>   |   |
| <b>SAC, Strategic Air Command</b>  |   |
| <b>SACEUR, Supreme Allied Commander, Europe</b>  |   |
| <b>SACLANT, Supreme Allied Commander, Atlantic</b>   | <b>Topol</b> , series indicator for telegrams to the Permanent Representative at the North Atlantic Treaty Organization                               |
| <b>S/AE, Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs</b>   | <b>Tosec</b> , series indicator for telegrams from the Department of State to the Secretary of State (or his delegation) at international conferences |
| <b>SAGE, Semi-Automatic Ground Environment System</b>  | <b>U, Office of the Under Secretary of State</b>  |
| <b>SAS, Scandinavian Airways System</b>  | <b>UDSR, Union Démocratique et Socialiste de la Résistance</b> (Democratic Socialist Resistance Union)  |
| <b>SC, Security Council of the United Nations</b>  | <b>UE, unit equipment</b>   |
| <b>SCUA, Suez Canal Users Association</b>  | <b>UFF, Union et Fraternité Français</b> (Union of French Brotherhood)  |
| <b>SDMICC, State-Defense Military Information Control Committee</b>  | <b>UIL, Unione Italiana del Lavoro</b> (Italian Union of Labor)   |
| <b>SEATO, Southeast Asia Treaty Organization</b>   | <b>UK(G), United Kingdom (Government)</b>   |
| <b>Secto</b> , series indicator for telegrams to the Department of State from the Secretary of State (or his delegation) when at international conferences | <b>UN, United Nations</b>   |
| <b>SETAF, Southern European Task Force</b>   | <b>UNEF, United Nations Emergency Force</b>   |
| <b>SFIO, Société Française de l'Internationale Ouvrière</b> (French Society of International Socialists)   | <b>UNESCO, United Nations Educational, Scientific and Cultural Organization</b>   |
| <b>SG, Standing Group of the Military Committee of the North Atlantic Council</b>  | <b>UNGA, United Nations General Assembly</b>  |
| <b>SGN, Standing Group, NATO</b>   | <b>UNISCAN, United Kingdom and Scandinavia</b>  |
| <b>SHAFFE, Supreme Headquarters, Allied Forces, Europe</b>   | <b>UNRRA, United Nations Relief and Rehabilitation Agency</b>   |
| <b>SHAPE, Supreme Headquarters, Allied Powers, Europe</b>  | <b>UP, Unité Populaire</b> (People's Unity Party)   |
| <b>SOF, status of forces</b>   | <b>USA, United States Army</b>  |
| <b>Sov, Soviet</b>   | <b>USAF, United States Air Force</b>  |
| <b>SPD, Sozialdemokratische Partei Deutschlands</b> (Social Democratic Party of Germany)   | <b>USCINCEUR, United States Commander in Chief, Europe</b>  |
| <b>SRS/DDI, Special Research Staff, Deputy Director for Intelligence, Central Intelligence Agency</b>  | <b>USDel, United States Delegation</b>  |
| <b>SUNFED, Special United Nations Fund for Economic Development</b>  | <b>USEA, United States European Agencies</b>  |
| <b>TA/CM, trade area/common market</b>   | <b>USIA, United States Information Agency</b>   |
| <b>TE, technical exchange</b>  | <b>USIS, United States Information Service</b>  |
| <b>Tedul</b> , series indicator for telegrams to Secretary of State Dulles while he was away from Washington   | <b>USN, United States Navy</b>  |
| <b>Todef</b> , series indicator for telegrams to the Defense Adviser to the Representative to European Regional Organizations                              | <b>USNMR, United States National Military Representative</b>  |
|  | <b>USOM, United States Operations Mission</b>   |
|  | <b>USRAF, Union pour le Salut et le Renouveau de l'Algérie Française</b> (Union for the Safety and Resurrection of French Algeria)                    |
|  | <b>USRRO, United States Mission to the North Atlantic Treaty Organization and European Regional Organizations</b>                                     |
|  | <b>USUN, United States Mission at the United Nations</b>  |

**WE**, Office of Western European Affairs,  
Bureau of European Affairs, Depart-  
ment of State

**WEU**, Western European Union  
**WG**, working group  
**WPC**, World Peace Conference



# List of Persons

*Editor's Note:* The identification of persons in this list is generally limited to circumstances and positions under reference in this volume. All titles and positions are American unless otherwise indicated. Where no dates are given, the official held the position throughout the period covered by this volume.

- Achilles, Theodore C.**, Minister to France until May 1956
- Adenauer, Konrad**, Chancellor of the Federal Republic of Germany and, until May 1955, Minister of Foreign Affairs
- Aldrich, Richard**, Economic Counselor of the Embassy in Spain and Director of the U.S. Operations Mission from May 1956
- Aldrich, Winthrop W.**, Ambassador to the United Kingdom until February 1, 1957
- Alger, Frederick M., Jr.**, Ambassador to Belgium until March 27, 1957
- Allen, George V.**, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs, January 1955–August 1956; Ambassador to Greece, October 1956–November 1957; Director of the U.S. Information Agency, from November 1957
- Alphand, Hervé**, French Permanent Representative at the United Nations, June 1955–September 1956; thereafter Ambassador to the United States
- Anderson, Dillon**, Special Assistant to President Eisenhower for National Security Affairs, April 1955–September 1956; Consultant to the President from June 1957
- Anderson, Robert B.**, Deputy Secretary of Defense until August 1955; Secretary of the Treasury from July 1957
- Areilza, José M. De, Count of Motrico**, Spanish Ambassador to the United States
- Armstrong, W. Park, Jr.**, Special Assistant to the Secretary of State for Intelligence until May 1957, Minister-Counselor of the Embassy in Spain from September 1957
- Artajo, Alberto Martín**, see Martín Artajo, Alberto
- Auriol, Vincent**, former President of France
- Barbour, Walworth**, Deputy Assistant Secretary of State for European Affairs until November 1955; Minister-Counselor of the Embassy in the United Kingdom, November 1955–February 1956; thereafter Deputy Chief of Mission
- Barnes, Robert G.**, Director of the Executive Secretariat, Department of State, August 1955–May 1956; thereafter Special Assistant to the Under Secretary of State for Mutual Security Affairs
- Barnett, Robert W.**, Officer in Charge of Economic Affairs, Office of European Regional Affairs, Department of State, until November 1955; Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, December 1955–May 1956; thereafter Economic Counselor of the Embassy in the Netherlands
- Beam, Jacob D.**, Director of the Office of Eastern European Affairs, Department of State, March 1955–October 1955; Deputy Assistant Secretary of State for European Affairs, October 1955–June 1957; thereafter Ambassador to Poland
- Bech, Joseph**, President, Minister of Foreign Affairs, and Minister of Foreign Trade of Luxembourg
- Becker, Loftus**, Legal Adviser of the Department of State from June 1957

## XXIV List of Persons

- Berding, Andrew H.**, Assistant Director of the U.S. Information Agency until March 1957; thereafter Assistant Secretary of State for Public Affairs
- Bevan, Aneurin**, Member of Parliament and former British Minister of Health and Minister of Labour
- Beyen (Beijen), Johan W.**, Dutch Minister of Foreign Affairs, concurrently with J. M. A. H. Luns, until October 1956
- Billotte, General of the Army Pierre**, French Minister of National Defense and the Armed Forces, October 1955–January 1956
- Black, Eugene R.**, President of the International Bank for Reconstruction and Development
- Blankenhorn, Herbert A.**, West German Permanent Representative to NATO from May 1955
- Boheman, Erik C.**, Swedish Ambassador to the United States
- Bohlen, Charles E.**, Ambassador to the Soviet Union until April 1957; Ambassador to the Philippines from June 1957
- Bonbright, James C. H.**, Ambassador to Portugal from February 1955
- Bond, Niles W.**, Deputy Director of the Office of United Nations Political and Security Affairs, Department of State, until August 1955; Director, August 1955–September 1956; thereafter Counselor of the Embassy in Italy
- Bourgès-Maunoury, Maurice**, French Minister of the Armed Forces, January–February 1955; Minister of the Interior, February 1955–January 1956; Minister of National Defense, January 1956–June 1957; Prime Minister, June–November 1957; thereafter Minister of the Interior
- Bowie, Robert R.**, Director of the Policy Planning Staff, Department of State, until August 1955; Assistant Secretary of State for Policy Planning and Department of State representative to the National Security Council Planning Board, August 1955–October 1957
- Brentano, Heinrich von**, West German Minister of Foreign Affairs from June 1955
- Brosio, Manlio**, Italian Ambassador to the United States from February 1955
- Brown, Winthrop G.**, Minister for Economic Affairs of the Embassy in the United Kingdom until June 1957
- Brownell, Herbert**, Attorney General of the United States until November 1957
- Bruce, David K. E.**, Special Consultant to the Secretary of State, January 1955–March 1957; Ambassador to the Federal Republic of Germany and Chief of Mission at Berlin from March 1957
- Brucker, Wilber M.**, Secretary of the Army from July 1955
- Brundage, Percival F.**, Deputy Director of the Bureau of the Budget until April 1956; thereafter Director
- Bulganin, Nikolai Aleksandrovich**, Chairman of the Council of Ministers and Member of the Presidium of the Communist Party of the Soviet Union from February 1955
- Bunker, Ellsworth**, Ambassador to India and Nepal from March 1957
- Burgess, W. Randolph**, Under Secretary of the Treasury for Monetary Affairs until July 1957; Permanent Representative to the North Atlantic Treaty Organization from September 1957
- Butler, Richard A.**, British Chancellor of the Exchequer until December 1955; Lord Privy Seal and leader of the House of Commons, December 1955–January 1957
- Butterworth, W. Walton**, Minister of the Embassy in the United Kingdom until January 1956; thereafter Representative to the European Coal and Steel Community
- Butz, Earl L.**, Assistant Secretary of Agriculture
- Byington, Homer**, Minister-Counselor of the Embassy in Spain
- Cabot, John M.**, Ambassador to Sweden until May 1957
- Caccia, Sir Harold A.**, British Deputy Under Secretary of State for Foreign Affairs until November 1956; thereafter Ambassador to the United States

- Caetano, Marcello**, Italian Deputy Prime Minister  
**Caldeira Queiros**, *see* Queiros  
**Carney, Admiral Robert B.**, Chief of Naval Operations and member of the Joint Chiefs of Staff until August 1955  
**Cassady, Admiral John H.**, Commander in Chief, Naval Forces, Eastern Atlantic and Mediterranean until April 1956  
**Castilla y Maiz, Fernando M.**, Spanish Minister of Foreign Affairs from February 1957  
**Cattani, Attilio**, Director General of Economic Affairs, Italian Foreign Ministry  
**Chaban-Delmas, Jacques**, French Minister of State, February 1956–May 1957; Minister of National Defense and the Armed Forces from November 1957  
**Chiang Kai-shek**, President of the Republic of China  
**Churchill, Sir Winston L. S.**, British Prime Minister until April 1955  
**Coe, Robert D.**, Ambassador to Denmark until June 1957  
**Cockcroft, Sir John D.**, Member for Scientific Research, British Atomic Energy Authority  
**Collins, V. Lansing Jr.**, First Secretary and Consul of the Embassy in Italy until September 1957; thereafter Counselor of the Embassy in Turkey  
**Conant, James B.**, U.S. High Commissioner for Germany until May 1955; Ambassador to the Federal Republic of Germany and Chief of Mission at Berlin, May 1955–February 1957  
**Corbett, Jack C.**, Director of the Office of International Financial and Development Policy, Department of State  
**Couillard, Louis**, Canadian Counselor of Embassy in the United States until October 1957; thereafter Chief of Economic Section, Ministry of External Affairs  
**Coulson, John E.**, British Minister to the United States, October 1955–summer 1957  
**Couve de Murville, Maurice**, French Ambassador to the United States until July 1956; thereafter Ambassador to the Federal Republic of Germany  
**Cunha, Paulo A.V.**, Portuguese Minister of Foreign Affairs  
**Cutler, Robert L.**, Administrative and Special Assistant to President Eisenhower for National Security Affairs until April 1955 and from January 1957
- Dale, William N.**, First Secretary and Consul of the Embassy in the United Kingdom until July 1956; thereafter Officer in Charge of United Kingdom and Ireland Affairs, Bureau of European Affairs, Department of State  
**Daridan, Jean Henri**, French Assistant Commissioner General in Indochina until 1955; Assistant Director General of Political Affairs, Foreign Ministry, 1955–1956; Assistant Director of the Foreign Minister's Cabinet, February–July 1956; thereafter Director General of Political and Economic Affairs  
**Davis, Vice Admiral Arthur C.**, Deputy Assistant Secretary of Defense for International Security Affairs and Director of the Office of Foreign Military Affairs until October 1955  
**De Areilza**, *see* Areilza, José M. de  
**De Margérie**, *see* Jacquin de Margérie  
**De Zulueta, Philip F.**, Private Secretary to Prime Minister Macmillan from 1955  
**Dean, Patrick H.**, British Deputy Under-Secretary of State for Foreign Affairs from 1956  
**Diefenbaker, John G.**, Prime Minister of Canada from June 21, 1957  
**Diem**, *see* Ngo Dinh Diem  
**Dillon, C. Douglas**, Ambassador to France until January 1957; Deputy Under Secretary of State for Economic Affairs from March 1957  
**Dixon, Sir Pierson J.**, British Permanent Representative to the United Nations  
**Dodge, Joseph M.**, Special Assistant to President Eisenhower and Chairman of the Council on Foreign Economic Policy until July 1956

## XXVI List of Persons

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- Dorman, John**, First Secretary and Consul of the Embassy in France, October 1955–August 1957; thereafter Deputy Director of the Office of Near Eastern Affairs, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
- Dulles, Allen W.**, Director for Central Intelligence
- Dulles, John Foster**, Secretary of State
- Dunn, James C.**, Ambassador to Spain until February 1955
- Durbrow, Elbridge**, Minister-Counselor of the Embassy in Italy until October 1955
- Eban, Abba**, Israeli Ambassador to the United States
- Eden, Sir Anthony**, British Secretary of State for Foreign Affairs until April 1955; Prime Minister, April 1955–January 1957
- Einaudi, Luigi**, President of Italy until April 1955
- Eisenhower, Dwight D.**, President of the United States
- Eisenberg, Robert**, Acting Representative to the European Coal and Steel Community until February 1956; Deputy Representative, February–April 1956; First Secretary of the Embassy in Luxembourg, March and April 1956
- Elbrick, C. Burke**, Deputy Assistant Secretary of State, Bureau of European Affairs, until February 1957; thereafter Assistant Secretary of State for European Affairs
- Emmerson, John K.**, Counselor for Political Affairs of the Embassy in France from April 1957
- Engle, James B.**, Office of Western European Affairs, Department of State
- Fanfani, Amintore**, Secretary of the Italian Christian Democratic Party
- Farley, Philip J.**, Deputy to the Special Assistant to the Secretary of State for Atomic Energy Affairs until October 1957; thereafter Special Assistant to the Secretary of State for Atomic Energy Affairs
- Faure, Edgar Jean**, French Minister of Foreign Affairs, January–February 1955; Prime Minister, February 1955–January 1956
- Fechteler, Admiral William M.**, Commander in Chief, Allied Forces in Southern Europe until July 1956; Consultant to the Office of the Secretary of Defense and member of the committee studying security matters, July–December 1956
- Fernandes, Luis E.**, Portuguese Ambassador to the United States
- Folchi, Alberto**, Italian Under-Secretary of Foreign Affairs from July 1955
- Franco y Bahamonde, Generalissimo Francisco**, Spanish Chief of State, Commander in Chief of the Armed Forces, and Prime Minister
- Frank, Isaiah**, Deputy Director of the Office of International Trade and Resources, Department of State, January 1955–June 1957; Acting Director, Office of International Trade, from June 1957
- Freund, Richard B.**, Economic Counselor of the Embassy in Belgium from December 1956
- Gabbert, Howard M.**, Consultant to the Department of State, March 1956–March 1957; Assistant Director of the Commodities Division, Office of International Trade and Resources, from March 1957
- Gaillard, Felix**, French Minister of Finance, June 1957–November 1957; thereafter Prime Minister
- Gaitskell, Hugh T. M.**, Member of Parliament and leader of the British Labour Party
- George, Walter F.**, Democratic Senator from Georgia; Chairman of the Senate Foreign Relations Committee, January 1955–January 1957; appointed Presidential Special Representative and Personal Ambassador to study and develop the non-military aspects of NATO, May 1956
- Gerhardsen, Einar**, Norwegian Prime Minister from January 1955
- Gleason, S. Everett**, Deputy Executive Secretary of the National Security Council

- Goodpaster, Colonel Andrew J.** (Brigadier General from January 1957), White House Staff Secretary
- Gray, Gordon**, Assistant Secretary of Defense for International Security Affairs, July 1955–February 1957; thereafter Director of the Office of Defense Mobilization
- Greene, Joseph N., Jr.**, Deputy Director of the Executive Secretariat, Department of State, September 1956–October 1957; thereafter Special Assistant to the Secretary of State
- Gromyko, Andrei Andreevich**, Soviet First Deputy Minister for Foreign Affairs until February 1957; thereafter Foreign Minister
- Gronchi, Giovanni**, President of Italy from April 1955
- Gruenthal, General Alfred M.**, Supreme Allied Commander in Europe until November 1956
- Gudmundsson, Gudmundur J.**, Icelandic Minister of Foreign Affairs from July 1956
- Gudmundsson, Kristinn**, Icelandic Minister of Foreign Affairs until July 1956
- Hagerty, James C.**, Press Secretary to President Eisenhower
- Hammarskjöld, Dag**, Secretary-General of the United Nations
- Hanes, John W., Jr.**, Special Assistant to the Secretary of State
- Hansen, Hans C. S.**, Danish Minister of Foreign Affairs and from February 1955 Prime Minister
- Hayter, William G.**, British Ambassador to the Soviet Union until January 1957; thereafter Deputy Under Secretary of State for Foreign Affairs
- Hedding, Rear Admiral Truman J.**, Special Assistant, Office of the Chairman, Joint Chiefs of Staff, July 1955–June 1956
- Heeney, Arnold D. P.**, Canadian Ambassador to the United States until March 1957
- Hensel, H. Struve**, Assistant Secretary of Defense for International Security Affairs until June 1955
- Herter, Christian A.**, Consultant to the Secretary of State, January–February 1957; thereafter Under Secretary of State and Chairman of the Operations Coordinating Board
- Hickerson, John D.**, Ambassador to Finland from November 1955
- Hollister, John B.**, Director of the International Cooperation Administration, July 1955–July 1957
- Hood, Viscount Samuel**, British Assistant Under Secretary of State for Foreign Affairs until 1957; Representative to the Council of Western European Union from 1956
- Hoover, Herbert, Jr.**, Under Secretary of State and Chairman of the Operations Coordinating Board until February 1957
- Horsey, Outerbridge**, Director of the Office of British Commonwealth and Northern European Affairs, Bureau of European Affairs, Department of State, July 1955–April 1956
- Houghton, Amory**, Ambassador to France from April 1957
- Howe, Fisher**, Deputy Special Assistant for Intelligence, Department of State, until March 1956; Director of the Executive Secretariat thereafter
- Hughes, Rowland R.**, Director of the Bureau of the Budget until April 1956
- Humphrey, George M.**, Secretary of the Treasury until July 1957
- Irwin, John N., II**, Deputy Assistant Secretary of Defense for International Security Affairs
- Ismay, Baron Hastings Lionel**, Secretary General of the North Atlantic Treaty Organization until April 1957
- Jacquin de Margérie, Roland**, Assistant Director General of Political and Economic Affairs, French Foreign Ministry, until June 1955; Director General, June 1955–July 1956

## **XXVIII List of Persons**

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- Jebb, Sir H. M. G.**, British Ambassador to France
- Jernegan, John D.**, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs until October 1955; Minister-Counselor of the Embassy in Italy from October 1955
- Jonasson, Hermann**, Prime Minister of Iceland and Minister of Justice from July 1956
- Jones, G. Lewis**, Ambassador to Tunisia from October 1956
- Jones, John Wesley**, Director of the Office of Western European Affairs, Department of State, until February 1957; thereafter Deputy Assistant Secretary of State for European Affairs
- Jova, Joseph J.**, Consul of the Embassy in Portugal until February 1957; Officer in Charge of French-Iberian Affairs, Bureau of European Affairs, Department of State, from March 1957
- Kalijarvi, Thorsten V.**, Deputy Assistant Secretary of State for Economic Affairs until March 1957; Assistant Secretary of State for Economic Affairs, March 1957–September 1957
- Kauffmann, Henrik L. H.**, Danish Ambassador to the United States
- Khrushchev, Nikita Sergeevich**, First Secretary of the Central Committee of the Communist Party of the Soviet Union
- King, William Lyon Mackenzie**, former Prime Minister of Canada
- Kissner, General August W.**, Chief of the Joint U.S. Military Advisory Group in Spain
- Knight, Ridgway B.**, Political Adviser to the Supreme Allied Commander, Europe, May 1955–September 1957
- Knight, William E.**, Office of Western European Affairs, Bureau of European Affairs, Department of State, until March 1955; First Secretary-Consul in the Embassy in Iceland, March 1955–October 1957
- Kranich, Robert H.**, Officer in Charge of North Atlantic Treaty Economic and Military Assistance Affairs, Office of European Regional Affairs, Department of State, until 1956; First Secretary and Financial Officer of the Embassy in the Federal Republic of Germany from August 1957
- Laloy, Jean Leonard**, Technical Adviser in the Cabinet of the French Foreign Minister, January–February 1955; Deputy Director, from February 1955; Minister-Counselor of the French Embassy in the Soviet Union, 1955–March 1956; thereafter Officer in Charge of European Affairs, Foreign Ministry
- Lange, Halvard M.**, Norwegian Minister of Foreign Affairs from February 1956
- Laprock, Victor**, Belgian Minister of Foreign Affairs from May 1957
- Lay, James S., Jr.**, Executive Secretary of the National Security Council
- Leishman, Frederick J.**, First Secretary of the British Embassy in the United States
- Levy-Hawes, Maurice G.**, Office of European Regional Affairs, Department of State
- Lister, Ernest A.**, Officer in Charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, July 1955–May 1956; Deputy Director of the Office of British Commonwealth and Northern European Affairs, May 1956–August 1957
- Lloyd, Sir John Selwyn Brooke**, British Minister of Supply until April 1955; Minister of Defense, April 1955–December 1955; Secretary of State for Foreign Affairs thereafter
- Lodge, Henry Cabot**, Permanent Representative to the United Nations
- Lodge, John D.**, Ambassador to Spain from March 1955
- Loper, Major General Herbert B.**, Assistant to the Secretary of Defense for Atomic Energy and Chairman of the Military Liaison Committee to the Atomic Energy Commission
- Luce, Clare Boothe**, Ambassador to Italy until December 1956

- Luns, J. M. A. H.**, Dutch Minister of Foreign Affairs, concurrently with Johan Beyen until October 1956; Minister of Foreign Affairs thereafter
- MacArthur, Douglas, II**, Counselor of the Department of State until December 1956
- MacDonald, Sir Malcolm John**, British High Commissioner in India and Representative to the Southeast Asian Treaty Organization from 1955
- Macmillan, Harold**, British Minister of Defense until April 1955; Secretary of State for Foreign Affairs, April–December 1955; Chancellor of the Exchequer, December 1955–January 1957; Prime Minister and First Lord of the Treasury thereafter
- Mackenzie King**, *see King, William Lyon Mackenzie*
- Makins, Sir Roger M.**, British Ambassador to the United States until October 1956; Joint Permanent Secretary of the Treasury thereafter
- Malagodi, Giovanni F. J.**, Secretary of the Italian Liberal Party
- Malenkov, Georgi Maksimilianovich**, Chairman of the Soviet Council of Ministers until February 1955
- Margérie**, *see Jacquin de Margérie*
- Marjolin, Robert E.**, Technical Adviser in the Cabinet of the British Secretary of State for Foreign Affairs from February 1956
- Martin, Edwin M.**, Alternate Permanent Representative to the North Atlantic Council and Deputy Chief of the United States Mission to NATO and European Regional Organizations
- Martín Artajo, Alberto**, Spanish Minister of Foreign Affairs until February 1957
- Martino, Gaetano**, Italian Minister of Foreign Affairs until May 1957
- Massigli, René**, Secretary-General of Foreign Affairs, French Foreign Ministry, until July 1956
- Matthews, H. Freeman**, Ambassador to the Netherlands until June 1957; Ambassador to Austria from September 1957
- Mayer, René**, President of the High Authority of the European Coal and Steel Community from June 1955
- McCardle, Carl W.**, Assistant Secretary of State for Public Affairs until March 1957
- McElroy, Neil H.**, Secretary of Defense from October 1957
- McLeod, R.W. Scott**, Ambassador to Ireland from July 1957
- McNaughton, General Andrew G. L.**, Chairman of the Canadian Section of the International Joint Commission on the St. Lawrence Seaway
- Meany, George**, President of the AFL-CIO from December 1955
- Menderes, Adnan**, Prime Minister of Turkey
- Mendès-France, Pierre**, French Prime Minister and Minister of Foreign Affairs until February 1955; Minister of State, February–May 1956
- Menzies, Robert G.**, Australian Prime Minister
- Merchant, Livingston T.**, Assistant Secretary of State for European Affairs until May 1956; Ambassador to Canada from May 1956
- Mikoyan, Anastas Ivanovich**, First Deputy Chairman of the Soviet Council of Ministers, 1955
- Mitchell, James P.**, Secretary of Labor
- Moch, Jules**, French Permanent Representative to the United Nations Disarmament Commission and Subcommittee
- Moline, Edwin G.**, Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State, May 1956–August 1957; thereafter Deputy Director, Office of British Commonwealth and Northern European Affairs
- Mollet, Guy**, Secretary-General of the French Socialist Party; President of the Consultative Assembly of the Council of Europe until January 1956; President of the French Council of Ministers, February 1956–June 1957
- Molotov, Viacheslav Mikhailovich**, Soviet Minister of Foreign Affairs until June 1956

### **XXX List of Persons**

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- Monnet, Jean**, President of the High Authority of the European Coal and Steel Community until June 1955; Chairman of the Action Committee for a United States of Europe from October 1955
- Motrico, Count**, *see* Areilza, José M. de
- Muccio, John J.**, Ambassador to Iceland
- Murphy, Robert D.**, Deputy Under Secretary of State for Political Affairs
- Nasser, Gamal Abdul**, President of Egypt
- Nehru, Pandit Jawaharlal**, Indian Prime Minister and Minister for External Affairs
- Nenni, Pietro**, Secretary-General of the Italian Socialist Party
- Ngo Dinh Diem**, Prime Minister of the Republic of Vietnam
- Nixon, Richard M.**, Vice President of the United States
- Norman, E. Herbert**, Canadian Ambassador to Egypt until April 1957
- Norstad, General Lauris**, Air Deputy, Supreme Headquarters, Allied Powers, Europe, until November 1956; Supreme Allied Commander in Europe thereafter
- Nutting, Sir Harold Anthony**, British Minister of State for Foreign Affairs until October 1956
- O'Connor, Roderic L.**, Special Assistant to the Secretary of State until December 1955; Deputy Assistant Secretary of State for Congressional Relations from December 1955
- Ohly, John H.**, Deputy Director for Programs and Planning, International Cooperation Administration
- Overby, Andrew N.**, Assistant Secretary of the Treasury until 1957
- Palewski, M. Gaston**, Deputy to the French Prime Minister, February 1955–January 1956; Ambassador to Italy from August 1957
- Parodi, Alexandre**, Secretary-General of the French Foreign Ministry until 1955; Permanent Representative to the North Atlantic Treaty Organization, May 1955–July 1957; Ambassador to Morocco thereafter
- Parsons, Marselis C., Jr.**, Officer in Charge of Northern European Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, until 1956; Deputy Director, Office of British Commonwealth and Northern European Affairs, January 1956–May 1956; thereafter Director
- Pearkes, General George R.**, Canadian Minister of Defense from June 1957
- Pearson, Lester B.**, Canadian Secretary of State for External Affairs until June 1957
- Pella, Giuseppe**, Italian Minister for Foreign Affairs from May 1957
- Perkins, George W.**, Permanent Representative to the North Atlantic Treaty Organization, March 1955–October 1957
- Peterson, Val**, Ambassador to Denmark from August 1957
- Phleger, Herman**, Legal Adviser of the Department of State until April 1957
- Pinay, Antoine**, French Minister of Foreign Affairs, February 1955–January 1956
- Pineau, Christian**, French Minister of Foreign Affairs from February 1956
- Plowden, Sir Edwin N.**, Chairman of the British Atomic Energy Authority
- Prochnow, Herbert V.**, Deputy Under Secretary of State for Economic Affairs, November 1955–November 1956
- Quarles, Donald A.**, Assistant Secretary of Defense for Research and Development until August 1955; Secretary of the Air Force, August 1955–April 1957; thereafter Deputy Secretary of Defense thereafter
- Queiros, Henrique B. C.**, Deputy Director General for Political Affairs, Portuguese Foreign Ministry, 1955; thereafter Political Director, Foreign Ministry
- Rabenold, Ellwood M., Jr.**, Officer in Charge of Portuguese Affairs, Office of Western European Affairs, Department of State, until July 1956

- Radford, Admiral Arthur W.**, Chairman of the Joint Chiefs of Staff until August 1957
- Randall, Clarence B.**, Special Assistant to President Eisenhower for Foreign Economic Policy and from July 1956 Chairman of the Council on Foreign Economic Policy
- Randers, Gunnar**, Director of the Norwegian Atomic Energy Institute
- Rankin, J. Lee**, Office of the Legal Counsel, Department of Justice
- Raynor, G. Hayden**, Director of the Office of British Commonwealth and Northern European Affairs, Department of State, until June 1955; thereafter Counselor of the Embassy in Norway
- Reinhardt, G. Frederick**, Counselor of the Department of State from March 1957
- Reinstein, Jacques J.**, Special Assistant to the Assistant Secretary of State for European Affairs until July 1956; thereafter Director of the Office of German Affairs
- Rhee, Syngman**, President of the Republic of Korea
- Robertson, Norman A.**, Canadian Ambassador to the United States from May 1957
- Robertson, Reuben B., Jr.**, Deputy Secretary of Defense, August 1955–April 1957
- Robertson, Walter S.**, Assistant Secretary of State for Far Eastern Affairs
- Ronhovde, Andreas G.**, Counselor of the Embassy in the Netherlands
- Rossi-Longhi, Alberto**, Secretary General of the Italian Ministry of Foreign Affairs
- Rountree, William M.**, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs from August 1956
- Roux, Jacques J.**, Assistant Director General of Political Affairs, French Foreign Ministry, from July 1956
- Rowan, Thomas L.**, Second Secretary of the British Treasury
- Rubottom, Roy R., Jr.**, Counselor for Economic Affairs of the Embassy in Spain until April 1955; Economic Counselor and Director of the U.S. Operations Mission, April 1955–June 1957
- St. Laurent, Louis S.**, Canadian Prime Minister until June 1957
- Salazar, Antonio Oliviera**, Portuguese Prime Minister
- Sandys, Duncan**, British Minister of Defense from January 1957
- Santos da Costa, Fernando**, Portuguese Minister of Defense from February 1955
- Saragat, Giuseppe**, Deputy Prime Minister of Italy until May 1957
- Saud Ibn Abd al Aziz al-Faisal al-Saud**, King of Saudi Arabia
- Scelba, Mario**, Italian Prime Minister until July 1955
- Schaetzel, J. Robert**, Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs from August 1955
- Scott, Sir Robert H.**, British Minister in the United States until June 1955
- Segni, Antonio**, Italian Prime Minister, July 1955–May 1957
- Shepilov, Dmitri Trofimovich**, Soviet Minister of Foreign Affairs, June 1956–February 1957
- Shuckburgh, Charles A. E.**, British Assistant Under Secretary of State for Foreign Affairs until June 1956
- Smith, Gerard C.**, Consultant to the Secretary of State until January 1956; Special Assistant to the Secretary of State for Atomic Energy Affairs, January 1956–October 1957; thereafter Assistant Secretary of State for Policy Planning
- Smith, Brigadier General Harold**, Commanding General, Lajes Airfield, Azores
- Smith, Marshall M.**, Deputy Assistant Secretary of Commerce for International Affairs
- Smith, Sidney E.**, Canadian Secretary of State for External Affairs from September 1957
- Spaak, Paul-Henri**, Belgian Minister of Foreign Affairs until May 1957; thereafter Secretary General of NATO
- Staats, Elmer B.**, Executive Officer of the Operations Coordinating Board
- Stassen, Harold E.**, Director of the Foreign Operations Administration until June 1955; Special Assistant for Disarmament to President Eisenhower from March 1955 and Deputy Representative to the United Nations Disarmament Commission and Subcommittee from August 1955

## XXXII List of Persons

- Steel, Sir Christopher**, British Permanent Representative to NATO until February 1957; Ambassador to the Federal Republic of Germany thereafter
- Stephanopoulos, Stephan**, Greek Minister of Foreign Affairs until October 1955
- Strauss, Lewis L.**, Chairman of the Atomic Energy Commission
- Strong, L. Corrin**, Ambassador to Norway until February 1957
- Stuart, R. Douglas**, Ambassador to Canada until May 1956
- Sullivan, Charles A.**, Office of the Assistant Secretary of Defense for International Security Affairs until 1957; thereafter Assistant Director for Plans and Readiness, Office of Defense Mobilization
- Tambroni, Fernando**, Italian Minister of Interior from July 1955
- Tasca, Henry J.**, Director, U.S. Operations Mission in Italy, until May 1956; First Secretary and Director, Office of Economic Affairs of the Embassy in Italy, May 1956–January 1957; thereafter Economic Counselor and Consul General of the Embassy
- Taviani, Paolo Emilio**, Italian Minister of Defense
- Templer, Field Marshal Sir Gerald W. R.**, Chief of the British Imperial General Staff
- Theotokis, Spyros**, Greek Minister of Foreign Affairs October 1955–May 1956
- Thorneycroft, Peter**, President of the British Board of Trade until January 1957; Chancellor of the Exchequer thereafter
- Timmons, Benson E. L., III**, First Secretary of the Embassy in France, and Director, U.S. Operations Mission, until July 1955; Minister for Economic Affairs of the Embassy, July–September 1955; thereafter Director of the Office of European Regional Affairs, Department of State
- Tito, Josip (Josef) Broz**, President of Yugoslavia
- Togliatti, Palmiro**, Secretary General of the Italian Communist Party
- Tuthill, John W.**, Counselor for Economic Affairs of the Embassy in the Federal Republic of Germany until June 1956; thereafter Counselor for Economic Affairs of the Embassy in France
- Twining, General Nathan F.**, Chief of Staff of the Air Force until July 1957; thereafter Chairman of the Joint Chiefs of Staff thereafter
- Tyler, William R.**, Deputy Director of the Office of Western European Affairs, Department of State, July 1955–February 1957; thereafter Director
- Unger, Leonard**, Officer in Charge of Political-Military Affairs, Office of European Regional Affairs, Department of State, until May 1957
- Vanoni, Ezio**, former Italian Minister of Budget and Finance and Delegate to the Organization for European Economic Cooperation
- Vimont, Jacques**, Minister-Counselor of the French Embassy in the United States until August 1957
- von Brentano**, see Brentano, Heinrich von
- Voroshilov, Klimenti Efremovich**, Chairman of the Presidium, Central Committee, Supreme Soviet
- Walmsley, Walter N., Jr.**, Minister-Counselor of the Embassy in the Soviet Union until October 1956; thereafter Deputy Assistant Secretary of State for International Organization Affairs
- Washburn, Abbott M.**, Deputy Director of the United States Information Agency
- Waugh, Samuel C.**, Assistant Secretary of State for Economic Affairs until August 1955; Deputy Under Secretary of State for Economic Affairs, August 1955–October 1955; thereafter President and Chairman of the Board of Directors of the Export-Import Bank
- Weeks, Sinclair**, Secretary of Commerce
- White, Francis**, Ambassador to Sweden from September 1957

List of Persons XXXIII

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- Whiteley, General Sir John F. M.**, Chairman of the British Joint Services Mission in Washington, and Representative of the Standing Group of the Military Committee of NATO until July 1956
- Whitman, Ann C.**, President Eisenhower's Personal Secretary
- Whitney, John Hay**, Ambassador to the United Kingdom from February 1957
- Wiggin, Charles D.**, First Secretary of the British Embassy in the United States from July 1956
- Wilcox, Francis O.**, Assistant Secretary of State for International Organization Affairs from September 1955
- Willis, Frances E.**, Ambassador to Switzerland until May 1957; Ambassador to Norway thereafter
- Willis, George H.**, Director of the Office of International Finance, Department of the Treasury
- Wilson, Charles E.**, Secretary of Defense until October 1957
- Xanthaky, Theodore A.**, Attaché at the Embassy in Portugal
- Yost, Charles W.**, Minister-Counselor of the Embassy in France, July 1956–December 1957
- Young, Kenneth T., Jr.**, Director of the Office of Philippine and Southeast Asian Affairs, Department of State, January 1955–April 1956; Director of the Office of Southeast Asian Affairs thereafter
- Zellerbach, James D.**, Ambassador to Italy from February 1957
- Zoli, Adone**, Prime Minister of Italy from June 1957



# FRANCE

## U.S. INTEREST IN THE POLITICAL AND ECONOMIC STABILITY OF FRANCE; U.S. ECONOMIC ASSISTANCE TO THE FRENCH REARMAMENT AND DEFENSE PROGRAM; VISIT TO WASHINGTON OF FOREIGN MINISTER PINEAU, JUNE 18-20, 1956; VISIT TO WASHINGTON OF PRIME MINISTER MOLLET, FEBRUARY 26-28, 1957<sup>1</sup>

### 1. Telegram From the Embassy in France to the Department of State<sup>2</sup>

*Paris, January 6, 1955—4 p.m.*

2840. Mendes asked me to come and see him last night before his departure today on vacation. He was depressed about the Libyan and Tunisian negotiations<sup>3</sup> (details being reported separately). He then took up the Paris Accords and said that first of all he wanted to be sure that the US Government did not misunderstand the final vote in the Assembly.<sup>4</sup> He said that in addition to the 287 favorable votes, there were at least 130 or 140 additional deputies who were fundamentally favorable to the integration of the FedRep into the defense of the West, but who had either abstained or voted against the Paris Accords for purely internal political reasons. I told him that the Embassy fully realized this and had reported it, and that I was sure this was understood in Washington.

Mendes then took up the problem of ratification in the Council of the Republic. He said that he thought things looked better there than they had in the National Assembly and that the debate would be

<sup>1</sup> For previous documentation on U.S. relations with France, see *Foreign Relations*, 1952-1954, vol. vi, Part 2, pp. 1139 ff.

<sup>2</sup> Source: Department of State, Central Files, 751.00/1-655. Secret; Priority. Repeated to Bonn, London, and Moscow.

<sup>3</sup> For documentation on French negotiations with Libya over the status of Fezzan and with Tunisian nationalists which led to the agreement, signed May 29, 1955, providing internal autonomy for Tunisia, see volume XVIII.

<sup>4</sup> The Protocols, signed in Paris on October 23, 1954, bringing the Federal Republic of Germany and Italy into the Western European Union, had been ratified by the French National Assembly in December 1954 and were approved by the Council of the Republic on March 27, 1955; for texts of the Protocols and further documentation on this subject, see *Foreign Relations*, 1952-1954, vol. v, Part 2, pp. 1435 ff.

much more dignified, but that nevertheless there would be a fight. He said it was vital that there be some progress between the final vote in the Assembly and the time in mid-February when the Council of the Republic was ready to vote. He then mentioned six particular items that would be important in this connection.

1. He said it would be most helpful if the US assurances re maintenance of troops could actually be issued before the vote in the Council of the Republic.<sup>5</sup> He said everybody realized that it had now been promised and the feeling was that there was plenty of time for the US Government to discuss it with Congressional leaders prior to mid-February. If it was not issued, there might be certain suspicions aroused that it would be changed in some fashion from the previous pledge. Mendes further said that he felt it would be most important that the pledge, when issued, follow as closely as possible the exact wording of last spring's pledge,<sup>6</sup> substituting the Paris Accords for the EDC.

2. Mendes said it was important that there be no further controversy over the Saar and he hoped that the US would impress this on Adenauer so that no new difficulties would arise during the second or third reading in the German Bundestag. He said that he had been very appreciative of the way Adenauer had handled the Saar during the first reading in the Bundestag and he hoped that that could be repeated. He said that he planned to take this up himself with Adenauer, but it of course would be most helpful if we would informally reinforce the representations that he would make.

3. It would be helpful if the US-UK guarantee to support the Saar up to the peace treaty were issued. Mendes said he did not know the German attitude on this, but he thought that they were also interested in having this guarantee issued. He said that he was going to ask Adenauer to make the joint Franco-German request to the US and UK regarding the issuance of the guarantee, but he said it would be helpful if the US would also informally prod Adenauer on this subject.

4. He said it was most important that some progress be made on the arms production pool negotiations that are to begin on January 17. He said it would not be necessary for a final agreement to have been reached, but it should be clear to all that the negotiations were making real progress, and that they would result in some sort of an agreement. He said it would be catastrophic if they should break down before the

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<sup>5</sup> For text of President Eisenhower's statement of March 10, confirming continued U.S. support for NATO, see *Documents on American Foreign Policy, 1950–1955: Basic Documents*, vol. I, pp. 989–991.

<sup>6</sup> For text of President Eisenhower's message of April 15, 1954, to the Prime Ministers of the six nations comprising the European Defense Community respecting the relationship between the EDC and NATO, see *ibid.*, pp. 1198–1200.

vote in the French Senate. Mendes said he did not know just how the US could be helpful in this connection, but he wanted us to be fully aware of the situation.

5. Mendes again took up his desire to have US military aid channelled through the WEU arms agency and said he just could not understand why the US was not willing to do as much for the WEU as it had been willing to do for EDC. I repeated the old arguments which did not have much effect on Mendes, and finally told him it was a political problem with us of Congressmen who were reluctant to take an action which they felt would be unnecessarily giving up a portion of our sovereign rights. I said that maybe the Congressmen were unreasonable, but that Mendes should fully understand how strong the views of parliamentarians were when it came to questions of sovereignty.

6. Mendes then came to what he said was the most important question of all, and that is the necessity that there be some progress in the next weeks on diplomatic preparations for an East-West conference. He said that of the 287 deputies who had voted for the Paris Accords, nearly 100, including all the Gaullists and all the Socialists who had opposed EDC, plus scattered others, had supported ratification primarily because of his pledge to do his utmost to bring about a negotiation with the East as soon as practicable. If there was no progress prior to the vote in the Senate, everyone would think that he had not lived up to his word. Something would have to be done very soon, either by the French acting alone or on a tripartite basis. Mendes said he would much prefer the action to be tripartite, and what he would suggest would be that the three powers invite the Soviets to a conference at some given date in May, and make this invitation contingent on ratification of the Paris Accords by all the major powers. If no agreement could be reached on such a tripartite démarche, Mendes said that he would have to act alone as in the case of the démarche regarding the Austrian treaty. He said that France had not as yet answered the Soviet note threatening to denounce the Franco-Soviet treaty,<sup>7</sup> and that it would have to do so in due course. If there could be no tripartite action, this reply to the Soviets would provide the framework for a French initiative. I told him that as he knew this was a very delicate subject. I said that I would pass on his proposal to Washington, but that I knew that United States position was adamant that there could be no conference until ratification had been completed, and also that we felt very strongly that the tripartite position vis-à-vis the Soviets should be maintained and that the appearance should not

<sup>7</sup> Reference is to the Soviet note to France, which was released to the press on December 16, 1954, threatening to denounce the Franco-Soviet treaty of mutual assistance of December 1, 1944, if France ratified the Paris Accords.

be given that the Soviets were achieving any success in breaking the united front of the Western powers. Mendes reaffirmed that there was no question of any meeting prior to the completion of ratification by the major powers.

I inquired of Mendes as to whether he was going to make any other communication to my government on this subject, and he said yes, that he was preparing letters to the President and the Secretary answering their messages to him.<sup>8</sup> In these letters he was going to refer to ratification in the Council of the Republic and was going to bring up both items five and six above. He was planning to attach to the letters a memorandum regarding the approach to Moscow and was sending the same memo to Churchill. He said that he preferred to handle this matter in the informal framework of these letters to the Secretary and the President, rather than in the form of a formal aide-mémoire. The letters were handed to Achilles at noon today by Parodi. Translations follow by telegram and O'Connor is hand-carrying originals leaving tonight. I will comment on above in separate message.<sup>9</sup>

**Dillon**

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<sup>8</sup> Regarding Mendès-France's letters to President Eisenhower and Secretary Dulles, January 6, 1955, see vol. v, p. 119.

<sup>9</sup> Ambassador Dillon's comments are in telegram 2857 from Paris, January 6. (Department of State, Central Files, 751.00/1-655)

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## **2. Editorial Note**

The government of Prime Minister Pierre Mendès-France was defeated in the French National Assembly on February 5, on a vote of confidence on its North African policy, and Mendès-France immediately tendered his resignation to President René Coty. Christian Pineau of the Socialist Party, Antoine Pinay of the Independent Republican Party, and Pierre Pflimlin of the Popular Republicans each in turn unsuccessfully attempted to form a government. Finally, on February 23, Edgar Faure of the Radical Party became Prime Minister. Pinay was Foreign Minister and Pflimlin was Finance Minister in his Cabinet. Reports of this political crisis are in Department of State, Central File 751.00.

3. **Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, March 24, 1955—midnight.*

4086. We have for some time been pondering problems of Franco-US relations after French ratification of Paris Agreements completed but have not until now considered ratification sufficiently assured to warrant presenting our thinking to Department. We now think time has come to do so.

In our opinion paramount factor is consolidation and strengthening of NATO alliance. Of only slightly less importance are encouragement of European unity, developing real Franco-German rapprochement, and maintaining Franco-US relations not only with respect to Europe but in furtherance of US interests in North Africa and Southeast Asia. We accordingly hope that these factors will prevail over any impulse to release pent up resentment over lengthy delays in French action. *Time* article last December forecasting such unfortunate Washington reaction was widely and unfavorably noted in France and subsequent predictions along same line have loomed large both in Communist propaganda and in non-Communist French fears. There are several areas to which this problem may apply particularly.

1. Germany: Naturally US Government will wish to expedite German rearment as much as possible and presumably restoration of sovereignty to GFR will reduce to minimum French opportunities for obstruction. In light of importance of encouraging delicate plans of Franco-German rapprochement we hope however that when arguments arise we will not give appearance of always siding with Germans.

2. Big power meetings: Germany will henceforth presumably seek, with good reason, increasing representation in meetings at Foreign Minister level or lower level, which since war have been held tripartitely, in connection with any possible East-West talks. French will probably not be too happy with this in view of major importance they have long attached to special US-UK-French relationships based upon world-wide responsibilities. We believe, however, balance can be found between inclusion of Germany as full equal in any future discussions concerning German reunification or European questions immediately affecting Germany on one hand, and tripartite discussion of non-European and more general European problems on other.

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<sup>1</sup> Source: Department of State, Central Files, 651.00/3-2455. Secret. Repeated to London, Bonn, Luxembourg, Moscow, Rome, Brussels, and The Hague.

3. NATO: Longstanding French desire for something in nature of political standing group has recently been revived in search for counter-balance to German NATO membership. What they seek is maximum influence on US policy with respect particularly to North Africa and Indochina plus public recognition of French as standing alongside UK in position of special influence on US. While anything resembling political standing group (aside from traditional big three meetings) seems thoroughly undesirable and there should be no question of our giving any blank checks to French with respect to any area, it would nevertheless be worthwhile to utilize this French desire by strengthening NATO in political field, which would be to our advantage as means of securing support of French and other NATO countries for our own policies and giving us additional opportunity to influence theirs. This [garble] present trend of political discussions in NATO but possibly emphasizing and accelerating them by specific recommendations, perhaps in next NAC. USRO of course has more specific thoughts on this problem.

Question of German membership in SG will undoubtedly arise in time. French will undoubtedly plead, as they have since 1949, special US-UK-French position of world-wide responsibility and availability of armed forces to influence events in far parts of world. Since Germany has no non-European responsibilities and will not for some time have effective armed forces in being, we hope this problem can be approached gradually and tactfully.

4. European unity: Present French Government recognizes that Paris Agreements provide practical basis both for bringing about real Franco-German rapprochement and renewed efforts toward progressive development of European unity. Now that urgent problem of German rearmament appears about to be satisfactorily settled, we believe progress toward such rapprochement and unity can be achieved more rapidly if pace is not forced too much by US and if we recognize frankly that progress on each side which Paris Agreement represents proved possible only in Atlantic framework. Initially we recommend that US statements upon completion of French ratification (about which we are telegraphing separately)<sup>2</sup> should avoid appearing to force pace on either point.

5. North Africa: This is spot where French are most nervous over their position and sensitive as to US policy. We must remember that our strategic and security interests in this area are over-riding and can be effectively served only through stability and continuing French

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<sup>2</sup> The text of a proposed U.S. statement was transmitted to the Department in telegram 4085 from Paris, March 24. (*Ibid.*, 740.5/3-2455)

operation. Any change in our current dual policy of supporting French presence in Africa while continuing to seek accelerated French concessions of autonomy would be undesirable.

6. Indochina: Current US-French difference on policy with respect to Vietnam, Cambodia and perhaps Laos are gradually being lessened. There have been indications that French may be hoping for more favorable US policies with respect to this area following French approval of German rearmament. While US policy probably not susceptible of shift in this direction, it should at minimum avoid shift in opposite direction.

7. Aid: When ratification occurs we will immediately recommend that OSP freeze<sup>3</sup> (and any other freezes except cutback of equipment to 12 division level) be forthwith rescinded to restore France to normal competitive position. We think it important to complete aid programs prior to FY 55 in fair and orderly fashion, in order that there will be no impression that aid is being cut off or new difficulties being raised now that France has approved German rearmament. Question of FY 55 aid for FEC now under discussion should of course be decided on own merits and handled in such way as to avoid any false impression.

Our conclusion is not that US policy should be changed in any material respect as result of French ratification but rather that it is intrinsically sound in furtherance of long range US interests and should not be changed at expense of France when ratification has been completed. Controlling considerations seem to us to be:

- (1) the need for full utilization of both German and French strength for successful defense of Western Europe,
- (2) importance of French cooperation to US strategic interests outside Europe and
- (3) overriding need of wholehearted cooperation and unity in NATO.

USRO concurs in portions this message dealing with NATO.  
USOM/F concurs in paragraph 7.

Achilles

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<sup>3</sup> For documentation on the U.S. decision in September 1954 to freeze the placing of offshore procurement contracts in France, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1436 ff.

**4. Memorandum From the Deputy Secretary of Defense  
(Anderson) to the Executive Secretary of the National  
Security Council (Lay)<sup>1</sup>**

*Washington, April 5, 1955.*

**SUBJECT**

U.S. Aid to France

In view of the favorable parliamentary action by the French Government in ratifying the Western European Union Pact<sup>2</sup> the Department of Defense considers that the restrictions imposed on U.S. aid to France by paragraph 9 of NSC 5433/1<sup>3</sup> have adequately served the purpose for which they were originally imposed.

It is recognized that the French have not yet formally deposited their Instrument of Ratification of the Pact. It may be, in light of this, and, further, because of the difficulties in obtaining full French support in the current crisis in South Viet Nam that it will not be advisable to remove the restrictions on U.S. aid immediately. Nevertheless, in order not to delay any longer than necessary the programmed provision of military aid to France, it would be appreciated if this matter could be placed on the agenda of an early NSC meeting.<sup>4</sup>

If the Council agrees that paragraph 9 of NSC 5433/1 has now served its full purpose, it is recommended that the Council:

"Agree that any existing limitations on U.S. aid to France, imposed pursuant to paragraph 9 of NSC 5433/1 (NSC Action No. 1227-b-(5)) as amended by NSC Action No. 1294, should now be rescinded."<sup>5</sup>

**R.B. Anderson<sup>6</sup>**

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<sup>1</sup> Source: Department of State, S/S-NSC Files: Lot 63 D 351. Top Secret. Sent to members of the National Security Council as an enclosure to a letter from Lay of April 5. Copies were also sent to Humphrey, Hughes, Radford, and Allen W. Dulles.

<sup>2</sup> See footnote 4, Document 1.

<sup>3</sup> Entitled "Immediate U.S. Policy Toward Europe," September 25, 1954; for text, see *Foreign Relations, 1952-1954*, vol. v, Part 2, p. 1268.

<sup>4</sup> According to the memorandum of discussion at the 244th meeting of the National Security Council, April 8, the Council considered this memorandum and agreed to Anderson's recommendation. This decision was approved by President Eisenhower, and the recommendation was transmitted to Secretary Dulles, Secretary of Defense Wilson, and Stassen for action. (Eisenhower Library, Whitman File, NSC Records)

<sup>5</sup> According to the memorandum of discussion at the 230th meeting of the National Security Council, January 6, the Council agreed that the construction and procurement limitations on U.S. aid to France, which had been imposed in September 1954, be rescinded. (*Ibid.*)

<sup>6</sup> Printed from a copy that bears this typed signature.

5. Memorandum From the Secretary of State's Special Assistant for Intelligence (Armstrong) to the Secretary of State<sup>1</sup>

Washington, April 12, 1955.

SUBJECT

NIE 22-55: *Probable Developments in France*<sup>2</sup>

The Intelligence Advisory Committee concludes that, except in the unlikely event of a severe domestic economic crisis or external developments seriously undermining France's position in Europe or North Africa, the right-center orientation of French cabinets will probably prevail until the 1956 national elections.<sup>3</sup> The present Faure government and its successors are expected to make little change in the Mendes-France policies toward Indochina, North Africa, and European integration and to continue the economic expansion program of the past year and a half.

Regardless of the electoral system governing the 1956 elections, the extremist parties are likely to lose some of their present parliamentary strength but the elections are not expected to result in any basic change in the pattern of Assembly politics or in the unstable and negative character of French governments.

France's economic prospects are moderately favorable; however, its rate of economic expansion over the next few years is likely to be somewhat less than the European average and considerably below that of West Germany.

France will almost certainly continue to regard its close alignment with the US and the UK through NATO as vital to its security. If it considered itself faced with the threat of nuclear devastation, however, France might seek a neutral position. There is no prospect of any increase in French defense expenditures, and France will probably adopt policies designed to slow the tempo of the German military build-up.

French policy toward North Africa will lead to some liberalization, but France will use force to maintain what it considers the essential elements of its control in North Africa. If the US appeared to favor the North African nationalists, it would invite serious complications in its relations with France and in its utilization of the Moroccan bases. In

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<sup>1</sup> Source: Department of State, Central Files, 751.00/4-1255. Secret. No drafting information is given on the source text. The handwritten note, "Sec saw," appears on the source text.

<sup>2</sup> Dated March 29. (*Ibid.*, INR-NIE Files)

<sup>3</sup> A general election was expected no later than June 1956. On November 30, 1955, the National Assembly was dissolved, and the election took place on January 2, 1956.

Vietnam, France probably will reluctantly keep in step with US efforts to bolster the Diem government. On the other hand, the French are likely to adhere to the Geneva agreement to hold elections in 1956 unless faced with strong, combined US-UK pressure.<sup>4</sup>

This estimate will not be released to any foreign governments.

**PA**

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<sup>4</sup> Article 7 of the Final Declaration of the Geneva Conference on the Problem of Restoring Peace in Indochina, July 21, 1954, required that a general election be held in Vietnam in July 1956; for text of the declaration, see *Foreign Relations, 1952–1954*, vol. xvi, p. 1540.

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**6. Memorandum of a Conversation Between General de Gaulle and the Minister in France (Achilles), Paris,  
April 20, 1955<sup>1</sup>**

General De Gaulle received me this afternoon with apologies for the delay in acceding to my request to see him, explaining that it had taken him some time to recover from his second cataract operation. He appeared tired, old and discouraged, and spoke along the following lines:

*France:* After reminiscing briefly of the times I had known him in London in 1940–41, he said that the great days were gone, the present was not brilliant and the future dark. When I asked the reason for his pessimism, he replied "men, and particularly Frenchmen." When I referred to the economic progress France had made since the war, he said this was of little importance compared to the fact that France had made no political or moral recovery. To his mind, the trouble was that unless France could lead the world as a great power, the French were not interested in anything except their personal affairs. During the war and upon his return to France, he had done his utmost to inspire a feeling of greatness in the French. Most French had cheered him wildly but few had followed and even fewer had helped him. Today the people did their jobs without interest. The country was suffering from national lassitude, which he repeatedly attributed to the awareness that France was no longer great. He said that the same lassitude and feeling of decadence and decline was noticeable to a slightly lesser extent in Great Britain, to some extent in Germany and that there were

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<sup>1</sup> Source: Department of State, Central Files, 751.00/4-2255. Confidential. Transmitted to the Department as an enclosure to despatch 2270 from Paris, April 22.

even signs of it in Russia. To my question as to what was needed to bring about a moral renaissance, he replied that he had no idea but that even decadence could pass.

*His Own Plans:* While he at no time alluded specifically to these, in discussing the present plight of France he referred to his establishment of the Rassemblement as his "last effort". He also remarked that people could only save themselves. The implication was clear that, at least in his present mood—and that appeared deep, he has no present plans for future activity, political or otherwise.

*European and Atlantic Integration:* To my question as to whether the French might not find a moral renaissance as part of a larger unity, he expressed complete pessimism. He said that he had opposed EDC as under it France would have been completely submerged. He was not opposed to European confederation however far it might go provided the advantages of national independence were conserved. He thought the French might "submit" to some form of Atlantic unity but would have no interest in it since they could not lead it.

*Paris Agreements:* He said that he had not opposed the Agreements because he found them neither good nor bad. When I asked if he did not consider the latest Russian concessions on Austria a result of ratification, he admitted that this was probably correct.<sup>2</sup>

*Four-Power Talks:* He thought that the Russians were really seeking some form of modus vivendi with the West. He thought they were troubled by their difficulties with the satellite peoples, particularly the East Germans, Poles and Czechs, and that they were increasingly fearful of the Chinese. They certainly did not want war and would probably in the next few years make material concessions to the West with a view to obtaining at least a long breathing spell. He thought the Russians would seek a neutral belt including not merely Sweden, Finland, Germany, Austria and Yugoslavia but perhaps also Denmark and Italy.

*Contacts:* I told him that my letter asking to see him<sup>3</sup> had been written while I was in charge but that the Ambassador had now returned and would welcome an opportunity to call upon him. He said he would be glad to see the Ambassador or myself at any time but remarked unnecessarily that he never called at Embassies. He added somewhat ruefully that although he had seen a considerable amount of Caffery and Bruce<sup>4</sup> during the war, he had never seen either of

<sup>2</sup> In a communiqué issued at the conclusion of Austro-Russian negotiations in Moscow, April 12-15, 1955, the Soviet Union agreed to proceed to the conclusion of an Austrian State Treaty and to withdraw its occupation forces from Austria.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> Jefferson Caffery, Ambassador to the de facto French authority in 1944 and Ambassador in France, 1944-1949; and David K. E. Bruce, with the Office of Strategic Services, 1941-1945, and Ambassador in France, 1942-1952.

them as Ambassadors in Paris or any American Ambassador since then.

Vinogradov:<sup>5</sup> He continued by saying the only Ambassador he had seen in a long time was Vinogradov, who had called upon him a few months ago to explore the possibilities of De Gaulle's opposing the Paris Agreements. He believed Vinogradov to be keenly intelligent and to have believed even then that the Paris Agreements would be ratified.

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<sup>5</sup> Sergey Aleksandrovich Vinogradov, Soviet Ambassador in France.

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## 7. Telegram From the Delegation at the North Atlantic Council Ministerial Meeting to the Department of State<sup>1</sup>

Paris, May 9, 1955—10 p.m.

Secto 13. Secretary accompanied by Dillon met before luncheon with Faure accompanied by Pinay and Berard.<sup>2</sup>

Faure first said that probably the most important and difficult subject between us was the question of Indochina but that he would leave that for further meetings scheduled for Tuesday afternoon.<sup>3</sup>

Faure then took up the question of North Africa and it was during the middle of this discussion that Pinay entered the meeting. Faure said that he hoped, in view of the liberal and moderate policy of the French in North Africa as indicated by the recent Tunisian agreement,<sup>4</sup> that the United States would find it possible to support the French position in North Africa. Secretary replied that the United States had already given such support and mentioned our intervention with Egypt regarding the Cairo radio and our intervention with Spain. He then asked Faure what specifically he had in mind. Faure said that what he had in mind primarily was that a general feeling be created that United States was not lending its support to those who were opposing France in North Africa. He said the question was more one of general feeling than of detail, but he mentioned two specific instances. First was support given by certain American labor circles to

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<sup>1</sup> Source: Department of State, Central Files, 611.51/5-955. Secret. Repeated to Rabat and Tripoli. For documentation on the NAC meetings at Paris, May 9–11, 1955, see vol. IV, pp. 1 ff.

<sup>2</sup> Armand Berard, diplomatic counselor to the Prime Minister.

<sup>3</sup> For a summary of the conversation on May 10, see vol. I, pp. 393–399.

<sup>4</sup> See footnote 3, Document 1.

Moroccan unions. Faure said that American labor representatives may have felt they were working against the Communists in helping these Nationalist labor movements, but that the chief result was anti-French propaganda which played directly into the hands of the Communists. As second instance, Faure mentioned that Caltex Company in Libya had hired 20-25 refugees from Tunis and Morocco. In this case the number was not important but it was the principle that anti-French refugees could easily find employment with a large American company. Secretary again replied that we had assisted the French in the past because they had indicated they would pursue a liberal policy and he emphasized the importance of continuing to pursue such a policy. He said if this was not done a situation similar to that in Indochina might arise. The Indochinese situation was aggravated by the fact that Communist China was immediately adjacent, whereas the Communist countries were not directly connected with North Africa. Nevertheless, the Secretary said the Communists would be able to find ways of acting in North Africa and the best way to circumvent them was for France to pursue a genuinely liberal policy there. Faure agreed with this and said that this was his intention.

Next subject raised by Faure was the question of [*less than 1 line of source text not declassified*] Radio Budapest. This was only touched on lightly as Faure said he was not familiar with this problem in detail, but only knew that it had been raised by Mendes-France Government. He asked Dillon if he was familiar with past discussions on this subject and Dillon replied in the affirmative and said that the United States had made a tentative offer to establish a VOA broadcast on a wave length close to that of Radio Budapest but had not ever received any reaction from the French Government to this suggestion.

Finally, Faure handed the Secretary a note in English regarding off-shore procurement in which the French Government expressed regret that they apparently were not being given the opportunity to bid on 155 mm. ammunition, and expressed the hope that the quality of the bids submitted by French companies for 105 mm. ammunition would be given full consideration and that the largest possible orders for these items would be placed in France. Full text of note follows by pouch.<sup>5</sup>

Dulles

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<sup>5</sup> Faure's note was transmitted to the Department of State in telegram 4901 from Paris, May 9. (Department of State, Central Files, 751.5-MSP/5-955)

8. **Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, June 1, 1955—1 p.m.*

5265. For Merchant from Dillon.

1. With reference to Todef 453, May 9,<sup>2</sup> Wendell Anderson, Defense representative NA and MA, has requested urgent political guidance from me regarding certain FY 1955 OSP contracts which US procurement services propose place in France at once.

2. Contracts which it is proposed to place in France at this time are (dollar values given are of course approximate and are subject to negotiating changes): 105mm shells—\$21.8 million; propellant charges for 155mm howitzers and 8 inch guns—\$14.0 million; 155mm howitzers—\$5.0 million; 4 facilities assistance program projects—\$7.5 million; total—\$48.3 million.

3. I feel very strongly that we should proceed to place these contracts in France as promptly as possible and I therefore intend to advise Anderson tomorrow morning June 2 that my guidance to him from political point of view is that contracts indicated above should be placed in France as promptly as possible.<sup>3</sup>

**Dillon**

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/6-155. Secret; Niact. Repeated to USRO.

<sup>2</sup> Todef 453 from Robert B. Anderson to the U.S. Commander in Chief in Europe and Wendell Anderson, Defense Adviser to USRO, required that, for political reasons, all proposed contracts for OSP and Facilities Assistance in France be cleared by Wendell Anderson. (*Ibid.*, 751.5-MSP/5-2355)

<sup>3</sup> According to Repnamto 69 from Paris, June 3, the Department of State authorized proceeding with OSP, MDAP, and Facilities Assistance awards. (*Ibid.*, 751.5-MSP/6-255)

9. Memorandum for the Record by Rear Admiral Truman J. Hedding of the Office of the Chairman of the Joint Chiefs of Staff<sup>1</sup>

*Washington, October 25, 1955.*

SUBJECT

Modernization of the French Armed Forces

At 10:30 this morning General Valluy<sup>2</sup> called on Admiral Radford to discuss with him a memorandum that he had addressed to Admiral Radford on the above subject dated 24 October 1955.<sup>3</sup> Rear Admiral Hedding and Colonel Walters, U.S. Army, were present during the discussion.

General Valluy stated that he desired to discuss in some detail the modernization of French forces. He stated that atomic weapons are becoming tactical weapons and it was quite clear to him that tactical atomic weapons would be needed for the support of the ground forces. He feels that the French Armed Forces will, in the future, require an atomic capability, that there will be a rebirth of the French Army. He had discussed this matter with the French Defense Minister, General Billotte during his recent visit to Paris. The Defense Minister will discuss this matter of the modernization of French Armed Forces with Secretary Wilson during the latter's visit to Paris.<sup>4</sup> Secretary Wilson will be presented with a similar Démarche to that presented to Admiral Radford. General Valluy stated that the French would appreciate encouragement in this matter now.

Admiral Radford stated that such a program for the modernization of French Armed Forces is inevitable, and then asked if General Valluy intended to make a specific request. General Valluy replied that this will be done by means of advance discussions with Admiral Radford. Admiral Radford pointed out to General Valluy that U.S. laws regarding atomic energy must be considered. General Valluy replied that the French proposal concerns the tactical aspects rather than the technical aspects of atomic weapons. The French do not have a tactical capability, and therefore will have to be trained. Thus, what is desired is crew training in the tactical use of the weapons rather than

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<sup>1</sup> Source: Naval Historical Center, Radford Papers, Memos for the Record. Top Secret.

<sup>2</sup> Général d'Armée Jean Valluy, French Representative on the NATO Standing Group in Washington.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> Secretary Wilson attended the meeting of the North Atlantic Council in Paris, December 15-16, 1955.

disclosure of the technical aspects of these weapons. He further feels that all of the NATO allies will have to develop an atomic capability. Therefore, it is necessary that this matter be discussed and preparations made in advance. Admiral Radford replied that he would expect to hear from Secretary Wilson in regard to the double Démarche. General Valluy then asked if he could assure his colleagues that Admiral Radford is sympathetic to this approach. Admiral Radford replied that he concurred in principle. General Valluy then questioned whether this matter should be taken up with General Gruenther.<sup>5</sup> Admiral Radford replied that he should advise General Gruenther of the matter. However, the approach that should be followed is the one that General Valluy has proposed. Admiral Radford then advised that he would give General Valluy's memorandum "Démarche" to the U.S. Joint Chiefs of Staff.

**T.J. Hedding<sup>6</sup>**

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<sup>5</sup> General Alfred M. Gruenther, Supreme Allied Commander in Europe.

<sup>6</sup> Printed from a copy that bears this typed signature.

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**10. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, November 21, 1955—7 p.m.*

2491. Reference A—Embassy telegram 2162, November 1.<sup>2</sup> Reference B—DEFREPNAMA (Repnamto 309, November 4 (to OSD)).<sup>3</sup> Reference C—Embassy telegram 2475.<sup>4</sup> I feel that time has come when I must point out and emphasize the serious adverse political consequences that will result if favorable action is not taken promptly

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/11-2155. Secret; Limit Distribution.

<sup>2</sup> In telegram 2162, Dillon discussed the French-U.S. differences of opinion regarding French Government financial assistance to OSP producers and specifically the contract to the Sofranic Company for 105-mm. ammunition. He recommended that the formula proposed by the U.S. Government for OSP contract price determination be reconsidered by the Departments of State and Defense, and that the subsidies from foreign governments to firms holding OSP contracts be dropped from the formula. (*Ibid.*, 751.5-MSP/11-155)

<sup>3</sup> Not found.

<sup>4</sup> Telegram 2475, November 19, reported that the French Government had persuaded the banks that had made loans to companies receiving OSP contracts to take no action on these loans for several weeks, and again recommended reconsideration of the U.S. "formula." (Department of State, Central Files, 751.5-MSP/11-1955)

on the recommendations contained in reference telegrams. As a result of action described in reference telegram C, we have a short respite of two or three weeks in which to take our decision.

Problem involved is complex one dealing with accounting procedures. Reference telegrams describe problem in detail and I will not repeat descriptions. I wish to point out that if DeptAr does not modify their present regulation in accordance with recommendations made by country team and concurred in by DEFREPNAMA, severe and lasting damage will be done to the United States position in France.

Present DEPTAR accounting regulations adopted in June retroactively modify the basis of our OSP understandings with the French. Retroactive aspect this regulation is what aggravates matter. We cannot expect the French to accept unilateral action of this nature on our part without grave consequences to our relationships.

An explanation of current DEPTAR accounting policy, admittedly greatly oversimplified, is that French Government some three years ago asked company A to bid on offshore contract. To help reach price satisfactory to U.S., and in interests maintaining French defense production base, French Government agreed to subsidize company A production. Production cost estimated by French at \$100 and bid was made at \$90 with French Government agreeing to carry the \$10 difference between cost and bid price. U.S., although knowing that French Government was making such subsidy, made no objection at time contract was let but three years later unilaterally decides it will only reimburse company for \$90 contract price less all subsidies paid by French Government which means reducing price to be paid by U.S. by \$10 to figure of only \$80.

The policy, if persisted in, will bring an end to French OSP program in a blaze of bankruptcy proceedings. French industries concerned will naturally turn to their government to save them. French Government has no money in their budget to meet such unexpected claims which if applied to all outstanding contracts at rate unilaterally established by U.S. in Sofranic case could equal approximately 20 million dollars. Recourse would have to be made to National Assembly for supplementary appropriation which could lead to very unpleasant debate full of charges of bad faith and unfriendliness. It is difficult for me to imagine a more effective way to embitter Franco-American relations and to destroy the mutual confidence we have tried so hard to build.

I would think that such action on our part would also provide a most effective case history argument for the Soviets in their attempt to persuade undeveloped countries of the dangers inherent in dealings with U.S.

Finally I would like to re-emphasize that this is not a case of reducing or changing a program for the future, but an attempt on our part to unilaterally and retroactively change the rules of the game for work which has been completed on our order. This question will not be judged here in France on any esoteric argumentation of accounting philosophy. Question for French will simply be how much reliance can they place on good faith and friendly understanding of United States.<sup>5</sup>

Dillon

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<sup>5</sup> In despatch 1105 from Paris, December 8, Earl T. Crain, Ambassador Dillon's Special Assistant for MDAP Affairs, noted that the United States had decided to disregard French aid to MDAP contractors, while the French Government had agreed to provide written assurances that it would not permit French MDAP contractors to earn excessive profits. (*Ibid.*, 751.5-MSP/12-855)

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## **11. Editorial Note**

On November 29, the government of Prime Minister Edgar Faure was defeated in the French National Assembly on a vote of confidence by a majority of 318 to 218. Faure's Cabinet decided to dissolve the Assembly on November 30. The general election took place on January 2, 1956. Documentation on this crisis and the election campaign is in Department of State, Central File 751.00.

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## **12. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, December 8, 1955—8 p.m.*

2762. Margerie has shown us December 7 Reuter despatch from Washington saying Washington officials believe Eden visit<sup>2</sup> marks approaching end of postwar big-three meetings, that German and Italian claims to be heard on world problems now rival those of

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<sup>1</sup> Source: Department of State, Central Files, 611.51/12-855. Secret; Priority.

<sup>2</sup> Sir Anthony Eden visited Washington, January 30–February 1, 1956.

France, that five power talks would be too big, and that hereafter U.S. will concentrate both on NATO political discussions and on bilateral talks. While despatch mentioned U.S. desire for visit from next French Prime Minister, leftist press, notably *Express* and *Combat* slur over this but feature balance of despatch as indicating eviction of French from big three.

Margerie states that Pinay fully realizes despatch is malicious Reuter distortion of U.S. thinking but that he is nevertheless seriously disturbed by use which Mendes as well as other opponents of government may make of it in electoral campaign. He would therefore be most grateful if Secretary would utilize occasion of his departure for Paris<sup>3</sup> or earlier occasion to state that he was looking forward to discussing matters of common interest with Pinay and that he would be discussing with Pinay and Macmillan<sup>4</sup> general international situation following Geneva<sup>5</sup> and perhaps such other questions as Middle East.<sup>6</sup>

Dillon

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<sup>3</sup> Dulles was in Paris, December 14-18, to attend the meeting of the North Atlantic Council.

<sup>4</sup> Harold Macmillan also attended the North Atlantic Council meetings.

<sup>5</sup> Reference is to the meetings at Geneva of the Foreign Ministers of the United States, United Kingdom, France, and the Soviet Union, October 27-November 16, 1955; see volume v.

<sup>6</sup> For text of Dulles' statement, December 13, see Department of State *Bulletin*, December 26, 1955, p. 1084.

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### 13. Memorandum From the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State<sup>1</sup>

*Washington, January 5, 1956.*

SUBJECT

Qualitative appraisal of results of French general elections

The first thing that strikes us when we look at the result of the French elections is that about 200 seats, or almost a third of the new Assembly, will be occupied by extremists of the left and of the right, who are basically opposed to republican and parliamentary govern-

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<sup>1</sup> Source: Department of State, Central Files, 751.00/1-556. Confidential. Drafted by William R. Tyler, initialed by Merchant, and, according to a handwritten note on the source text, seen by the Secretary.

ment. The 150-odd Communist seats represent an increase of just over 50 from the last Assembly. However this increase in seats is not the result of an increase in the percentage of the total popular vote. In fact, the percentage of the popular vote which went to the Communist Party marks a decrease of almost 1% compared with the last general elections in 1951.

The other 50 "extremist" seats have gone to a movement led by a discontented small shopkeeper called Poujade.<sup>2</sup> It is hard to estimate at this time what this extreme rightist surge means. Undoubtedly it contains within itself various Fascist and anti-Republican elements. However the majority of the popular support behind Poujade seems to come from discontented elements who are protesting chiefly against taxation and adverse economic factors.

The personal rivalry between Mendes-France and the outgoing Premier, Edgar Faure, has resulted in splitting the middle-of-the-road Radical Socialist Party, to which both belong, the former allying himself with the Socialists, and the latter with the Conservative group. Mendes-France captured the control of the party but Faure retained a substantial proportion of the Deputies. If this split down more or less the middle of the Assembly were to continue, it would make the task of forming a government extremely difficult, and would further diminish the prospects of any government being able to carry out any internal programs, or to face up to the urgent issues in the field of foreign policy. It is too early to estimate the chances of cooperation between the "nonextremist" parties in the Assembly. We must hope that in spite of existing differences, there will be a realization that the future of French democracy, and of the French role in the world, may depend on a successful effort now being made to give France a government which can speak for her. This will mean finding a common denominator between the Socialists, the Popular Republican Movement, the Radical-Socialists (who must reunite), and the powerful Conservative Party led by Mr. Pinay. There are already signs that public opinion in France is at least aware of the nature of the challenge which France faces, and the tone of the speech made by the outgoing Premier, Mr. Faure, in Paris yesterday, January 4, was conciliatory.

The following positive factors should be borne in mind:

- a) The Socialist Party which took a strong anti-Communist electoral stand polled nearly 500,000 more votes than it did in 1951. This increases the prestige of its strongly pro-Western and pro-European

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<sup>2</sup> Pierre M. Poujade, President of Union Pour la Défense des Commerçants et Artisans (Union for the Defense of Shopkeepers and Artisans).

unity Secretary General, Guy Mollet,<sup>3</sup> and lessens the danger of a trend toward a Popular Front alliance with the Communists.

b) The extreme right group has won 50 seats in the Assembly compared with the 120 Gaullist seats in the 1951 Assembly elections. Thus, in spite of the increase in the number of Communist seats, the number of seats in the new Assembly filled by members of parties which support NATO and pro-Western policies in general is larger than it was in 1951.

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<sup>3</sup> Guy Mollet succeeded in forming a coalition Cabinet late in January and was confirmed in office as Prime Minister by the National Assembly on February 1, 1956. His Cabinet included Pierre Mendès-France as Minister without Portfolio and Christian Pineau as Foreign Minister.

#### 14. Despatch From the Embassy in France to the Department of State<sup>1</sup>

No. 1363

*Paris, January 17, 1956.*

SUBJECT

Decline of French World Position and Local Reaction Thereto

The national elections of January 2 have not caused directly, nor are they likely to produce, an alteration in France's world position, except insofar as they have revealed the state of France with brutal clarity to both French and foreign eyes.

Radical changes have, however, occurred in the past two years in France's stature in the world. Perhaps the present moment of post-election hangover is not a bad time to pull together the various events which have marked France's decline, and report our view of the French reaction thereto. This might be important in our evaluation as to the importance and utility of this country to us.

##### *Events Marking France's Decline*

While only more recent events need to be discussed in any detail, public awareness here of the decline of France on the world scene goes back at least to the time when it became obvious that the Indochina War could not be won militarily or politically by France. This first

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<sup>1</sup> Source: Department of State, Central Files, 751.00/1-1756. Confidential. Drafted by Robert H. McBride, First Secretary of the Embassy, and concurred in by Robert P. Joyce, Counselor of the Embassy. Copies were sent to London, Bonn, Moscow, Rome, The Hague, Brussels, Luxembourg, Madrid, Saigon, Phnom Penh, Vientiane, Tangier, Algiers, Tunis, and Rabat.

great jolt was followed by an equally serious blow to French leadership on the continent of Europe—the rejection of the EDC. There have long been misgivings in other countries about France and a feeling that her real position in the world and the contribution she could make were inconsistent with her worldwide role, usually on a par with the United States and United Kingdom. Even before France's weaknesses had been so clearly revealed, the U.S. and U.K. had declined Bidault's suggestion that the three countries should form, in effect, a worldwide directorate, along the lines of the NATO Standing Group.

Much has been said at least since 1952 of France's overextension because of her triple burden of reconstruction, rearment and the Indochina War. Fears in this connection have now been realized. Unfortunately, the relief expected from terminating the war in the Far East has not been felt because of the surge of troubles in North Africa. Although deterioration in North Africa had been predicted, hope had existed that France's errors in Indochina might cause her to avoid the same mistakes in North Africa.

The French decline as a world power is doubtless actually attributable to the long-range attrition of the two World Wars, the polarization of power in the U.S. and U.S.S.R., the rise of nationalism in underdeveloped areas, etc., but this undoubtedly decline, accentuated by the collapse of the empire, has only been fully exposed to public view during the past two years.

The disappearance of France from any role of importance in the Far East dates formally only from the Geneva Conference of 1954 but it was obvious France had lost her position there sometime earlier. Mendes-France is not blamed for the death of the French Empire in Indochina but was only responsible for the funeral arrangements. He also arranged an orderly departure from the French Establishments in India.

The French position in Indochina now has become somewhat analogous to her supposed "special position" in the Near East. In fact, French influence in the Near East was dealt a death blow by the circumstances surrounding the granting of independence to Syria and Lebanon. Nevertheless, successive French Governments continued to press for recognition of this imagined position, and, as late as 1950, France joined in a tripartite policy declaration on this area. France was also to be a partner in the Middle East Defense Organization, which never came into existence. In more recent years, however, there has been a gradual decline in French insistence on her role in this area. While there are occasions when French cooperation and assistance can still be useful on Near Eastern questions, in general it would appear that U.S. policy for these countries should be arrived at independently of France, and consultation with France, as with our other Allies, undertaken as it may be useful on an ad hoc basis. Again perhaps the

situation is similar to that in the Far East where French cooperation is doubtless still useful in South Vietnam, and to a greater degree, in Laos and Cambodia, but where this cooperation should no longer be the essential consideration in forming United States policy.

#### *North Africa*

The area of principal French concern, outside Europe, has become even more localized than previously, because of the decline elsewhere, on the African continent. Events of the last year in North Africa have been sensational. For a considerable period of time the full implication of what happened did not sink into the French consciousness. The Tunisian Agreements seemed to have quieted the trouble in that Protectorate without removing from French hands the essential elements of political power, and the Moroccan situation seemed to be drifting badly but without any decisive loss for France having occurred. The extraordinary events of late 1955 changed the situation sharply.

While important elements in the French Government of Edgar Faure, and outside it, certainly wished to carry out a liberal policy of political reform in Morocco, the timing of even those most favoring such liberal policies was thrown off by events beyond their control. The Pasha of Marrakech, principal support of pro-French policies, apparently recognizing the handwriting on the wall, and not waiting to see the message spelled out in full, dramatically changed his tactic. The result was the return to Morocco of the exiled Sultan, much earlier than anyone had expected, formation of a Moroccan Government and French promise to undertake negotiations looking toward the revision of the basic relationship between France and Morocco. While much remains to be done, this relationship has already undergone a drastic change, the full import of which is just now being realized in France.

The impact of Moroccan events is now beginning to be felt. For the first time, realistic Frenchmen realize that Moroccan independence—most probably including the attributes of full independence—is just a question of time. It is understood here that when a new Franco-Moroccan treaty is worked out, additional concessions will also have to be made in Tunisia so that the status of the two remains on a par. The future economic relationship is uncertain, and the position of Tunisia and Morocco with respect to the French Union, if they should ever join it at all, is likewise nebulous. What the average Frenchman in the street or in the National Assembly is now finding staring him in the face is the fact that the colonial aspect of the two protectorates is gone or going. Economic agreements, a political tie like that between Great Britain and Pakistan or Ceylon—these friendly relationships are

possible. However, the days of the French Viceroys—Juin,<sup>2</sup> Guillaume,<sup>3</sup> etc.—on the Sacred Hill of Rabat are gone forever.

As though the above were not enough, the Algerian situation has plainly become critical. Both Mendes-France and Faure had hoped to tackle North African problems one at a time on the ground this was the only possible political course domestically, but the dynamics of the Algerian problem have made this impossible. There is little clear thinking as to what is involved in Algeria. Frenchmen, like other observers, stress the enormous difficulties involved especially because over 1,000,000 French live in Algeria, many of them descendants of families who have been there for a hundred years. Without attempting to discuss possible courses of action here, it can be safely concluded that Algeria is causing the gravest concern in France today. It is now realized here that the legal fiction that Algeria is an integral part of France is overtaken by events, and tragically disproved. This is of course a further severe blow to France, and to her participation in world affairs.

The comparative resignation with which French opinion is taking these developments is in itself symptomatic. Only a year ago Frenchmen were universally and vociferously declaring that France would never give up North Africa, Algeria in particular, since that would mean "the end of France as a great power." Today Algeria is more on French minds than any other external problem but with a feeling of resignation that the rest of North Africa has gone and that radical changes in Algeria are inevitable. The effective loss of great power status is tacitly taken for granted, however unhappily or bitterly.

#### *Black Africa: the French Union*

With the situation in all three North African territories clearly moving out of France's control, a close look is now being taken at the remainder of France's African possessions. There are few illusions on this score. Michel Debré, a leading Senator and defender of the French Union, has steadily pointed out the inroads of Mohammedanism in Black Africa which will militate against the continuation of French control in its present form. The experiment in Nigeria and the Gold Coast is expected to weaken French authority in her Black African territories. It has been noted that as remote an outpost as the island of Reunion would be claimed by Nehru, if, as the Ministry of Overseas Territories expects, the British make some arrangement to turn over neighboring Mauritius to India. Those who are thinking about the problems of France overseas now see a logical train of events which

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<sup>2</sup> Alphonse Juin, French Resident General in Morocco, 1947–1951.

<sup>3</sup> Augustin Guillaume, French Resident General in Morocco, 1951–1954.

will strip France of all of her non-Metropolitan areas. Newspaper stories that the "Corsican case" will be taken to the UN next are not entirely in jest.

All of the above has given rise to many suggestions for a revision of the French Union in order to cope with these unpleasant realities. The Socialist Party has done the most concrete thinking on the subject, and its plans are far-reaching and look for a complete alteration of the present relationship between France and areas formerly politically subordinate. However, it is uncertain whether the Socialist plans can be brought to fruition, and whether they form a base for a continued stable French Union. As an example of these problems, how could a unified Morocco join the French Union in view of certain violent Spanish opposition?

The Embassy believes that most Frenchmen are discouraged, and believe in their hearts that the liquidation of the entire empire is only a matter of time. A corollary to French thinking is that basically the United States will be pleased when this event has taken place. Likewise, what faith may ever have been placed in the UN has been undermined by this colonial issue, and the UN is generally highly unpopular in France today.

The impact of this shrinking of the French Empire, and its possible eventual disappearance within a relatively short space of time, has been to cause Frenchmen, not unnaturally, to lose interest in extra-European affairs to a very marked degree. There is today, for example, really only a clinical interest in South Vietnam. As French political control has left these areas, business interests have followed, and, needless to say, government budgetary support. Already the problem is posing itself how long the French government will continue the level of its budgetary support to Tunisia and Morocco as political control, and economic privilege, decline in those states.

Even more than a loss of business and commercial interest, there is a psychological lack of continuing interest in areas formerly French. Indeed, a certain satisfaction is felt when the internal political affairs of these states are obviously in a mess as in the case of Syria.

#### *French Policy in Europe*

If the Frenchman is then tending to become an isolationist regarding affairs outside the European continent, what is his feeling towards Europe? Here, too, the same tendency is manifest. As, for a host of reasons, West Germany is obviously becoming economically stronger and is eclipsing France, the latter is turning more and more into herself. Again there is a declining interest and concern. Just as North African affairs had reached a critical state, it became apparent, from

the referendum of October 23,<sup>4</sup> that the Saar would also soon slip from French political, and probably later, economic control as well. Though the Saar had been a rallying cry for French nationalists for years and a major stumbling block to the EDC in 1953, the realization that the battle was lost has caused little outcry. Political union of West Germany and the Saar in the near future seems a recognized fact. There is still hope of maintaining temporarily some form of economic union between France and the Saar, but Frenchmen are vague as to what it might be, and not particularly hopeful it will happen at all.

German rearmament is no longer an issue, and played no part in the election campaign. The opponents of German rearmament are not necessarily convinced of the desirability of giving arms to the West Germans. Rather, there is a general feeling that the development of atomic weapons has rendered conventional armament far less important; and that U.S. atomic strength is the ultimate deterrent to any German attacks against France just as it is the deterrent to the Soviet Union. Therefore, there is resignation, and the belief that twelve or even more German divisions will not play any role against France in Europe, even though German strength is obviously growing while that of France remains stationary. Anti-German sentiment exists only in very limited degree, and there is general belief that there is no particular reason for the old differences between France and Germany to cause difficulties for the future. These conflicts seem to have become less important as the principal roles in world affairs have been taken over by the United States and the Soviet Union, leaving mere European quarrels of much less significance, though there would be an outcry if it appeared that the United States was substituting Germany for France in her European plans.

Other than a friendly enough, but rather detached, feeling towards Germany, France pays lip service to European integration: integration is seen in some quarters as a possible means of exercising influence and/or some control over German economic dynamism thus serving to help France maintain her position relative to Germany; however, it is still unlikely any more very imaginative proposals will soon emanate from this country. Mollet has continued his strong support for the European idea and EURATOM in particular. During the electoral campaign, even Mendes-France (probably primarily to please Mollet) gave guarded support to Europe integration, EURATOM, etc. Though this combination will probably dominate the next French government, it is unlikely that any major results will be accomplished in the European integration field under it. Algeria, social programs (especially with a Socialist-dominated government) will absorb the limited

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<sup>4</sup> Reference is to the referendum of October 23, 1955, in which 67 percent of the Saar's electors rejected the Statute which proposed the "Europeanization" of the Saar.

time and energy of the government. The fate of Monnet's recent efforts in this field are also uncertain, though being watched with some interest.

With regard to Britain, there is a feeling of sympathy because of the relative decline of both as world powers. Coupled with this is resentment that Britain has been able to keep a stronger voice in world affairs. Even though France seems to be affected with galloping isolationism, there is sentiment against England for having kept a more advantageous worldwide position.

While there is little first-hand knowledge and less understanding in France of the Soviet Union, there is a continuing tendency to lump the United States together with the Soviets as the two mass powers between which worthy but smaller powers such as France are ground. The feeling is growing that France should have equal opportunity to deal with both blocs and with both major powers. Soviet and U.S. economic policies are equated in spite of their obvious differences in aim. Likewise there is a tendency to take Soviet pronouncements at their face value (except in solidly pro-Atlantic circles) while casting doubt on American policies.

#### *French Policy Towards NATO and U.S.*

Without in any way predicting that France has any intention of withdrawing from the Atlantic alliance, it should be noted that the decline of France as a world power, which is now clear to almost all Frenchmen, has lessened French interest in and regard for NATO. NATO was, to some extent, of major interest when France had worldwide concerns and responsibilities. It was always hoped to use French support for NATO as a quid pro quo to obtain the support of her allies in the Atlantic alliance for French objectives in other areas of the world, especially in North Africa. With the apparent failure of France to maintain her position in the world generally, it is not surprising that NATO should seem less important to France, especially given the lack of worry over Soviet objectives which now seems current.

Since NATO is regarded in France as the principal instrument of U.S. policy in Europe, it is equally logical that the result of a declining interest in this organization should be a feeling of a less close community of interest with the United States. While active anti-Americanism, which has always existed, has perhaps not increased, there is probably current less active pro-American sentiment than in recent times. Without necessarily giving too great credence to public opinion polls, the tenor of these recent soundings has consistently placed France at the bottom of the Western European heap so far as devotion to Western policies is concerned. With the decline in attachment to U.S. policies comes also a perhaps willful refusal to understand the motivations of these policies.

It is not possible to make predictions as to the future of French policies, and their course will depend to some extent on the structure of French cabinets. However, it is probable that, under all foreseeable circumstances, France will remain a NATO member, and while not the most active, neither the least active. However, she will be more an observer and less a participant than previously.

There appears to be no interest in a *renversement des alliances* except on the part of the Communists. There appears to be little interest in French participation in a Nehru–Nasser–Tito neutralist bloc though it is true Tito was the only statesman on whom Mendes-France called personally after the latter's fall from power. Rather, there is the tendency to accept, unhappily and bitterly, the concept of the "littler" France, the France without a world empire, the France which belongs to the Atlantic community of her neighbors, but does not play a leading role therein. This is a vastly more modest concept of France's role, and perhaps an underestimate, as the previous concept, in French eyes, was an overestimate, of her real strength and capacity for leadership. The present tendency of Frenchmen to commiserate with each other, always to prefix "France" with "la pauvre"—accentuated since the elections the results of which were unsatisfactory to all non-extremists—may pass, but it is the vogue at present.

France may be said to have entered a period of psychological withdrawal, not necessarily one in which neutralist doctrine will dominate, or one in which French policies will veer sharply, but rather one in which her interest in foreign affairs is diminished, her concern with individual and local problems greater, and one in which there is a national tendency to crawl under the blanket and pull it over one's head.

General DeGaulle spoke with sad clarity (Embassy despatch 2270, April 22, 1955)<sup>5</sup> when he said that "unless France can lead the world as a great power, the Frenchman has no interest in anything but his personal affairs."

How long the present mood will last, or what may change it, is hard to say. The deterioration in France's world position during recent years is irreversible and will presumably continue further. She might become another Spain ("the Pyrenees march to the Rhine"—and they have been moving fast in the past four years), or another Italy, or another Holland. Yet her metropolitan territory is far more important than any of them, her natural resources much greater, and her national temperament more restless.

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<sup>5</sup> The memorandum of conversation with General de Gaulle is printed as Document 6. Despatch 2270 transmitted the memorandum.

Mention should also be made of the permanent institutions of France such as the prefectoral system, the *Conseil d'Etat*, etc. These are unaffected by elections, and provide the national stability. This administrative apparatus remains intact, and furnishes continuity during difficult periods. The root trouble with the French system is not instability, it is the inability to take and implement major governmental decisions. The international importance of this declines in proportion to the decline in France's world position. The factors outlined in the Embassy's telegram 897 of August 31, 1954,<sup>6</sup> likewise also still appear valid in evaluating France, and in predicting her role in the world will continue to be a substantial one, if not the one we had hoped she would fulfill. Psychological reactions to good or bad news, in the stock market and elsewhere, have a tendency to be cumulative and self-generating. Current pessimism in and about France, including that expressed in this despatch, may well err on the bearish side.

France may become more sound and healthy as the strain of overextension from trying to save a disappearing empire lessens. The feeling of humiliation following the recent elections might lead to the emergence of something healthier. Something not now foreseeable might happen in the relatively near future to restore her self-confidence. That may not happen unless and until the younger generation born of the postwar increased birthrate begins to restore French vitality. It might not happen then.

For a long time to come France will be a difficult and often unsatisfactory partner to deal with but one whose intrinsic, as distinct from its former imagined, importance to the free world cannot be ignored. Patience, tolerance and encouragement on the part of France's allies, particularly the United States, will be both necessary and fruitful.

**Theodore C. Achilles**  
*Chargé d'Affaires, a.i.*

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<sup>6</sup> *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1443.

15. Memorandum for the Record by Rear Admiral Truman J. Hedding of the Office of the Chairman of the Joint Chiefs of Staff<sup>1</sup>

*Washington, February 13, 1956.*

At 1500 General Valluy called on Admiral Radford and advised that prior to his leaving for Paris he wished to discuss certain items with Admiral Radford. These items were the Middle East, North Africa and the Far East. In connection with the latter, he said that it was his desire to get first hand Admiral Radford's impressions as the result of his recent trip.<sup>2</sup>

In regard to the first item, the Middle East, General Valluy stated that he understood there had been certain military meetings in connection with the recent Eden visit that bore on the Middle East, and particularly the Tripartite responsibilities. He advised that although he would be absent for approximately the next three weeks, he would like Admiral Radford to know that the French delegation here in the Pentagon, particularly Colonel Boussarie,<sup>3</sup> is at Admiral Radford's disposal in connection with this matter. Admiral Radford replied that he had not taken part in any Tripartite meetings, nor in any military planning or talks. There had been only one Tripartite meeting recently on this matter and no military observers were present. General Valluy stated that he had been advised by the French Ambassador<sup>4</sup> that military observers would attend the Tripartite political meetings. Admiral Radford replied that it is possible that military representatives will be called in. However, to date he had not been asked. General Valluy then inquired if there had been any military planning or military actions. Admiral Radford replied that only the Naval demonstrations in the Eastern Mediterranean, and he understands that the French Ambassador had been advised of these operations.

General Valluy then discussed briefly the second item, that of the situation in North Africa. He stated that he was quite worried about the problems in North Africa, particularly from a political viewpoint. He felt that the greatest concern was with Algeria, and that the economic operations of the Arab League may lead to a communist approach. He felt that the absorption of the Algerian French and Algerian Arabs into France would have the result of cutting off the Arab

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<sup>1</sup> Source: Naval Historical Center, Radford Papers, Memos for the Record. Secret

<sup>2</sup> Admiral Radford took a worldwide inspection trip, December 12, 1955–January 19, 1956.

<sup>3</sup> Colonel Armand Boussarie of the French Liaison Staff.

<sup>4</sup> Maurice Couve de Murville.

League. He is not overlooking the problem of political agitation in Algeria [and?] in France and that the whole matter presents many difficulties.

General Valluy then brought up the subject of Admiral Radford's recent Far East visit and asked if Admiral Radford felt optimistic about the situation out there. Admiral Radford stated that as a result of the trip he did not feel too optimistic, that there were many problems that have to be solved. He felt that the situation in South Vietnam was not as good as he was led to expect before he left Washington on his last trip. General Valluy then replied that we would probably always have worries in connection with this area and he sometimes wondered where we could turn.

General Valluy then brought up another subject, that of modernization of the French forces to atomic capabilities. Although he had mentioned this subject to the Admiral previously,<sup>5</sup> he felt that he would be questioned by the new Defense Minister<sup>6</sup> on this subject, and that he hoped that by the time he returned to the Pentagon steps would be taken in this matter. Admiral Radford replied that he had been waiting for more details, that he expected the French to come up with more information on the subject, and that he is awaiting this information. General Valluy replied that he would check on this in Paris, however, he felt that there were two factors to be considered:

- a. Training, and
- b. The provision of atomic weapons.

He feels that French forces should be prepared to participate in atomic operations, particularly air operations. Admiral Radford then pointed out to General Valluy that under our laws we cannot transfer weapons, and we are limited as to the information that we can transmit. General Valluy said that he still feels that training can be undertaken under present agreements and within the provisions of U.S. laws.

T.J. Hedding<sup>7</sup>

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<sup>5</sup> See Document 9.

<sup>6</sup> Maurice Bourgès-Maunoury became French Minister of Defense on February 1.

<sup>7</sup> Printed from a copy that bears this typed signature.

**16. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, February 21, 1956—4 p.m.*

3771. Part I of Mollet interview.<sup>2</sup> I paid courtesy call on Mollet and we had 40 minute talk, half of which was devoted to North Africa, covered in Part II this message. I gave Mollet best wishes of President and Secretary Dulles and told him that we had been much impressed by his investiture speech.<sup>3</sup> Mollet said he had been tremendously pleased during his visit to Washington<sup>4</sup> last fall to find how similar his views of world situation were to those of US Govt and he asked me to tell Secretary that his views remained same as those expressed last fall. He said that he had had very bad luck with cold spell, which coming on top of increased expenditures which he would have to request for economic development of Algeria would make things very difficult. He said he had been very touched by President's intention to help European countries suffering from cold spell and asked if I had heard anything from Washington on subject. I told him that we would be glad to help and told him that we would be in touch with Quai d'Orsay to see if there were any practical methods in which we could be of help along line of circular 575.<sup>5</sup>

I said our Consul General Tunis<sup>6</sup> had reported a great deal of suffering in Tunis but we had been somewhat hesitant to take action there as we did not want to do anything that would appear to indicate that French were not capable of doing job. Mollet replied it was most important that if anything should be done in Tunisia it be done through French.

Mollet then talked about his domestic program and said he was forced to take certain social steps to avoid giving Communists propaganda advantage. These would be limited to his three point program of three week vacations, reduction in zone pay differentials and increase in old age pensions. He would stop there and do everything possible to protect franc as he had horror of inflation.

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<sup>1</sup> Source: Department of State, Central Files, 751.00/2-2156. Secret.

<sup>2</sup> Part II of the Mollet conversation is in telegram 3770 from Paris, February 21. (*Ibid.*, 751.00/2-2156)

<sup>3</sup> Mollet's speech of January 31 was reported to the Department in telegram 3414 from Paris, January 31. (*Ibid.*, 751.00/1-3156)

<sup>4</sup> A memorandum of Mollet's conversation with Herbert Hoover, Jr., on September 12, 1955, is *ibid.*, 033.5111/9-1255.

<sup>5</sup> Circular telegram 575 to all NATO countries except Canada and Iceland instructed Ambassadors to estimate damage caused by the cold wave and the means by which U.S. aid should be provided. (*Ibid.*, 800.49/2-2056)

<sup>6</sup> Morris N. Hughes.

I asked him about cooperation of Communists and Socialist deputies in National Assembly. Mollet said that would continue as long as procedural matters, such as invalidation debates continue. He said Communists had been very clever and we must remember that he had taken 20 of best brains in Socialist party into his govt and therefore they were not available on floor of Assembly which considerably reduced power and ability of Socialist group. However, he said that once matters of principle come up for debate it would be obvious that there was serious break between Socialists and Communists as had already been apparent during course of his speech on Algerian question. He said he dreaded debate on Barange law<sup>7</sup> but that he intended to limit action strictly to repeal of this law and not allow other anti-clerical measure to come to vote. In great confidence he told me that once Barange law is repealed he intends propose creation of non-partisan commission to make basic study of whole problem of educational subsidies along line of what was being done by Paul Boncour commission at time Barange law was passed in 1951.

During course of conversation Mollet several times remarked on close affinity of views between his govt and US Govt and finally said it would give him great deal of help, particularly at this time, both in France and in North Africa if Secretary could make some sort of public affirmation of sympathy for, and understanding of, France and especially his govt and its policies. He said he realized that US did sympathize with what he was trying to do but that Communists were busy spreading rumor that US was opposed to his govt because it was Socialist govt and also rumor that [we?] were not in accord with his Algerian policy. In view of this request which Mollet repeated twice, and which was not made lightly, I hope very much that Secretary can say something along these lines at a press conference before he leaves for Karachi.<sup>8</sup>

Mollet summed up his feelings by saying that while situation both in France and North Africa was very difficult he had unshakeable faith in triumph of good over evil. He was satisfied that he and his govt stood for what was good and right and that despite difficulties they would find a way through.

**Dillon**

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<sup>7</sup> This law extended State aid to Roman Catholic schools.

<sup>8</sup> Secretary Dulles attended the second meeting of the SEATO Council in Karachi, March 6-8. The Secretary did not make a statement on U.S. policy toward North Africa, but on March 20, Ambassador Dillon addressed the Diplomatic Press Association at Paris and discussed this policy; see Document 21.

**17. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

Paris, March 3, 1956—6 p.m.

3999. Pineau's speech at Anglo-American Press Club yesterday seems to have hit fan squarely. US and British correspondents and officers of British Embassy who were present have expressed great concern at various of his remarks. Netherlands Ambassador<sup>2</sup> states Dutch press also agitated. Pineau spoke from notes only and no text exists. As agencies and other correspondents have cabled his remarks in extenso we are not doing so.

Jebb and Ambassador decided prior to their joint conversation with Massigli this morning that Jebb would lead in raising subject and that Ambassador would back up his remarks. Jebb dwelt on extremely unfavorable reactions in British press this morning. Massigli threw up his hands when speech mentioned and said he had no knowledge of it prior to hearing press reaction after Pineau's departure for Bonn.<sup>3</sup>

[1 paragraph (5½ lines of source text) not declassified]

Massigli further said that Pineau would be back in Paris tomorrow morning prior to his departure for Karachi in afternoon.<sup>4</sup> He said he would talk to Pineau about speech and make clear unfortunate repercussions. Massigli also said that Ismay had just telephoned to ask for appointment with Pineau Sunday before departure for Karachi presumably to discuss speech.

Concurrently Achilles took occasion to advise Margerie that US correspondents and Embassy officers had been much concerned at certain of Pineau's remarks, notably following:

1. Statement in *Figaro* quoting Pineau as saying that he was "in profound disagreement toward policy followed by Western countries in recent years". (He is elsewhere quoted as saying "various aspects of Western policy".) Achilles remarked that this statement coupled with statement Pineau desired to assist in bringing East and West together

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<sup>1</sup> Source: Department of State, Central Files, 751.00/3-356. Confidential; Priority. Repeated to Bonn, London, and The Hague.

<sup>2</sup> Baron Carel van Boetzelaer van Oosterhout.

<sup>3</sup> On March 3, Pineau and Heinrich von Brentano, Foreign Minister of the Federal Republic of Germany, met at Bonn and discussed the Saar question. Jean de la Grandville, Second Counselor of the French Embassy in Washington, informed the Department of State of the content of the meeting on March 12. The German Government accepted in principle the idea of a Moselle Canal, agreed to the continuation of the French lease of the Warndt mines and to guarantee to supply a fixed amount of coal to France in the future. The French recognized that the Saar would ultimately become part of the Federal Republic. The memorandum of the conversation with de la Grandville and further documentation on the Saar question is in Department of State, Central File 762.002.

<sup>4</sup> Pineau also attended the second session of the SEATO Council in Karachi.

and announcement of his acceptance of invitation to visit Moscow May 14 could not but disturb American opinion.<sup>5</sup>

2. Remark that "neutralization (of Germany) has different meaning within framework of disarmament from that in framework of general policy of rearmentement" seemed to indicate new departure in French policy concerning which elucidation would be welcome.

3. Vague reference to certain powers seeking to inherit what France would give up in North Africa was similar to but, coming from Foreign Ministry, far more serious than Auriol's and Soustelle's similar references (Embtel 3989 and 3995).<sup>6</sup>

Margerie took full notes and said that he would bring these expressions of concern to Pineau's attention tomorrow.

Our own view is that Pineau's speech gives little cause for alarm as indicating any major change in French policy but that its effect in US and other countries, including France, may be highly unfortunate.

Speech is basically only public reaffirmation of what Pineau told Ambassador during their first interview and contains nothing new (Embtel 3488 February 4).<sup>7</sup> Fact that speech was extemporaneous is result of Pineau's lack of experience in high office and presumably will serve as sharp lesson to him for future. We fully agree with Massigli that individual sentences, while most unfortunate, should not be considered as representing firm position on Pineau's part, much less on part of French Government. We believe Pineau to be thoroughly pro-Western and pro-American. In fact, one motive for his speech may have been to counteract his reputation of being "American stooge". Socialist Party, even more than others, is in internal turmoil over Algeria and he may also have been trying to placate leftwing Socialists who are objecting to reinforced military efforts in Algeria. Nevertheless, his statements were obviously unfortunate and his choice of forum deplorable.<sup>8</sup>

Dillon

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<sup>5</sup> Prime Minister Mollet and Pineau visited the Soviet Union, May 15-19.

<sup>6</sup> In telegram 3989, March 2, Dillon reported that Vincent Auriol, former President of France, in an article in *France-Soir*, accused the United States and United Kingdom of "intrigues" in French North Africa. (Department of State, Central Files, 751S.00/3-256) In telegram 3995, March 3, Dillon noted that in a lecture on Algeria, Jacques Soustelle, former Governor-General of Algeria, "deplored" the lack of interest of France's allies in events in Algeria. (*Ibid.*, 751S.00/3-356)

<sup>7</sup> Telegram 3488 reported on this conversation, which Dillon described as a "tour d'horizon." Pineau told Dillon that, as a result of the situation in Algeria, President Coty's official visit to Chile would be postponed, and that France would seek cultural exchanges with the Soviet Union. He stressed the importance the French Government placed on the search for a general agreement on disarmament and the need to prevent the Soviet Union from exploiting the "peace and disarmament theme." (*Ibid.*, 611.611/2-456)

<sup>8</sup> On March 4, Pineau called Ambassador Dillon to the Quai d'Orsay to explain that he had been seriously misquoted (telegram 4008 from Paris, March 4; *ibid.*, 751.00/3-456) and Prime Minister Guy Mollet took the occasion of an interview with the Columbia Broadcasting System, which was broadcast in the United States on March 4,

*Continued*

18. Memorandum of a Conversation, French Embassy, Karachi,  
March 7, 1956, 1:30 p.m.<sup>1</sup>

USDel/MC/7

PARTICIPANTS

*United States*

The Secretary  
Mr. MacArthur  
Mr. Robertson  
Mr. Allen  
Mr. Young

*France*

Foreign Minister, Mr. Pineau  
Mr. Daridan  
Mr. Roux  
Mr. St. Mieux

SUBJECT

Various Issues in Europe, North Africa, Middle East, and Far East

The Foreign Minister outlined several points regarding European, North African, Near Eastern and Far Eastern problems. He first emphasized to the Secretary his friendly feelings toward the U.S., and pointed out that he had several "family relationships" with America.

Regarding problems in Europe, he made several points. First, he said there had been several misinterpretations of his recent speech in Paris.<sup>2</sup> The most important error was the statement that he favored neutralization of Germany. Mr. Pineau said that he had never made any such statement and that it was completely contrary to his whole concept. He had made a general remark that the neutralization of any country would be different depending on whether it developed under conditions of general disarmament or of rearmentation. He went on to say that he had just had friendly conversations with Chancellor Adenauer and other German leaders.<sup>3</sup> Pineau expressed a hopeful confidence that an agreement would be reached between France and West Germany.

As to the integration of Europe, he explained to the Secretary that he wished to follow a cautious, conservative policy because he did not want to have a repetition of the EDC episode in the French Assembly. He pointed out that he had been one of the few Deputies to favor the EDC at the Brussels Conference<sup>4</sup> and that he had been one of the few members to predict the failure of EDC.

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to try to counteract the impression given by Pineau's speech. (Telegram 4003 from Paris, March 3; *ibid.*, 751.00/3-356)

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Kenneth T. Young. Approved by Secretary Dulles and circulated to appropriate U.S. officials on March 8. The conversation took place during the second SEATO Council meeting.

<sup>2</sup> See *supra*.

<sup>3</sup> See footnote 3, *supra*.

<sup>4</sup> The six signatories of the EDC treaty held a conference at Brussels, August 19-22, 1954, but failed to agree to modifications to the treaty that France wanted.

Mr. Pineau said he also wanted to explain the policy of the French Socialists regarding the Communist Party as this was a very important question on which there was considerable confusion. He stated that the Communists have no worse enemy than the Socialists because the latter stand for the genuine improvement in standards of living. However, he had been impressed for several years, and particularly during the recent French elections, that the "peace" propaganda of the Communists is having a great effect on the people. Therefore, he considers that the most effective way to fight Communist propaganda in the West is to be more pacifist or peace-minded than the Communists, though even with that means there should be no illusions as to Communist intentions. Consequently, he felt that the West should spearhead the disarmament movement. Mr. Pineau thought that President Eisenhower's letter to Bulganin was excellent for this purpose.<sup>5</sup>

A related specific problem in fighting Communist propaganda is to increase the circulation of people behind the Iron Curtain. He had mentioned this at the first session of the SEATO Council and thought he should have emphasized it more. Of course, any such wider exchange of persons must be reciprocal. In his opinion, the opening up of the Communist areas to Western ideas would yield enormous results.

Mr. Pineau then said he wished to take up specific problems regarding North Africa, the Middle East and the Far East. In general, he regretted the lack of a common policy among the U.S., U.K. and France in all of these three areas.

Regarding North Africa, he said the French Government had given plenty of proof that it was not following a policy of colonialism. It was proposing independence for Morocco and Tunis. The difficulty is Algeria, which is far different from the other two areas. There are no recognized leaders nor any political party with whom to deal. Furthermore, the population in Algeria is different from that in Morocco and Tunis where the majority of the European population are civil officials and can either find other work or return to France following independence. But in Algeria, there are 1,200,000 French citizens who are more Algerian than French. They include persons of French, Italian, Maltese and other origins who have no home but Algeria. If they are expelled, they will be banished from their motherland. Under present conditions, negotiations are difficult if not impossible regarding Algeria. To press for them now would push the European population to the extremity of civil war and France wishes above all to avoid bloodshed. Therefore, the French Government has proposed free elections as the

<sup>5</sup> For text of President Eisenhower's letter to Nikolay Bulganin, Chairman of the Soviet Council of Ministers, March 1, 1956, see *American Foreign Policy: Current Documents, 1956*, pp. 530-532.

only means to obtain a party with whom to carry on discussions regarding a new status for Algeria. In view of the two different populations, France is now in a vicious circle. Therefore, there must be a minimum of order and security before elections can be held to choose leaders or spokesmen. In the meantime, France has proof that the Arab League, with Communist support, is stirring up the Arab community. Badges have been found in Algeria brought in by the Arab League from Cairo and made in Hungary. The basic question according to Mr. Pineau is that the security of North Africa involves the whole Western world which means that the U.S., U.K. and France should coordinate their policy there.

Mr. Pineau also commented on the military problems in Algeria. The French Government has considered it necessary to increase its forces by withdrawing troops from Europe. Mr. Pineau paid tribute to General Gruenthal's excellent understanding of the French position. Mr. Pineau then suggested that the U.K., U.S. and France should join together to find a solution, the importance of which does not concern only France. He noted that during his talks with Chancellor Adenauer in Bonn, the Chancellor had expressed his concern over North Africa since in his opinion any losses to France there would also be losses for Western Europe.

With regard to the Middle East, Mr. Pineau stated frankly that in the view of his Government, the Baghdad Pact had been a mistake because it had led to Arab exasperation and had given the Russians a pretext for intervening in the Middle East. Then Egypt had been able to play off both sides. Mr. Pineau expressed some disappointment over the Conference of Ambassadors in Washington. France is in the embarrassing position of being the only one of the Big Three to send arms to Israel which the French Government has considered advisable in order to keep a balance in the Middle East. Inasmuch as the U.S. and U.K. are taking a different attitude, it appears to the world that there is a divergence with France. Mr. Pineau regretted this and hoped that some coordinated policy could be developed.

With respect to Vietnam, Mr. Pineau also regretted that there was no common policy. There is the impression, perhaps a wrong one, that Diem is being encouraged in an anti-French policy. This is highly embarrassing to France. He admitted that the French Government had perhaps been wrong in not proposing a different solution than the policy of backing Diem. He also said that the French Government had been wrong in not being frank enough with the U.S. and Diem even after they agreed to support Diem. The net result has left France in an inferior position vis-à-vis the U.S. in Vietnam. Now the situation is becoming critical. Diem has not established a national union which he should have. The Vietminh can bring about an extremely dangerous situation by subversion.

Then there is another difficult situation caused by Diem's demand for the withdrawal of French troops. Although the Geneva Accords are contradictory, they do compel France to comply with such a demand. The French do not regret the withdrawal of French troops from Vietnam since they are needed in North Africa. However, the withdrawal does present the French with some difficult legal complications. If the troops are withdrawn that will mean abolition of the French High Command. Then it will be difficult for France to carry out its obligations under the Geneva Accords.

Another problem in Vietnam arises out of the presence of a considerable amount of American military matériel. Mr. Pineau supposed that most of this had been turned over to the Vietnamese as this was the American desire, but he did not know what the Vietnamese had done with it. In any event, he said that the U.S. ought to have control over this matériel and see to its upkeep. Unfortunately, the sending of U.S. military personnel seemed to be contrary to the Geneva Accords. That left only two ways of meeting the problem. The U.S. could send civilian personnel or Diem could ask to retain French military personnel to control this equipment.

Mr. Pineau said that he had had a talk with Selwyn Lloyd who told him of the proposed meeting of the co-chairmen.<sup>6</sup> Pineau remarked that such a meeting would be useful.

Mr. Pineau brought up the French mission in North Vietnam. He said that his government wished to maintain a cultural and economic mission there under Mr. Sainteney.<sup>7</sup> By the same token, the Vietnamese want to establish a mission in Paris which, in fact, they already have there.

As to Communist China, Mr. Pineau stated that the position of the Socialist Party is to recognize the Communist regime. However, the present French Government have firmly decided against taking any action under present circumstances. France would have only a commercial mission in Peiping which would be limited to commercial matters and have no diplomatic status. If the Chinese Communists wanted to, they might send a small commercial mission to Paris. Mr. Pineau said that the question of trade with Communist China was in a different category than recognition.

The Secretary replied to a number of points that Mr. Pineau had made. The Secretary expressed his appreciation for Mr. Pineau's exposition. The Secretary said that it seemed to him that on the basis of

<sup>6</sup> The British and Soviet Cochairmen of the Geneva Conference on Indochina met in London, April 11–May 8, 1956.

<sup>7</sup> Jean Sainteney, French Representative in North Vietnam.

Pineau's remarks, agreement was possible between the United States and France which must keep close and friendly relations as they would be indispensable to both countries.

The Secretary said that he was gratified with Pineau's statement regarding the neutralization of Germany. Without the controls in the North Atlantic Treaty and the Western European Union, neutralization of Germany would be a trap for the West. It would only produce a very powerful Germany between France and the Soviet Union. An unattached Germany would be very dangerous. Therefore, the Secretary emphasized the vital importance of developing the closest possible integration of Germany—especially military—with the Western defense orbit. Mr. Pineau agreed with these remarks.

Regarding North Africa, the Secretary said that French policy on Morocco and Tunis makes it clear that France has no desire to keep these people in a colonial status when they desire independence and are capable of having it. But as to Algeria, the Secretary said that he did not have sufficient understanding of the problem to speak extemporaneously. He pointed out that it would be desirable if French policies were better understood by the United States so that it might be possible to get a common policy as Mr. Pineau had suggested. The Secretary recognized that Algeria is a different problem from Morocco or Tunis. He did not fully understand the different formula proposed for Algeria. He thought it would be better to postpone consideration of this problem until it could be taken up in greater detail and with more time than is available in Karachi. He assured Mr. Pineau that the United States certainly desires to find a way to support a French position which can be made clearer. The Secretary said that he understood from Mr. Pineau's remarks that the first phase, at least, of the present French program in Algeria is to use military strength to maintain order and put down insurrection. Mr. Pineau confirmed this impression. He reiterated that the solution used in Morocco and Tunis would bring civil war in Algeria. Consequently, the French Government is trying to establish a special status in Algeria which, in effect, would recognize a state on the basis of a dual population—neither French nor Muslim. Elections would be necessary to form a negotiating party, but could not be held until order was restored.

As to the Near East, the Secretary stated that he could not share Mr. Pineau's opinion that the Baghdad Pact is the cause of the trouble. He thought it more likely that the Israeli raid on Gaza in February of last year<sup>8</sup> might have precipitated recent difficulties. But the Secretary acknowledged that the Baghdad Pact had not been handled with the greatest of wisdom by the United Kingdom. We did not join the Pact, but we recognized its existence. The Secretary wondered if it were

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<sup>8</sup> The raid occurred on February 28, 1955; 31 Egyptians and 13 Israelis were killed.

advantageous to take a negative attitude towards the Pact inasmuch as it is an existing fact and can not be dissolved without serious consequences. It is United States present policy, the Secretary explained, to give moral and material help to the Pact, but not to join it.

The Secretary mentioned the grave problem of Soviet infiltration in Egypt. It was clear that the Soviet Union intended to put its resources in Egypt and this part of the world which, in view of the importance of the oil resources of the Near East, could have a serious effect on NATO if successful. Therefore, it may be necessary to take grave measures in the very near future. Discussion will take place in Washington on this problem in a few days.

Turning to the Far East, the Secretary said that he would see President Diem in Saigon<sup>9</sup> to urge him to adopt a more conciliatory attitude towards the International Control Commission and to favor nationwide elections on the basis of genuinely free conditions. The Secretary thought that on a psychological basis, it would be wise for Diem to come out strongly in favor of free elections. The Secretary pointed out that there was no more than a remote likelihood that free elections would ever be accepted in North Vietnam. In any event, we should not press Diem to hold elections unless and until conditions existed which would insure that elections would in reality be free. Mr. Pineau indicated his full agreement.

Regarding U.S. military equipment in Vietnam covered by the Ely-Collins Agreement,<sup>10</sup> the Secretary explained that the United States attaches great importance to examining this equipment, determining its condition, and salvaging as much as possible. He said that it might amount to as much as five hundred million dollars' worth of matériel, although this might be an exaggeration. The United States believes it would be consistent with the armistice to send 350 military personnel on a temporary basis in civilian clothes. They would work under Department of Defense. Their job would be to make an inventory of this equipment and save it from being exposed to the weather and other conditions. The Vietnamese have no facilities for controlling this equipment which they can use. Moreover, the United States is under some pressure to send the types of matériel which may already be in Vietnam. The Secretary also emphasized that the United States is entitled to do this under the agreement with the French. It seems consistent with the cease-fire accord so long as the United States is not adding to the fighting strength in Vietnam. The Secretary said he

<sup>9</sup> Secretary Dulles was in Saigon, March 10-14, 1956.

<sup>10</sup> Reference is to the agreement on the training of autonomous Vietnamese forces, December 13, 1954, signed by General Paul Ely, French High Commissioner and Commander-in-Chief in Indochina, and General J. Lawton Collins, President Eisenhower's Special Representative to Vietnam.

expected to discuss this with Nehru<sup>11</sup> and hoped to satisfy him that it would be consistent with the armistice. Unless Nehru takes a strong stand, the Secretary indicated the United States would proceed with the recovery mission. He expressed the hope that the French would help us. However if Nehru should strongly oppose this project, then the United States would have to reconsider what line to take.

Concerning the training of Vietnamese forces, the Secretary told Mr. Pineau that the United States would consider it a contribution to the common cause if France would maintain training personnel for the Vietnamese air force and navy (220 and 70 men, respectively). French instructors are necessary in view of the severe limitation of approximately 342 American instructors. If the French trainers are removed and can not be replaced by Americans, there would be a serious loss in the Vietnamese military build-up.

Regarding the responsibilities for carrying out the armistice, the Secretary said that the cease-fire accords were loosely drawn and constitute an incoherent area. Vietnam has the right to request French withdrawal, but France and not Vietnam has the responsibility for executing the accord. Pineau replied that if the United States desires to have French military personnel remain in Vietnam, then Diem must request it from France since it is not up to the United States. The Secretary agreed. Mr. Pineau also pointed out the French view that there has developed in Vietnam an atmosphere so hostile to the French that it is almost impossible for them to stay on. As illustration he said that General Jacquot<sup>12</sup> had been arrested and "nearly assassinated" in Saigon by a Vietnamese army patrol a few days ago. This underlined the necessity for Diem to request the French to stay and to make it possible.

Mr. Robertson explained that of some billion two hundred million [dollars?] worth of equipment, about five hundred million has been turned over to the Vietnamese. Much of it is lying out in open spaces. It includes quantities of spare parts needed by the Vietnamese. As a result of the sudden and rapid withdrawal of the French forces, this equipment had been turned over to the Vietnamese without inventory—nobody knows how much. In order to continue the Ely-Collins Agreement, 1,000 French personnel would be needed in addition to 350 Americans. The job of recovery and control would probably take from 6 to 12 months.

Turning to the question of China, the Secretary expressed his appreciation that the French Government was not going to extend recognition. It is an extremely difficult position to try to hold the thin line of the island chain in the Western Pacific. Anything that increases

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<sup>11</sup> Secretary Dulles was in New Delhi, March 9-10, 1956.

<sup>12</sup> General Pierre Jacquot, French military deputy to General Ely in Vietnam.

the prestige of Communist China jeopardizes that line. Moreover, the Chinese Communists have not shown any disposition to be friendly even with those who have extended recognition. A case in point is the experience of the United Kingdom. The Secretary told Mr. Pineau that the United States' talks with the Chinese Communists in Geneva were not going well.<sup>13</sup> The Chinese Communists still refused to give up their right to take Taiwan by force, which the United States would resist by force. It is difficult to tell what the real intentions of the Chinese Communists are. At the moment they have begun talking belligerently again, but it is difficult to tell exactly what this means. Until they show what they want, the Secretary said, he hoped the French would stay with us in not recognizing Communist China. He mentioned the fact that Mr. Lloyd had recently said in New Delhi that the United Kingdom was not now going to press for admission of Communist China into the United Nations.<sup>14</sup> The Secretary emphasized that such admission or recognition would have bad effects on the anti-Communist position in East Asia.

Regarding trade with Communist China, the Secretary explained that the whole question was being restudied following the talks with Sir Anthony Eden. The Secretary said that he did not believe that there would be any great gain to be had by easing trade controls. The U.S. had agreed to make a study to determine if certain items might be eased in the interest of the free world. For instance, it might be shown to be advisable to put rubber on a quantitative list. It will depend on the merits of each case. He felt that any great change would be harmful. Mr. Pineau pointed out that in the French view, there is no logic to different levels for the U.S.S.R. and for Chinese Communists. The U.S.S.R buys things and sells them to China so it amounts to the same thing in the long run. Mr. Robertson pointed out that there was an advantage in the CHINCOM controls because they increased costs, slowed down deliveries, and reduced the amount of strategic materials which could be obtained annually by from 25 to 28%. The Secretary said that while Mr. Pineau's observation might seem true as an abstraction, there is different result when you break down the list. In any event, the United States is ready to subject each item on the list to the test of reason. Each item should be studied as an individual problem on a rational basis, leaving out emotional consideration. On that basis, the United States feels it can convince France and others not to change.

<sup>13</sup> Reference is to the talks between U. Alexis Johnson, Ambassador in Czechoslovakia, and Wang Ping-nan, People's Republic of China Ambassador in Poland, which took place in Geneva between August 1, 1955 and December 12, 1957.

<sup>14</sup> British Foreign Secretary Lloyd visited New Delhi, March 3-4, 1956, on his way to the SEATO Council meetings.

**19. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, March 13, 1956—2 p.m.*

4189. Following is a memorandum prepared by Ambassador Lodge<sup>2</sup> of his conversation with Prime Minister Mollet on March 10:

Prime Minister Mollet began the conversation by asking whether there was some particular subject which I wanted to take up.

I explained that I had come to Paris at the end of an official trip involving United Nations technical assistance and United Nations specialized agencies and was now on my way home. I had been impressed during my stay in Paris by the amount of misunderstanding existing between certain elements in the United States and certain elements in France. In situations of this kind between two free countries with a long tradition of friendship, it was natural to start on the assumption that there was some fault on both sides and that consequently steps should be taken by both sides to correct matters.

United States policy was one of complete support of France, and there was no action which the United States had taken which could in the least way be interpreted as being hostile in [to] French interests. For this reason we felt particularly hurt at the incident which had taken place in Tunisia yesterday.<sup>3</sup> All of these recent developments made it highly desirable that steps should be taken by both sides to bring about a better understanding, and I was glad to be able to tell him in that connection that President Eisenhower had authorized Ambassador Dillon to make a statement before a month would have passed showing American support of France.<sup>4</sup>

Prime Minister Mollet said that he had already heard of the fact that Ambassador Dillon was planning a statement and that he was most grateful for it. He was aware of the misunderstanding which existed at the present time in Franco-American relations, and he hastened to agree with me that there was no cause for complaint over the official attitude of the United States Government and that this was well understood in French official circles. All of the French intelligence services have been unable to uncover a single particular instance which would support the charge of anti-French American actions.

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<sup>1</sup> Source: Department of State, Central Files, 611.51/3-1356. Secret. Transmitted via pouch and received in the Department on March 15.

<sup>2</sup> Henry Cabot Lodge, Jr., Representative to the United Nations.

<sup>3</sup> Regarding the sacking of the American Consulate General and Information Office by Tunisian rioters on March 9, see vol. XVIII, p. 649.

<sup>4</sup> See Document 21.

When we talked about Franco-American misunderstandings, therefore, we were not talking about Governments but about unofficial elements in the two countries. It was natural and he thought healthy for the Communists to be anti-American. What was disconcerting, however, was the fact that in certain elements of the French Right this feeling existed. He felt that it was largely due to a human desire to find a scapegoat "abroad".

I interrupted to say that this feeling was then exploited both by Communist and Arab propaganda to which he agreed.

In listing other reasons for current Franco-American misunderstanding he began by saying that the group of men who were at the top in leading the United States, and thus leading the free world, were men of the highest caliber and in every way equal to their enormous responsibilities. He did feel, however, that at the "non-commissioned officer level" we were still often not well served. He was thinking of the Consul or the Embassy secretary or of the businessman—the man who travels and who still has an incomprehension of what a Latin really is, of what a European really is and who has an unquenchable desire to preach and to give unsolicited advice. He had been in Italy during the war and had seen the Americans save millions of people from starving to death and then be hated in the process. As far as good will is concerned the manner of giving is more important than the gift.

Another reason for misunderstanding is the unthinking black and white attitude of the American press which takes a blanket stand against what it calls "colonialism." He said the most hardhitting paragraphs of these uncomprehending editorials were the ones which the French newspapers printed over here.

While, of course, the Russian objective continued to be to destroy NATO, there were indications that the Russians were worried about the spread of Pan-Islamism. Recently Mollet had received Ambassador Vinogradov of the Soviet Union who had said: "As regards this business of yours in Algeria, it would be bad if Islam were to sweep all over Africa."

In parts of Algeria the natives had taken over practically all of the functions of government, including judges and local political officials. In these places the world hero to whom the people look for leadership was not any Algerian leader; nor was it Colonel Nasser nor was it Khrushchev. They man they talked about was Mao Tse-tung. When I expressed surprise, he said that this was due to the fact that the backbone of the independence movement in Algeria was comprised of Algerians who were formerly in the French army. Many of them had been taken prisoner in Indochina and had then been brain-washed by the Chinese Communists. They looked to Mao Tse-tung as the man who had thrown out the white man.

At the end he repeated his gratitude for the fact that Ambassador Dillon would make a statement. He said that material help was also needed. When I asked him to be definite he said that 80 helicopters would make all the difference. He said that now the United States was giving him helicopters at two a month. At this rate, he would have to wait for 40 months. He also wished 50 very slow-flying planes and said that a type existed which was obsolete and which they could buy for 1,000,000 francs each if we would let him have them.

The French Army had been built for the purpose of taking part in a defense against Russian attack. It would, therefore, have to be considerably revamped in order to meet the situation in Algeria. In Algeria, fast fighter planes or bombers or heavy armored columns were entirely out of the question. Helicopters, however, would show the civilian population that they did not need to give in to the terrorists.

He concluded by asking me to express his best wishes to President Eisenhower, to say that he was pro-NATO and that he expected France to remain loyal to NATO, but that France must not feel she was standing alone. No one knew better than President Eisenhower how important North Africa was to NATO and to the defense of the free world. We, therefore, should act on the basis of that realization. He felt that if there were three-power unity between the United States, the United Kingdom and France, it would make a greater impression in Cairo than any other single fact.

**Dillon**

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**20. Telegram From the Department of State to the Embassy in France<sup>1</sup>**

*Washington, March 17, 1956—2:24 p.m.*

3439. We must face the fact that the basic US attitude toward colonial problems is displeasing to the French as well as to others of our allies. It is therefore unrealistic to hope for the creation of an atmosphere of complete mutual understanding and confidence between French and ourselves with regard to North Africa.

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<sup>1</sup> Source: Department of State, Central Files, 611.51/3-1756. Secret. Drafted by Tyler on March 15, cleared by Rountree, initialed by Merchant, and approved by Murphy.

However, we are continually casting about for ways to alleviate French suspicion and resentment of our role and intentions, to make them feel we genuinely sympathize with their difficulties and to encourage their efforts to find real solutions to their problems.

It occurs to us that it might be useful for you to call on Mollet after your speech on March 20,<sup>2</sup> while its hoped for soothing effect is still operative, and to talk to him along following line:

"US Government has been of course aware of a certain volume of criticism and resentment in France directed at the US for its alleged lack of sympathy and support for the French in their difficulties in North Africa. My recent public comments on this subject and my government's statement recently on Morocco and Tunisia<sup>3</sup> were designed specifically to reduce this resentment, to try to allay doubts with regard to our role and attitude and to reassure French opinion that the US is following events in North Africa with understanding of what is involved and real sympathy for France's efforts.

"We are anxious to be helpful to France and we hope M. Mollet understands that we are. The French program in this area has not always been known to us. The French Government has not indicated just what it feels the US should or could do in the circumstances. I have therefore come to ask the Prime Minister informally for his personal comments on the situation. We are anxious to have his views and of course will give them most earnest consideration."

Request your reaction to above idea and any other suggestions you might have as to what we could do to improve present climate.

Hoover

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<sup>2</sup> See *infra*.

<sup>3</sup> For text of the U.S. Government statement, March 7, at the time of the signing of the Franco-Moroccan Declaration recognizing the independence of Morocco, see *American Foreign Policy: Current Documents*, 1956, pp. 709-10.

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## 21. Editorial Note

On March 20, Ambassador Dillon gave a major speech to the Diplomatic Press Association of Paris on United States policy toward French North Africa. The text of his speech is printed in Department of State *Bulletin*, April 2, 1956, pages 553-555.

**22. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, April 5, 1956—8 p.m.*

4446. Eyes only for Dulles from Stassen.<sup>2</sup> Under constant exposure to European press and European personnel have reflected on French situation with relation to US interests and submit for such consideration as you may wish to give it, this concept—

The US could obliquely suggest through US Embassy Paris or through State Washington that if the French brought forward a new program for assisting in the economic development of the less developed areas that have French language and French cultural background, the US would cooperate in such a program. It could include Cambodia, Laos, South Vietnam, Syria, Lebanon, Tunis, Morocco (Algeria), Haiti, New Caledonia, French Equatorial [Guinea]. It might be called something like the Mollet Plan for the Economic Development of Areas with a Cultural Association with France. The French need a psychological lift, a new external concept with some hope and prestige and an esprit de corps for maintaining and expanding their own economic relationship to the rest of the world without colonialism. It would be somewhat like what the Colombo Plan has done for the British.

The French tend to sink in gloom about the loss of colonies, and to be slow to grasp economic potential which not only could be maintained, but sometimes improved as in the case of the British in India. The French tend to have suspicions that the US is trying for selfish reasons to replace France in areas of traditional French interest. The French Socialists want to emphasize the economic side but do not seem to know how to accomplish it. They are dangerously open to a Soviet advance of economic development partnership. It seems in the US interest to move first and to do so prior to Mollet's visit to Moscow.<sup>3</sup> It would appear that US participation could entirely take the form of French francs generated through the use of US surplus agricultural products particularly in view of decreased European food production resulting from the severe winter. It would be important that the

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<sup>1</sup> Source: Department of State, Central Files, 851.05100/4-556. Secret; Priority.

<sup>2</sup> Stassen was in London attending meetings of the Subcommittee of the U.N. Disarmament Commission.

<sup>3</sup> Prime Minister Mollet and Foreign Minister Pineau visited Moscow, May 15-19.

concept be first publicized as a distinctly French initiative and later by pre-arrangement given some support by the US.<sup>4</sup>

**Barbour**

<sup>4</sup> In telegram 6081 to London, April 12, the Secretary rejected Stassen's proposal because he considered that the problem of declining French prestige should be viewed in terms of combatting Soviet economic offensives rather than as merely a French problem, and he doubted whether Congress or the American public would support such a U.S.-financed scheme. (Department of State, Central Files, 770.5-MSP/4-1256)

**23. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, May 2, 1956—2 p.m.*

5121. In view of recently increased contacts by various political figures here with de Gaulle we have felt it desirable to obtain his views at first hand. We have felt that call upon him by Ambassador might lead to publicity which would embarrass our relations with present Government and therefore Achilles called on him today. Following are principal points made by de Gaulle:

*Internal:* Deterioration of regime had progressed to point where it was impossible for any French Government to follow any coherent policy about anything. He saw no possibility in short-term future of remedying this situation and he had no personal intention of trying. France was fundamentally "tired". Short of some unforeseeable dramatic situation comparable to what happened to France in World War II he saw no possibility of national rejuvenation until new generation born of war-time and post-war increased birth rate made its influence felt in another 10 to 20 years.

*Algeria:* He repeated several times that events in Algeria would "drag along". Asked whether he thought military solution possible he said that 45 million French could obviously defeat 8 million Moslems if they had will to do so but that neither present Government nor any foreseeable successor would have sufficient will to inspire necessary national sacrifices. It was already too late for any solution based on assimilation or integration. Only practicable long-term solution would

<sup>1</sup> Source: Department of State, Central Files, 751.00/5-256. Confidential. Repeated to London, Bonn, Rome, Cairo, Moscow, and Algiers.

be establishment of an Algerian state federally associated with France. He did not seem worried over possibility of safeguarding interests of French in Algeria under such a solution.

*Moslem World*: He thought it a mistake for anyone to count on any real Moslem contribution to an orderly modern world. Nowhere in Moslem world had a railway or important dam been built except by outsiders. Moslems were really interested in national independence only as means of embracing opportunities for their individual political or financial advancement.

*"Europe"*: European idea was dead. Effort to establish "fusion ruled by technicians" had failed. It might have been possible to establish a "union of nations" rather than a fusion if there had been reason to believe that it would be a "European rather than an American Europe". He thought this now unlikely.

*"Atlantic Community"*: He did not think either Germany or UK, least of all France, and perhaps not even US had any real interest in this idea. This would leave Spain and other little impecunious countries.

*East-West Relations*: He did not think new Soviet tactics had fooled very many Frenchmen, who were incurably realistic and cynical but he very much feared they had fooled a good many Germans, British and particularly Americans. The principal reason for his pessimism as to either European or Atlantic development was belief which he appeared to hold and which he said was gaining ground publicly that US was becoming more and more inclined to seek in effect bilateral solutions with USSR of all major problems. (One of his associates recently told us that while French had previously felt they were at least playing on team, they were increasingly feeling like spectators at tennis match.)

*Comment*: He seemed in much better health than last year.<sup>2</sup> In contrast to his black pessimism on occasions when we saw him then, his present mood seemed more one of unhappy but philosophical resignation that neither he nor anyone else could in near future do anything to restore greatness of France. We are told he is now more or less regularly spending two days a week in Paris.

**Dillon**

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<sup>2</sup> See Document 6.

**24. Letter From the Ambassador in France (Dillon) to the Ambassador in the Soviet Union (Bohlen)<sup>1</sup>**

*Paris, May 11, 1956.*

DEAR CHIP: Bob Joyce has shown me the very complete letter which he has written you regarding Pineau, Mollet and Company.<sup>2</sup> I am in general agreement with everything he had to say and would only like to add my personal estimate of the situation.

[1 paragraph (9½ lines of source text) not declassified.]

During the course of the NATO meeting<sup>3</sup> he [Pineau] did not make a very good impression on any of the other delegations, particularly when it came to the drafting of the communiqué, because he insisted on eliminating everything that he felt might in any way give offense to the Soviets.

I think he realizes the depth of our feeling about Communist China and will avoid falling into any trap on that subject, although personally he is of course in favor of recognition of Communist China by the Western powers and the maximum of trade and cultural exchanges between Communist China and the West.

In addition, he has a habit of liking to talk over serious matters almost alone and often without the presence of anyone from his staff. The Soviets may be aware of this and if they are, I would imagine they would try to get him in a tête-à-tête talk where he would not have the benefit of Laloy's<sup>4</sup> and Massigli's advice.

Mollet is much more clear headed and I think the reserved attitude of the French Socialist delegation which you described in one of the telegrams from Moscow represents fully Mollet's thinking and directive [direction?]. [2 lines of source text not declassified]

We would appreciate receiving in the greatest detail possible any information you can gather regarding the happenings during this visit, as well as information you may gather of visits by other French delegations.

Please give my love to Avis.<sup>5</sup>

Sincerely yours,

**Douglas Dillon<sup>6</sup>**

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<sup>1</sup> Source: Department of State, Paris Embassy Files: Lot 64 F 6, 350—Pineau, Christian. Confidential.

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> The North Atlantic Council met in Paris, May 4–5, 1956.

<sup>4</sup> Jean Laloy.

<sup>5</sup> Bohlen's wife.

<sup>6</sup> Printed from a copy that bears this typed signature.

**25. Editorial Note**

Foreign Minister Christian Pineau was invited by Secretary Dulles on March 30 to pay an official visit to the United States, June 18-20. Details of the proposal for the invitation and preliminary preparations for the visit are in Department of State, Central File 033.5111. On June 12, Secretary Dulles approved an agenda for the Pineau meetings which included the following topics: East-West relations, NATO, EURATOM and the Common Market, North Africa, Middle East, Indochina, and French-U.S. trade. Briefing papers were prepared by bureaus of the Department of State. (*Ibid.*, Conference Files: Lot 62 D 181, CF 712)

Pineau arrived in Washington on Saturday, June 16, and spent that day and the next day with his son. His official visit began on Monday, June 18, when he had discussions with Secretary Dulles in the morning and was guest of honor at a dinner at the Secretary's home in the evening. On Tuesday, June 19, Pineau was guest of honor at a luncheon given by the Senator Walter F. George, chairman of the Senate Foreign Relations Committee. Pineau and Dulles concluded the substantive part of their talks that afternoon. The memorandum of their conversations is printed *infra*. On June 20, Pineau and Dulles met again in the morning and in the evening Pineau hosted a dinner in Dulles' honor.

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**26. Memorandum of Conversations, Department of State,  
Washington, June 18 and 19, 1956<sup>1</sup>**

**SUBJECT**

Conversations between French Foreign Minister Pineau and the Secretary, June 18 (10:15 a.m. to 12:40 p.m.), and June 19 (3:06 to 5:40 p.m.)

**PARTICIPANTS**

(For both meetings)

*Americans*

The Secretary of State

Mr. Robert Murphy, Deputy Under Secretary for Political Affairs

Mr. C. Douglas Dillon, American Ambassador to France

Mr. Douglas MacArthur II, Counselor

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 712. Secret.  
Drafted by Tyler on June 21.

Mr. C. Burke Elbrick, Acting Assistant Secretary for European Affairs  
Mr. Thorsten V. Kalijarvi, Deputy Assistant Secretary for Economic Affairs  
Mr. Charles A. Sullivan, Director, Office of Special International Affairs, (OASD),  
(ISA)  
Mr. Benson E.L. Timmons, Director, Office of European Regional Affairs  
Mr. William R. Tyler, Deputy Director, Office of Western European Affairs  
Mr. Jameson Parker, Special Assistant to the Assistant Secretary for Public Affairs

*French*

Mr. Christian Pineau, Minister of Foreign Affairs of the French Republic  
Mr. Maurice Couve de Murville, French Ambassador to the United States  
Mr. Roland de Margerie, Director-General of Political Affairs of the Ministry of  
Foreign Affairs  
Mr. Jean Daridan, Special Assistant to the Minister of Foreign Affairs  
Mr. Pierre Baraduc, Director of Press Service of the Ministry of Foreign Affairs  
Mr. Georges Le Henaff, Chief of the Foreign Minister's Office  
Mr. Charles Lucet, Minister of French Embassy  
Mr. Pierre Millet, Minister of French Embassy  
Mr. Jean de la Grandville, Counselor of French Embassy  
Mr. Roger Vaurs, Director of Press & Information (French Embassy), New York  
Madame Denise Leger, Secretary

*(Second meeting only)*

*Americans*

Mr. George V. Allen, Assistant Secretary for Near Eastern, South Asian and  
African Affairs  
Mr. Herman Phleger, Legal Advisor  
Mr. Robert R. Bowie, Assistant Secretary for Policy Planning  
Mr. Francis O. Wilcox, Assistant Secretary for International Organization Affairs  
Mr. Kenneth Young, Director, Office of Southeast Asian Affairs

*French*

Mr. Jacques Vimont, Minister of French Embassy  
Mr. Francois de Laboulaye, Counselor of French Embassy  
Mr. Maurice Perouse, Financial Counselor of French Embassy

**1. East-West Relations and French Visit to Moscow:**

The Secretary opened the discussion by expressing his great pleasure, both personally and in the name of the U.S., in the presence of Mr. Pineau in Washington. He said that the U.S. had never forgotten that France was our first ally. Whenever a member of the French Government comes over here, he is a welcome guest both in the eyes of our Government and of our people. These sentiments are as strong and as lasting as ever. He said he was glad that Mr. Pineau was here today and he hoped that these sentiments would lead to a fruitful discussion of problems of mutual interest to our two countries.

Mr. Pineau expressed his thanks to the Secretary for his words of welcome. He said he was glad to be back in the U.S. which he had also visited in his former capacities as Minister of Food and of Public Works. He said that family links with this country meant that part of his heart was in the U.S. He was happy to find himself once again

working with the Secretary, with whom he had already had the opportunity to exchange views in a spirit of mutual sympathy and understanding. He felt that this meeting presented a great opportunity for useful discussion.

The Secretary said that he wished to add that he had this day been to see President Eisenhower who had asked him to extend his best wishes to Mr. Pineau and to tell him how much he regretted that his state of health did not permit him to receive Mr. Pineau as he had planned.<sup>2</sup>

Mr. Pineau said he regretted not to be able to see the President but understood the reasons, and that the French people send him their best wishes for his recovery.

The Secretary then turned to the list of the topics for discussion and suggested to Mr. Pineau that he open the talks by telling him about the trip to Moscow which he and Prime Minister Mollet had recently made.<sup>3</sup>

Mr. Pineau said that the talks had been conducted with Khrushchev, Bulganin and Molotov. It was important to note that the first of these had played a dominant role and had taken the lead throughout. The discussions had been cordial and frank except for some characteristic sallies by Khrushchev.

The first topic discussed had been that of disarmament. The French representatives had reviewed the plan of synthesis submitted by the French representative Mr. Moch<sup>4</sup> in London. Khrushchev had spoken contemptuously of the UN Subcommittee on Disarmament and had said that its work was unrealistic. He had said that the reduction of 1,200,000 men under arms by the Soviet Union was a reality. Pineau had answered that the Soviet gesture was fine but that he thought Khrushchev would appreciate that France was not in a position to make a similar one in view of her heavy obligations in Algeria. He had also pointed out that what was needed was the reduction of armaments as well as of manpower. This had led to a long discussion of the topic of control. The Russians had dismissed the President's plan for aerial inspection<sup>5</sup> which they called a form of spying. They repeated their willingness to accept inspection in the form of key control-points on the ground. The French representatives said that France was willing to participate in both forms of inspection. The discussion had then turned to the possibility of nuclear disarma-

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<sup>2</sup> President Eisenhower had undergone surgery on June 9 and was in Walter Reed Hospital until June 30. He saw Pineau for 20 minutes on June 20. (Eisenhower Library, President's Appointment Book)

<sup>3</sup> Mollet and Pineau were in Moscow, May 15-19.

<sup>4</sup> Jules Moch, Permanent French member of the U.N. Disarmament Commission and the Subcommittee of the Commission, which met in London, March 19-May 4, 1956.

<sup>5</sup> For text of President Eisenhower's "Open Skies" proposal, see vol. v, p. 450.

ment and control on which the Russians were very skeptical. Though Khrushchev did not actually say so, he gave the impression that the Soviet Government does not consider that nuclear disarmament can be achieved through negotiations in the UN or any other international organization, but that this goal could only be reached by the USA and the USSR eventually mutually agreeing between themselves to undertake disarmament as the result of the elimination of tensions and the restoration of confidence.

The next subject discussed in Moscow was the reunification of Germany. The Soviet representatives expressed their wonder that the French should be in favor of this, in view of what France had experienced at the hands of Germany. Mr. Pineau had replied that both he and Prime Minister Mollet had already stood for the reunification and against the dismemberment of Germany in 1943, during the war. Thus there had been no change in their opinion on this issue. A second reason why France favored German reunification, he had told the Russians, was that a situation in which half of Germany was democratic and half Communist created political friction and tension and thus made Germany a factor of instability in Europe. At this point Khrushchev asserted that he preferred to have 20 million Germans on his side, rather than 70 million Germans against him even if the country were neutralized. He had added that even a disarmed and neutral Germany would not be acceptable to the Soviet Union because the Soviet Union could not afford to sacrifice the social and economic gains which had been achieved in the Eastern Zone or to incur the loss of prestige. Mr. Pineau commented to the Secretary that Khrushchev undoubtedly had the effect on the satellites in mind.

Mr. Pineau added that he regretted that Chancellor Adenauer had informed the press of what he and Mollet had told him about the foregoing exchange with Khrushchev because the Russians can always deny having said this, without being embarrassed by the revelation.

The French representatives had then discussed Euratom and the Common Market with the Russians. Khrushchev said that if the West persisted in proceeding with the integration of Western Germany, the Soviet Union would be forced to take action and that in this connection the West might remember that it would not be for the first time if the Soviet Union were to sign a treaty with Germany. Mr. Pineau said that he told Khrushchev that he was aware of this but that if he remembered correctly, the first time had not brought the Soviet Union much luck.

The next subject discussed had been the Middle East, where the conversation had taken a slightly more hopeful turn. Khrushchev said that the Soviet Union had sent arms to the Middle East in order to counteract the Baghdad Pact. The Soviet Government was prepared to

support an agreement on a general embargo on shipment of arms if the US and UK were prepared to undertake to stop sending arms to the Baghdad Pact.

On the Far East and Indochina, the Russians said that they had considered calling for another conference in Geneva on Far Eastern matters but had given up the idea. The general impression which the Russians made on the French in this field was that the Soviet Union intends to maintain peace in that part of the world, and that it had tacitly agreed to a postponement of elections in Vietnam.

With regard to the "Pineau Plan",<sup>6</sup> the Russians had expressed general support of the principles on which the Plan is based but stated that they had not discussed any specific organizational details.

Algeria was then discussed, and the Russians said that they did not wish to repeat the Indochina experience in North Africa. This experience had resulted in the presence of the US being substituted for the French presence, and this had not made things any better. The Russians had let the French understand that they were willing to extend some support to the French position but without making it too obvious. They seemed to want to reconcile the French and the Arab positions. In the end they had expressed some support of France in the language of the communiqué.<sup>7</sup>

The talks revealed clearly that in the economic and social fields the Soviet Union wants to move ahead and increase exchanges of all kinds. Specifically they want to buy the new French jet transport, the "Caravelle", and to order French television equipment for the expansion of their television network. They also want to diminish the restrictions imposed under COCOM and CHINCOM. Mr. Pineau told the Secretary that the French Government feels the same way, and said so to the Russians, who were also told that Mr. Pineau would raise the subject in Washington.

With regard to cultural relations, the Russians not only want a great increase in the artistic and intellectual fields but also in the technical field.

Mr. Pineau said that his conclusions following his visit to the Soviet Union were that, in Soviet eyes, the primary and determining factor in the development of Soviet policy today is the economic factor. Stalin acted as a brake which slowed down the economic development and evolution of the country. This development has not been brought about by new measures since the death of Stalin, but the removal of Stalin has permitted it to take place. The chief need is that

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<sup>6</sup> Reference is to Pineau's proposal, made during the North Atlantic Council meeting, May 4–5, 1956, at Paris, that NATO members jointly request the United Nations to establish a World Economic Development Agency; see vol. IV, pp. 51 ff.

<sup>7</sup> For text of the communiqué issued at the end of the visit of Mollet and Pineau to Moscow, see *The New York Times*, May 20, 1956, p. 2.

of industrial and agricultural equipment. Soviet standards of living are low. The average worker's standard of living is only one-third to one-half that of the French worker. In the opinion of the French, the Soviet Union has assumed heavy obligations with regard to Red China, and large commitments toward certain other countries including Africa, which may weigh fairly heavily on its shoulders. Mr. Pineau said he thought that the situation was such that the Soviet Union would surely stand to gain from a peaceful development of its economy. The question was whether we should help the Russians to re-equip themselves or not. If we do not, Mr. Pineau said, they will succeed in re-equipping themselves anyway, even though it may take—say ten years longer, but they will be doing it against us. Therefore, the question arises whether we should help them in the hope of furthering the prospect for peaceful evolution within the Soviet Union. He said this was a delicate matter.

As evidence of changes which had taken place and which he had observed personally, Mr. Pineau mentioned the following:

(1) Khrushchev had told him personally that the State had in the past come to play far too preponderant a role in the life of the country. He had said he would rather lose both arms than permit the State to continue to play this successive role.

(2) Mr. Pineau said that there had of late been real trends toward the economic and judicial decentralization of State control in favor of the individual Soviet Republics. The question was whether there had been a comparable political evolution. Mr. Pineau said that this was not the case. The Communist political dictatorship was still absolute. However, there was a new tone in the life of the country which could not be ignored.

(3) A prominent Socialist colleague and friend of Mr. Pineau's, Professor André Philip,<sup>8</sup> had been invited to lecture at Moscow University and his talk had been given without any censorship whatsoever.

(4) Mr. Pineau said that the Secretary had perhaps heard of his experience when he went down to Erivan in Armenia. He had been met at the railroad station by some 500 French citizens of Armenian extraction, or who had married Armenians, and who had been there since 1947. This crowd had sung "The Marseillaise" and waved flags and, breaking through the police barriers, had rushed toward him and asked him to make it possible for them to leave and go back to France. Not only had the police not reacted, but the Soviet Ambassador in Paris, Vinogradov, who was accompanying Mr. Pineau, said that it was quite understandable that these poor people should wish to go to France since their standard of living in Erivan was so inferior to that in France.

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<sup>8</sup> Professor of Political Economy at the University of Lyon.

Mr. Pineau said that, while it was undoubtedly true that everything in the Soviet Union has not changed, it would be a mistake to think that this means that nothing has changed. His Government felt that the West should increase exchanges with the Soviet Union and particularly with countries in the periphery, such as Poland and Czechoslovakia, in which there have been signs of political change. Mr. Pineau said he thought that this political evolution was a factor in the Soviet attitude toward the reunification of Germany. He said that he would like to discuss further what actions might profitably be taken in this general field.

The Secretary thanked Mr. Pineau for what he termed a fascinating account of his trip and said that it was also a significant story in terms of the problem of what our policies should be. He noted that Mr. Pineau had not yet indicated specifically what conclusions should be drawn from the premises he had expounded. He thought that it might be useful, if he set forth for Mr. Pineau's benefit our own estimate of the Soviet position. He would not wish to dispute the facts reported by Mr. Pineau, and he was prepared to accept the view that there are forces at work within the Soviet Union which may be leading the rulers of that country, perhaps against their will, in the direction of a diminishing role of the State in the country's economy, and, to a certain extent, of decentralization and of providing a somewhat greater measure of personal security against the shocking and arbitrary types of acts portrayed by Khrushchev's speech. There might also be a somewhat greater degree of tolerance of independence in certain limited areas. These developments, he said, were not primarily brought about by the change of personalities of the head of the Soviet Union, though this played a certain role, but because of an evolutionary process inherent in the industrialization of a nation. As industrialization takes place, you have to educate more people better, they know more, think more and demand more. In modern industrial training the thoughts of the workers cannot be limited to the requirements of their machines. As they see the fruits of their industry, they feel that they should obtain more for themselves. As they see the blunders due to excessive centralization they tend to ask for and support greater decentralization.

While we accept the picture gained at first hand in a country where there is a certain process of evolution, we must consider carefully whether this process is sufficiently strong to be, one might say, irreversible so that we can base our actions in the future on the assumption that it will go on indefinitely and constitute a basis for a society which will be both peaceful and which will give up expansive and subversive policies with regard to other countries.

The view held here, the Secretary said, was that it would be dangerous and reckless for us to assume that the process under consideration was sufficiently assured to be considered irreversible and to justify our making our own plans on this assumption. It was important, he said, that we should continue to follow our established policies in the main, though allowing for some shift of emphasis.

In the field of disarmament we have noted the Soviet announcement of a reduction of 1,200,000 men. We are not able to verify this reduction, but we are inclined to accept it as real because it seems to be a logical step for the Soviet Union to take. We ourselves have been reducing our own armed forces in the recent past. In 1953 we had about 3.6 million men under arms and now we have about 2,850,000. In undertaking this reduction we did not feel we were weakening our military establishment, nor did we boast of it as a disarmament step. Modern technological conditions tend to require a correspondingly smaller number of men in the military force. In fact, our military power has increased in recent times and we think the case is the same with regard to the Soviet Union.

We are deeply concerned, the Secretary said, at the increase in the nuclear power of the Soviet Union and of what appear to be feverish efforts on its part to increase its nuclear stockpile. We believe that it has a capacity for megaton power as well as for smaller nuclear weapons. Its efforts in long range transcontinental missiles, bombers, and submarine production are tremendous. What Mr. Pineau had said about the Soviet attitude toward the Disarmament Subcommittee of the UN confirmed our view that the Soviet Union is not prepared to consider seriously genuine measures of control and limitation of nuclear weapons. It only talked about banning the atom bomb. The Secretary recalled the President's proposal in his letter to Bulganin in March on reserving future nuclear production for peaceful purposes only. Bulganin's recent reply ignored entirely this proposal by the President.<sup>9</sup> The Secretary said he hoped, and it might well be, that nuclear weapons would never be actually used, but this did not mean that they do not have their use. The Secretary at this point used the game of chess as an analogy. He said that in theory the aim of a chess player is to take the King of his opponent but, in fact, the King is never taken. When one player achieves checkmate, his opponent is forced to give up. In a similar way it might be said that the Soviet aim is to be able to put the free nations of the world in a posture where they would have no alternative to either giving up or to being destroyed.

<sup>9</sup> For text of Bulganin's letter to President Eisenhower, June 6, see Noble Frankland, editor, *Documents on International Affairs*, 1956 (New York, 1959), pp. 591-593.

This must be prevented. The US cannot achieve this alone because of the need for the availability of retaliatory power, which cannot be provided only from the American continent. Diversity of location is necessary in order to provide potential retaliatory strength which could defy a surprise assault. This is why we believe it would be extremely dangerous if free nations were to feel that recent developments in the Soviet Union justify the West in reducing its efforts to maintain its military strength. To do so would make it possible for the Soviet Union to say "checkmate" to it.

The Secretary said that the National Security Council considers that so long as the Soviet Union continues on its present course of increase in its military strength, we must increase, and not diminish, our own and continue to depend on the cooperation of our allies in these efforts. He gave the following theoretical example to illustrate the value of overseas bases: for one plane costing \$1 million located at a spot reasonably near the Soviet Union you would require ten planes, costing \$10 million, in order to achieve the same capacity if launched from the US. The Secretary said he hoped the day would come when the Soviet Union would be less despotic and would not be in a position to launch an unheralded attack or say "checkmate" to others. The free countries of the world cannot have an aggressive policy because of our democratic systems which prevent it. Therefore, we must not slacken our efforts. With regard to economic and cultural relations, we also believe, for the above reasons, that the free nations must refrain from helping the Soviet Union to win the race it is running against us. We feel strategic controls must continue. As regards specific items, we are always willing to have these studied by technical experts who can determine whether specific items are strategic. We should take every reasonable opportunity offered by cultural exchanges to bring new ideas into the Soviet Union. However, the Soviet Union is trying to penetrate and subvert the newly-independent and less-developed countries. It will use cultural exchanges for political purposes directed more against the latter countries than against the long-established political systems of the West. What is one man's meat is another man's poison. The Russians will use what they achieve with us for their particular purposes in third countries. We must measure what we do in cultural exchanges in terms of the impact on third countries. Our aim should be to introduce into the Soviet Union thoughts and knowledge which will accelerate the process of liberalization, but we are not prepared to say that all exchanges under any conditions are per se good. We must estimate what each kind of exchange will do to the USSR, to us, and to third countries.

The Secretary said that there are other matters which Mr. Pineau had raised which would be the subject of further discussion, and he concluded by thanking Mr. Pineau for the extremely valuable and authoritative account of his trip to the USSR, which confirmed what we ourselves had felt about the course of events in that country.

Mr. Pineau, in reply to the Secretary, said that the French Government fully understands the preoccupations of the US Government which it shares in great measure. He said that there were various aspects of the problem on which he would like to comment:

(a) With regard to military security, the French Government shared our views that it would be highly dangerous for the West to disarm in such a way as to give the Soviet Union the temptation to act by military threat. Disarmament was desirable but only if accompanied by control.

(b) Mr. Pineau said that he also shared the US views with regard to the political aspects of East-West relations. However, Tito had said to him something to which he attached great importance, to the effect that while he could not guarantee that the evolution in the Soviet Union is irreversible, though he believed it to be so, he was sure that the West could influence it, if not in the field of disarmament, at least in the economic and cultural fields. Mr. Pineau then said that he wished to emphasize that he had not said to Khrushchev that strategic controls should be abandoned. He agreed that technical experts should meet and consider specific items which might be withdrawn from the COCOM list. Mr. Pineau then said that the problem of cultural exchanges with the Eastern bloc varies according to every country. France cannot escape Communist propaganda, which is prevalent and continuous. It does not matter how many Soviet visitors come to France, and the French Government feels that there is great advantage in multiplying visits of Frenchmen to the Soviet Union since their reports on their return make good propaganda for the West. He felt that there should therefore be different national programs of exchanges which should however be broadly coordinated and emphasize special features for each country.

In general, he said that it was important for the sake of public opinion not to dismiss the talk of peace and relaxation of tension, but at the same time to retain a firmly anti-Communist stand internally. Summarizing his view, Mr. Pineau said that security requirements should be maintained, Europe should be built up, and exchanges should be increased.

The Secretary said he wished to say something which he hoped Mr. Pineau would not consider presumptuous. He would like to suggest that in any public statements he might make, he should state that military defense and security are still important. The press of this country, he said, has had the tendency to attribute to Mr. Pineau the view that he no longer considers the military aspect of East-West

relations important. So if Mr. Pineau could say in essence what he had said this morning to the Secretary, this would help to correct the impression which had been created.

Mr. Pineau said that when he states that the military issue is now less important than the economic issue, it is because he feels that the form taken by the Soviet offensive will be in the economic field, in order to promote penetration and subversion. He said that the Soviet peace offensives do have an effect upon public opinion in Western Europe. It is not enough to say that we do not believe in them. This is why Mr. Pineau has emphasized the issue of disarmament: in order to show that the West is pressing for it and that it is the Soviet Union which is refusing. Mr. Pineau said that we should not set security and the economic fields one against the other. It is a matter of relative emphasis.

The Secretary agreed and said that the Soviet Union is trying to obtain complete mastery in the military field so as to be able to checkmate the West. The reports of rapidly increasing construction of submarines, long-range missiles and bombers are most disturbing and we cannot allow the Soviet Union to get away with this. The cost of our military effort, he said is already upwards of \$40 billion and is likely to go up. This effort cannot be minimized and deserves recognition both in the military and in the economic fields, which constitute a two-pronged effort. Neither one should be ignored at the expense of the other.

Mr. Pineau said that he had given a talk a few days ago in Paris which concerned itself with these varied problems. There was an English translation of the text of his talk which he would make available to us.

## 2. NATO:

The Secretary recalled that at the last Ministerial meeting it had been agreed that the scope of NATO should be developed. The US thinks that this should be primarily in political terms, which does not exclude consideration of economic factors. He doubted whether NATO should be converted into an operating economic organization. There were already many of these, such as OEEC, GATT, EPU, etc., and it was not desirable to superimpose an economic organization on top of a military one. He said that while we believe that economic matters in terms of their political impact could be discussed appropriately in the Council, the US did not believe NATO should operate in the economic field.

The Secretary said that greater use should be made of the Council within the broad field of political consultation concerning many problems which it would be better to discuss in common first before action is taken by any one country, rather than the other way around. For

example: problems concerning relations of individual countries with the satellites, or estimates of the nature of the evolution taking place in the Soviet Union. It is a question of how to determine which actions should be delayed in order to permit discussion first, and which actions should be taken first. Speaking purely tentatively the Secretary said that the US is prepared to consider enlarging the scope and authority of our delegation to NATO, and having a representative spending part of his time in Washington and then exchanging posts with our representative in Paris. This would enable the representative in Washington to attend the Cabinet and National Security Council meetings and thus to be fully informed at the highest level on all matters pertaining to our national policies.

The Secretary mentioned that the Canadian Foreign Minister, Mr. Pearson, had come to Washington a week ago and that he had had an exchange of views with him.<sup>10</sup> He recalled that Senator George had accepted an important appointment in connection with our desire to strengthen NATO<sup>11</sup> and that a study group had been set up in Washington to concentrate on this problem. This shows the importance we attach to this matter. The Secretary said he felt that unless progress is made to strengthen NATO, the North Atlantic Community will tend to fall apart. Organizations, like living organisms, must develop or else shrink and wither. He said the time had come to put the emphasis on further growth. He did not think that this required any new organization or amendment to the treaty, but rather willingness on the part of members to discuss more matters in common. The US has no concrete proposals to make at this time. This is primarily the role of the three Ministers who were named at the last Council meeting.<sup>12</sup> The Secretary said he felt that the purely military aspects of the NATO alliance had about served their maximum capacity to draw together members of the Atlantic Community and to create an esprit de corps. While these aspects should not, of course, be neglected, they cannot now provide the invigorating stimulus which the organization needs. This role was fulfilled by the military aspects after the Korean aggression when it seemed that this might be the prelude to an aggression against Western Europe which, like Korea, is another peninsula attached to the great Eurasian continent. The Secretary reviewed the great and dominant role of Western civilization over the past one thousand years and how international dissensions had weakened the strength of the

<sup>10</sup> Lester Pearson visited Washington, June 9-11, for wide-ranging discussions on matters of mutual concern to the United States and Canada. Memoranda of these discussions are in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

<sup>11</sup> Senator Walter F. George became Special Ambassador of the United States to NATO on January 3, 1957.

<sup>12</sup> For documentation on the appointment of a committee of three "wise men" by the North Atlantic Council to advise it on political coordination, see vol. IV, pp. 1 ff.

West and had thus precipitated the challenge to the West which we are facing. He said that there was much to be done to strengthen the Western Community of free nations.

Mr. Pineau expressed his agreement with the Secretary's remarks and said that the emphasis of Soviet policy in the economic field meant that NATO must be given a greater political and economic role.

He recommended that this role take two principal forms: first, a real effort by the members to inform each other of what they are doing and how they view problems of mutual interest; and second, expanding political discussion and holding more carefully prepared meetings of the North Atlantic Council. He said he realized that certain problems were more difficult to discuss and settle than others; e.g., the problem of Cyprus has a direct impact on three NATO members. But he said that he had found a certain degree of willingness on the part of the three members concerned to consider the possibility of discussing this problem within the Council. If this could be achieved it would certainly constitute a great stimulus to further progress of this kind.

The Secretary mentioned that we had taken the initiative in having the matter of the reply to the letters sent by Bulganin to various NATO members discussed in the Council, and that this discussion had already started.

Mr. Pineau said that he thought that more could be attempted in the field of economic cooperation within NATO under two principal headings:

(1) It should be useful to discuss the political aspects of problems which were within the field of action of purely economic organizations. He gave as an example of this the desirability of making it possible for the Common Market to be established by graduated steps, which would require a modification of GATT.

(2) He suggested that there might be certain large joint undertakings which would be of concern to several members of NATO and which would be of strategic benefit to the whole NATO area. He mentioned as an example the idea of a tunnel under the English Channel which would have great advantages and might help to bring the United Kingdom into a closer relationship to the rest of Europe.

The Secretary said that we should certainly not exclude the kind of economic thinking alluded to by Mr. Pineau, but he was not sure that the UK would appreciate the idea of a tunnel under the Channel being put on the NATO agenda. The Secretary said he saw a danger in attempting to take steps which might seem to turn NATO into a substitute for agreements between countries. Any development of NATO should not be such as to suggest that it could be a substitute for

close agreements between members, such as Euratom and the Common Market. NATO should remain essentially as a forum in which political consultation can take place.

### 3. Pineau Plan:

Mr. Pineau led off the discussion by saying that he was not going to repeat the substance of the Plan, which had already been submitted at the North Atlantic Council meeting in May. He wished, however, to stress a few points for the benefit of US public opinion and especially Congress.

(1) In his view the organization proposed would not have as its goal the suppression of bilateral or multilateral aid agreements, e.g.: between the US and other countries. He would illustrate what he meant by saying that if in one year the US were willing to devote 6 percent of its foreign aid program to the implementation of the plan he had in mind, this would be excellent. Even this 6 percent would be accounted for to Congress and subjected to inspection.

(2) There was no question of suppressing projects and arrangements which had already been started within existing UN organizations.

(3) Mr. Pineau said he wished to explain his conception of what are neutral countries. He thought that there was much loose language on the subject. He considered neutral countries to be those which do not belong to bilateral or multilateral pacts with Western countries. Such neutral countries as India, Cambodia and Laos are the ones which would derive the greatest benefits from the Plan he had proposed. He thought it was important to ask ourselves whether we should consider that because neutral countries are not already bound to us by pacts, this meant that they were against us. Or, on the contrary, are we going to consider such countries as being still with us, because they have not signed pacts with the other side? He felt that the answer to this question would determine whether his Plan was useful or not. He said that neutral countries in Asia were being subjected to a tremendous economic offensive by Red China and the Soviet Union. If we do not help "neutrals" these may be forced into the Soviet orbit. If we do give them help they may be saved.

Mr. Pineau said that Indo-French relations had become closer since his visit to New Delhi.<sup>13</sup> He then announced that an agreement was being signed today between France and India whereby the latter would buy 125 "Mysteres" fighter aircraft. He stressed the significance of this saying that the West should make a tremendous effort in the direction of countries like India.

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<sup>13</sup> Pineau was in New Delhi on March 13.

(4) Mr. Pineau said that if it is decided that a massive effort of aid to neutral countries should be undertaken, the character of this aid should be as multilateral as possible, rather than bilateral, in order to remove the fear of becoming too dependent on one country.

The Secretary said in reply that he had not thought of the Pineau Plan as raising primarily the question of our attitude to the so-called neutrals. He thought that the position of the US on this question was quite clear. The word "neutral" was used in many senses. It might be said that Switzerland was the only truly neutral country because it had refused to join the UN on the grounds that the principles in the Charter were inconsistent with true neutrality. The Secretary believed that the most important thing is that the countries of the kind mentioned by Mr. Pineau should not become an asset to Soviet Communism, to be used against us. He said that we are interested in them both as human beings and in the sense that if they were dominated by the Soviet Union it would be used against us. He said that we are perfectly willing to aid them and we have in fact quite substantial programs of aid in India, Cambodia and Laos; also a loan program of \$25 million to Burma, as well as \$100 million under the Agricultural Surplus Disposal Act to Indonesia, and we have an aid program for Yugoslavia. Thus while there are sharp differences of opinion in Congress and other countries as to whether we should do this or not, and while the Secretary could not guarantee the outcome of the foreign aid program for this coming year, it was certainly the view of the President and the Secretary that aid should be used to help the so-called neutral countries to remain outside the USSR control.

The Secretary said that the major objections to the idea of multilateral aid to the UN could be raised not on this ground, but with regard to how such a program would be administered, and whether it would in fact provide a cover behind which international Communism could carry out activities of subversion. Since the UN embraces certain Communist members there is ground for a fear that this might be the case. He said that the US had no clear judgment on this yet. As to the coming year, the US aid to the UN, still frozen in Congress, might amount to somewhere around \$40 or \$50 million. The Secretary went on to say that we will probably undertake a review of the whole foreign aid program between now and the next session of Congress and that the question of the desirability of developing a multilateral aid program under the UN would be carefully considered. He could not foretell what the results would be but he could assure Mr. Pineau that careful consideration would be given to the Pineau Plan. There were differences of opinion over here: Ambassador Cabot Lodge, who is at the UN, is inclined to favor the idea whereas some others are opposed. The Secretary thought it was unlikely that we would have settled views before the next session of Congress.

In conclusion, Mr. Pineau said he would like to make one or two brief observations. He said that if we ask the average man in the world what the total of US aid is versus the total aid given by the Soviet Union, he would have no idea. He thought that this showed the advantage of centralized statistics with wide publicity which would indicate clearly the extent of participation of each country. He also wished to tell the Secretary that Mikoyan had personally explained to him the secret of the success of Soviet aid. He had said that when the Soviet Union gives aid to a country it also agrees to buy the commodities which that country is trying to sell. By so doing the Soviet Union always has public opinion in that country with it, because it identifies aid from the Soviet Union with selling its own produce, whereas cold statistics of aid do not touch many people's emotions.

The Secretary closed the discussion of the first session by observing that the US has had some experience with surpluses itself, and that it might be difficult to explain to the American public why we were buying more from other countries.

#### 4. North Africa:

Mr. Pineau opened the discussion on North Africa at the Secretary's invitation. Referring to Tunisia and Morocco he said that there had been some difficulties in the last few weeks in the matter of diplomatic representation. The situation was a delicate juridical one pending the ratification of the Conventions between France and these two countries.<sup>14</sup> However, the problem had been solved with regard to the exchange of ambassadors. The outlook for future negotiations was not unfavorable but there will be delicate points to be settled in the bilateral relations with these countries. Mr. Pineau said he would keep us informed and he asked us not to allow Morocco and Tunisia to play us off against France. He said these two countries have budgetary deficits and will be turning to everyone to ask for aid. This meant that it was most important to coordinate our approaches.

Mr. Pineau turned to the subject of US bases in Morocco. He said these could not be treated as part of the Convention which had been signed with Morocco, because this would have broadened its character too much. The Convention had to be limited to the subject of diplomatic representation in order that it should not be necessary to have it ratified by the French Parliament. The problem of the bases concerns both foreign affairs and defense, which have not yet been the subject of negotiation. The only aspect of defense which had been settled was that of the Moroccan Army.

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<sup>14</sup> Reference is to the diplomatic accords giving independence to Morocco, May 20, 1956, and to Tunisia, June 15, 1956.

Mr. Pineau said that the question of the bases could not be settled without US participation and that the talks would have to be tripartite.

He said that the exchange of letters between the French and Moroccan Governments,<sup>15</sup> which had accompanied the Convention, had no bearing on the problem of the bases which should be settled in a separate Convention. He said that the French Government was ready to proceed with further discussions with us on the subject at our convenience.

The Secretary said that the US Government considers our agreement with the French Government on the bases in Morocco<sup>16</sup> to be valid for the duration of the North Atlantic Treaty, and that responsibility should be assumed by the Moroccan Government. He said that practically speaking it was essential to obtain the agreement of the Moroccan Government, which could not be ignored whatever the legal situation might be. He said that the US is not disposed itself to invite any negotiation because our position is that our base agreement with the French Government is still valid. We would prefer the talks to be tripartite. However, if the Moroccans preferred to talk on a bilateral basis, we would reserve our position and inform the French Government in order to consult on the situation which might result.

Mr. Pineau said that this was a delicate point. If the talks were bilateral it would be difficult to reconcile this with the Secretary's argument that the commitment made with France was for the duration of the North Atlantic Treaty. There was also the practical aspect of the danger of the Moroccans being "rapacious" and asking more and more in return for the bases, especially if talks were conducted outside of the present agreement.

The Secretary said he did not mean to imply that the US was prepared to start bilateral talks, but only that we do not wish to exclude at this time the possibility of having bilateral talks. As he had told Mr. Pineau already, we would keep the French Government informed.

Mr. Pineau said he wised to emphasize that the Franco-US Base Agreement conferred not only certain rights but also certain obligations, which the Moroccan Government is incapable of carrying out.

The Secretary said he assumed the French would inform us in the same way that we would inform it, of any approach or discussion with the Moroccans, and Mr. Pineau agreed.

The Secretary then asked Mr. Pineau whether he had any views on Tunisia and Morocco joining the UN. Mr. Pineau said France was prepared to take the initiative in proposing them as members and the

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<sup>15</sup> For texts of the letters, May 20, 1956, see *American Foreign Policy: Current Documents, 1956*, p. 714.

<sup>16</sup> For text of the French-U.S. agreement, December 22, 1950, see *Foreign Relations, 1950*, vol. v, pp. 1768–1770.

Secretary said he thought this was a good idea. Mr. Pineau observed that no time had been lost, since the Franco-Tunisian Convention had only just been concluded. He pointed out that admission could not take place until the General Assembly meets in November. The Secretary remarked that Security Council approval could be obtained at any time and that the Arab States might sponsor their admission if France did not act promptly.

Mr. Pineau turned to the subject of Algeria and stressed the considerable military effort by France which had resulted in the military situation now being under control ("repris en main"). He said there was no longer any risk of a military victory by the rebels. However, France was far from having solved the internal security situation and this would be a long and arduous matter. This did not mean that France would refuse any and all negotiations with the rebels, but France would certainly not negotiate under the auspices of outsiders such as Egypt. The negotiations would have to be with France only.

He said that there were two stages: (1) A cease-fire with those fighting; (2) The question of the future status of Algeria.

The latter could not be negotiated with the fighting rebels, who cannot be said to represent the Algerian population. The case had been different in Morocco and Tunisia which had governments and established political parties. It was difficult for France to say what the basis for negotiations would be, since France would wish to start the negotiations at the point where the others would want to leave off.

Mr. Pineau said that he would now give the Secretary a very general and confidential indication of what seemed to the French Government to be the basis for the future relationship between Algeria and France. He gave three examples: One of the States within the US; a German Land within the Federal Republic of Germany; and a Soviet Republic within the USSR.

Mr. Pineau said that there had hitherto been no official contact with the rebels. There had been informal contact and discussions in which the French had learned that the rebels feared reprisals if they put down their arms. The French Government had been at pains to give assurances to the rebels on this point.

Summing up the French Government position, Mr. Pineau said that it was not asking for help, but for understanding on the part of its allies and for the avoidance of any action adverse to French interests with regard to Algeria. He asked whether the US Government could talk to certain countries which were financially obligated to the US, e.g.: Libya, which asks the US for money while permitting traffic in arms into Algeria. He said it would be very helpful if the US could influence the Libyan Government to put an end to this, but that France would ask for nothing else.

The Secretary asked how big this volume of traffic is said to be. Mr. Pineau said that it was not large now but that it is increasing and could be expected to continue increasing. He added that there was also some arms traffic coming in from Northern Morocco with the connivance of the Spanish Government. Mr. Pineau added that the Spanish Government was being "imprudent" in this matter and that its conduct was unfortunate particularly in view of the moderation of the French Government and its desire to help the Spanish Government in Morocco.

#### *5. Middle East:*

Mr. Pineau said that he would not attempt to discuss the whole question of the Middle East. He said he had two principal aspects in mind. First, the problem of Israeli-Arab relations and the role of Egypt. Second, the problem of arms deliveries to Israel. On the first point the French Government had been seriously disappointed by the recent Soviet vote in the Security Council, which had been contrary to what the Soviet Union had said to the French representatives in Moscow.<sup>17</sup> He suggested that it would be desirable that various courses of action should be foreseen within the scope of the Security Council, in the event of an outbreak of hostilities. He said that there should be a determination of possible UN action, and increased consultation among the allies in event of hostilities in the area, with particular study of the Egyptian attitude.

Mr. Pineau spoke at some length on the current trend of Egyptian policy and on the danger of Egypt linking her policy to that of the Soviet Union. He said that Colonel Nasser had perhaps started his flirtation with the Soviet Union in order to mark his opposition to the Baghdad Pact, but he had gone much further in this direction. Mr. Pineau suggested the possibility of studying this problem, either among ourselves or in NATO, because of the possible danger to the Mediterranean area. He said that he did not consider the situation to be extremely urgent or dangerous now, but that it was better to take measures at this time than too late. He said that Tunisia and Morocco, which are not particularly sympathetic to Egypt, are already worried. He said he thought the problem should be certainly studied together with the UK because the policies of the three Western Governments were not sufficiently coordinated.

Mr. Pineau then stressed the difficulties created for France by her being the only Western country which has been helping Israel with arms shipments. The Israeli Government had been indiscreet and had publicized these arms deliveries. A further complication had been that

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<sup>17</sup> Reference is to the June 4 Soviet vote in favor of a British resolution on the Middle East. For extensive documentation, see volumes xv and xvi.

although France had notified the Washington "organization" (Ambassadorial Committee on Arms Shipments to the Near East) of all requests which France had received for arms, she had not received replies from the Committee, and as a result each country was going ahead on its own.

Mr. Pineau alluded to 24 F-86 fighter planes which Canada had been advised to deliver to Israel. France had not heard of what had happened to this shipment. He said that France had received important orders for arms shipments to Saudi Arabia [*1½ lines of source text not declassified*]. The French Government would like to know whether the US had also been asked by Saudi Arabia to sell arms to her [*1½ lines of source text not declassified*].

The Secretary said that it was possible that the problem of Egypt might be usefully discussed in the North Atlantic Council, and considered even in broader terms in view of the strategic importance to NATO countries of the availability of oil. He said that the West draws some 2-½ million barrels a day from the Middle East and that if this flow were curtailed, it would be a very serious matter both for the economy and for the military aspect of the West. There are two problems: (a) The political problem; and (b) the problem of delivery of the oil, which is in practice under the control of Egypt and Syria, both of which are exposed to Soviet influence. If delivery of the oil were interrupted, there are not enough tankers to ship more than half the oil needed around the Cape, and we could not compensate for the balance from this side of the Atlantic. Therefore, said the Secretary, such a discussion would be consistent with the desire to broaden the scope of NATO. There was also the possibility that Egypt would become a base for hostile operations, and a gateway for the penetration of Africa. The Secretary said he had discussed these aspects of the problem with Foreign Minister Pearson.

With regard to arms shipments to Israel, said the Secretary, Mr. Pearson had told him that the Canadian Government has been considering the request for some F-86's, but it had not so far acted favorably on the request, and the matter would be taken up later within the Canadian Cabinet, where there seemed to be some differences of opinion.

The US had been sending some small stuff to Israel which was useful but not spectacular. Since April we had shipped \$2.3 million worth of goods, including some commercial aircraft.

The Secretary noted that there was a strong feeling in the Arab world that Jewish influence in the US is so great, particularly in an election year, that it can dictate US policy in favor of Israel and against the Arab world. The Secretary said that we have been concerned not to appear to confirm this opinion, and that this is one of the reasons why we do not want to make large shipments to Israel or to the Arabs

at this time. Also, we like to think that we are able to exert some influence on the Arabs and we think that we have been able to do so. We do not want to throw away this asset.

With regard to Saudi Arabia, we have an important, though not indispensable, base there, of which the agreement is in course of renegotiation. We also have very important oil interests there. Saudi Arabia, said the Secretary, is the only Middle Eastern country which has obtained substantial supplies from the US. We have followed the principle of refraining from supplying arms to Arab countries with frontiers contiguous to Israel. Saudi Arabia is remote from Israel, and its armed forces are located far away from it with deserts in between. It is also a fact that the US has been a traditional supplier of arms to Saudi Arabia. We recently shipped 18 medium tanks to that country, in spite of British unhappiness, on a reimbursable basis. We had told the British that we felt that if we did not supply arms, the Saudi Arabs would get them anyway. They have been asking for arms in connection with the renegotiation of the base agreement. We are prepared to let them buy some modest quantity of arms in connection with the renegotiation. The UK opposition to arms shipments to Saudi Arabia is probably due to the fear that these might be used in a conflict with the UK such as that of the Buraimi Oasis. The Saudi Arabs were getting from the Egyptians some arms of British origin which have been displaced by Egyptian orders of arms from Czechoslovakia. In conclusion, said the Secretary, our position was that it was not possible to prevent Saudi Arabia from getting arms and that it is therefore better that it should obtain them from a free country.

Mr. Pineau stressed that he was not criticizing US supplies to Saudi Arabia but only wanted to know what the US policy was. He did not wish to discuss US election matters. He only wished to express his thought that US supplies to Israel might make Nasser pause and reflect.

The Secretary commented that the news from Cairo in connection with Shepilov's visit<sup>18</sup> was unsatisfactory. He said that if the renegotiation of our agreement with Saudi Arabia regarding Dhahran Airfield were satisfactorily concluded, it was possible that the US might then consider changing its present policy with regard to arms shipments to Israel.

The Secretary then asked Mr. Pineau whether he could specify on what subjects there had been delays by the Washington Committee of Ambassadors, as he had stated. (At this point the French Ambassador spoke into the Foreign Minister's right ear with a certain anxiety of facial expression.) Mr. Pineau replied to the Secretary that the question

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<sup>18</sup> Soviet Foreign Minister Dmitri T. Shepilov visited Cairo, June 17-22.

of the Mystere fighters had taken a long time but he did not wish to take up details but only to stress the importance of the principles of greater coordination and faster action.

#### *6. European Integration:*

Mr. Pineau opened the discussion by saying that the French Government had felt that the agreement on the principles of a settlement of the Saar problem had been a very useful development.<sup>19</sup> The Secretary said that he wished to repeat what he had already said to Mr. Pineau: that he considered this had been an act of farsighted statesmanship by France which constituted an assurance of future peace within Europe.

Mr. Pineau reviewed the results of the Venice conference of May 29<sup>20</sup> and the agreement which had been reached, providing for a conference in Brussels on June 26 to start drafting treaties for Euratom and the Common Market. He stressed that we must foresee certain difficulties but he felt that success would come if certain errors were avoided such as: giving any appearance of revenge by the former supporters of the EDC. The French Government felt that ratification of Euratom and the Common Market must be separate. Euratom should be ratified first. If people tried to go too fast and make Euratom depend on the Common Market, this would create difficulties.

Mr. Pineau said that his Government was in favor of Euratom exercising control over fissionable material. He thought that while Chancellor Adenauer might personally agree to this, there was opposition in Germany. With regard to the peaceful uses of atomic energy, he said that the French Parliament was reluctant to commit France never to make an atomic bomb. France was in favor of a moratorium at the expiration of which the matter would be reconsidered. It would admittedly be difficult to draft such provisions in the treaty, but otherwise there would be a risk of the failure of Euratom. It was not going to be an easy matter in any case since the French Government would have against it both the Communists on the left, and the Poujadists on the right.

With regard to the Common Market, Mr. Pineau said that a major difficulty was the need for harmonization of social legislation between members. Spaak had proposed a series of graduated steps of four years' duration each, but Pineau said he had recommended that progress be recorded not on the basis of a fixed time table but of the fulfillment of certain goals, such as the lowering of tariffs and harmonization of social legislation. Another difficulty, he said, was the inclu-

<sup>19</sup> See footnote 3, Document 17.

<sup>20</sup> The conference was attended by the Foreign Ministers of France, Germany, Italy, Belgium, Luxembourg, and the Netherlands.

sion of overseas territories within the Common Market area in order to prevent a gulf being created between a metropolitan member and its overseas territories. Moreover, this poses problems of investment which France cannot carry alone and she therefore welcomes multilateral participation in an overseas investment program. Mr. Pineau said that if these major difficulties could be solved, success would be assured, but if not, the price might be failure.

Mr. Pineau asked the Secretary specifically whether he could tell him what Chancellor Adenauer thinks about these matters.

The Secretary said he first wanted to tell Mr. Pineau how gratified the US is by the progress made on the prospects for Euratom and the Common Market. The President was personally very deeply interested, as Mr. Pineau knew, and had stressed the theme of European unity in his London speech in 1951,<sup>21</sup> of which the Secretary had given Prime Minister Mollet a copy. The Secretary said that he himself also had long signified his interest in, and support for European unification, e.g.: in a speech he had made in Paris in November 1948.<sup>22</sup> Now that the USSR was entering the economic field it was most important that the European countries themselves should build up peaceful atomic energy and a Common Market, in order to lower the cost of production and improve Europe's competitive position in the face of the emergence of the Soviet Union as an industrial power in the world. The President had referred to this matter in his recent Texas speech in a passage written with his own hand.<sup>23</sup> The US did not wish to thrust itself forward in a matter of primary concern to Europe, but we were deeply interested.

These matters had been discussed with Chancellor Adenauer while he was here<sup>24</sup> and the Secretary felt he could say that he had told Adenauer that, in his view, there should not be a legal link between Euratom and the Common Market and that progress which can be made in one of them should not be held back because of slower progress with the other. The Secretary said the US would undoubtedly have a closer relationship with Euratom than with individual countries. He considered the control function of Euratom important, particularly since Germany under the Brussels Treaty had renounced the use of atomic weapons. Chancellor Adenauer had mentioned his fear that control by Euratom might lead to socialization of the atomic energy

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<sup>21</sup> For text of General Eisenhower's speech before the English Speaking Union at London, July 3, 1951, see Department of State *Bulletin*, July 30, 1951, pp. 163–165.

<sup>22</sup> Dulles addressed the American Club of Paris, November 18, 1948; see *The New York Times*, November 19, 1948, p. 12.

<sup>23</sup> For text of the President's address at the Baylor University commencement ceremonies, May 25, 1956, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1956*, pp. 526–537.

<sup>24</sup> For documentation on Adenauer's visit to Washington, June 12–14, see vol. xxvi, pp. 106–126.

industry. The Secretary said that of course we are not sympathetic to socialization either. However, in the US there is strict government control over all fissionable material, and so far as the question of releasing such material to private industry is concerned, this will probably be done by retaining title to the material, and continuing to exercise strict controls. The Secretary said he had made it clear to Chancellor Adenauer that the US Government favored similar action by Euratom. If Euratom did not, however, retain actual title, then the control to be exercised should be as complete in all respects as if title were retained. The fundamental problem is the establishment and maintenance of adequate controls.

Mr. Pineau said that the socialization of industry would certainly not be a matter to be decided on, or imposed by Euratom, but of decision by individual countries according to the internal policies of their governments. What was important was absolute control of the use and disposal of fissionable materials. Mr. Pineau insisted again on the question whether Adenauer had expressed a personal point of view on Euratom and the Common Market. The Secretary said he had the impression that the Germans would prefer to tie together Euratom and the Common Market and that Adenauer was opposed to the title to fissionable material remaining in Euratom from fear that this might lead to the socialization of industry. The Secretary said he had told Mr. Adenauer he did not think this fear was well grounded, but of course he did now know whether he had convinced him. However, Adenauer's initial approach had been negative on the above two points.

#### *7. Franco-US Trade:*

The Secretary raised two points: (1) The liberalization of dollar imports into France, and (2) the French compensatory tax on imports from the US. He stressed to Mr. Pineau the difficulties which the Administration faced in implementing its liberal trade program. Protectionist minority groups made their voice heard and their influence felt. It was hard to argue against local groups which publicized their grievances. While the whole country would benefit from more liberal trade it was difficult to illustrate specific advantages in a dramatic way. He said it would help the US Government greatly to defend and maintain more liberal trade policies if France could take favorable action on the two points he had mentioned.

Mr. Pineau said that on the basis of what had been France's international exchange position in 1955, the request of the US would be justified. However, two adverse factors had crept in this year: (1) The extensive damage caused by the frost last winter which amounted to the value of about 200 billion francs. As a result, France faced the need to buy wheat, cereals, and other produce. (2) A tendency of the

general price levels to rise, partly as a result of the damage caused by the frost, and partly because of a rise in the cost of steel related to the Coal and Steel Community program. There was also the problem of commitments entered into by France with other countries which would become members of the Common Market. Mr. Pineau admitted that the compensatory tax was an adverse factor in so far as the US was concerned, but said that it was not discriminatory against the US. He proposed that the matters raised by the Secretary should be referred to experts, taking into account the present French economic situation on which he was prepared to give all the information required.

#### *8. Indochina:*

Mr. Pineau lead off by saying that the results of the London Conference had been satisfactory.<sup>25</sup> The Soviet Union had given up any idea of calling a conference on Indochina and seemed agreeable to the postponement of the elections in Vietnam. Mr. Pineau referred to the Geneva Agreements and to the difficulties arising from the fact that Vietnam had not signed them so that the matter of the withdrawal of the French expeditionary corps still needed to be settled. He asked the Secretary to what extent the US felt that France should continue to play a military role in Vietnam. He said he thought that it might be useful for France to continue to do so in view of the fact that the US had not signed the Geneva Agreements. Mr. Pineau then said that he was anxious to conclude the pending military negotiations with the Vietnamese Government. He recalled that in Paris the Secretary had suggested that France should maintain instructors in that area and there were difficulties in this respect which should be settled.<sup>26</sup> Mr. Pineau mentioned the problem of the transit through South Vietnam of small amounts of military material for the base in Laos given to France under the Geneva Agreements. He also said that the Vietnamese were applying overly elaborate clearance procedures for French ships stopping at Saigon, whereas the French had requested that the Vietnamese limit themselves to the shorter procedures governing allied shipping.

The Secretary said that he was not sufficiently conversant with these matters to discuss these specific points but that the Department would be glad to look into them and do what we could to help. The US wanted Franco-Vietnamese relations to be good. Prime Minister Diem, he said, had many virtues and some defects, among which

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<sup>25</sup> See footnote 6, Document 18.

<sup>26</sup> A report of the Secretary's conversation with Pineau in Paris, May 2, 1956, is printed in vol. I, p. 676.

might be mentioned suspiciousness and obstinacy. We also occasionally had difficulties with him because of this, but we were convinced that his virtues outnumbered his defects.

The session concluded at about 5:30 p.m. This marked the end of the substantive discussion between the Secretary and Foreign Minister Pineau. A final session was held on Wednesday morning, June 20, from 10:00 a.m. to about 12:00 noon, of which the first hour and the last twenty minutes were attended by the Secretary and Mr. Pineau, and which was entirely devoted to revising and approving the final Communiqué.<sup>27</sup>

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<sup>27</sup> For text of the communiqué, June 20, see *American Foreign Policy: Current Documents, 1956*, pp. 405-407.

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## 27. Despatch From the Embassy in France to the Department of State<sup>1</sup>

No. 173

Paris, July 25, 1956.

REF

Depcirtel 12, July 10, 1956 (Joint State-Defense-ICA Message)<sup>2</sup>

SUBJECT

Military Assistance Program Development—France—FY 1958

1. This despatch contains the material requested in paragraphs 3 and 4 of the reference telegram,<sup>3</sup> (a) setting forth a summary of the general approach, major political considerations and basic assumptions used by the Country Team to aid MAAG in preparing its estimate of French requirements for military assistance to be used as a basis for developing the FY 1957 program and the FY 1958 budget estimates, and (b) commenting on the program submitted by MAAG

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/7-2556. Confidential. Drafted by D.J. McGrew, John W. Tuthill, Director of ICA in Paris, and Harvey R. Wellman, First Secretary of the Embassy in Paris; and cleared in draft with MAAG. The source text indicates it is a Country Team message.

<sup>2</sup> Not printed. (*Ibid.*, 700.5-MSP/7-1056)

<sup>3</sup> Paragraphs 3 and 4 of circular telegram 12, instructed Embassies to report on the general approach, major political considerations, and basic assumptions used in aiding MAAGs in preparing FY 1957 MDAP programs, and to comment on the political and economic implications of programs submitted by MAAG.

to DOD (MAAG letter 400.314Ex, Subject MDA Program Requirement Estimates, France, dated 21 July 1956).<sup>4</sup>

#### A. *Politico-Economic Evaluation*

2. Mindful of the general assumptions regarding the international political and military outlook during the programming period, contained in Section 2000 of DOD FY 58 MDA Programming Guidance (I-14821/6) of June 12, 1956,<sup>4</sup> the political and economic elements of the Country Team undertook to provide MAAG with a politico-economic evaluation of France's defense capabilities during the next two or three years. It should be noted that this evaluation confirms in specific terms for France the general assumption set forth in paragraph 2003 of the DOD paper—namely, that there will be no developments during or before FY 1958 which will significantly lessen the present obstacles to an increase in the level of French expenditures in support of French NATO forces and that it is therefore unlikely that France will significantly increase that level during the programming period. In fact, as will emerge from the following analysis, even the maintenance of the current level must be considered an optimistic assumption, at least insofar as the earlier part of the period is concerned.

3. Since the middle of 1955 the French defense picture has been dominated by the extraordinary effort which the French military establishment is being called upon to sustain in North Africa, primarily in Algeria. For the purposes of the FY 1958 programming exercise, it is assumed that French military operations there will continue throughout 1956 and 1957 and probably also throughout most, if not all, of 1958, and that France will continue to give priority to this area above all other military requirements. The consequences of this state of affairs on the French defense effort will be far-reaching:

(a) First, it means that a considerable portion of the French forces earmarked for NATO will be dislocated. At the present time France has about 472,000 troops in the North African theater, together with a sizeable number of air and naval units assigned to support the operations of the ground forces. Nine out of the 14 French divisions of M+30 or less committed to NATO are now stationed in North Africa.

(b) There will be a continuing tendency on the part of the French to divert to their North African forces large amounts of equipment and supplies previously available to cover deficiencies of French NATO forces. Attrition of Army equipment and spare parts will be the equivalent of wartime rates, and consumption of ammunition will be increased.

(c) Finally, large-scale appropriations will be necessary to finance the Algerian effort. This in turn is virtually certain to have a depressing effect upon the volume of appropriations for other military tasks. It is now estimated that the North African effort will cost about 300 billion

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<sup>4</sup> Not found in Department of State files.

francs (\$857 million) in 1956. To help meet this extraordinary burden the Government proposes a 50 billion franc (\$143 million) cut in the other sections of the 1956 military budget voted last August—a cut mainly in appropriations for French NATO forces. It seems likely that the financial burden of Algeria will be of a comparable magnitude in CY 1957 and, there is a good chance, in CY 1958 as well.

4. In addition to the Algerian problem, there are other strong political forces at work in France which tend to limit the size of the French defense effort. As in many other countries, the feeling has become fairly widespread that international tensions have lessened considerably over the past year or two—or at least that the nature of the rivalry between the free world and the Soviet bloc has undergone a rather marked change—and that there is no longer the need for a large-scale military effort on the part of the NATO powers that existed during the period of the Korean and Indo-China Wars. While many French leaders may continue to recognize the importance to the security of the Western World of the maintenance of military strength, the French Government will be obliged under popular pressure to accord defense requirements a lower priority than a number of competing demands. Thus even though it seems reasonable to project a continued growth of the French national product throughout the period—at a rate of at least 2 or 3 percent per year—it must be assumed that none of this increment will be available for boosting the defense effort (other than North Africa of course). Rather the policies of the Government will be geared towards directing these additional resources into improving French living standards, expanding investment (including housing and the construction of educational facilities), and working towards a long-term solution of the external payments problem. Even if French forces should be returned from Algeria during the programming period, the above-mentioned pressures would probably prevent the French Government from diverting any large part of the physical and financial resources thus freed into other defense tasks. In fact, under this hypothesis the Government would probably see its military burden in Algeria replaced in large part by a major program of economic development in the area. Assuming a restoration of civil order, estimates place Algeria's requirements in this field at about 150–200 billion francs (\$430–570 million) annually for some years to come.

5. Furthermore the economic outlook for the period ahead tends to reenforce the restraining influence on the defense effort of the political factors analyzed above. Throughout 1954 and 1955 France experienced something really unique in her recent history: a period of economic expansion in a context of financial and price stability. However, in the latter months of 1955 signs of stress and strain began to appear. Prices started moving upwards and the French external position worsened. In 1956 this already grey picture has been further

darkened by the effects of the February cold wave on French agricultural production and the consequences of the Algerian policy for the budget and the labor market. Production will probably continue its growth despite developing bottlenecks. It seems likely, however, that it will be outstripped by demand in the months ahead. Finance Minister Ramadier has said that in face of this situation he has had to veto many praiseworthy projects even in the politically popular field of social welfare. In this regard, in a recent speech before the French Senate he characterized himself as "Mr. Nyet". Thus it is unthinkable that in making up its 1957 budget the French Government would consider any increase in its NATO defense effort. Indeed, with the heavy Algerian burden and with talk in other NATO capitals of cutbacks in defense in the interests of economic and financial health, it is optimistic even to assume a continuation of the current level of effort.

6. At best, therefore, it can be anticipated only that the French 1957 defense budget for "ordinary" purposes<sup>5</sup> will be in the same range as the 1956 figure after the revisions now under Parliamentary debate—that is, approximately 1075 billion francs (\$3,070,000,000).<sup>6</sup> Furthermore, the likelihood is that availabilities will be about the same in 1958. Even if the Algerian burden should be eliminated by that time, about the most favorable assumption that could be made would be for the restoration of the 50 billion francs now being cut from the regular defense budget to help finance the North African effort. Such an adjustment would bring the French budget for NATO and regular non-NATO forces to 1125 billion francs (\$3,200,000,000). This represents about 6 percent of the projected French gross national product for 1958.

7. The estimate of annual operating costs for the total French forces planned for the end of 1958 (and assuming of course the disappearance by that time of the present distortions in the force structure caused by the Algerian problem) is 915 billion francs (\$2,600,000,000). This estimate includes about 35 billion francs (\$100 million) for am-

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<sup>5</sup> As contrasted to "extraordinary" purposes—namely, the current effort in Algeria and the remnant of the French forces in Indo-China. [Footnote in the source text.]

<sup>6</sup> The revised 1956 military budget is broken down as follows:

| "Ordinary" Defense        | (billions of francs) |
|---------------------------|----------------------|
| National Defense Ministry | 841                  |
| Overseas                  | 52                   |
| Other (pensions, etc.)    | <u>183</u>           |
| Sub-total                 | 1076                 |
| "Extraordinary" Defense   |                      |
| North Africa              | 296                  |
| Indo-China                | <u>18</u>            |
| Sub-total                 | 314                  |
| Total . . . . .           | 1390                 |

[Footnote in the source text.]

munition but makes no allowance for major matériel requirements or military construction. In the current year the French are budgeting about 220 billion francs (\$630 million) in such capital expenditures for other than "extraordinary" purposes (170 billion francs for procurement of matériel and 50 billion francs for infrastructure). This minimum figure, which, as a result of the current economy drive, is 12.5 percent below initial appropriations for military investment in 1956, is slightly greater than the difference between the projected maximum 1958 French defense budget and the estimated annual operating costs for end-of-1958 forces. Thus even the most optimistic assumption regarding financial availabilities for defense in 1958 implies the continuation in that year of a military investment program for both NATO and non-NATO forces no larger than the truncated 1956 effort. Under less optimistic assumptions regarding total financial availabilities, the size of this program would be even smaller.

#### *B. Future Aid Assumptions*

8. The Country Team sees no justification in the case of France for any defense support or direct forces support aid to help meet the local costs of the French defense program in FY 1957 or later years or for any U.S. aid which would be related to French economic development. It may therefore be stated that the projection of the French defense budget contained in Section A above assumes no U.S. aid in support thereof. It is assumed that the three major U.S. aid programs from prior fiscal years—namely, the FY 1954 Indo-China aid program, the FY 1954 \$85 million aid program for the French NATO forces, and the FY 1955 program in support of the French Expeditionary Corps in Indo-China—will be carried through to their conclusion, but this of course will have no influence on the size of the French defense effort during the programming period.

#### *C. Offshore Procurement*

9. The Country Team feels that it is no longer necessary or desirable to place OSP contracts in France for general political purposes. Instead, we believe that contracts should be granted only when the justification is lower costs or based upon military considerations. If, however, an OSP program for Europe is continued and orders are placed in various other countries for political reasons, then a political problem would be created in France which would require a reassessment of the above judgment.

*D. Comments on MAAG Submission*

10. The reference telegram requests comments on the MAAG submission, which will be used in the eventual development of FY 1957 and FY 1958 programs for France. As stated in the MAAG transmittal letter, the Country Team will be prepared at some future date to present its recommendations as to the amount of grant military aid that should be programmed for France under the FY 1957 appropriations and the FY 1958 budget estimates.

11. *Size of Program:* The gross requirements are placed at \$736 million, and net requirements (that is, less assets programmed but undelivered as of March 31, 1956) at \$408 million. Furthermore, this net requirement is subject to a possible increase by an unspecified amount to cover the provision to France of certain advanced weapons. At the same time a part of these total net requirements (including advanced weapons) may be met out of FY 1957 MDAP appropriations. Because of these unknowns, it is not possible to establish on the basis of the MAAG submission how large an additional appropriation would have to be requested for FY 1958 if it were to be determined that it was in U.S. interests to cover the estimated deficiencies in full.

12. *Distribution by Services:* The net requirements of \$408 million are distributed by services as follows:

|           | <i>Millions of Dollars</i> | <i>% of Total</i> |
|-----------|----------------------------|-------------------|
| Army      | 188                        | 46                |
| Navy      | 163                        | 40                |
| Air Force | 56                         | 14                |
| Total     | 408 <sup>7</sup>           | 100               |

13. *Priorities:* The estimates have been developed, however, by priorities as follows:

|      | <i>TOTAL</i>     | <i>Army</i><br><i>(millions of dollars)</i> | <i>Air Force</i> | <i>Navy</i> |
|------|------------------|---|------------------|-------------|
| I.   | 129              | 30  | 56               | 43          |
| II.  | 164              | 139   | 0                | 25          |
| III. | 0                | 0   | 0                | 0           |
| IV.  | 114              | 19  | 0                | 95          |
|      | 408 <sup>7</sup> | 188   | 56               | 163         |

The following table indicates the percentage of the total estimate for each service within the first, second and fourth priorities:

<sup>7</sup> Detail does not add to total because of rounding. [Footnote in the source text.]

|            |      | <i>(Percent)</i> |      |
|------------|------|------------------|------|
|            | Army | Air Force        | Navy |
| Priority I | 16   | 100              | 26   |
| " II       | 74   |                  | 15   |
| " IV       | 10   |                  | 58   |

14. *Main Items:* (a) Ammunition is the principal item in the program, accounting for \$174 million or 43% of the total. This is mainly to create a 90-day reserve for the French 14 NATO-committed army divisions (\$137 million). The ammunition deficiency was greatly increased as a result of the criteria by which excesses in ammunition of like calibre but different type could *not* be applied to offset deficiencies as had been the case in the programming exercises for previous years. In addition, the French withdrew \$19 million worth of ammunition from the list of ex-MDAP assets reported by them as available to cover NATO requirements.

(b) The next important item is ships and harbor craft, amounting to \$71 million or 17 percent. This requirement, exclusively for Priority IV vessels to meet NATO goals, is to replace craft determined by the French and confirmed by MAAG to be obsolete. These vessels were acquired mainly under lend-lease and by surrender terms, not under grant aid.

(c) Maritime aircraft amount to \$64 million or 16 percent. This item, distributed among first, second and fourth priorities, is to fulfill a requirement resulting from attrition of obsolete non-MDAP craft and increasing build-up to the NATO force goal of 84 such craft.

(d) Spare parts for Army and Air Force equipment total \$45 million or 11 percent.

(e) Electronics and communication equipment for all three services, but mainly Air Force, total \$28 million or 7 percent.

(f) Attrition-type aircraft total \$13 million or 3 percent.

15. French military operations in Algeria have had an incidence, but to date a limited one, upon the estimates. The withdrawal by the French of \$19 million of ex-MDAP ammunition referred to in subparagraph 14 (a) above, was doubtless attributable to North African requirements. In the case of the Army estimates recurring costs in attrition of end-items and spare parts support were increased because of Algerian operations in that the 25 percent annual reduction in recurring costs which would otherwise have been required was not made, and an equipment usage factor twice higher than formerly utilized was taken. Since the recurring costs estimate for the Army is \$30 million (\$28 million spare parts, \$2 million attrition), the total effect of North African operations on the estimates is about \$27 million only or 6.6 percent of the total. If hostilities continue over a prolonged period of time, the effect could become considerably

greater. In the view of the Country Team the fact that Algeria is an active theater of operations and the overriding importance which the French Government attaches to its efforts in this area fully justify, from a political point of view, the allowances made for this factor in the computation of deficiencies.

16. The MAAG estimates are based upon the assumption outlined in Section A above that France would not be likely for politico-economic reasons to increase its defense expenditures to meet these deficiencies. This assumption will be reviewed when the Country Team is asked to make specific recommendations with respect to the FY 1957 and FY 1958 military aid programs.

Douglas Dillon

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28. **Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, October 5, 1956—5 p.m.*

1629. Reference: Deptel 1265, October 4.<sup>2</sup> In view recent wave of anti-American sentiment in France over Suez,<sup>3</sup> I am afraid that rejection of French proposal at this particular time will be looked upon by French as being dictated as much by political as economic motives. It will be considered as further indication of Washington's preference for friendship of new Arab countries as opposed to her old European friends and allies, i.e., plenty of United States wheat under PL 480 for Tunisia but none for France. Situation will of course be even worse if we should decide send wheat to Yugoslavia.

As I read the various instructions on this problem, Washington is not concerned with French wheat and flour exports to Channel Islands and other sterling areas. The only other French export during the 1956–1957 season will be to Germany. Accordingly, French proposal is being rejected because of our objections to French-German trade agreement.<sup>4</sup> While I recognize that this agreement does some damage

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<sup>1</sup> Source: Department of State, Central Files, 411.5141/10-556. Confidential. Repeated to Bonn.

<sup>2</sup> In telegram 1265, the Department of State rejected French proposals to purchase wheat under P.L. 480 as long as France remained in the wheat export market. (*Ibid.*, 411.5141/10-856)

<sup>3</sup> On July 26, Egypt nationalized the Universal Suez Canal Company and seized its property. For documentation on the ensuing international crisis, see volume XVI.

<sup>4</sup> Reference is to the agreement signed August 5, 1955.

to our trade policy, I wonder if Department has taken full account of its political significance, not only in terms of Franco-German rapprochement but also of integration of Europe and Western orientation of Germany, as well as fact that United States Government never formally protested agreement in Bonn or Paris and that agreement arose out of German-French moves in 1955 towards agreement re Saar.

As I have reported, French can and will carry out their planned wheat exports to Germany regardless of what action we take. They will do it more for political than for economic reasons. While I recognize difficulty that this agreement gives US from trade policy point of view, I should like to repeat my view that it has significant long-term political advantages not only in creating generally closer economic relations between France and Germany, but also be giving Germany access to increased wheat supplies from the West, thus reducing somewhat tremendously important pull that Germany ultimately will feel towards agreements with Poland and Russia and a rapprochement to East. I would not like to see United States Government, primarily on basis of trade policy, take any action which might turn German thoughts and eyes increasingly towards wheatfields of East.

Aside from above political considerations, I assume that Department is also aware that rejection of French position on wheat at this time will probably have adverse effects on United States exports of other products to France, especially cotton.

In addition, I should like to remind Department that my support for this program is based upon proposal that franc sales proceeds would be used for projects in which United States has solid interest, i.e. (a) exports to third countries where we have grant aid programs, (b) construction of buildings and facilities for United States Forces and Government in France, and (c) joint United States-French development of manganese deposits in French Equatorial Africa.

In light of above, having in mind especially the unfortunate timing, which will inevitably link this action to Suez situation, I would appreciate if Department could once more review this problem before door is finally slammed on French proposal.<sup>5</sup>

Dillon

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<sup>5</sup> In telegram 1442 to Paris, October 19, the Department reiterated the U.S. Government position outlined in footnote 2 above. (Department of State, Central Files, 411.5141/10-1956)

**29. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, November 27, 1956—noon.*

2611. Luxembourg for Butterworth. Department pass ICA and Treasury. Ref: (a) Icato circ X-215, November 16. (b) Paris Embtel 2501, rptd 446 to London, November 20. (c) Paris Embdesp 847, November 20 (copy pouched London).<sup>2</sup>

*French economy prior to Suez*

During 1956 persistent inflationary pressures in France have been largely met by substantial increases in imports. Such imports have consisted not only of agricultural products to meet needs caused by crop failure in 1956, but also consumer goods and substantial amounts of raw materials and equipment needed by expanding domestic production. Rising wages, shortages of both skilled and unskilled workers, continuing budgetary deficits, an overvalued currency, and large-scale financial and manpower demands by the Algerian hostilities have continued during the year. Since last January, gold and hard currency reserves have already decreased from about \$2 billion to about \$1.3 billion.

Prior to Suez, govt officials recognized that policy of balancing internal disequilibrium by increased imports could only be extended during 1957 at risk of decrease of gold and dollar reserves to danger point. We believed in the absence of favorable developments that further curtailment of hard currency imports was likely by mid-1957.

*Post-Suez*

In reference (b), Embassy estimated that even assuming a 25 percent reduction in petroleum imports there would be an increased dollar cost of petroleum alone of between \$65 and \$100 million in six months. Press now reports govt estimates (apparently on same basis) of \$50 to \$100 million for six months and we have received a banker's informal estimate of \$100 to \$120 million for petroleum, plus \$70 million for coal for entire year. Given a change of origin and absolute reduction in petroleum imports, there might be some savings to France

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<sup>1</sup> Source: Department of State, Central Files, 851.00/11-2756. Confidential. Repeated to London, Bonn, The Hague, Rome, Brussels, and Luxembourg.

<sup>2</sup> Reference (a) has not been found in Department of State files. References (b) and (c) contain discussions of the impact of the disruption of Middle East crude oil supplies on the French balance of payments. (*Ibid.*, 840.04/11-2056 and 851.131/11-2056, respectively)

in sterling, but on other hand there might be some additional balance of payments requirements to cover increased freight costs of other bulk products from Southeast Asia, which formerly transported via Suez.

In summary, b/p effects on France would be substantial even if Suez and IPC pipeline fully operative by June 1. Continuation beyond that date would cause further serious complications, having in mind decline of reserves during past year and probability that a further decline would have been recorded in 1957 even without Suez complication.

#### *Domestic production*

There will be some decrease in production in automotive industry (and possibly some further complications because of overextended financial position of Simca) because of decreased demand. More important effects on production will, however, be in the steel, glass, ceramic, cement, transportation and bakery industries because of their dependence upon fuel oil. Martin Steel (one-third of French steel production) is largely dependent upon fuel oil and an overall decrease in steel production of about 9 percent can be anticipated by January. Given a reasonable distribution system, overall reduction in production of these industries should not be excessive in itself. There could, however, be chain reactions, for example, from transportation industry and from ceramic and glass industries affecting building industry, etc.

Drastic cutbacks in home heating, automobile use, electricity and railroads could save up to two million tons in six months without any substantial adverse effects on economy.

#### *Shortages*

Except for petroleum products, early significant important shortages are unlikely. There are adequate stocks of long-staple cotton imported from Egypt and also apparently of other commodities, such as jute, tin, zinc, rubber, etc. However, price increases reflecting increased freight charges can be expected.

#### *Agriculture*

There is likely to be difficulty transporting milk and livestock products this winter. Agricultural production is not likely to be seriously affected this calendar year. Spring sowing will make heavy demands upon fuel supplies during March and April which will require some special provisions if production is not to be reduced.

*Exports*

Aside from obvious but small loss of Near East markets and certain other special cases such as autos, France's exports do not appear alarmingly vulnerable. However, internal and external transportation difficulties could present technical problems and of course price increases could further price French exports out of world markets and complicate French position Common Market, liberalization, etc.

*Imports*

In addition to petroleum, increased coal and cotton imports, both from dollar sources, can be anticipated. Costs will increase because of increased freight costs and prices.

*General inflationary implications*

There will of course be certain deflationary influences. There will be some decrease of employment in automotive industry and possibly in some other industries, and there will be decrease in work week and take-home pay. In addition, certain plans for plant expansion will be terminated or reduced. These factors, however, would be likely to have their effect more significantly in long run while the problem, we believe, is primarily in short run.

The budget deficit will be increased, first through new expenditures for price subsidies, and second through losses in receipts because of failure to realize level of economic activity on which present estimates based. Ability of French Treasury to carry this increased load in period of economic disturbances is problematical, and direct recourse to Bank of France should not be excluded.

We feel, however, major impact price-wise will be caused by businesses faced possibly with cutbacks in production and higher prices for imported products at same time. This condition, together with shortages and general anticipation of higher prices, will, we feel, lead to a general tendency towards higher prices. Inasmuch as legal minimum wage and wage rates in many important agreements in France are linked to price index which, if only slightly increased, will precipitate a new round of wage negotiations and probable increases, this could set off a wage-price spiral.

As indicated above, there are certain developments which could have an important deflationary effect given an adequate time to take hold. However, we believe that abovementioned inflationary effects will become effective so rapidly that potentially deflationary influences will be submerged.

### Conclusion

Conditions described above could cause serious economic and social instability in France. There will probably exist some unemployment and reduced take-home pay at the very time that there will be shortages and increases of prices. Cloudy political and economic picture contributes immeasurably to the difficulty of handling these problems, and the longer the period of uncertainties is extended, the greater number of complications will develop. I should like therefore to urge once more that the United States Government do what is in its power today to remove uncertainties concerning coordination of supply and transport of oil to Europe. Conditions described above assume maximum coordination, and therefore a continuation of present uncertainties will further complicate and enlarge problem.

Even given effective action on the part of US Govt on oil, it is clear that France can only face these economic problems in the next few months by increased use its steadily decreasing foreign exchange reserves. Secondary effects will be an increase in governmental control of external and internal trade, together with increased disregard of GATT, OEEC and US trade objectives. Even more significant, however, would be likelihood of a decreased and less effective role for France within the NATO Alliance.

Dillon

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### 30. Telegram From the Embassy in France to the Department of State<sup>1</sup>

Paris, November 28, 1956—7 p.m.

2649. In order to explain and assess significance of alarming reports on state of French opinion which we have been submitting recently,<sup>2</sup> we should like to summarize certain basic elements which condition French governmental and public psychology at this time.

As Department is fully aware, French state of mind has been abnormal since 1940. It is not easy for population, particularly political and intellectual leaders, of nation which has for centuries been one of world's great powers, to adjust themselves to fact that their interna-

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<sup>1</sup> Source: Department of State, Central Files, 751.00/11-2856. Secret. Repeated to USUN and London.

<sup>2</sup> Documentation on the wave of anti-American feeling which swept France during the Suez crisis is *ibid.*, 751.00 and 611.51.

tional position must henceforth be second or third rank. Series of defeats and humiliations experienced since 1940, often aggravated by failure to adjust in time to facts of life, have bitten deeply into French pride.

Nationalization of Suez Canal, following prolonged campaign by Nasser to foment opposition to France in North Africa, was last straw. This action produced extreme psychological tension throughout France, explosive character of which was not fully understood in US or elsewhere.

Some violent release became necessary and, since no other effective means of dealing with Nasser was found, military action was almost inevitable. Whether it was reasonable or wise had little pertinence.

Immediate effect of Egypt invasion on French opinion was substantially to release tension, to unite country behind government, and to create monetary [*momentary*] illusion that old position of France had been restored. Enforced cease-fire and subsequent developments have dissipated that illusion and revived in even more extreme form feelings of frustration, humiliation and rage which existed before. It is not only recognized that French position in Middle East is gone but believed that Soviets are now irretrievably established in that area and their incursion into French North Africa imminent.

Favorite scapegoats for this situation are UN and US. Former, now that its membership has been extended, is considered to be loose conglomeration of nations, radically unequal in size, political aptitude and sense of responsibility, incapable of constructive action. French withdrawal from UN is being very seriously discussed. Attitude toward US is ambivalent in that there remains keen desire to cooperate with us as in past, but [we?] seemed in past three week to have gone out of our way to humiliate them and have, in pursuit of popularity with Afro-Asian states, grossly underestimated Soviet threat to Near East and abandoned our oldest and staunchest allies. Actions which have most contributed to this anti-US feeling are: 1) failure to take rapid action to help meet European oil crisis, which is believed to be economic sanction directed against France and Britain; 2) association with Afro-Asian bloc in insisting upon troop withdrawal before any satisfactory commitments from Nasser have been obtained; 3) refusal to hold high-level tripartite meeting and to work out joint policies for dealing with Near Eastern situation, which in French view affects their security even more than ours.

We report these attitudes in full realization that many of alleged causes are without foundation, others are distorted, and still others stem from tactics we have been obliged to adopt because of Franco-British recklessness. We should like to emphasize most earnestly, however, that these attitudes exist, that they are most deeply felt, and

that, if we ignore or minimize them, they are likely sooner or later to burst out in further demonstrations of frustration and recklessness, which could be even more damaging to Western unity and security than was invasion of Egypt.

We realize that French politicians in past have often indulged in much loose talk about fragility of Atlantic alliance, that in many cases they were primarily trying to frighten us, and that from logical point of view alliance is much more essential to France than to US. Unfortunately, as explained above, French people and particularly their leaders are not at present in logical frame of mind and present anti-NATO talk seriously concerns us. French are in state bordering on traumatic shock. If exposed to substantial number further "humiliations" over coming months, they are capable of quitting UN and NATO and retiring into neutralistic isolation from which they would hope to make separate deals with Soviets. This would probably not be true of present government but it might well be of rightwing successor which could emerge, either with or more likely without parliamentary basis, if current attitudes are allowed to spread and deepen.

It is in this supercharged atmosphere that, despite our full recognition of corresponding psychological problems with which Department must cope in Near East, we have recommended earliest possible return to policy of collaboration with French in meeting most urgent political and economic problems. Should we do so in generous spirit, drawing curtain over past and concentrating on future, we feel that rapidly growing anti-Americanism could still be halted without permanent damage to Western alliance. Should we not do so, we may well be confronted in few months with a French Government whose potential for damage to Western security would be infinitely greater than that of Nasser.

Dillon

31. Memorandum From the Deputy Assistant Secretary of State for European Affairs (Elbrick) to the Secretary of State<sup>1</sup>

Washington, December 31, 1956.

SUBJECT

French Problems and U.S. Policy—First Six Months of 1957

The Paris Embassy has submitted an excellent despatch, enclosed herewith (Tab A),<sup>2</sup> which sets forth concisely the major problems that will confront France during the next six months. It also suggests the possible U.S. courses of action in the face of each of these issues. A summary outline follows:

*Summary of Despatch*

A. French Problems:

1. Algeria remains France's primary problem. Despite discouragement over the continuation of the rebellion, the French are still determined to hold on. 2. French disillusionment with the UN continues and will markedly increase if a hostile resolution is passed on the Algerian item.<sup>3</sup> 3. French relations with Morocco and Tunisia are passing through a critical phase owing to Algeria. France will accordingly be unduly sensitive to any indications that the U.S. may intend to replace French influence in these countries. 4. The French have not yet comprehended the degree to which they have destroyed their credit in the Near East and will thus endeavor to continue to play a role, particularly in the Suez settlement. 5. The French will persist in seeking a tripartite summit meeting both for prestige purposes and in order to influence the formulation of Western policy in the Near East and in Eastern Europe. 6. Continued oil shortages will probably have serious economic and political repercussions. 7. The extent and degree of the latter will have a direct bearing on the prospects for French approval of EURATOM and the Common Market. 8. The Mollet Government probably will not survive the trials of the next six months.

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<sup>1</sup> Source: Department of State, Central Files, 611.51/12-3156. Secret. Drafted by Matthew J. Looram, Jr., of the Office of Western European Affairs, and transmitted to the Secretary through Murphy.

<sup>2</sup> Despatch 981, December 10, not printed. (*Ibid.*, 611.51/12-1056)

<sup>3</sup> On November 15, the U.N. General Assembly decided to include Algeria on its agenda for the next session, and the topic was considered in February 1957; for documentation, see vol. XVIII, pp. 261 ff.

Should the foregoing problems be seriously aggravated, a successor government with strongly nationalistic and neutralist tendencies could well emerge.

*B. Suggested U.S. Policies:*

1. U.S. should support the French position on Algeria in the UN, at the same time urging the French to publicize and implement Mallet's relatively liberal policy. 2. Such U.S. support will be an important factor influencing France's future attitude towards the UN. 3. Until and unless an understanding between France and Morocco and Tunisia proves impossible, we should urge the parties to reach such an understanding and make clear that the U.S. aid program is intended to supplement, not replace, French aid (which is in our interest for France to continue to provide). 4. We should in some degree, at least, consult with the French in planning and implementing a Near Eastern settlement. 5. A summit meeting with the French and British in the near future would have a beneficial effect. 6. We should continue our efforts to restore the flow of oil to Europe and if the need should arise, provide France with emergency grant aid of moderate and indispensable amounts. 7. Continue discreet and indirect encouragement of EURATOM and Common Market. 8. By helping France to face and resolve these problems, the U.S. can thereby influence the course and results of the next political crisis.

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**32. Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, January 10, 1957—6 p.m.*

3363. I called on General de Gaulle in his office at the rue Solferino and talked with him for about a half hour. Talk ranged over gamut of world affairs and I found de Gaulle courteous as usual, but distinctly in better spirits than I had seen him before.

He was pessimistic about the Arab world, and in particular, about North Africa. He felt that events had gone too far in North Africa to be reversed and that it was now impossible to predict what the eventual result would be. However, he felt that whatever it was it would not be friendly to the West. He feels that basically Arabs make little or no distinction between various Western nations, including the U.S., and

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<sup>1</sup> Source: Department of State, Central Files, 651.00/1-1057. Confidential.

consider all of them as Christians, and therefore people with whom it is impossible to be really friendly. He does not feel that Middle East has any desire at present to turn to Soviet Union or to Communists. He thinks medium term future in Middle East will be a period in which Arab nations trade off U.S. against Soviet Union, accepting assistance and aid from either side without compunction. He pointed out that Arabs are very competent at this game and had played it with success for many years between England and France. All that is changed now is that England and France have been replaced by Soviet Union and U.S.

De Gaulle felt that loss of Middle East and prospective loss of North Africa to Occident had greatly weakened the Western position, but said that fortunately, and he emphasized his view that it was pure luck, the Soviet empire had begun to crack up at the same time. He said the difficulties within the Soviet bloc were enormous and he felt that to all intents and purposes Soviet Communism had lost its crusading ideological drive and no longer had any real attraction to the masses in the world. He felt it would be impossible for Soviets to ever regain their previous ideological strength. He felt that the Communist regime in Russia would probably continue but it would become more and more merely a regime of bourgeois functionaries.

When I queried him about the future of France he said it was obvious that the present regime would fairly shortly run into serious difficulties. He felt, however, that this would lead to no change as he was certain that whenever a change in regime appeared likely which would give France a strong government the U.S. would step in with substantial financial aid in order to preserve the present weak regime. He said it was natural for strong countries to prefer that other countries should be relatively weak and easy to handle. That was certainly the case with the present French regime as far as the U.S. was concerned. Therefore, he found it perfectly natural that the U.S. would act to preserve the present regime in France. He said the regime was only in power now because the U.S. had saved it at the time of the Marshall Plan and said we would undoubtedly do the same thing again.

When I protested that U.S. had no desire to see a weak France, he brushed my protests aside and said maybe the desire was not a conscious one but it was a natural instinct and he was sure that it would govern American policy in the future as in the past. He said, however, that he was not certain that the U.S. would be successful in its efforts to preserve the present weak regime in France. He seemed to think difficulties for the regime would come primarily from financial problems rather than from Algeria. He said that while Algeria was a highly emotional problem it did not directly affect the lives of the Frenchmen in the Metropole and, therefore, the fate of Algeria was not apt to bring about mass action in France. He said regimes do not vote them-

selves out of existence and therefore nothing could be expected from the present French Assembly, and that mass action was not likely until or unless the people of France in a great majority felt that life was hard and difficult, which was certainly not the case now.

I then asked de Gaulle what his opinion was about negotiations now going on in Brussels for Euratom and the Common Market. He did not reply regarding Euratom but said he thought the Common Market would never actually come to pass. He said a great step such as that required strong governments and the present European governments were weak and incapable of taking the necessary actions. He said it was perfectly possible that treaties would be signed and even that they would be ratified and put into effect, but he felt certain they would never actually work and when the time came for hard decisions under the treaty, action would be indefinitely postponed for one reason or another.

As I was getting ready to leave, thinking the conversation had come to an end, de Gaulle said "I have heard rumors that you are going back to Washington<sup>2</sup> and if that is true do not forget China". He went on to say that in his view China poses undoubtedly by far the greatest problem in the world today. He feels certain that the Chinese will obtain great power and strength in the coming years, maybe in 25, more likely not for 50 years, but he said 50 years is a very short time in the history of the world. He said he does not believe that the Chinese are really Communists at heart—that they are first of all Chinese. He feels it is very important that the West, and particularly the leading power in the West, the U.S., should reestablish contact with China. He said we should remember that it was contact with the West that had led to the recent difficulties in the Soviet bloc. The Soviets had been unable to bar all contacts and eventually the feeling of liberty had seeped through and caused the present situation, which he was sure was difficult even in Russia itself.

De Gaulle then said he wished to say a few words about his views on the U.S. He said he felt the U.S. was clearly the most powerful country in the free world now, and therefore was faced with making decisions all over the world, a situation which had never been faced before by the American people. He said that in the face of this new situation it was natural that the U.S. should make mistakes, which he felt they had made. However, he felt that by no means all the actions of the U.S. had been mistakes, and in sum he felt that it was a great blessing to the world that the U.S. existed today as it does. He said he

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<sup>2</sup> Dillon became Deputy Under Secretary of State for Economic Affairs on March 15, 1957.

hoped that the American people would understand his overall friendship for the U.S. even when he might be severely criticising some individual American policy which he felt to be an error.

Interview was noteworthy because de Gaulle made only very passing reference to the fact that he was no longer a political figure, and talked very freely about the possibility of a change of regime in France which he clearly indicated meant an authoritarian non-Communist one. He is obviously seeing many people and has appointments at half hour intervals. As I arrived present French Minister to Hungary was just leaving and as I left a retired Army General, whose name I did not catch, was waiting to see de Gaulle.

Dillon

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**33. Editorial Note**

Between 3 and 5 p.m. on January 11, Secretary of State Dulles and Foreign Minister Pineau met in the Secretary's office. The memorandum of their conversation on Algeria is printed in volume XVIII, page 258, that on their Middle East discussion in volume XVII, page 21, that on disarmament and European security in volume XX, page 448, and that on their Common Market discussion in volume IV, page 502.

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**34. Memorandum of a Conversation Between the Secretary of State and the French Ambassador (Alphand), Department of State, Washington, January 22, 1957<sup>1</sup>**

**SUBJECT**

French Economic Difficulties Arising from Suez Crisis

Ambassador Alphand referred to a recent conversation between Ambassador Dillon and Ramadier in Paris regarding French economic

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<sup>1</sup> Source: Department of State, Central Files, 851.00/1-2257. Confidential. Drafted by Elbrick.

difficulties arising from the Suez crisis.<sup>2</sup> He said that French gold reserves had dropped \$600 million in the last year and are expected to decline another \$300 million by this summer. The Ambassador referred particularly to Vice President Nixon's speech of December 6 in which he described the Vice President as indicating that the United States was ready to help its friends in the present critical economic condition in which they find themselves in Europe.<sup>3</sup> He said that he did not feel that the French government would require aid which would call for Congressional action since France's difficulties were temporary. His government was thinking rather in terms of Exim Bank loans, increased PL 480 sales and other possible means of economic support. The Ambassador said that he hoped that the State Department could assist the Embassy in determining the best manner of proceeding in this case. He handed the Secretary a memorandum explaining the present French situation.<sup>4</sup>

The Secretary said he thought that the Export Import Bank would provide the most suitable means of offering support to France and he referred particularly to recent Export Import Bank loans made to the United Kingdom for which the latter had put up collateral. The Ambassador said that the French Government was interested in lines of credit to cover specific imports from the US and while he realized it was not US policy to make Export Import Bank loans for the purchase of consumable goods, he believed that there was no regulation which would prevent extension of such credits. The Secretary said that Secretary Humphrey had informed him it was not US policy to offer credits for the purchase of immediately consumable items. The Bank could consider credit for such durable articles as planes, which he understood the French airlines were desirous of purchasing. Alphand said the main need is for raw materials and that the planes required by Air France make up a small part of the total needs. He emphasized the fact that the problem is not immediate but that the French Government is trying to look ahead. He said that he hoped that France could count on the State Department's help.

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<sup>2</sup> A report of this conversation was transmitted to the Department of State in telegram 3401 from Paris, January 14. (*Ibid.*, 851.10/1-1457)

<sup>3</sup> For text of Nixon's address at the National Automobile Show dinner of the Automobile Manufacturers Association in New York, December 6, 1956, see Department of State *Bulletin*, December 17, 1956, pp. 943-948. The Department learned, in telegram 3256 from Paris, January 4, that Alphand had reported that he had had a conversation with Nixon in December during which the Vice President had intimated that the United States would give substantial economic aid to France. (Department of State, Central Files, 751.5-MSP/1-457) In telegram 3523 from Paris, January 22, Dillon noted that Alphand had overemphasized Nixon's remarks. (*Ibid.*, 751.5-MSP/1-2257)

<sup>4</sup> The aide-mémoire, January 22, is *ibid.*, 851.00/1-2257.

The Secretary said that he felt that the French Government should send financial and economic people to Washington to talk to the officials of the Export Import Bank and present a detailed program. The Department of State would be glad to help in any way it can and has no objection on political grounds to the extension of Export Import Bank credits. Such credits, however, must be justified primarily on financial and economic grounds. As for the Vice President's speech of last month the Secretary said that the French Government should not take that speech too literally. He felt that it was not practicable to request economic aid from the Congress at present and he repeated that he thought the most likely approach lay in possible arrangements with the Export Import Bank. He saw little if any possibility of extending surplus commodity sales under the PL 480 program and in reply to a suggestion by the Ambassador he said that France could expect very little relief in the form of additional offshore procurement. The Secretary said that the Department would be glad to give advice in this matter and to state that it saw no political objection to a loan but that the Department did not wish to bring political pressure on the Bank for this purpose.

The Ambassador said that he would recommend to his government that a thorough study of France's economic problems be made and that technical experts be sent to the United States to discuss them with the appropriate authorities in Washington.

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**35.      Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, January 28, 1957—1 p.m.*

3624. Pass Treasury and ICA. Reference: Embassy telegram 3401.<sup>2</sup> While economic situation very different, political reasons for aid to France are equally as valid as those in case of Britain. If U.S. refuses all assistance to France after prompt and generous help to Britain, effect on public opinion here bound to be very drastic. In view of U.S. statements prior to closing of Canal that we stood ready to help

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/1-2857. Confidential.

<sup>2</sup> Telegram 3401, January 14, described a January 14 conversation between Dillon and Pineau on France's financial position. (*Ibid.*, 851.10/1-1457)

shoulder extra dollar costs of oil through Exim Bank loans,<sup>3</sup> and in view of loan for this purpose to Britain, French opinion certainly entitled expect similar assistance. Technical economic reasons for differentiating between France and England will not be understood here except in technical circles. For these political reasons I feel it imperative to make available some economic aid to France at this time to show that U.S. Government is willing to share burden of Suez crisis.

While loan for extra dollar costs of petroleum and coal would be best understood by French public, I understand from Tuthill who has just returned from Washington that there are serious objections to this kind of loan in the case of France.

If such a loan not feasible, a useful alternative would be Exim Bank loan to cover cost new American equipment being purchased by Air France. I understand payments due on this account will amount to approximately \$40 million in Calendar Year 57 and to overall total of \$75 to \$100 million over next three years.

I also understand that this type of loan would be more acceptable to Exim Bank and Treasury than petroleum loan, and from business point of view it obviously a much sounder type of loan to make. There are probably other items of major capital equipment that could be similarly financed.

My recommendation therefore is that if petroleum loan out of question, Exim Bank make capital equipment loan of \$100 million to cover aviation equipment and such other capital items as required to reach \$100 million figure. I feel that loan of this size is required to impress public and avoid unfavorable reaction. Loan would of course not have to be disbursed entirely during Calendar Year 57. To obtain maximum political advantage I hope that action can be expedited and favorable announcement of some sort made by mid-February at latest.<sup>4</sup>

Dillon

<sup>3</sup> For text of Secretary Dulles' remarks on this question at his news conference on September 13, 1956, see Department of State *Bulletin*, September 24, 1956, p. 478. Further documentation on this subject is in Department of State, Central File 974.7301.

<sup>4</sup> In telegram 3625 from Paris, January 28, Dillon urged that the decision on aid to France be taken before Prime Minister Mollet visited Washington, February 25-28. (*Ibid.*, 751.5-MSP/1-2857)

36. **Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, February 11, 1957—8 p.m.*

4017. Pass Defense, ICA and Treasury. Reference Embtels 3875<sup>2</sup> and 3969.<sup>3</sup> In view publicity which has been given to French request for new OSP contracts and continued overoptimism French ministers on this score, unwarranted hopes are being raised among French public and parliamentarians. Moreover these hopes are likely to provide excuse in some quarters for existing long overdue economies. It seems particularly important that false hopes not be engendered just before Mollet visit in such way as subsequently to create impression in France that visit, which did not result in massive aid and OSP programs, had failed.

I therefore propose, if Department perceives no objection, to see Defense Minister when he returns from his present inspection trip in Algeria and warn him frankly that, while appropriate United States agencies will of course give careful study to his requests, current status OSP program and appropriations would clearly make impossible granting at this time more than very small fraction contracts he desires. I would propose moreover to point out to him that, as MAAG will have already indicated in presenting to Def Ministry tomorrow tentative allocation of new weapons in FY 57 MA program, grant aid of character and volume he requests is most unlikely, emphasizing particularly, as has been done repeatedly before, that United States intention is to concentrate future aid primarily on new weapons and to rely on NATO partners increasingly to assume responsibility for supplying themselves with conventional weapon and spare parts therefor.

Purpose our action would be, as indicated above, to dampen exaggerated hopes and thereby to encourage French to proceed promptly with required drastic economies. We should not wish, however, by this preliminary step in any way to prejudge possible real French need for aid in future. While magnitude of present request is obviously unrealistic in relation to United States aid programs, and timing is indicative of attempt to avoid facing up to domestic problems, fact nevertheless may be that during course current calendar year French may need considerably more military and economic aid than United States now envisages or Embassy at present recommends.

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/2-1157. Confidential.

<sup>2</sup> Telegram 3875, February 6, reported that on February 5 French Defense Minister Bourgès-Maunoury had submitted a letter describing specific types of military assistance required by France. (*Ibid.*, 751.5-MSP/2-657)

<sup>3</sup> Telegram 3969, February 8, transmitted the text of an article in the French press entitled "New U.S. Aid Program for France Under Study." (*Ibid.*, 751.5-MSP/2-857)

On military side (1) much of conventional equipment is becoming or has become obsolete, and (2) Algerian campaign is using up considerable matériel; replacement both these elements is probably beyond French capabilities realistically viewed. On economic side, Department is well aware of grave budgetary and foreign exchange problems which are becoming more rather than less acute. We might therefore eventually find that in absence supplementary United States aid we would be confronted by (1) steady deterioration in present conventional equipment French forces and (2) serious economic-political crisis, which French even with display much greater resolution than at present would not be able wholly to meet alone.

Fuller appreciation these possibilities will be submitted as situation develops. At moment we merely wish indicate our present negative recommendation concerning substantial new aid to France might no longer be valid some months hence.

**Yost**

### 37. Telegram From the Embassy in France to the Department of State<sup>1</sup>

*Paris, February 19, 1957—8 p.m.*

4222. Re Deptel 3168.<sup>2</sup> Re last para, comments at end our 4101<sup>3</sup> do not reflect any change in recommendation our 4017.<sup>4</sup> To recapitulate:

1. Only US military or economic aid, other than that already programmed or tentatively programmed, which we recommend be granted at present time is Exim Bank loan of about \$100 million to finance purchase commercial aircraft and possibly other capital equip-

<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/2-1957. Secret.

<sup>2</sup> The final paragraph of telegram 3168 to Paris, February 15, asked whether the comments at the end of telegram 4101 (see footnote 3 below) reflected a change in Dillon's recommendation contained in telegram 4017 from Paris (*supra*). (Department of State, Central Files, 751.5-MSP/2-1457)

<sup>3</sup> The final paragraph of telegram 4101 from Paris, February 14, reads:

"Comment: It would appear that (1) despite his insistence to contrary Minister had nourished some illusion large-scale new US aid might be forthcoming, and (2) immediate occasion for Feb 5 requests was economy pressure from Finance Ministry, but serious military problem, beyond French capacity to meet alone, is likely to arise from increasing attrition and obsolescence conventional equipment." (*Ibid.*)

<sup>4</sup> *Supra.*

ment. We feel that extension other new economic aid at this moment would be likely to provide excuse to French Govt for avoiding urgently required economy measures.

2. On other hand, we strongly urge Washington agencies keep in mind that developments in France before end Calendar 1957 may confront us with necessity decide whether granting additional US economic and military aid essential to our political and military objectives in Europe generally and France in particular.

3. Since early 1956 France has relieved inflationary pressures primarily by substantial increase of imports. Gold and dollar reserves in 1956 reduced from \$2.0 to \$1.2 billion. Increase in imports represented primarily energy, raw materials and equipment required by expanding industrial production. We doubt if French Govt will be able in near future to reduce expenditures and thus internal inflationary pressures by making difficult political decisions re Algeria, overseas territories, defense, social programs and internal investments. Thus interdependent internal and external disequilibriums may create extremely serious problem for France before close 1957. Major constructive prospect French economic scene would be inauguration Common Market. Final decisions on Common Market unfortunately may occur at same time as intensification economic problems. If this should occur, and if US aid might increase prospects of inauguration of workable Common Market, plus possibly some other constructive French self-help actions, then it might be in US interest at some later date to agree some form increased economic aid over and above that outlined para 1, above.

4. As Emb has reported France not only needs modern weapons but in addition conventional equipment of French forces is suffering from attrition and obsolescence. We recommend this situation be kept in mind during consideration FY 58 Mutual Security Program and portion to be devoted to aid for France.

Yost

**38. Editorial Note**

Prime Minister Mollet was invited by Ambassador Dillon on January 22 to pay an official visit to the United States, February 26-28. He immediately accepted the invitation. (Telegram 3521 from Paris, January 22; Department of State, Central Files, 033.5111/1-2257) He was accompanied to the United States by Foreign Minister Pineau. Briefing papers and other papers relating to this visit are *ibid.*, 033.5111, and *ibid.*, Conference Files: Lot 62 D 181, CF 833A. Secretary Dulles' memorandum for the President regarding the visit is printed *infra*.

On February 26, President Eisenhower met privately with Mollet from 10:30 to 11:38 a.m. There is no record of this conversation. During the same period, Secretary Dulles was meeting with Pineau. A memorandum of their conversation is printed in volume XVII, pages 285-289. At 11:38, the President and Prime Minister were joined by Dulles and Pineau, by Ambassador Alphand; Louis Joxe, Secretary General of the Foreign Ministry; Herman Phleger; William Rountree; and Colonel Vernon A. Walters. There is no record of this conversation which continued until 12:02 p.m. At 1 p.m. the President gave a luncheon in Prime Minister Mollet's honor. (Eisenhower Library, President's Appointment Book) The memorandum of the conversation between the United States and French Delegations, which began at 2:30 p.m., and Secretary Dulles' brief memorandum of his conversation with Prime Minister Mollet at dinner on February 26 are printed as Documents 40 and 41.

Secretary Dulles and Foreign Minister Pineau met at the Department of State on February 27 from 10 to 11:15 a.m. Memoranda of their conversations on European defense (standardization in NATO) and the Suez Canal question are in Department of State, Conference Files: Lot 62 D 181, CF 833A.

At 11:15 a.m., President Eisenhower and Prime Minister Mollet and their advisers met in the Cabinet Room of the White House and made minor changes in the communiqué which was to be issued on February 28. A memorandum of this conversation is *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199. After this meeting, the President and Prime Minister met privately in the President's office for 15 minutes. There is no record of their discussion. (Eisenhower Library, President's Appointment Book)

Dulles and Pineau met again at 4 p.m. on February 27 at the Department of State. A memorandum of their conversation on the question of an Israeli withdrawal from Gaza is printed in volume XVII, page 305.

The President, Dulles, Mollet, and Pineau had a final conversation from 9:30 to 9:45 a.m. on February 28 at the White House. No record was kept of the topics discussed. (Eisenhower Library, President's Appointment Book)

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### 39. Memorandum From the Secretary of State to the President<sup>1</sup>

Washington, February 23, 1957.

SUBJECT

Visit of French Prime Minister Guy Mollet

I believe that our primary objective in French Prime Minister Mollet's visit here is psychological—to create an atmosphere both in private and in public which indicates the restoration of normal and friendly relations between France and the United States, without reviving the "Big Three" concept. It will not be possible or necessary to come to an agreement with Mollet on all the matters that will be discussed or to make an attempt to align or coordinate our policies in all areas of the world. It is hoped, however, that there might be an overall understanding on major world issues and an appreciation and comprehension on the part of the French as to our policies and aims on certain specific issues outside Europe which are of interest to the French.

Most of the subjects which Mollet has proposed for the agenda, which is enclosed,<sup>2</sup> are broad and general in scope. What he apparently wants principally is a frank exchange of views on world issues and thereby, a greater understanding between France and the United States. In his first conversation with you alone on Tuesday morning, February 26, Mollet may review the background and circumstances of the French military intervention in Suez. We have been informed in this connection that Mollet was very disappointed that it did not prove

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Secret. Drafted by Dulles.

<sup>2</sup> Not printed. Mollet suggested discussions on: I. *European Problems*: Common Market, EURATOM, European Defense—NATO; II. *Eurafrica*: Inter-relationship of Europe and Africa; III. *Communism (East-West Relations)*: The common approach which the Western Powers should follow with regard to Communism in Europe, the Middle East, etc.; IV. *Policy with Regard to Less Developed Territories*: Attitude of the Free World Powers toward Less Developed Territories, French Policy and its overseas territories; V. *The Status of the Suez Canal*; and VI. *Israeli-Arab Relations*.

feasible for Eden and himself to visit you here immediately following the cessation of this operation. Apart from this matter, I do not believe that it is his intention to get into contentious issues.

As a confirmed Socialist, Mollet probably has doubts personally as to the long-term value of American capitalism, at least as applied to other areas of the world, but he is basically sound on East-West issues, strongly pro-NATO, a vigorous advocate of European unity and has always been pro-American. The Mollet Government has been in office for more than a year, a long period in French politics, and he will probably soon be faced with increasing opposition in Parliament. However, even if he is overthrown, Mollet as the leader of the strongest non-Communist party in France can be expected to continue to exercise a strong influence on the French political scene.

On the majority of topics on the agenda—European problems, "Eurafrica", Communism, policies with regard to less-developed areas—Mollet will probably do most of the talking, particularly with regard to recent progress made on EURATOM and the Common Market. His views are expected to be generally in consonance with our own. With regard to the British proposal to reduce UK NATO forces in Germany, you may wish to stress the importance you attach to the maintenance of effective and sufficient "shield" forces. It might also be appropriate to refer to the fact that we are programming dual-purpose weapons for our NATO allies and hope to announce shortly in NATO that we will initiate training in the use of these weapons. It is planned that the French forces would be singled out on a high priority basis for a training project (nuclear weapons delivery training for selected French fighter-bomber units).

The French concept of "Eurafrica", a close inter-relationship and inter-dependence of Western Europe and Africa, is an ambitious but meritorious idea, which may be a device for transferring the present colonial relationship into a partnership on more equal terms. The possibilities of its concrete realization are impossible to predict at this time and would in any event seem considerably far off. The French are now contributing to the political, social and economic progress of their "Black African" territories. However, the Algerian conflict, unless soon resolved, will pose a serious obstacle to this scheme, insofar as North Africa is concerned. While encouraging a forward-looking policy by the Europeans towards Africa, we should not, I think, make any commitments as to U.S. participation or association in such a program.

U.S. assistance in the UN debate on Algeria contributed to the approval of a moderate resolution which had French concurrence.<sup>3</sup> It

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<sup>3</sup> Reference is to U.N. General Assembly Resolution 1012 (XI) on Algeria, February 15, 1957.

would be interesting to know how Mollet now envisages the carrying out of his program for resolving the Algerian conflict.

The specific points Mollet wishes to raise, i.e.: the status of the Suez Canal and Israeli-Arab relations, will probably be discussed in the first instance by Pineau with me. The course of these discussions will naturally depend on last minute developments. The French will continue to stress the desirability of some intermediary favorably disposed toward the users which can exercise a determining influence on the operation of the Canal. They will also emphasize the need for a long-term settlement guaranteeing Israeli security.

While there are no specific issues outside the context of the general discussions which, I feel, should be raised on your own initiative with Mollet, it may be feasible during the talks to finalize plans for President Coty's visit to the United States next June. We are tentatively planning on his coming to Washington June 3, 4 and 5.<sup>4</sup>

Finally, it is always possible that Mollet may allude privately to the French balance of payments difficulties which may become acute in the course of this year. The French may shortly submit an application for Export-Import Bank financing of civil aircraft. It is probable, however, that such would provide only marginal relief. The principal problem for the French is to cut back imports without harming their economy or undermining their present policies in support of NATO and the Common Market. Moreover, even if austerity measures are taken, they may not suffice to meet the situation; and yet, there is not likely to be much disposition in any event on the part of the Congress now or later to provide financial assistance to France.

Submitted herewith is the proposed schedule of events for the Mollet visit.<sup>5</sup>

JFD

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<sup>4</sup> Documentation on President Coty's proposed visit is in Department of State, Central File 751.11. As a result of the defeat of Prime Minister Mollet's government on a vote of confidence in the French National Assembly on May 21, Coty cancelled the visit.

<sup>5</sup> Not printed.

**40. Memorandum of a Conversation, Cabinet Room, White House, Washington, February 26, 1957, 2:30 p.m.<sup>1</sup>**

**PRESENT**

(U.S.)—The President of the United States

Secretary of State Dulles

Under Secretary of State Herter

Hon. C. Burke Elbrick, Assistant Secretary of State for European Affairs

Ambassador C. Douglas Dillon

Ambassador Amory Houghton

Mr. James Hagerty

General A. Goodpaster

Lt. Colonel Vernon A. Walters

(France)—Premier Guy Mollet

Foreign Minister Christian Pineau

Ambassador Herve Alphand

Ambassador Louis Joxe

M. Pierre Baraduc

M. Jean Daridan

M. Emile Noel

M. Paul Parpail

The President opened the meeting by asking whether, apart from the United Nations questions, there were any other thoughts the French wished to bring up concerning NATO, North Africa or any other matters of general interest.

Mr. Mollet said that he had discussed the European problem<sup>2</sup> and that there were other matters, such as the common market, Eurafrica and others.

Mr. Pineau then said that while the nations taking part in the common market were members of the OEEC, there would, of course, be more limitations for OEEC countries not participating in the common market. Mr. Pineau said that the common market had been decided upon by the six nations and would include all their economic, industrial and agricultural activities. In a recent conference of Prime Ministers and Foreign Ministers of the six countries participating,<sup>3</sup> it had been decided to include their overseas territories as well. This referred to Belgium, Holland, Italy and France. They had moved far towards the common market and had agreed to create a common investment fund financed by the six countries for overseas investment.

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Walters. For a memorandum of the portion of conversation on European integration, see vol. IV, p. 529.

<sup>2</sup> Reference is presumably to Mollet's private conversation with President Eisenhower that morning; see Document 38.

<sup>3</sup> Representatives of the Federal Republic of Germany, France, Italy, Belgium, Luxembourg, and the Netherlands met in Paris, February 18-20.

He wishes to emphasize that this would in no way limit or preclude private investment. General agreement had been reached on all of the problems of the common market and a period of adaptation had been chosen which was quite long because of the grave problems which the common market would create for the economies of all six countries. This period ran up to 15 years for the full implementation of the common market as it was now conceived.

Mr. Pineau said Great Britain was still interested in the discussions and had proposed some months ago in the OEEC that a free exchange area be set up for trade between the six nations and Great Britain. The reason why the British were proposing the free exchange area (and this was an important element), was because they could not give their outright adherence to it (common market) for two reasons: they could not agree to the introduction of agricultural products into the free exchange area because of the bilateral arrangements which they have with Commonwealth countries; outside tariffs were a problem which would have to be worked out, particularly with relation to those applying to Great Britain as her relationship with the Commonwealth was quite different from that of the six nations with their overseas territories, and it was for this reason that they could not accept entrance into the common market.

Technical problems set aside, there were two fundamental differences and for this reason it was necessary to set up two different organizations—the common market and the free exchange area. These must, in consequence, be discussed separately. It had been agreed in principle that discussions with other nations would take place within the OEEC but as there were nations in OEEC which did not propose to enter either the common market or the free exchange area, the French, in order to clear the ground, had proposed that all problems relating to Great Britain's participation in the implementation of the common market, Euratom or the Coal Steel Community be discussed beforehand in the Western European Union.

That was all Mr. Pineau had to say concerning the problem of Great Britain and the six countries. It was a delicate one, and undoubtedly interested the United States.

The six nations had decided to solve the problem of a common outside tariff after lengthy discussions. This had been done as far as the six nations were concerned. The problem, however, was not settled insofar as the free exchange area was concerned. On that, discussions had just been started. Insofar as the common tariff was concerned, the six countries at the end of the 15 year period would constitute, so to speak, one country in relation to others. There was every reason to believe that normal commercial exchanges between the six nations and other countries would not be changed. On the contrary, they might well be improved as a result of the lowering of

customs duties in some cases. In conclusion he could say that they felt they had solved the problem of the common market and had gone far in settling relationships in the six nations and the free exchange area. He likewise felt that the progress which had been made in the common market, instead of pushing Great Britain farther away, actually tended to develop closer collaboration between Great Britain and the common market.

The President then thanked Mr. Pineau for his explanation and said that he felt that the day this common market became a reality would be one of the finest days in the history of the free world, perhaps even more so than winning the war. Before they went on to other subjects, he would like to get in one statement—he understood that Mr. Pineau was to meet Ambassador Eban<sup>4</sup> and he would like to repeat what he had said in the morning.<sup>5</sup> He couldn't believe there was anything more important than to get Israel to withdraw so we could support her future position and she would be able to get full rights in that area. As a corollary, we would see that other nations would act in accord with their obligations, that is to say Egypt, the Canal, etc. Whatever Mr. Pineau could do to convince Mr. Eban of this need would be a service to all.

The President asked whether Mr. Pineau had anything special he wished to bring up at this time. The Secretary of State then asked whether Mr. Pineau had read the Memorandum.<sup>6</sup> Mr. Pineau said he had just begun to read it and he had two main remarks concerning the text; the first was that he felt that if we wished to present a solution acceptable to Israel, it would be advantageous to make the least possible mention of the armistice agreement. Mr. Dulles then said that he had just talked to Mr. Eban<sup>7</sup> and expressed concern regarding the fact that there were some indications that they wished to consider the armistice agreement as null and void. If they took this position, a serious problem would arise in that this would restore belligerency to full vigor and it would be difficult to assert rights of innocent passage into the Straits of Aqaba. He did not know where we would be in regard to the boundaries which had been fixed by the armistice agreement. These were not political but de facto, and if the armistice agreement was considered null there would be only the 1947 agreement<sup>8</sup> which the Arabs wanted and Israel did not. Mr. Eban was still talking

<sup>4</sup> Abba Eban, Israeli Ambassador to the United States. Regarding his conversation with Pineau, see vol. xvii, p. 300, footnote 2.

<sup>5</sup> No record of this conversation was kept; see Document 38.

<sup>6</sup> The memorandum by Secretary Dulles, February 26, on the Israeli withdrawal from Suez, is printed in vol. xvii, p. 298.

<sup>7</sup> The memorandum of Dulles' conversation with Eban on February 26 is *ibid.*, p. 291.

<sup>8</sup> Reference is presumably to the partition plan for Palestine adopted by the U.N. General Assembly on November 29, 1947.

with our legal advisers who saw dangers in considering the armistice agreement void. He agreed with Mr. Pineau, however, to the extent that the least reference to the armistice agreement in the Memorandum the more palatable it would be to Israel.

There was some discussion regarding the wording which was finally agreed to.

Mr. Pineau said he had his second point he wished to make. He thought we ought to give more emphasis to our desire to take advantage of the period of transition for peace negotiations which should be undertaken as soon as possible so as to give Israel the impression we were less trying to consolidate a past situation and more trying to create a new situation.

There was some further discussion regarding wording revolving around the words "permanent peaceful settlement" and finally the wording was agreed.

Mr. Pineau then said that he did not believe it would be wise to give Eban the impression that they were presenting him with a common ultimatum. If not, his task of rapprochement would be made even more difficult. He would like to see the President and the Secretary again after his meeting with Eban.<sup>9</sup> He felt that if Eban wanted to change a few words here and there that would not alter the substance, he should have a little latitude.

Prime Minister Mollet then said he felt it would be useful if Secretary Dulles would brief Mr. Pineau regarding his talk with Eban. Mr. Dulles then said that Eban indicated that he could see a way to solve the problem for the Gulf of Aqaba along the lines they had discussed on Saturday and Sunday<sup>10</sup> but that was contingent upon an agreement, or common understanding, that the armistice still prevails and that there was no return to a state of belligerency. If there were, the right of innocent passage would disappear. With regard to Gaza he was disappointed with the results of his talks yesterday with Hammarskjold<sup>11</sup> who continued to reiterate the legal position of Egypt in the Gaza Strip and that he (Hammarskjold) had no legal right to deny Egypt's right of occupancy. Eban read the Secretary a statement that Hammarskjold had given him the previous night in this respect, and this statement seemed to the Secretary to be quite correct. Eban felt, however, it was negative and had asked Hammarskjold not to publish the statement. The Secretary agreed with Eban that it would have a

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<sup>9</sup> A memorandum of the conversation between Dulles and Pineau at 4 p.m. on February 27 is in vol. xvii, p. 305.

<sup>10</sup> February 24–25; the memorandum of the conversation between Dulles and Eban on February 24 at 3:30 p.m. and the memorandum of their telephone conversation at 5:34 on February 25 are *ibid.*, pp. 254 and 273, respectively.

<sup>11</sup> The memorandum of the telephone conversation between Dulles and Dag Hammarskjöld, Secretary-General of the United Nations, on February 25 at 5:45 p.m., is *ibid.*, p. 274.

bad effect on the situation in Israel if it were published. At that point, Eban suggested the possibility of a solution now covering Aqaba and to reserve for future consideration the problem of Gaza. Secretary Dulles did not consider this possibility from a legal standpoint. He saw no solution except for an Israeli withdrawal from both places. The Secretary told Eban that in the talks he had had with the French and the British on this matter that the French had come up with some new ideas and he hoped there would be an opportunity for Mr. Pineau to discuss them with Eban. He had not gone into the details of Pineau's formula as he understood that the latter had a tentative appointment at four o'clock with Eban to present his ideas.<sup>12</sup>

At this point there was some discussion as to whether Mr. Mollet should go to the talks with Eban. He felt, however, that if it appeared that he had broken off his conversations with the President to go to this appointment, it would present their discussion in a false light. Mr. Pineau then said he might see Hammarskjold two days later to see what could be worked out at U.N. level. Secretary Dulles then said that unless we can have considerable assurance of progress along these lines he felt that a resolution would be adopted in the General Assembly the following day. Mr. Pineau said he would see what could be done.

The President then asked if there were any other matters, such as NATO, that the French wished to take up. Mr. Pineau then said he had some thoughts concerning European defense. Because of the small amount of time available he would sum up the French position on the problem that concerned them the most now, that is to say the changes which Great Britain desires to make in her military structure and in her occupation forces, since information available to the French indicates that she desires to make a one-third reduction in her ground forces and to reduce her air forces by half. Proposals along these lines by the British bring to mind certain thoughts. First, it is not difficult to conceive that if a member of NATO or WEU should effect changes of this type in the structure of her armed forces, it would be quite possible that others might wish to adopt similar changes. Essentially, the French felt that it was up to the Supreme Commander, General Norstad, to say what the new structure should be and what the tasks should be for all concerned. Today in London, where this problem was being taken up at a WEU meeting,<sup>13</sup> the French position on this matter was the same as that of the Germans and other members. It was impossible to make a decision on a matter like this without hearing the opinion of the military technicians. The second concern felt by the

<sup>12</sup> A memorandum of the conversation between Eban and Dulles, February 26, is *ibid.*, p. 291.

<sup>13</sup> A Ministerial meeting of the Council of the WEU was held in London, February 26.

French was that it seemed dangerous to them, even from the psychological point of view, to cut forces in Europe below a certain level, no matter how much you might increase their fire power.

Additionally, with regard to Germany, it was difficult to see how we could obtain from her Parliament the appropriations and military legislation to implement her defense program if at the same time Great Britain was cutting her forces. Further, we might give the Russians the impression that we were orienting ourselves towards peripheral defense. The effect would be to put certain temptations before them in Central Europe and furthermore if there was considerable reduction in forces, and conventional weapons were replaced by atomic weapons, we might be put in the situation of supreme danger where if an incident of minor proportions occurred, either we would have to do nothing or resort to general atomic war. For these reasons, the French felt that it was essential that this matter be thoroughly studied within NATO and that any changes that were to be made should be made with the general agreement of the members. The French are well aware of the financial difficulties of Great Britain and can well understand their desire to reduce military expenditures but they felt it was important to keep an appropriate balance between conventional forces and nuclear forces in Europe.

The President said that he had not talked to any of the British concerning their reduction plans since they had been announced but they had told him they must do something to avoid the drain of foreign exchange to avoid a collapse. That meant a reduction of their expenses throughout the world. Of these, the biggest was the cost of the troops in Germany. He agreed that no movement of troops ought to be made without two-way consultation nor should there be any change in character without a full conference with SACEUR and, where necessary, with the NATO Council. No one party of the Treaty ought to take unilateral action regarding its forces until it had explored the matter with the other partners to see if there was not a chance that the others might make good the deficit. Back in 1950 we had hoped that German troops would become available in sufficient size and promptly enough so that the burden of other nations might be reduced. Our own troops had gone over at that time as an emergency measure to give the French, Germans and others time to get their forces established. None of this in any way impaired the truth of what the French had been saying. There should be a full conference between the interested parties and the commanders.

Secretary Dulles then said that the U.K. had a special obligation in their undertaking with the WEU.

The President then said that Germany had had no defense troops since the war and consequently not had these costs.

Secretary Dulles said that they had agreed to make a substantial contribution to cover the foreign exchange costs of maintaining the British forces in Germany.

Mr. Elbrick said that negotiations were underway but that generally they had agreed to pay some two-thirds of the costs, which was a lot of money.

The President then inquired whether the French had any particular proposal to make on this and Mr. Pineau replied that they did not reject the principle of economies on military expenditures but they only wished that these economies be effected in agreement with the other partners rather than on a unilateral basis. The President said that he agreed with this. Mr. Pineau said that if General Norstad could propose some plan which would allow the British to make some reduction and still ensure effective defense, he would be delighted. The President said this was a serious problem for us also as we had obligations all around the world from Korea to Great Britain.

Mr. Pineau said that there was another aspect to European security that he had brought up with the Secretary of State in January<sup>14</sup> and that problem related to disarmament and the political problems involved in German reunification. There had been discussions on this between U.S., Great Britain, France and Germany. He did not enter into the details of the disarmament plan, particularly in the absence of his friend Jules Moch, but he felt that when this matter is examined by the Sub-committee in the United Nations and perhaps later at the Ministerial level, there will be a number of Soviet proposals to neutralize Germany or part of Europe. This would involve considerable danger resulting from the pressure not only on German public opinion but on public opinion in Western Europe. He felt it was important that the Western powers have a common position and that none of them become committed to separate discussions upon neutralization of Germany. He felt this problem might come up in one or two months and he believed it would be useful to study it in advance.

The President said that it would be difficult for us to make pronouncements concerning German neutrality without German agreement. He felt we should avoid the subject and not let ourselves get involved with the Soviets on matters such as disarmament or arms reduction.

Secretary Dulles then said there was one question he would like to raise. The Soviets had suggested that the Foreign Ministers attend the disarmament meeting in London.<sup>15</sup> In our view, this would merely

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<sup>14</sup> A memorandum of the conversation between Pineau and the Secretary of State, January 11, is printed in vol. xx, p. 448.

<sup>15</sup> The Subcommittee of the U.N. Disarmament Commission met in London, March 18-September 6, 1957. Foreign Ministers did not attend.

serve to give greater propaganda value to the Soviet proposals which would be introduced without any serious purpose other than propaganda value. In our view the Foreign Ministers should not be present.

Mr. Pineau then said he wanted to answer the President's concern regarding the association of Germany in the conversations. He felt these conversations were useful as Germany was not a member of the United Nations but through them the Germans could be kept up on everything that was going on.

Secretary Dulles then said he wanted to say a word to the President regarding the matter which he felt of great importance in the conduct of foreign policy and that was the great understanding between France and Germany. He wanted to mention the part played by the French Government, taking into account the preoccupations of the German Government, and showing sympathetic understanding for them. He felt this was something "terrifically important" and added that the French Government deserves great credit for what they have done.

Mr. Mollet then said he wanted to add a word concerning what the Secretary had said—that at the last meeting of the six Prime Ministers and Foreign Ministers he had had a long tête-à-tête conversation with Chancellor Adenauer in which they had talked freely about all problems and he could say that Chancellor Adenauer saw these problems in exactly the same fashion as they did and felt that, even more than France, they were representing Europe in this respect.

The President then said that the solution of the Saar problem had been a tremendous step forward.<sup>16</sup>

Mr. Mollet then said that a communiqué would have to be issued the following day and he wondered if some members of the delegations could not start working on this.<sup>17</sup> To this the President was quite agreeable. He also expressed the hope that complete secrecy would be observed regarding the meeting with Mr. Eban as it was particularly important that the impression not be given that Israel was being confronted with an ultimatum by the other two powers.

It was then agreed that those present at the conference would meet again in the Cabinet Room at the White House at 11:15 the following morning.<sup>18</sup>

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<sup>16</sup> Franco-German treaties on the Saar and related questions came into force on January 1, 1957.

<sup>17</sup> For text of the communiqué, February 28, see *American Foreign Policy: Current Documents, 1957*, pp. 607–609.

<sup>18</sup> A memorandum of this conversation, which was concerned with the Middle East question, is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

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**41. Memorandum of a Conversation Between Prime Minister Mollet and Secretary of State Dulles, Washington, February 26, 1957<sup>1</sup>**

At the dinner<sup>2</sup> I gave for Mollet I spoke to him about French intentions with respect to nuclear weapons. He said that so far as he personally was concerned he would never approve of France going into this. However, he felt that France should reserve the right to do so.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 833A. Secret. Drafted by Dulles.

<sup>2</sup> The dinner took place at the Pan American Union. (Eisenhower Library, Dulles Papers, Appointment Book)

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**42. Letter From the Chargé in France (Yost) to the French Minister of National Defense (Bourgès-Maunoury)<sup>1</sup>**

*Paris, March 13, 1957.*

DEAR MR. MINISTER: Your memorandum of December 13, 1956 regarding certain aspects of military assistance, military production and atomic weapons, has been considered carefully by my Government.<sup>2</sup> As this consideration was being completed, your letter of February 5 was received, setting out in detail the items of military equipment and materials which your Government desires to receive under the grant aid program or proposes be produced in France under off-shore procurement contracts.<sup>3</sup> Although the specific requests in your letter of February 5 will be given close examination, especially in connection with the development of current and future Military Assistance Programs, it is felt that the reply to your memorandum of December 13 should not be postponed while this examination is being completed, since the statements below of the United States position with respect to your general proposals are also applicable to your specific requests.

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<sup>1</sup> Source: Department of State, Central Files, 751.5-MSP/3-1857. Secret. Transmitted to the Department of State as an enclosure to despatch 1698 from Paris, March 18. (*Ibid.*)

<sup>2</sup> The French memorandum of December 13, 1956, is an enclosure to despatch 1083 from Paris, December 26, 1956. (*Ibid.*, 751.5-MSP/12-2656)

<sup>3</sup> The French Defense Minister's letter of February 5 is an enclosure to despatch 1406 from Paris, February 7. (*Ibid.*, 751.5-MSP/2-757)

1. *Deliveries to France under Military Assistance Program.* I wish first of all to indicate that the grant aid program for NATO countries is not expected to be terminated after the delivery of the military items currently being programmed out of appropriations authorized by the Congress for FY 1957 and previous years. Secretary Wilson indicated to the North Atlantic Council in December 1956<sup>4</sup> that beginning with the fiscal year 1957 program, new weapons would be included in the Military Assistance Program for the NATO area, and that a similar program also to include new weapons would be proposed for the fiscal year 1958. Information with regard to the programming for France of conventional equipment and new weapons in the fiscal year 1957 is being provided to the French military services through the established MAAG channels. Your military services have just been informed that the tentative allocations of new weapons to France in the current program include two Honest John battalions, one Matador squadron, and atomic conversion kits for F 84-F aircraft. The Executive Branch of the United States Government has proposed to the Congress that the Military Assistance Program be continued and that additional appropriations be provided therefor out of FY 1958 funds.

The Appropriation for the Military Assistance Program for the fiscal year 1957, although somewhat higher than that for the previous year, does not envisage the continuance of grant aid to France on the scale proposed in your letter of February 5, 1957. The fiscal year 1957 program was formulated on the assumption that the other NATO governments would assume an increasing share of maintenance costs, including the provision of spare parts and attrition replacements, for conventional equipment. This would make possible the application of a larger portion of limited United States grant aid funds to the provision of new weapons. As the United States representative stated during the 1956 NATO Annual Review, the United States will, subject to Congressional authorization, continue to provide certain additional conventional equipment for approved forces if there is adequate justification on military, economic and other grounds. Delivery of new weapons will be determined in the light of the recommendations of NATO military authorities, the ability of potential recipients to provide the necessary installations and qualified personnel to use and maintain such equipment, the existence of adequate security safeguards, the availability of the equipment, and the indications of likely development in Europe of facilities to maintain such equipment.

Grant aid under the Military Assistance Program has been limited to the requirements of NATO-committed forces. This policy has been followed in accordance with the original intent of the Program and of

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<sup>4</sup> For documentation on the NAC meetings in Paris, December 11-14, 1956, see vol. IV, pp. 103 ff.

the legislative authorizations given for it, to provide arms and ammunition to meet the net deficiencies of the NATO forces in order to develop the capability to carry out agreed NATO plans. My Government realizes that considerable funds have been utilized or committed by France to procure in the United States certain supplementary arms required by the French forces operating in Algeria. While my Government has readily licensed the export of such arms to France for this purpose, it has considered these requirements to be a matter for decision exclusively by France in accordance with its own plans and policies, and has therefore not considered the financing of such purchases, either directly or indirectly, to be a suitable undertaking for the United States.

The question of the period during which the United States will provide as grant aid attrition replacements and spare parts for military items previously delivered under the Military Assistance Program to French NATO forces, must take into account the financial and technical capability of France to supply its requirements from indigenous production or to purchase them abroad. In this connection I am very glad to note the progress which has been made in the negotiations which are taking place between the MAAG and the French Armed Services, in accordance with the Ambassador's letter of August 30, 1956,<sup>5</sup> with a view to obtaining your acceptance of the earliest possible dates prior to 1959 for the cut-off of spare parts support for certain standard items of Army equipment. With regard to matériel purchased by France through commercial channels or under U.S. reimbursable aid procedures, I wish to reiterate that every effort will be made to assist the French Government under applicable procedures in replacing or maintaining such matériel, to the extent stocks are available. Since such stocks are not likely to be large, the French Armed Services are encouraged to make arrangements promptly for such supplies through appropriate commercial channels.

2. *Offshore Procurement.* The funds now available or likely to be available in fiscal year 1958 for offshore procurement in Europe as a whole, will be considerably reduced from the levels of earlier years. It is therefore not practicable to consider the procurement from United States funds of military equipment either of the variety or on the scale envisaged in your memorandum as amplified by your letter of February 5, 1957. The French Government should have this factor in mind if it is to make realistic plans for its military production program for the future. Every effort will be made to inform the Government of France as promptly as possible of the limited possibilities of offshore procurement by the United States, as our policies and plans are further devel-

<sup>5</sup> Ambassador Dillon's letter of August 30, 1956, is an enclosure to despatch 383 from Paris, August 31, 1956. (Department of State, Central Files, 751.5-MSP/8-3156)

oped in this field. At present no plans have been developed for the financing of production of new weapons in Europe. Discussions are already being conducted, however, through established MAAG channels regarding various other aspects of new weapons development and production.

3. *Atomic matters.* A separate reply has been made regarding the matters in the atomic field which were mentioned in your memorandum.

Sincerely yours,

**Charles W. Yost<sup>6</sup>**

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<sup>6</sup> Printed from a copy that bears this typed signature.

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**43. Memorandum of a Conversation Between the Secretary of State and the Ambassador to France (Houghton), Department of State, Washington, April 1, 1957<sup>1</sup>**

**SUBJECT**

Current Problems Facing France

Ambassador Houghton stated that this would be his last visit to Washington before leaving for Paris<sup>2</sup> and he wished to say goodbye to the Secretary and get any last-minute guidance the Secretary wished to give him.

The Secretary stated he thought it would be important for the Ambassador, prior to his departure, to see the Vice President with regard to one of France's principal problems, namely, Algeria. The Vice President had returned from his recent trip to Africa with very positive ideas in this connection.<sup>3</sup> He felt that there was no solution to the problem other than independence and that the longer the French resisted the inevitable, the worse the situation and final result would be. The adjacent countries of Morocco and Tunisia were in general favorably disposed towards France, but the continuation of the Algerian conflict was having an adverse effect on relations between France and her former protectorates.

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<sup>1</sup> Source: Department of State, Central Files, 611.51/4-157. Confidential. Drafted by Matthew Looram.

<sup>2</sup> Houghton was appointed on March 14 and presented his credentials on April 17.

<sup>3</sup> For Vice President Nixon's report of his 3-week African tour, February 28-March 21, 1957, see vol. xviii, p. 57.

With regard to the second major problem, that of the balance of payments, the Secretary thought that there was not much that the United States could do. The essence of the present difficulty was French unwillingness to face up to the situation and to adopt the internal reforms necessary to counter the deteriorating trend.

Ambassador Houghton stated that from what he had learned, it certainly seemed to him that the French would first have to start tightening their belts. He wondered, however, whether plans might be made for the possibility of the United States stepping in to help out at a point that we judged might be both necessary and appropriate.

The Secretary thought it would be a good idea in this connection for the Ambassador to discuss the situation with the Secretary of the Treasury. He said that Baumgartner, Governor of the Bank of France, had told Mr. Bowie at the last OEEC meeting in February<sup>4</sup> that he hoped the United States "was not going to bail France out of its present difficulties." The Secretary thought this statement reflected the attitude of the more responsible people in France; it was natural, on the other hand, for the politicians to put off difficult decisions of this nature.

The Secretary expressed some concern regarding the stability of the Mollet Government and stated he hoped the Government would not fall before ratification of the Common Market and EURATOM treaties was completed. He felt that after the French Parliament's rejection of the EDC, the United States would take a very dim view of French failure to ratify the Common Market and EURATOM.

The Secretary said, in connection with French financial difficulties and the upcoming ratification debates, that French Ambassador Alphand had put forth the "personal" suggestion that the United States might be disposed to assist France financially within the framework of the Common Market, once the treaty had been ratified.<sup>5</sup> It was true, the Secretary stated, that the United States through the Export-Import Bank had provided a loan to the Coal and Steel Community at its outset in order to show our support. He did not know, however, whether either the Common Market or EURATOM would merit United States financial assistance—or assistance in such a form as to be helpful to France. It was possible, nevertheless, that if the French were to initiate vigorous measures and thereby gain our confidence as to their determination to solve their problems, as in the case of the United Kingdom, we might then revise our thinking as to financial assistance.

<sup>4</sup> A Ministerial meeting of the OEEC Council was held in Paris, February 12-13, 1957.

<sup>5</sup> Ambassador Alphand made this suggestion during a conversation with Secretary Dulles on February 8. A memorandum of that conversation, February 11, is in Department of State, Central Files, 851.10/2-1157.

The Secretary stated that while his plans were not yet definite, he was now contemplating going to the next NATO Ministerial Meeting.<sup>6</sup> He had not originally intended to go, but he thought failure on his part to attend the first NATO Ministerial Meeting to be held at Bonn might be subject to misunderstandings. If he did decide to go to Bonn, it was likely that he might subsequently visit Paris to attend one day of the regional conference of the Western European Ambassadors.<sup>7</sup>

Ambassador Houghton inquired as to the advisability of his seeing Jean Monnet from time to time in Paris. The Secretary said that while Monnet was an old friend of his and he had considerable admiration for him, he thought that it would be a mistake if the impression were gained that United States policy with regard to France was influenced in any way by Jean Monnet. Because of his ardent espousal of European causes, Monnet had gained many enemies in France. Moreover, in view of Monnet's enthusiasm for any project with which he was associated and his very persuasive talents, his views should be taken with a certain amount of reserve. There was, therefore, no reason not to see Monnet, the Secretary concluded, but it might be better if he were not to become an habitué of the Embassy.

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<sup>6</sup> The Secretary attended the NATO Council meetings in Bonn, May 2–3, 1957.

<sup>7</sup> For documentation on the Conference of Ambassadors, Paris, May 6–8, 1957, see vol. IV, pp. 571 ff.

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#### 44. Memorandum of a Conversation, Prime Minister Mollet's Office, Hotel Matignon, Paris, May 6, 1957, Noon<sup>1</sup>

USDel/MC 7

##### PARTICIPANTS

| <i>United States</i>                 | <i>France</i>      |
|--------------------------------------|--------------------|
| Secretary Dulles                     | G. Mollet          |
| Ambassador Houghton                  | C. Pineau          |
| Assistant Secretary C. Burke Elbrick | L. Joxe            |
| Mr. Charles W. Yost                  | J. Laloy           |
| Mr. William R. Tyler                 | P. Sebilleau       |
|                                      | J. De Beaumarchais |

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<sup>1</sup> Source: Department of State, Central Files, 611.51/5–657. Secret. Drafted by Tyler. The Secretary was in Paris after attending the NATO Council meetings in Bonn, May 2–3.

After the usual amenities, the Secretary opened the conversation by saying that the Mutual Security appropriation was being considered by Congress and that the US Government was encountering some difficulties. He said that there was a strong feeling in Congress in favor of making economies and that the President was personally making considerable efforts in support of the appropriations request. The Prime Minister asked whether Europe would be affected much by any cuts that would be made by Congress. The Secretary said that Europe would be affected to a certain extent, in the field of new weapons for NATO. He went on to describe the new organization of the Foreign Aid Program which was to be divided more sharply between the strictly defense and the economic development aspects. The Prime Minister returned to the subject of the effect on Europe of any cuts, and asked specifically whether these might bring about a change in the strength of US forces in Europe. The Secretary said that the latter would not necessarily be affected since they were financed by the regular Defense Budget. At this point the Secretary told the Prime Minister that he had already stated at the NATO meeting that the US Government adhered to the position it had taken in December 1956 and there was no intention at this time to make any significant reduction in US military strength in Europe. He said there would be some streamlining of US divisions everywhere in the world (some reduction of support elements), not exclusively in Europe.

There followed a brief discussion of the achievements of the recent NATO meeting in Bonn and it was agreed on both sides that it had been a good meeting.

*[5 paragraphs (37 lines of source text) not declassified]*

The Secretary asked the Prime Minister how things were going in Algeria. The Prime Minister said that from a military standpoint things were improving but that the real issue, which is the political aspect, was not progressing as well. He said that the rebel leaders had not taken up the French Government offer for a cease-fire and were waiting for various reasons: for another session of the UN, or for a change of Government in France, or for some similar event. The Prime Minister said he thought that this negative approach was due largely to the following factors:

- a) The National Liberation Front was divided within itself;
- b) The rebels do not feel that it is in their interests to accept a cease-fire, although it undoubtedly is in the interest of the civilian population;
- c) The majority of the Algerian fighters are very young men, who preferred continuing to fight to looking for industrial jobs in metropolitan France. He added that for them the prospects of a democratic and viable society in Algeria held little practical attraction.

The Prime Minister went on to say the only thing the French Government could do was to persevere in its present course of action. He said that in the last few months over 1500 new municipalities had been created, and that while there had been some obstacles, on the whole, things were moving forward more smoothly in this respect. He said that progress was not being made in territorial and provincial organization. He said that in general it was very difficult to find Moslems who had real political authority and were in a position of carrying out in fact any commitments they might be willing to accept.

The Secretary recalled that in a speech earlier this year, the Prime Minister had said that the French Government would hold elections in Algeria.<sup>2</sup> Mr. Pineau commented that elections would be held only after a cease-fire had taken place. The Prime Minister said that it would be possible as of now to hold municipal and even territorial elections, but that he had not taken a decision to hold them, because it would be claimed that any elections held now were not free but had been held under the threat of the French Army. He said that it was the intention of the French Government that elections should eventually be held in the presence of observers from various democratic countries.

The Secretary commented that there was another difficult problem: that of Cyprus, which had some similarities with that of Algeria. Both the Prime Minister and the Foreign Minister seemed reluctant to agree that the resemblances were anything more than superficial.

Turning to the Suez Canal problem<sup>3</sup> the Secretary outlined the current situation and stressed that it was not the US Government which had initiated the formula of accepting Nasser's declaration as a provisional *de facto* solution but the UK Government, which was conscious of the economic factors involved. Mr. Pineau agreed with the Secretary that it was a bad idea for governments to specifically authorize shipping to go through the Canal; it was for this reason, he said, that the French had voted against the SCUA resolution. He said that the French Government was also not in favor of a Security Council meeting to discuss the Nasser declaration, since this could only result in the government's being forced into acceptance of the declaration officially, even though reluctantly. The Secretary pointed out that the US Government only allowed US ships to go through the Canal if they paid under protest and without prejudice to future rights.

The Prime Minister then said he felt that the present conversation called for some frank talk on the subject of Nasser and the Canal. [3 lines of source text not declassified] being realists, the British had ex-

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<sup>2</sup> Reference is to Mollet's speech of January 9, 1957, in which he outlined a plan for Algeria which called for a cease-fire to be followed within 90 days by a general election; see vol. XVIII, p. 259, footnote 2.

<sup>3</sup> For extensive documentation on the Suez Canal crisis, see volume XVI.

pected to allow their shipping to pass through the Suez Canal for economic reasons. He said that no French Government, at least not the present, would ever accept to do so:<sup>4</sup>

a. To accept would mean confirming Nasser's hold over Europe's oil requirements which were vital for the necessary conventional military forces.

[Subparagraph b (2 lines of source text) not declassified]

The Prime Minister said that France was going through terrible difficulties with regard to her balance of payments, but she would never yield to Nasser, and the French Government was prepared to go to the French people and tell it the reasons why. [1 line of source text not declassified]

The Secretary said that he agreed that Nasser's type of Pan-Arabism was dangerous. He also agreed that no agreements which might be made with Nasser would be dependable, whatever the words which Nasser might use. He thought that for this reason not much importance should be attached to what Nasser said he would or would not do. The Secretary said that while we had differed with France in the past on the methods to be used, he did not wish to bring up bygones. He said we could, however, feel encouraged by recent developments in Jordan which suggested that a basis might be found to [for] constructive developments in the general area of the Middle East. He said that undoubtedly Nasser's prestige had suffered compared with what it had been six months ago. The long-term answer, he thought, required that the present favorable trend should continue. However, whatever the prospects in the Middle East area might be, it was vitally important that alternatives to the Canal and to the existing pipelines should be developed. He thought that in retrospect the West should have paid more attention to the evacuation of the Canal Zone by the UK three years ago. Now, he said, we should look to the creation of the northern pipeline, since the Israel pipeline was vulnerable because we could not depend on Iran permitting its oil to be sent through that pipeline. The Prime Minister commented that he recognized the superiority of the northern line, but it would not be excessive to have both pipelines. The Secretary alluded to the oil possibilities of the Sahara. He also pointed out that in spite of the closing of the Suez Canal and the great strain on oil shipments, Europe had not collapsed as might have been feared at the time.

The Prime Minister said he was glad that the United States and France seemed to be in agreement with regard to the ultimate goal. His fear, however, was that the US approach might not bring about the desired result. He stressed the role of the Soviet Union as the real

<sup>4</sup> An unidentified handwritten notation in the margin of the source text reads as follows: "he was wrong".

power behind the events in the Middle East. He said that the Soviet Union was working through the peoples of the Middle East [1½ lines of source text not declassified]. He referred to Nasser's aims and methods set forth in his book, which the Prime Minister said he had read "at least 10 times." [1 line of source text not declassified] he hoped that the results of the noble efforts which the US was making would not be to prepare the way for the triumph of Nasser in 10 years' time.

The meeting broke up at about 1:00 p.m.

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**45. Memorandum of a Conversation, Department of State,  
Washington, May 17, 1957<sup>1</sup>**

**SUBJECT**

French Financial Situation

**PARTICIPANTS**

Robert Marjolin  
Mr. Douglas Dillon (W)  
Mr. Whitehouse (W)

Mr. Robert Marjolin called on Under Secretary Dillon on May 17. He explained that while the overt reason for his trip was to discuss the Common Market and Euratom, his actual purpose was to approach the United States Government at the highest level, at Mr. Ramadier's request, to explain what steps France was taking to overcome its financial difficulties, to ascertain what the United States' attitude was toward these French measures and, frankly, to find out what, if any, help the United States could give France. He stressed the secrecy of his visit and explained that although he felt certain Mr. Randolph Burgess understood the purposes of his mission, he had not been as explicit with him.

Mr. Dillon stated that it would be helpful to obtain an explanation of the measures which the French Government was taking to put its house in order, and that we would be interested in obtaining Mr. Marjolin's own ideas on possible solutions to the French financial crisis. He recalled that he had discussed this problem with Ramadier before he left France, and had explained to Ramadier that he had no

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<sup>1</sup> Source: Department of State, Central Files, 851.10/5-1757. Secret. Drafted by Charles S. Whitehouse.

idea what funds the United States might have available but that the French deficit was so huge that there was nothing the United States could do unless the French took steps to rectify this situation.

In explaining the measures put into effect by the French Government Mr. Marjolin stressed that the present monthly deficit of \$100 million a month was exceptional and was attributable largely to last year's bad harvest, the Suez crisis and speculative inventory buildup, while admitting that even without these factors the deficit would nonetheless be substantial. He pointed out that the 25 percent down payment required on imports has brought imports down from 150 billion francs a month to approximately 100. He estimated that by autumn the French monthly deficit would be on the order of \$50 million a month. He said he felt these steps showed France's willingness to put its house in order and that other measures such as devaluation and the use of multiple exchange rates had been considered but were not deemed appropriate at this time.

In addition, the French Government has cut the budget 250 billion francs and hopes to raise 150 billion francs in additional taxes. In reply to Mr. Dillon's question regarding the 250 billion franc cut in the budget, he outlined the areas in which substantial reductions had been made; 66 billion francs from national defense, 25 billion from Civil Service payrolls and the remaining cuts in public works—roads, electrification, railways, water works, etc.

In assessing the future economic situation, Mr. Marjolin estimated that the French balance of payments deficit from July 1957 to July 1958 would approximate \$500 million and that this sum could not even be met by drawing on the \$300 million which the French Government had added to the gold reserve of the Bank of France a few years ago. Mr. Dillon inquired whether the monthly deficit would be tapering off during this period, and Mr. Marjolin asserted that the monthly deficit would be declining and might reach a figure as low as \$25 million a month by June 1958. Mr. Dillon explained to Mr. Marjolin the problem facing the Eximbank in financing new aircraft for Air France and pointed out that in this transaction the Eximbank had been reluctant to make a loan when France was already its largest borrower. He reviewed for Mr. Marjolin the different sources of funds available to France. He recommended exploring with the World Bank the possibility of obtaining financing for such French and North African projects as might meet the Bank's requirements. He stated the IMF was opposed to France borrowing the second half of its quota and that Mr. Jacobsson<sup>2</sup> might feel devaluation of the franc and other measures

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<sup>2</sup> Per Jacobsson, Managing Director and Chairman of the Executive Board of the International Monetary Fund.

should come first. He pointed out that the Mutual Security Bill<sup>3</sup> was before Congress and that a special bill for a single country was out of the question, adding that some financing might be possible for colonial projects out of the new development fund. Finally he pointed out that neither in our Military Assistance Program nor in PL 480 could one find a solution to the French problem. In conclusion Mr. Dillon reiterated the fact that no large sums were available but that if the French Government could take appropriate steps to remedy the situation there might be various means for the United States to help France in a small way, and that it would require ingenuity to make the most of the opportunities that existed.

Arrangements were made for a representative of the Department to meet with Mr. Marjolin and Mr. Willis<sup>4</sup> of the Treasury on Monday to receive details of the French financial situation, and for Mr. Marjolin to discuss Euratom and the Common Market with interested officers in the Department on Tuesday.<sup>5</sup>

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<sup>3</sup> The Mutual Security Act of 1957 (71 Stat. 355) was approved on August 14.

<sup>4</sup> George H. Willis, Director, Office of International Finance, Department of the Treasury. A memorandum of Marjolin's conversation with him on May 20 is in Department of State, Central Files, 851.00/5-2057.

<sup>5</sup> May 21; apparently the conversation was held on May 27.

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**46. Memorandum of a Conversation, Department of State,  
Washington, May 21, 1957<sup>1</sup>**

**SUBJECT**

French Government Crisis

**PARTICIPANTS**

Foreign Minister Pineau

Ambassador Alphand

The Secretary

Mr. Dillon

Mr. Elbrick

Mr. Vimont, Minister, French Embassy

Mr. de Laboulaye, Counselor, French Embassy

Mr. Walmsley

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Elbrick.

During his call at the Department today Pineau<sup>2</sup> was asked by the Secretary what result could be expected from the vote of confidence to take place this evening in the Assembly in Paris.<sup>3</sup> Pineau said that there was some hope that the Government would survive, particularly in view of the fact that its budgetary plans now called for a diminution of the budget by 400 billion francs. He said that this was the first time that such a reduction had occurred and should be a favorable factor. The Secretary remarked that it was feared that any change of government at this time in France might have an adverse effect on the prospects for ratification of the Common Market and EURATOM Treaties. Pineau agreed. He said that it should be possible to ratify the treaties before the summer recess of Parliament if the Government remains in power.<sup>4</sup>

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<sup>2</sup> Pineau arrived in New York on May 19 and attended a meeting of the U.N. Security Council on May 20. Regarding his conversation on the Suez Canal question with Secretary Dulles, May 21, see vol. xvii, p. 624.

<sup>3</sup> The Mollet government was defeated in the National Assembly on a bill to increase taxation on May 21 and resigned. Three weeks later, on June 11, Bourgès-Maunoury succeeded in forming a Cabinet in which Pineau was Foreign Minister. Reports on this Ministerial crisis are in Department of State, Central File 751.00.

<sup>4</sup> The bill authorizing President Coty to sign the treaties passed in the National Assembly on July 9 and in the Council of the Republic on July 24.

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#### 47. Despatch From the Embassy in France to the Department of State<sup>1</sup>

No. 2402

*Paris, June 21, 1957.*

SUBJECT

Return of De Gaulle

One of the natural results of the prolonged government crisis and the constitution by slim majority of the Bourgès-Maunoury government has been the increase in speculation that France might have to turn to de Gaulle to solve its problems. Various political observers have commented that the Algerian problem appears unsolvable without the presence of a strong man at the head of the French government who could impose his will on all political parties. Other observers have hinted that de Gaulle is ready and willing to return and that he would not pose conditions as he has done in the past.

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<sup>1</sup> Source: Department of State, Central Files, 751.00/6-2157. Confidential. Drafted by L. Dean Brown, First Secretary of the Embassy in Paris.

On June 18 the Social Republican Center issued a statement, written by Secretary-General Roger Frey, which said that de Gaulle's love of France and desire to serve his country has not diminished and that he is today, as he was on June 18, 1940 (the date of his appeal to Frenchmen to rally around) ready to govern "for a limited time". Frey's article went on to say that de Gaulle has remained quiet because he does not want his words misinterpreted by those with partisan interests. Nevertheless, said Frey, the General has not ceased to think of a change but this must be reached in a different political atmosphere than that which now exists.

On June 18 the General attended the annual memorial service for slain Resistance figures at Mont Valérien. As has been his custom, he did not make a speech nor did he reveal to others present his latest ideas.

Despite his continued public anonymity, the General has continued to see visitors regularly. He is also in correspondence with certain old friends. His activities are not, however, those of a man who is anxious to return to the political arena and who is expanding contacts with a view to an immediate return.

In a personal conversation with an Embassy officer, Frey expanded at length his views concerning the General's availability and conditions for returning to power. These views are set forth below. They should be taken with a grain of salt. Most Gaullists and ex-Gaullists are too prone to attribute to the General their own thoughts. They also tend to exaggerate their own closeness with the General. The views expressed by Frey are, nevertheless, of some value and considerable interest.

According to Frey, de Gaulle believes that it is possible that the situation in France could deteriorate rapidly. In a period of perhaps six months the public could realize that Algeria was a complete stalemate, that France was bankrupt and that no solutions could be reached by the present or any possible successor government, given the present constitution of the Assembly. At that time, public opinion and the Parliament might be willing to call de Gaulle. To such a call he would respond willingly. As a condition for accepting the premiership, he would request from the Parliament the passage of a bill giving him wide, but not necessarily extraordinary, powers. He would ask for a guarantee of office through the term of the legislature (that is to say, another three years). He would in turn give a firm guarantee that he would resign at the end of the legislature and that he would not again run for office or accept any future call. He would also promise the drafting of a constitution, which would be submitted to popular referendum before the election. The constitution would change France's

electoral laws and constitutional set-up so as to establish a presidential regime, "much like that of the United States", with a strong executive and a somewhat-curbed legislature.

The first problem to which de Gaulle would turn would be Algeria. For Algeria he would promise a large measure of autonomy, virtually approaching independence. Certain guarantees would be given the European settlers but the power of the rich, established "colons" would be broken. One result would be the return to France of large numbers of Europeans, who could no longer fit into the environment of a new and changed Algeria. However, the guarantees given the others and the fact that de Gaulle could obtain from the Algerian Moslems promises concerning future treatment of the European minority would prevent the outbreak of a European-directed civil war in Algeria.

The de Gaulle program for Algeria is not one which could be either proposed or implemented by any other Frenchman. All politicians of the present regime are too tainted with partisanship or too suspected by other political elements to be able to accomplish the necessary task. Only de Gaulle has the ability and the prestige to put over the only possible program which would guarantee some sort of future, close relationship between France and Algeria while giving the Moslems the self-government they strive for.

Part of de Gaulle's ability to reach an Algerian solution is based on his close and continuing relationship with Morocco and Tunisia. He is particularly close to the Sultan with whom he is in regular bi-weekly correspondence. With Bourguiba<sup>2</sup> the relationship is not quite so close but is of such a nature that Bourguiba has a great respect for and admiration of de Gaulle. De Gaulle believes, and has indicated to these leaders of the former protectorates, that there can be no settlement of Algeria without the full cooperation of the Moroccans and Tunisians.

De Gaulle believes that North Africa must be regarded as a whole. Morocco and Tunisia must turn once again towards France, as they would willingly do were it not for Algeria. Therefore, an Algerian solution could be the means for the achievement of a broader North African union, united to France, yet retaining certain attributes of independence. In return for such a union, supported economically and politically by France, Morocco and Tunisia might have to give up some of the independence which they have achieved too fast, but such would be in their interest. Both Moroccan and Tunisian leaders recognize the essentiality of such action and would be willing to enter into a closer relationship with France, if they were convinced that Algeria

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<sup>2</sup> Habib Bourguiba, Tunisian Prime Minister, Foreign Minister, and Defense Minister.

could be peaceably settled and that their interests would not be betrayed at some future date by some power-hungry French politician. All the above includes the creation of some sort of federation in which France would be the predominant but not dominating member.

As for the French political parties, Frey states that there is a wide current of opinion favorable to de Gaulle but it will not assert itself until the situation worsens. A de Gaulle government would be made up of representatives of all national parties. Appointments to ministerial posts would be based on personal rather than party qualification. Party differences would tend to disappear or at least fade away. Greater unity among national groups, plus strong leadership, would soon diminish the electoral attraction of the Communists.

*Comment:* It is entirely possible that de Gaulle, should he ever reach power, could have the prestige and ability to make an Algerian settlement. He does have the reputation of standing for all Frenchmen, of no matter what race, color, or place of birth. Bourguiba's recent statements about de Gaulle tend to give some coloring of veracity to Frey's reasoning.

In France, however, we have seen thus far no real signs of a popular desire to have de Gaulle back. There is considerable disgust with the present system. But, thus far, this disgust has been translated into apathy rather than action.

Given a real collapse—economic, political and social—combined with a defeat in Algeria, which would serve to exacerbate France's relations with its allies and increase French chauvinism to a much higher point than exists today, a return of de Gaulle could be possible. It would require on the part of France's legislators a far greater spirit of resignation and abnegation than we have thus far noticed. It is therefore only the faintest of possibilities, but it is one of which we will probably hear increasingly as the situation worsens and as solutions appear less and less obtainable. The time is not, however, now.

John K. Emmerson  
*Counselor of Embassy*

**48. Draft Memorandum for the Record of a Meeting, Paris,  
July 10, 1957<sup>1</sup>**

**SUBJECT**

Summary of Conversation Between Admiral Radford and Ambassador Houghton,  
Conducted at the U.S. Embassy Residency, Paris, 0900 Hours, 10 July 1957

1. The subject conversation was arranged at the request of Ambassador Houghton to discuss my talk with General Ely scheduled for the afternoon of the following day. Present in addition to the Ambassador and myself were:

Mr. Yost, Embassy Paris

Mr. Meloy, Embassy Paris<sup>2</sup>

Captain Pitts, USN, JMAAG, Joint Staff

Colonel Rosson, USA, Chairman's Staff Group

2. I opened with the observation that instead of desiring three days for our talks as originally requested by him, General Ely had informed me the previous day that about two hours would suffice. [2½ lines of source text not declassified]

[Numbered paragraphs 3-5 (1½ pages of source text) not declassified]

6. I next informed the Ambassador that word had reached me via the Embassy that Mr. Daridan wished to see me. Mr. Meloy, who had knowledge of the call, stated that Mr. Daridan had expressed a desire to see me as a personal friend and to ask certain questions of me. In response to the Ambassador's query, Mr. Meloy indicated that Mr. Daridan had not revealed the subject of his questions.<sup>3</sup> I postulated that Daridan might be interested in Indochina, and asked to be informed of the latest situation in that area. Mr. Yost pointed out that the French are accusing us of having inspired the Vietnamese to request withdrawal of French air and naval advisors. I traced briefly my appraisal of the effectiveness of French air and naval training based on my last visit to Vietnam, describing it as shamefully inadequate, and asserted that if the French would take a hard look at the subject they would recognize that the Vietnamese have been very frank with them. The French attitude in this instance is something I have had to contend with for a long time. According to what I have heard recently, they are now claiming that we are doing to them in Africa what we did to them in Indochina. I saw Indochina go down the drain. It might have been

<sup>1</sup> Source: Naval Historical Center, Radford Papers, Memos for the Record. Top Secret. Drafted by Admiral Radford on July 18. A verbatim account of this conversation, dated July 19, is *ibid*.

<sup>2</sup> Francis E. Meloy, Jr., First Secretary of the Embassy in Paris

<sup>3</sup> A memorandum of the conversation between Jean Daridan and Admiral Radford, July 11, on the questions of disarmament and Algeria, is in the Naval Historical Center, Radford Papers, Memos for the Record.

saved had De Lattre<sup>4</sup> lived—he was the only one who saw that success was dependent upon the good will of the people. Briefings by the French on the situation there indicated that everything was progressing well, when in fact it was falling apart. They were misleading themselves.

7. In regard to Laos, Mr. Yost stated that the French claimed not to be up to anything, but that it is evident they are trying to preserve their prestige in that country.

8. With a shift of the conversation to Algeria I advanced the opinion that it is no longer possible to remain in a country against the will of the people unless one is prepared to suppress the population by ruthless means; this the French apparently do not wish to do. Mr. Yost pointed out that the French feel they cannot afford another defeat, to which I replied that the French should not have been defeated in Indochina. Ambassador Houghton raised the question as to whether we help the French by applying pressure from the outside. I stated that what we have done is to try to help the French on their own terms. We have not been tough enough. The advocates of that course have usually been voted down on the contention that measures of this sort would cause the Government to fall. They have gone steadily down hill anyway. Mr. Yost asserted that private, tough, frank advice is good; publicized advice, however, creates many problems for them. I stated that the form of the French Government makes help very difficult.

9. To a question raised in discussion as to whether the French are set upon placing the blame on the U.S. for losing Algeria while desiring privately to get out, the Ambassador said that the French would hang any catastrophe on us, but that they did not want to get out.

10. The conversation ended with remarks by Mr. Yost to the effect that Algeria is the last of the major French problem areas abroad—the situations in Black Africa and Madagascar provide for popular assemblies and future independence.

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<sup>4</sup> General Jean de Lattre de Tassigny, French High Commissioner and Commander of French Forces in Indochina, December 1950–November 1951; he died in January 1952.

**49. Draft Memorandum for the Record of a Meeting, Paris,  
July 11, 1957<sup>1</sup>**

**SUBJECT**

Summary of Conversation With General Ely in Paris, France, 11 July 1957

1. My 11 July 1957 conversation with General Ely was based on the following agenda:

*a. Item 1—New weapons for the French Army.*

(1) Towards what date can France expect to receive the new equipment, Honest John in particular? France hopes that this may be as early as possible.

(2) Will U.S. assistance in this field to France be continued and perhaps increased, as to quantity and quality?

(3) A U.S. production mission was to go to France shortly. Is this still to take place and around what date?

(4) What are the weapons whose production in France might be envisaged?

*b. Item 2—Establishment of integrated depots for atomic weapons in Europe.*

(1) Under what condition would the atomic weapons to be used by the French Forces be placed at their disposal?

(2) Where would the depots be installed?

(3) What should the characteristics of these depots be?

*c. Item 3—Equilibrium between modern and conventional weapons for Western defense.*

(1) How, within the framework of NATO strategy, can the problem of limited conflicts be envisaged?

(2) What would be the consequences on the utilization of atomic weapons?

2. Present in addition to General Ely and myself were:

Lt. General Lavaud, Advisor to the Defense Minister of France and Technical Advisor on Atomic Energy

Colonel De Rougemont, Staff Assistant to General Ely

Captain R. M. Pitts, USN, JMAAG, Joint Staff, JCS

Colonel W. B. Rosson, USA, Chairman's Staff Group

Lt. Colonel Philip Cocke, USA, Interpreter, Hq, Allied Forces, Central Europe

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<sup>1</sup> Source: Naval Historical Center, Radford Papers, Memos for the Record. Top Secret. Drafted by Radford. A verbatim account of this conversation, dated July 15, is *ibid*.

3. General Ely confined his discussion under the first item largely to an expression of concern over indefinite dates for delivery of Honest John units and initiation of training for a French Nike cadre in the United States. In connection with Honest John, the French plan to establish a technician's school of their own, even though they understand our plan to use the "buddy system" for training with U.S. units in Europe. I advised him not to establish the school pending receipt from me of further information on delivery dates (action assigned to the Joint Staff on 16 July 1957). With respect to Nike, I indicated that I would confirm October 1957 as the date for commencement of French training in the United States (action assigned to the Joint Staff on 16 July 1957).

4. In the Matador field General Ely requested an increase of from one to three Matador squadrons, citing the need for "the best functioning entity" as his reason. I stated that I had no authority to change the number (request referred to the Joint Staff on 16 July 1957). He also questioned me as to whether a February 1957 request by the French for 4 Nike battalions, 3 Corporal/Sergeant battalions, plus one battalion and 14 batteries of Honest John, could be met. I told him that while future military aid programs will probably not be large enough to permit fulfillment of this request on a grant aid basis, and that while Congress will be less disposed toward grant aid, reimbursable aid might be increasingly available.

5. In what I believe to be the first time such a question has been raised with an official of the United States, General Ely next alluded to our IRBM agreement with the U.K., and asked whether the French could obtain as a deterrent weapon and by purchase if necessary, a ground-to-ground missile of 3000-km range such as furnished the U.K.? France desires our IRBM in order to avoid the cost of her own research in this field. Furthermore, according to General Ely, the risk of limited war in Europe is greater as long as modern weapons are in the hands of the U.S. alone. This stems from the belief of many that the Soviets may be successful in separating the U.S. from her European Allies with resultant failure of the U.S. to intervene in such a war. With modern weapons in the hands of the European Allies, however, the Soviets will think twice before embarking on a limited war in Europe. I commented that while I agree that modern weapons should be in the hands of France as part of the NATO deterrent, I do not agree with the possibility of limited war with the USSR. He then stated that what I had said was of highest interest since it confirmed the direction of French defense policy.

6. As for the method by which the French might present a request for IRBM to the United States, I suggested that it would be preferable to use the Minister of Defense-Secretary of Defense channel. I have

the definite impression that the French intend to push forward on this subject. Advance thought and preparation will be required on the U.S. side.

7. Turning to the subject of production of new weapons in France, General Lavaud reviewed the sequence of events concerning the recent SDMICC survey of French security and expressed concern over what the French interpreted as undue delay in receipt of the report and in the follow-on visit of the production survey team. I explained the requirements involved in processing the SDMICC report and indicated that the French should receive word thereon shortly. General Ely wished to know whether agreements would have to be signed between the two countries. I indicated that certain conditions might have to be met by France, after which the production security team would appear. General Ely expressed satisfaction with this explanation.

8. On the second agenda item General Ely asked when the results of the U.S. study on the NATO atomic stockpile concept would be available. I explained that State and Defense are progressing with the study, the principal feature of which relates to what we can do under the U.S. law. General Ely then alluded to three draft agreements on atomic storage sites and exchange of atomic information passed by the French Embassy to the U.S. Ambassador in Paris in June of this year (I had scanned these papers at the Ambassador's residence earlier that same day).<sup>2</sup> The three exchanges constitute an entity which the French do not desire to split. I pointed out that the U.S. study could be much more specific now that State possessed the French proposals, but expressed doubt that we could earmark specific numbers of atomic weapons for France in advance.

9. General Lavaud injected his concern over the importance, from the viewpoint of internal French politics, of obtaining important concessions for France in return for U.S. storage sites on French territory. I reminded him and General Ely that we are faced not only with some political problems of our own, but also with the problem of having every other ally at our doorstep the moment we enter into a special relationship with France.

10. To his inquiry as to whether he could be furnished information on the infra-structure involved in atomic storage sites, I recommended to General Ely that he request this material from Deputy USCINCEUR.

11. In connection with the final agenda topic, equilibrium between modern and conventional weapons for Western defense, General Ely led off by stating that he did not consider limited conflict possible in NATO Europe. I agreed. He then added that disassociation of atomic weapons from conventional weapons is becoming more and

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<sup>2</sup> See footnote 3, *supra*.

more theoretical. I agreed, adding that the December 1956 NATO Council meeting had convinced me that the Political Directive paragraph on limited actions caused great confusion.<sup>3</sup> I explained that limited actions were really a function of time. As in the case of some of the Israeli raids against Jordan, for example, the operations were terminated by daylight at which time the attacking forces had returned to their own side of the border. If, under like circumstances, fighting continues after daylight, the opposing air forces will get into action and the war will spread rapidly. I ventured the opinion that Berlin is the only place in NATO Europe in which a limited action might develop. General Ely agreed.

12. Moving to a definition of the NATO shield in Europe, General Ely went through a rather tedious and confusing argument that the shield must be sufficiently strong to give the Soviets the firm impression that by infiltration tactics they can't displace it back to the Atlantic. I stressed that the shield must be understood as comprising the total NATO offensive and defensive strength in both Europe and America, with U.S. atomic retaliatory strength constituting the main element—the one feared most by the Soviets. General Ely agreed, but only after calling attention to his concern over the effect of U.K. force reductions in weakening the shield. I injected the contention that as long as the USSR is convinced that the U.S. will use its power against them if they attack in Europe, they will be forced to attack the U.S. first. Referring to some of Adenauer's statements which have served to cast doubt on whether the U.S. will employ atomic weapons in behalf of our European Allies, I emphasized that, in my estimation, such a development is not possible.

13. In connection with budget problems, I discussed the responsibilities of military leaders to assist their governments in maintaining a sound economy as opposed to asking for the sky in an effort to insure against all contingencies. General Ely agreed and went on to speak in serious vein of the psychological importance to Europeans of continued presence of U.S. troops on the Continent to convince the Soviets that we will intervene in event of attack. I reminded him that when we augmented our European deployments beginning in 1950, we had stated they wouldn't stay forever. We have six divisions in Europe and may keep them there a long time. The composition of these units will change, however. And, too, certain other countries, such as Germany, can provide troops at a faster rate than now contemplated. If the German proportion of men under arms corresponded to ours they would have 1.5 million men in service. Furthermore, our men serve

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<sup>3</sup> A copy of the draft Directive to the NATO Military Authorities from the North Atlantic Council is in Department of State, Conference Files: Lot 62 D 181, CF 822. Documentation on the December 1956 NAC meeting is in volume IV.

two years. Finally, we must concern ourselves not only with Europe, but with the rest of our roughly one million men deployed around the world. They generate difficult political and status of forces problems. General Ely asserted that France has similar problems. Her term of military service is 27-30 months with no exemptions other than illness. She has 700,000 troops abroad.

14. I ended this particular exchange by citing increasing Congressional concern over the strength of U.S. forces overseas vis-à-vis indigenous strength, the trend in our aid programs to place reliance upon our Allies for ground forces and their support, the impossibility from a cost standpoint of adding the capabilities of each new weapon to the present level of forces instead of seeking compensatory reductions. Over the next 5-10 years, as we divide the budget between the Army, Navy and Air Force, there will be less for the Army and Navy and for support of our forces overseas.

15. As a final point before talking privately with him at his request,<sup>4</sup> I told General Ely that one of the most dangerous developments I know of relates to talk of the possibility of war with the Communists in which atomic weapons would not be used. I asserted that much of this talk is generated by the Communists themselves as a deliberate maneuver. We cannot, however, stretch our limited means to cover plans for both limited and atomic war. Our greatest hope for no war is unquestioned atomic power and the determination to use it. General Ely agreed.

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<sup>4</sup> A memorandum of this conversation between General Ely and Admiral Radford on disarmament and Algeria, July 18, is in the Naval Historical Center, Radford Papers, Memos for the Record.

## 50. National Intelligence Estimate<sup>1</sup>

NIE 22-57

Washington, August 13, 1957.

### THE OUTLOOK FOR FRANCE<sup>2</sup>

#### The Problem

To assess the situation in France, with particular emphasis on the Algerian conflict and the economic situation; and to estimate the effect of probable developments on the French domestic and international position through 1960.

#### Summary and Conclusions

1. France, besides its usual troubles of a political system which few citizens respect and an economic system which is still outmoded in many ways, is currently burdened with two acute problems: the Algerian war and a financial crisis marked by rising prices and by large deficits in the budget and balance of payments. Until these problems are solved, France is unlikely to make much progress in internal reforms and will fall short of meeting its commitments to NATO and to the European community.

2. The attempt to hold Algeria by force shows little promise of success and French leaders are slowly being driven to the conclusion that they must negotiate with the rebels. Public opinion is not yet prepared to accept the loss of Algeria, and it may be some time before any government feels that it can abandon a repressive policy or risk open negotiations with rebel leaders. Nevertheless, we believe that

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<sup>1</sup> Source: Department of State, INR-NIE Files. Secret. National Intelligence Estimates (NIEs) were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the Central Intelligence Agency (CIA), approved by the IAC, and circulated under the aegis of the CIA to the President, appropriate officers of cabinet level, and the National Security Council. The Department of State provided all political and some economic sections of NIEs.

According to a note on the cover sheet, "The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff." All members of the Intelligence Advisory Committee concurred in this estimate on August 13 with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation who abstained as the subject was outside their jurisdiction.

<sup>2</sup> This estimate supersedes both NIE 22-56, "The Outlook for France," published 10 July 1956, and NIE 71.2-56, "Outlook for Algeria," published 5 September 1956. [Footnote in the source text. NIE 22-56 and NIE 71.2-56 are not printed. (*Ibid.*)]

there is about an even chance that within the next 18 months a French government will offer a wide measure of autonomy, coupled with the promise of eventual independence, to Algeria. While such an offer would arouse strong *colon* opposition in Algeria and right-wing protests in France, we believe that the army would not support the *colons* and that the government could implement the agreement. The Algerians would probably accept the offer because they realize that they cannot win a complete victory and because they would expect that autonomy could be quickly transformed into independence.

3. The government is at present trying to solve the financial problem by tax increases, budget cuts, and above all by imposing drastic restrictions on imports. The protectionist aspects of this policy will probably slow down the recent rapid rate of industrial growth and may delay fulfillment by France of its obligations to the European Common Market. Any drastic change in French economic policies is unlikely before the Algerian conflict is settled. The chances are slightly better than even that in the climate created by such a settlement a French government would utilize the opportunity to take measures which would in time enable France to cooperate unreservedly in European institutions without fears for its economic future.

4. France will almost certainly remain a member of the Western alliance, because the French realize that this alliance is fundamental to their security. At the same time, France will follow an independent political line in some matters, such as dealings with the Arab world and attempts to relax East-West tensions. France will continue to fail its NATO partners by not making the defense contribution which would be most useful to the alliance. French armed forces will be employed to protect the French position in Africa to the detriment of the NATO defense of the European continent. It is also probable that funds and efforts will be diverted to an independent nuclear weapons program which will have little military value for NATO during the next few years.

5. The French will remain loyal to the principle of European integration, but will give their partners in the European community some bad moments. The French will be cautious in taking any further steps toward closer integration and they may find it difficult to implement the commitments already taken.

6. The French believe that they deserve to hold a leading position in the world. Yet they have witnessed repeated financial crises and a steady erosion of their power position. Many citizens are frustrated and depressed, but we do not think that there is any immediate prospect that the Republic will be overthrown. The Communists do not now have the capability, and the extreme right lacks leaders, followers, and a program. Government-as-usual will probably continue, and

there will be a stalemate on many issues. Some problems will be settled, but France will probably not undertake a basic reappraisal of its internal needs and of its international position.

### Discussion

#### *Introduction*

7. France at present is at grips with two particularly serious problems: the Algerian conflict and a financial crisis. These issues are interrelated; the economic costs of the Algerian war aggravate economic difficulties. These problems limit the freedom of maneuver of French cabinets in determining both internal and foreign policy. They make it difficult for the government to fulfill its international obligations or to implement internal reforms. Domestic controversy over Algeria has driven another wedge into a society already disposed to disagree over fundamentals.

8. The French people are in a state of uncertainty and frustration. A large part of the population feels that it is not obtaining the social and economic benefits to which it is entitled, in spite of striking increases in production. Others are deeply concerned over the steady decline of their country's power status in spite of all diplomatic and military efforts during the postwar years. The nature of the present French political set-up intensifies the frustration of these and other groups.

9. In 1956 the French elected a National Assembly, which is scheduled to last until 1960, in which almost one-third of the deputies (Communists and Poujadists) are opposed to constitutional government. The remaining two-thirds of the deputies are divided among the Socialists, the center parties<sup>3</sup> and the conservative Independents and Peasants (*Modérés*). These groups—especially the two strongest, the Socialists and the *Modérés*—are too deeply divided by ideological and other differences to permit the pursuit by any government of the firm policies which the situation demands. Instead, the two cabinets which have been installed by the present Assembly have not had reliable majorities, and have been based on the uneasy and precarious cooperation of the Socialists and the parties of the center. The only other current possibility is a government of the center with support from the *Modérés*. Neither type of government is likely to bring about basic improvements in the national economy and in France's world position.

10. The experience of the Mollet government illustrates these difficulties. The formation of a predominantly Socialist government in 1956 stimulated popular expectations, especially among the working

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<sup>3</sup> The most important party groups roughly in the center are: the Radical Socialists (including dissident Radicals), the UDSR, the Social Republicans (ex-Gaullists), and the MRP. [Footnote in the source text.]

class, of social and economic reforms. Many intellectual leaders, particularly among the followers of Mendès-France, hoped that through the cooperation of Socialists and Radicals, France could be set on a new road which would restore vigor to the Republic and reduce the appeal of Communism. These hopes were largely disappointed. Mollet did initiate a number of social measures, but their scope was limited by his preoccupation with the Algerian problem and his growing dependence on the center-right. Furthermore, by adopting a policy of repression in Algeria, he alienated many of his allies on the left, including Mendès-France and his group, and provoked dissensions within his own party.

11. The present cabinet, led by Bourgès-Maunoury, has won even less confidence, and its life-expectancy is short. But the fall of the Bourgès government is unlikely to solve France's more serious problems, since a successor government will have to be built on the same shaky foundations. Realizing this, the average Frenchman has become even more cynical about his civic responsibilities and even more disillusioned about parliamentary processes than normally. Taking all these factors into account, it is highly unlikely that France can make much progress until the two overriding problems of Algeria and the financial crisis are confronted and resolved.

### *The Algerian Problem*

#### *Algeria's Importance to France*

12. Especially since the Suez affair, the Algerian conflict has come to overshadow all other problems confronting France. In many ways it resembles a major war: over 400,000 members of the French armed forces are involved, costs are heavy, and decision and action on other problems and policies have all been affected. France is committed to an effort to retain control of an area which has legally been part of metropolitan France for about a century and which contains roughly a million citizens of European extraction (*colons*) in a population of about nine million; perhaps one out of seven Frenchmen has a family connection in Algeria.<sup>4</sup> Many Frenchmen are convinced that their possession of Algeria is vital to French status as a world power, and as a counterbalance to the growing weight of West Germany in Europe and in the Western alliance. They also fear that loss of Algeria would be a prelude to the disintegration of their influence in other African areas.

<sup>4</sup> We use the term *colon* to describe all such Europeans—the majority of whom are urban workers—rather than merely the great landowners of French descent. It is possible that only about half these Europeans, who are concentrated in the coastal region, originally derived from continental France. [Footnote in the source text.]

13. Economic and military interests bolster these considerations. Private investments in Algeria held in continental France may amount to \$500 million; French public investment since 1945 has totalled roughly \$800 million; *colon* holdings may represent several billion dollars. Trade with Algeria is very important to certain influential French interests (and vital to Algeria). Moreover, the French have in Algeria extensive air installations, excellent army training facilities, and their primary guided missile range. The French will regard the Sahara as a natural testing area for nuclear weapons. Also, their naval base at Mers-el-Kébir is one of the most important and most modern of such installations in the Mediterranean area.

14. These interests are reinforced by the recent significant oil discoveries in the Southern Territories of Algeria. The French hope that early development of these discoveries (still of unproved capacity), will eventually lessen their dependence on Middle East oil. Other mineral resources also have been found throughout the French Sahara. An economic organization to exploit these Saharan oil and mineral resources was set up by the French some months ago, and the French government includes a new Ministry for the Sahara.

15. The above factors in large measure account for the determination of the French to retain control of Algeria. They explain the intensity of French feeling, and also the ruthlessness with which at times they have conducted their military operations. Almost all the *Modérés* and the majority of the MRP, Radicals, and Socialists are publicly committed to retaining the French hold on Algeria, even though many of the leaders of these parties will privately admit that there is little promise of obtaining settlement on their terms.

#### *The Situation in Algeria*

16. *Rebel Strength and Capabilities.* The National Liberation Front (FLN) has more than held its own against the French over the past year. The numbers of its "Liberation Army" (ALN) have remained roughly constant at about 20-25,000; expansion has probably been limited by shortage of arms rather than lack of manpower. Its increasingly heavy casualties appear to be replaced without much difficulty; it can also count on occasional assistance from armed sympathizers. Despite the French capture of five rebel leaders last October and the French claim to have decimated the ranks of the FLN directing bodies, the nationalist movement appears to possess effective organization and leadership. There are continuing reports of confusion and jealousy among the FLN-ALN members, rivalry between them and the much less numerous and effective MNA (Algerian National Movement, whose main strength is among North Africans in France), and tribal

feuding in remote areas. The nationalist movement as a whole nevertheless seems to maintain its high morale, with the at least tacit support of the majority of Algerians.

17. The rebels are receiving material aid and strong diplomatic and moral support from other Arab areas. The two main channels for military supplies appear to be: (a) through Libya and Tunisia from Egypt, which seems to be providing stocks of older weapons as new ones are obtained from the Communist Bloc; and (b) from Southern European countries such as Spain and Italy. Many arms purchases are made with funds provided by Arab countries. Arab solidarity regarding Algeria, largely defying distinctions based on individual national attitudes toward the Communist Bloc-Free World controversy, is fully displayed in repeated initiatives within the UN. The strength of popular sentiment in North Africa favoring the Algerian rebels is evidenced by the refusal of Tunisia and Morocco to withhold support from the rebellion even for the purpose of retaining vitally needed French aid. Morocco is currently more successful than Tunisia in avoiding clashes with France on the Algerian issue, but this could change overnight.

18. In this situation, the FLN appears confident of outlasting the French in the present test of endurance. It continues to insist upon French recognition of the principle of Algerian independence as a precondition for entering negotiations, and it has in effect rejected both the French cease-fire offer and Tunisian Premier Bourguiba's suggestions for a test of French intentions. The nature and policy of the present French government are not likely to induce the FLN to change its attitude in the near future. It probably will maintain a high level of sabotage and terrorist activity over the next few months, not only to keep up pressure on the French but also to attract international attention prior to the UN General Assembly session this autumn.

19. *The Communist Role.* The influence of the small, outlawed Algerian Communist Party and of the Soviet Bloc upon the FLN rebels continues to appear slight. Considerable attention has been given over the past year or more to the much-advertised creation of local Communist *maquis* units to fight alongside the FLN. Despite the Algerian Communists' efforts to represent their role as an important and increasing one, there is no evidence that more than a handful of people are involved. Moreover, there is no evidence that the FLN has encouraged or more than tolerated whatever minor assistance may be coming from the Communists. On the other hand, some individuals with primary Communist allegiance have infiltrated the FLN. The FLN attitude probably is determined by pragmatic considerations rather than by a pro- or anti-Communist position. Thus far, the rebels probably believe that the disadvantages of a closer connection with the

Communists outweigh the possible advantages. However, they would be likely to seek direct Communist help—both locally and abroad—in case it appeared expedient.

20. *The French Position.* The gulf between the Moslem and European communities in Algeria has considerably widened over the past year as the French pursued the Mollet-Lacoste<sup>5</sup> pacification program. Neither the military nor the reform aspect of that dual program has brought the results anticipated by the French. French troops have taken a heavy toll of rebel forces, but without any measurable effect on nationalist strength. Certain areas have been pacified, but guerrilla activity has been resumed as soon as troops were withdrawn. French defense forces have generally been unable to prevent military supplies from reaching the rebels by land, although the navy has been generally effective in preventing the landing of arms from ships. The Lacoste reforms, which a few years ago would have seemed revolutionary, have not received much support from the Moslem populace, partly because of fears of FLN retaliation and partly because the long-term program does not envision independence or the wide degree of autonomy which would be necessary to satisfy nationalist demands.

21. One significant result of the Lacoste policy has been the expanded role of the French Army in Algeria. Lacoste's inability to persuade local Moslem officials to accept positions created by his administrative reorganization, as well as the paucity of suitable French civil servants, has caused him to appoint military personnel to both central administrative and local governmental posts.

22. These factors appear to have placed fresh emphasis upon the military side of pacification. Additional French troops are being brought into Algeria, primarily through reduction of French forces in Tunisia and Morocco. Operations against the rebels have reached a new level of intensity. Moreover, the French command apparently has decided that since protection cannot be given all areas at once, the army will concentrate on pacifying certain regions with greater thoroughness than in the past. The French appear to be thinking in terms of creating order and inaugurating reforms in certain localities, which will serve as models of what the pacification policy can achieve. They may hope that this will also impress certain UN members next fall when France's policy toward Algeria will almost certainly come under heavy fire. In any case, this increased emphasis on repression will probably lead to heightened violence in Algeria over at least the next few months.

23. *The Colon Attitude.* The majority of the *colons* are strongly in favor of all-out war against the Algerian nationalists; their attitude has enabled the French government to claim that France stands as an

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<sup>5</sup> Robert Lacoste, French Minister Resident in Algeria.

indispensable arbiter between the Moslem and European communities. The *colon* riots in early June, mostly involving student and veteran groups, illustrated the intensity of anti-Moslem feeling among the European settlers in Algiers. On the other hand, as metropolitan Frenchmen have become more aware of the human and financial costs of a repressive policy in Algeria, they have been less willing to accept *colon* demands. This decline in *colon* influence is evidenced by the unsuccessful attempt to prevent some of the Lacoste reforms, and the acceptance by Marshal Juin (whom the settlers regard as one of themselves) of the principle of limited autonomy for Algeria.

24. Nevertheless, the French government will have to take into account the possibility of a violent *colon* reaction against any change in its Algerian policy. A sudden decision to grant Algeria independence—which is unlikely over the short run—would produce the maximum amount of *colon* violence, but even if the concessions were less abrupt and sweeping, *colon* demonstrations would probably still take place. Such demonstrations might cause a weak government to hesitate in implementing its new policy. On the other hand, *colon* violence would probably not develop into a full-scale rebellion against the French authorities in Algeria unless the *cols* received greater encouragement than we anticipate from metropolitan rightists and from the army. The army has a strong tradition of loyalty to constituted authority and while there is dissatisfaction among regular army officers in Algeria there is virtually no evidence that they are thinking of a coup. We do not believe that the army as a whole would support a *colon* rebellion, though a few officers might join the movement.

#### *French Policies*

25. *Current Policy.* The Bourgès-Maunoury government is now making what may prove to be the final French effort to solve the Algerian problem by the use of force. While this attempt falls short of an all-out war against North African nationalism, the French cannot do much more in view of international pressures, the lack of domestic support for extreme measures, and the costs of the war.

26. At the same time, the government is retaining and amplifying many of the "reform" features of the Mollet-Lacoste policy. Bourgès has announced his intention to decentralize further the Algerian administration, and to propose a statute which presumably will offer some autonomy at local and departmental levels, with gradual advances toward a distant goal of full Algerian autonomy. Moreover, like its predecessor, the Bourgès government maintains some unofficial contact with the rebels. On the other hand, despite Lacoste's opposition, there also is a move under way to separate the Sahara politically

from the coastal departments. However, any official changes in the French approach to the Algerian problem now, and over the past year, appear more as shifts in tactics than as modifications in policy.

27. This policy of repression combined with limited political reforms almost certainly will be continued as long as the present government holds office and Lacoste remains Minister for Algerian Affairs. It is possible that this renewed emphasis on force will have considerable success in certain localities, and that greater efficiency in operations—as well as greater power and responsibility for the French Army—will result from the decentralization of control in Algeria. However, it is almost certain that the present government by these means will be unable to break the back of the rebellion or to force the nationalists to accept current French terms for a settlement. An effort along these lines over a long period might result in at least a temporary stabilization of the Algerian situation through the use of force, but we do not believe that the French nation would be willing to bear the necessary costs in terms of money, morale, and manpower.

28. *Pressures for a Changed Policy.* While intense emotionalism still surrounds the Algerian issue, and charges of "abandonment" of Algeria and "betrayal" of the French Army are hurled freely, pressures for a new French policy in Algeria are mounting and objective discussion is becoming more prevalent in the press and elsewhere. An apparent majority of French "intellectuals" of the non-Communist left, as well as many of the center, are opposed to the present policy. Moreover, a number of politicians and political commentators are privately conceding the eventual French loss of Algeria. Similar but largely unexpressed fears are affecting a substantial and growing minority of the public. Most significant, about a third of the Socialists at their recent party congress rejected the current general French policy, and many of this group approved the principle of Algerian independence.

29. There are also indications of a changing attitude toward the rebellion not only among business interests both in France and Algeria, but within *Modéré* political circles in Paris. While there are demands for a tough policy to protect the much-publicized Saharan oil discoveries, there is also a growing realization that the present strife is incompatible with plans to extract the oil, and to build and maintain pipelines.

30. The over-all French position in Africa is also involved in consideration of the Algerian problem. The French government and the former protectorates of Tunisia and Morocco are all aware that relations between them cannot be normalized until the Algerian rebellion is settled. The Tunisians and Moroccans sympathize with the rebels but both countries also wish to avoid the spread of hostilities and to obtain French financial and technical aid. Both Bourguiba and the Sultan of Morocco have attempted to mediate between the Alge-

rian rebels and the French, and they are likely to increase their efforts toward an Algerian settlement. In addition, the French realize that the continuation of the Algerian conflict places in jeopardy the implementation of the Overseas Reform Act (*loi-cadre*)<sup>6</sup> in French West and Equatorial Africa and the economic development of these areas as parts of the European Common Market. French hopes for maintaining a real French Union—that is, close ties between the metropole and the overseas territories—depend on the success of these projects. Finally, rising French hopes for the economic development of the Sahara obviously depend on the re-establishment of peace in Algeria and, probably, the development of cordial relations with Tunisia and Morocco.

31. Nevertheless, these pressures for a changed Algerian policy have not yet gained sufficient strength to have an incisive effect in the immediate future. The French government, political parties, and public to a considerable extent remain prisoners of the intense nationalist sentiment and propaganda which were evoked by the Suez affair. The present French government is unlikely to attempt official talks with the Algerians except on terms which would probably be unacceptable to the rebels. Thus it is unlikely that there will be any fundamental change in French policy leading toward an Algerian settlement at least before late autumn.

32. Over the next few months, however, we believe that additional pressures for a change will be brought to bear on the French government. France will be confronted with difficult problems in coping with the UN General Assembly discussion of Algeria this fall. It will then soon be entering the fourth year of its campaign in Algeria—except in the highly unlikely event that pacification will have succeeded by that time. The French will also be under growing external pressure from all directions, especially from the UN and their partners in the Common Market, with respect to Algeria. There will also be increasing internal criticism from the Socialists, whose official policy has already shifted to a slightly less rigid position than when Mollet was premier.

33. The political and administrative institutions of the French, as well as their pride and sensitivity, will continue to operate against any rapid change in policy. If the French felt that there had been unwarranted interference by supposedly friendly countries, this would delay any significant change. Otherwise, there is at least an even chance that by the end of this year the French will begin to give serious consideration to an Algerian settlement negotiated with the rebels.

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<sup>6</sup> The law, passed on June 19, 1956, created a framework for the introduction of a greater degree of internal self-government in certain French colonies.

34. French leaders could take advantage of unofficial contacts with the rebels to discover a possible basis for a settlement. We believe that the most the French would offer would be the grant of a measure of nationwide autonomy as a start, coupled with recognition of the principle of eventual independence for Algeria. Almost any French terms will be accompanied by efforts to keep Algeria within a revised or transformed French Union. The French might also propose the separation of the Sahara from Algeria in order to retain control of its resources, but such a scheme would encounter strong Moslem opposition.

35. The FLN appears to have become more rather than less intransigent about the terms of a settlement as a result of the French failure to repress the rebellion and the French loss of prestige in the Middle East. On the other hand, continuing French military pressure on the rebels has probably convinced them that they cannot hope for a speedy or complete victory. Therefore, if the French are not obviously forced to lead from weakness, we believe that the FLN leaders will in time agree to negotiate on terms of limited nationwide autonomy and recognition of the principle of Algerian independence. The rebels would probably believe that autonomy could be readily transformed into independence at an early date, and that needed French aid meanwhile could be retained.

#### *The Economic Problem*

36. While the attention of most Frenchmen during 1956 and early 1957 was increasingly centered on the Algerian issue—dramatized and complicated by the Suez intervention—France slid into a critical financial position with little or no public notice. The lack of widespread concern prior to the fall of the Mollet government was largely due to a seemingly paradoxical situation which still obtains: France is experiencing a relatively high degree of prosperity at the same time that the government is casting about for palliatives to its critical financial straits. The situation has now been brought home to the average Frenchman by recent tax increases, if not by Bank of France advances and reversal of the trade liberalization program. On the other hand, the French still are not inclined to accept draconian government measures and individual sacrifices as necessary to the future economic health of France.

#### *The Current Situation*

37. The deterioration of the French financial position began in 1956 after four years of economic growth with relative monetary stability. Industrial production continued to rise rapidly but strong inflationary pressures were created by an excess of demand for consumption and investment, both public and private, on France's almost fully

employed resources. This shortfall of resources against rising demand was met primarily by an adverse balance of trade. Imports rose at an accelerating rate and exports dropped for the first time since 1952. The deterioration in the balance of payments was aggravated by the effects of bad weather on agricultural output, by the Suez crisis, and by the decline of American assistance and expenditures in France. Gold and foreign exchange holdings fell from \$2 billion in early 1956 to less than \$900 million during June 1957; they are in danger of being completely exhausted by the end of 1957. Underlying this situation was the large budget deficit. Mollet made an attempt to reduce the deficit, but his modest efforts were halted by the fall of his government on the issue of increased taxes.

38. Nevertheless, there are continuing elements of strength in the French position, particularly the growth of industrial capacity resulting from high levels of investment and modernization. Since 1954, industrial output has been increasing at a rate of about 10 percent annually, and productivity has been increasing almost as rapidly. Favorable weather conditions in early 1957 indicate a future improvement in agricultural production. GNP increased to \$52 billion in 1956, a rise of four percent in constant prices, following the seven percent rise in 1955. Gross investment expanded by over nine percent in 1956 to a level somewhat under 20 percent of GNP; these high levels continued in early 1957. After many years of economic stagnation and war French leaders have been loath to impede the growth and re-equipment of industry by over-all deflationary measures. They believe that further growth would provide the best prospects for dealing with hitherto persistent social problems, and for assuring the long-term equilibrium of the economy.

39. The political inability of the French government to limit the growth of competing demands has been largely responsible for the inflationary pressures and the external imbalance. As noted above, real output rose by four percent in 1956, while total claims on resources increased by six and a half percent; private and public consumption rose by over five and 10 percent respectively. Military costs, especially for operations in Algeria, are an important factor contributing to inflationary pressures. However, rising expenditures for other government activities, for investment, and for private consumption are of at least equal importance.

40. *Government Fiscal Policy.* The large deficit in the central government accounts, totalling about \$3 billion in 1956, contributes heavily to the current inflation. Premier Bourgès-Maunoury's fiscal program, approved by the National Assembly in June 1957, is substantially the same as the revised Mollet program which was rejected by the Assembly a month earlier. Further increases in total expenditures apparently have been checked, but they are likely to

remain at the 1956 figure of slightly over 25 percent of GNP. However, projected receipts from increased taxes should reduce the deficit in the combined budget and treasury accounts to perhaps \$2.5 billion, or from 23 percent of total government expenditures to about 18 percent in 1957.

41. The government budget does not provide a flexible means for the required deflationary action, since it is politically difficult to reduce expenditures or to raise taxes. Despite the much-publicized attempts for some months to achieve budgetary economies, over-all expenditures have remained about the same. Those decreases which have taken place have tended to be offset by increases for military operations in Algeria and for social services, particularly for old age pensions, which the Socialist Party regards as politically imperative.

42. Moreover, the traditional and pervasive intervention of the government in the economy of France hinders rather than assists the attempt to control inflation. A considerable proportion of major economic enterprises are owned by the state. In addition, the government intervenes through a complex network of social security payments, subsidies, special compensations, tax discriminations, and other indirect measures. Farmers, craftsmen, and small firms have been particularly favored, but a myriad of other special interest groups obtain different degrees of economic support and protection. While the apparatus of intervention grew piecemeal and embodies contradictory economic objectives, its net effect is to inhibit competition and change in large sectors and to reduce the over-all flexibility of the economy. Government policy, far from obtaining greater leverage over inflationary pressures by the extent of its intervention, tends to be hamstrung by special interest groups. This is particularly true under the present tenuous parliamentary coalition.

43. *Economic Impact of the Algerian Conflict.* The cost to France, both in resources and manpower, of the insurrection in Algeria is one of the major inflationary pressures on the economy. French total defense expenditures in 1957 are likely to be approximately \$4 billion, or about 7.6 percent of estimated GNP. These expenditures are about \$1 billion higher than the annual rate prior to the outbreak of hostilities, which provides a rough indication of the real cost of military operations in Algeria. Other costs to France include a drain of resources in the form of unrequited service and commodity exports. The flow of private capital being repatriated from Algeria—estimated at \$450 million in 1956—is not accompanied by a corresponding flow of commodities and thus tends to swell the monetary claims on resources within France. The full inflationary impact of the Algerian crisis cannot be estimated, but it is probable that the total economic drain on France amounts to about \$1.5 billion annually.

44. The pressure on manpower resources of a high level of economic activity and of the callup for military service in Algeria has been severe. The labor force has been relatively static in recent years, with immigration only slightly exceeding the decline in the population of working age. In a period of large productivity increases, the withdrawal from the economy of men for service in Algeria has not had a very serious effect on output. It has contributed, however, to the pressure on wages.

45. *The Level of Prices.* The French government has attempted to maintain a stable price level by direct measures. Particular attention has been given to holding down the official cost-of-living index for Paris, to which the minimum wage rate is tied. In an attempt to prevent an inflationary spiral, prices for major items comprising the index have been manipulated by tax reductions, suspensions of import duties, and price blocking; more recently the index itself has been revised. In addition, a general price stoppage was introduced in mid-1956 on domestically produced goods, trading margins, and services. These governmental measures have had a considerable effect. Nevertheless, the average prices for all commodities rose by four percent in 1956, and by two percent by July 1957. Moreover, in July the official retail price index exceeded 149.1 (1949 = 100) and the government was in consequence obliged to put into effect on 2 August the automatic five percent increase in the guaranteed minimum wage called for by law. While this action is expected to benefit immediately less than a million workers, it will undoubtedly, as in the past, lead to a general wage increase.

46. *The Adverse Trade Balance.* Faced by a gap between demand and supply the Mollet government permitted a rapid increase in the import surplus, apparently hoping that an early settlement in Algeria would permit a more fundamental readjustment of the economy. Under the impact of an almost full utilization of industrial capacity, imports of raw materials and semifinished products were 16 percent higher in 1956 than in 1955. Imports of finished manufactured products increased by 18 percent; food imports, by 56 percent. The total volume of imports rose by 19 percent, as compared with a rise of 11 percent in the preceding year. At the same time, French exports have been hampered by high prices resulting from inflated domestic demands; the volume of exports declined by eight percent in 1956, in contrast with a 12 percent increase in the previous year. As a result, the foreign trade deficit rose from \$235 million in 1955 to \$1.2 billion in 1956, and to an annual rate of about \$2 billion in the first five months of 1957.

47. Only about one-third of this increase in the foreign trade deficit can be attributed to extraordinary factors—the winter freeze and the Suez crisis. France, usually a net exporter of wheat (over two

million tons in 1955), showed net imports of 500,000 tons in 1956. The 10 million ton increase in coal consumption caused coal imports to rise by \$100 million and coal exports to fall by \$60 million.

48. *The Balance of Payments.* As the balance of payments has worsened, speculation against the franc has accelerated. This deterioration has occurred at a time when special receipts from the US, in both direct assistance and US military expenditures in France, have declined sharply from a level of \$1 billion in 1954–1955 to \$370 million in 1956–1957 (these special receipts are estimated at \$290 million for 1957–1958). An International Monetary Fund (IMF) credit of \$262 million, obtained in October 1956, is now exhausted and Bank of France gold and other foreign exchange holdings are under \$900 million. In these circumstances, the French government has applied restrictions on credit and on imports, reversing the trade liberalization policy being pursued with other Western European countries. Furthermore, on 10 August the French took comprehensive measures just short of actual devaluation to improve their exchange position. The rate for tourist exchange transactions was changed from 350 francs to 420 francs to the dollar. Simultaneously, the government announced that the higher rate would be applied, by means of a 20 percent export subsidy and a 20 percent import tax, to all trade except imports of essential raw materials and fuels. Nevertheless, France faces the probable necessity of borrowing from abroad.

#### *The Economic Outlook*

49. *The Short Term.* France is likely to be faced with increased economic difficulties over at least the next year or so. In order to stabilize the economy, the French government must reduce public and private demand to levels commensurate with French resources, which will increasingly have to be diverted to exports. The measures thus far adopted by the French to restrain inflationary forces are likely to prove inadequate. The tightening of credit and gradual reduction in the level of investment probably will reduce effective demand at only a slow pace. At the same time, the reduction of imports—while moving in the direction of a better external balance—is likely to lead to early and more intense pressures on the general level of prices.

50. The present government, or any likely successor, probably will be unable to take more drastic measures to enforce a policy of fiscal austerity in the near future. Dependence on Socialist support precludes sharp cuts in the field of social welfare, education, and public works, or substantial increases in taxes on mass consumption. Difficulties in attempting economies in this direction will be augmented by the likely growth of labor unrest. Dependence on conservative support for a parliamentary majority probably precludes sharp reduction in farm subsidies, or drastic increases in taxes on business

incomes. Military expenditures for NATO-committed forces may be reduced, but substantial economies in defense will not be realized as long as the policy of forceful pacification continues in Algeria. In fact, depending on the intensity of operations in Algeria, military expenditures in 1957 could exceed present authorizations. Recent economies and tax measures will not reduce the absolute amount of the budget deficits for 1957 and 1958 significantly below that of 1956, although there will be some improvement in relation to the rising levels of both total expenditures and GNP.

51. In this situation, a number of proposed or already approved government programs may be further postponed or their implementation extended over longer periods. These include about \$800 million for long-term development of Saharan resources, an expensive reform and expansion of the French education system, extension of the medical insurance system, and a projected reorganization of the French Army. Even with a decrease in military operations in Algeria and a leveling off of public investment expenditures, sizable budget deficits are likely for at least several years.

52. The probable rise of price levels over the next few months will lead to greatly increased pressures on the level of wages. In current prices, wages in 1956 were 11 percent above the level for the previous year, but followed rather than led the combined rise in over-all productivity and the general level of prices. In 1957, the rise in wages is expected to outpace productivity and prices, thereby providing an independent stimulus to the inflationary spiral. There is likely to be growing disillusionment and unrest among the rank and file of the labor unions, hitherto largely restrained by the Socialist character of the government. The Communist-dominated CGT will increase its wage demands and will probably be able to exert greater pressure on the leadership of the other unions to support them. A fairly serious strike movement is likely to develop during the fall. The government will find it difficult to continue manipulating the official cost-of-living index and to resist wage demands. Since rates of growth of industrial production and productivity are likely to decline, there will be greatly reduced scope for granting wage increases which will not contribute to a wage-price spiral.

53. The over-all balance of payments deficit for 1957 is likely to be even larger than that of last year, which was over \$1 billion. A trade deficit approaching \$800 million was incurred during the first five months of this year; no foreseeable government action is likely to reduce the deficit even to the level of 1956. France still has drawing rights with the IMF for an additional \$262 million, and a West German loan of \$100 million through the European Payments Union has been

discussed. However, the French government will probably be forced to draw further Bank of France gold reserves even if such foreign assistance should be forthcoming.

54. In these circumstances, increased attention is being devoted to the issue of outright devaluation. It is possible that the present government will officially devalue the franc, although many French leaders are convinced that such a step would be premature. They would prefer to wait until measures already taken could be supplemented by a comprehensive program of financial stabilization. They fear that the psychological reaction of many Frenchmen to devaluation under present conditions would only intensify the already strong pressures on the level of prices, and that the resulting rise in prices would cancel most of the benefits of such a policy. In the short term, the government would prefer to rely on increasingly comprehensive trade and foreign exchange controls, and on increased investment incentives in export industries. This isolation of France behind a wall of extensive trade and exchange controls would damage prospects for European economic integration, but we do not believe that this consideration in itself would deter the government from adopting restrictive policies.

55. *The Longer Term.* By raising a wall of trade restrictions, France could probably for a considerable period check the loss of reserves and maintain economic growth, although at a somewhat lower rate. By concentrating scarce foreign exchange on the most essential imports and by special measures to expand exports, France might be able to achieve about a two to three percent annual increase of GNP and perhaps a five percent annual rate of industrial growth over the next few years. On the other hand, these estimates of France's ability to maintain moderate levels of economic growth within an increasingly protectionist framework depend on the willingness of other countries to keep their markets open to French exports.

56. Even should the French obtain some short-term external assistance from the IMF, West Germany, or elsewhere, foreign assistance is unlikely to be continued over a longer period unless the French give way to external pressures for fundamental reforms in their economy. Despite their huge exchange surplus, the West Germans in particular would be cautious about extending aid for fear that France would thereby merely be encouraged to resist basic changes.

57. A successful stabilization of the French financial position is unlikely until after a settlement of the Algerian conflict. The chances are slightly better than even that in the climate created by such a settlement a French government would utilize the opportunity provided by an easing of demand on resources to place the fiscal system on a sounder basis, and free the economy from the straitjacket of foreign trade control and subsidies. Such reforms, given the substantial growth and modernization of the French economy since 1945,

probably would in time enable France to participate in cooperative European institutions without reservations and fears for its economic future.

### *European Cooperation*

58. France's financial difficulties have stimulated moves toward economic isolation at a time when the French have taken a considerable step toward entering European cooperative institutions, which many believe provide the best hope for overcoming the problems besetting the French economy. This coincidence of favorable and adverse trends symbolizes the French approach to European cooperation. Successive French governments have either initiated or officially supported virtually all the major postwar efforts that have been made toward the integration of Western Europe. They have had the backing of various groups for a variety of not always consistent reasons, but they have also encountered opposition, the strength of which has varied with the proposal. Opposition was greatest to the EDC project, which dealt with the very sensitive question of integrating the French and German armies above the division level. There has been less opposition to projects for economic cooperation. While the French applaud the general theme of United Europe, they have found some difficulty in accepting concrete proposals for the attainment of this ideal.

59. French ratification of the Common Market (European Economic Community) and EURATOM (European Atomic Energy Community) treaties is encouraging but far from decisive. Ratification makes possible but does not necessarily assure a long-term commitment to a firm policy of Europeanization. A divided Assembly or an unenthusiastic government could at any time delay implementation of the plans during their initial phases. Such perils are more likely to beset the Common Market than the less complex EURATOM, especially since Europe's urgent energy problems were clearly illustrated by the Suez affair.

60. *The Common Market.* France to some degree repeated its EDC performance by making numerous demands on its five prospective partners during the negotiations on the Common Market. These demands were aimed primarily at reducing the degree of supranationalism in the treaty and at cushioning the French economy—especially the agricultural sector—against any strongly adverse impact from the lowering of trade barriers. The major French requests were largely satisfied, at the expense of some diminution of enthusiasm on the part of the other participants—especially the Dutch. While the force of the treaty has been somewhat diminished thereby, it nevertheless represents a potent instrument for economic change.

61. If the Common Market operates as intended, the French economy will gradually be forced out of its straitjacket of government protection and control, and powerful private economic pressure groups will lose some of their influence. Despite French fears of a drastic impact on manufacturing industries and of possible domination by West Germany, it appears that dislocations in the economy will be neither sharp nor disruptive. However, the potential benefits of the Common Market at best will only be realized over a long time, as envisaged in the 12 to 15 year transition period provided by the treaty. The Common Market project might make an even slower start than planned, since it is possible that the French government will not have revoked its drastic trade restriction measures by early 1959. In this case, the Common Market would not have a significant effect on the French economy during the period of this estimate. If, on the other hand, the French removed their trade restrictions and participated unreservedly in the project, it would have a substantial impact.

62. Efforts to create the Common Market are being matched in the broader field of European cooperation by an attempt to set up an associated European Free Trade Area (FTA), to which the members of the "Six" would also adhere. The two projected organizations are largely differentiated by the degree to which customs barriers would be affected; the FTA members would abolish such barriers among themselves, but tariffs toward nonmembers would be maintained on an individual country basis. Much of the stimulus for the FTA—one which would exclude agricultural products—has come from British government circles who fear an improved West German competitive position within an implemented Common Market scheme to which the UK does not adhere. Few concrete steps have been taken toward creating the FTA, partly because of inherent difficulties and fears that negotiations simultaneous with those for the Common Market would diminish French support for the latter project. After ratification of that project is completed, negotiations on the FTA will probably go forward. In those circumstances, the French attitude is likely to be shaped principally by the wish to associate the UK with the cooperative trade movement as a counter to possible German economic hegemony, and by opposition to the British plan to exclude the agricultural sector from the FTA. If France is satisfied on the agriculture issue—the UK has already shown some disposition to compromise—it probably will support formation of the FTA.

63. EURATOM. Whereas the French approach to carrying out the provisions of the dramatic and far-reaching Common Market project may be hesitant at best, there is unlikely to be much foot-dragging on implementation of EURATOM. Because of French demands, the treaty permits its signatories to develop nuclear weapons programs on a national basis. This provision has satisfied most French nationalistic

objectors; the reason why the opposition to the treaty was more vociferous than to the Common Market probably is that EURATOM requires immediate French action, while the former's provisions allow for considerable delay.

64. Implementation of EURATOM should greatly hasten the development and construction of nuclear power facilities, and at the same time reduce the chances of a costly French race with already impatient German industrialists. An expansion of domestic power resources is fundamental for a continued increase in France's productive capacity, and for the retention of its competitive position within the embryonic Common Market. Although EURATOM will not produce nuclear energy for industrial uses within the period of this estimate, it gives France an opportunity to reduce its dependence on Middle East oil over the next decade.

65. *Future Integration Attempts.* Many supporters of the two plans in France are primarily interested in their effect in stimulating action toward the political integration of the six Western European countries. France almost certainly will continue to participate in the broad forms of European cooperation for the foreseeable future. It appears ready to move ahead cautiously with the two current treaties. But French ratification of the treaties does not presage any disposition to accept the thesis of a political European union. France needs the shared strength which present and incipient cooperative organizations can provide; it is far from convinced that more than this is required. However, if the present treaties are fully implemented and complementary institutions of the OEEC-type established, the long-term trend would probably be toward a more confident and interdependent Western Europe. Under such circumstances, France slowly might change its attitude toward a supranational political organization.

66. *The Eurafrica Policy.* Many French leaders wish to use European integration as a device for associating their Common Market partners with them in the attempt to maintain the French position in Africa. The French hope that their African territories will be restrained from demanding independence by their pressing need for economic assistance, but are having difficulty in continuing to provide colonial development funds at present levels. They therefore made their participation in the Common Market project dependent on contributions for colonial development from their European partners. While some Frenchmen believe that European integration and preservation of their special status in Africa are mutually exclusive policies, this is not a widespread view.

67. A common investment fund for dependent overseas territories is provided for by the European Economic Community Treaty. The amount is set at over \$580 million for the first five years after ratification, and the French Black African territories are to receive the bulk of

that sum. Algeria has been given a special position in the Common Market, and France would also like to associate Morocco and Tunisia with the project. However, while the Algerian conflict continues, these two countries almost certainly will not participate, and a permanent basis for Algerian association with the Common Market cannot be determined.

68. We do not believe that the results of linking the Common Market with the Eurafrica policy will come up to French expectations. The application of the *loi-cadre* to the French African territories will probably stimulate further demands for more self-government, and increase speculation about independence.<sup>7</sup> Some high French officials already believe that many of these territories will become independent within two to five years. African nationalists will regard the need for development funds as only one element in the association with France; many of them are unlikely to be inhibited from additional political demands by economic considerations. In any case, the projected expenditures through the Common Market amount to only about \$100 million a year, and the net effect of this spread over more than a dozen French territories may not be very substantial. This would be particularly true if France, which is to contribute roughly 40 percent of the fund, is forced to lower the level of its past independent development expenditures. Moreover, the other European countries involved will not be eager to assume even indirect political responsibility for developments in French African areas, and the French will be anxious to avoid any weakening of their influence. Those countries will still be subject to certain restrictions in their economic access to the African territories in spite of their somewhat reluctant participation in the development fund over the next five years.

#### *Foreign and Defense Policies*

69. France is currently torn between the desire to recapture its status as a great power and a growing fear that sooner, rather than later, it must recognize that this is impossible. The French action at Suez, strong support for Israel, and general policies toward the Middle East over the past year were all stimulated by a national sense of outrage over Arab assaults on Algeria, which the French believe is the key to their position as a world power. The failure in Egypt illustrated for France the decline in its power position, but French leaders have not fully faced up to the implications of this decline. The French commitment to Algeria in large measure has inhibited a reappraisal of their defense and foreign policies similar to that made by the British.

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<sup>7</sup> For more information on these African territories, see NIE 72-56, "Conditions and Trends in Tropical Africa," published 14 August 1956. [Footnote in the source text. For text of NIE 72-56, see vol. xvii, pp. 45-47.]

70. The nature of the governmental organization is one of the factors contributing to French slowness in adjusting to the decline in France's power position. In view of governmental instability, much of the power to determine French policy action rests with the bureaucracy. Many of the ranking members of this group have roughly the same background, experience, and intensive education. Their common outlook is based upon an appreciation of the historical role of France in Europe and the world; it is not necessarily republican, and it is generally conservative. Some members of this administrative class serving France abroad have at times imposed their own views in the absence of firm direction from the government. For example, French representatives in Indochina have been and will probably continue to be addicted to maneuvers which do not necessarily reflect the attitude of the French government. Bureaucrats of this type tend to influence French policy toward a view of the world based on the past greatness of France, and toward conservatism.

71. *Effects of the Algerian Problem.* The Algerian issue continues to shape France's policies toward not only intimately affected areas, but also its major allies and the UN. In particular, the issue is affecting French attitudes toward the US, whose intentions with regard to both North Africa and the Middle East are suspect in French eyes. France will persist in measuring US friendship by the yardstick of support—or at least lack of opposition—on its Algerian policy. Moreover, the French are likely to weigh their actions in other areas against the US position. For example, there is increased sentiment in France favoring recognition of Communist China, but the French government will probably forestall any concrete move in that direction so long as it is satisfied with the US attitude toward Algeria. UN discussion of the Algerian problem aroused considerable indignation in France. That discontent was mollified by the last General Assembly's proceedings, but France is likely to walk out of the forthcoming or a later session if it results in a decision on Algeria adverse to the French. Although there is no present disposition toward withdrawal from the UN, it is possible—though unlikely—that a right-center government would withdraw if the General Assembly took a strong anti-French stand.

72. French policies toward Morocco and Tunisia will probably continue to be based on the theme of interdependence. However, the development of new and enduring relationships between France and those areas will be greatly hampered so long as the Algerian problem is not resolved. There has already been a series of incidents involving these areas. Although some progress has been made in remedying the resulting setbacks in relations, each incident diminishes mutual trust and renders less likely the construction of a new relationship satisfactory to both sides. Further incidents will probably occur while the

Algerian fighting continues, and it is possible, though unlikely, that Morocco and Tunisia will become directly involved in the armed conflict with France.

73. *Policies Toward the Western Alliance.* France continues to adhere to the Western alliance system as the basis of French foreign policy, while insisting on its independence from the US and its right to a larger role in determining the policies of the alliance. Although there was considerable resentment over the isolation of France and the UK from their NATO partners during the Suez intervention, the failure of the intervention had the net result of increasing French realization that the alliance was fundamental to their security. There has been a reaffirmation of French insistence on the retention of American and British troops on the continent in order to: (a) guarantee US involvement in any Soviet attack on Western Europe; (b) fulfill the need for conventional ground forces while those of France are concentrated in North Africa; and (c) operate as a restraint on West Germany.

74. France will probably remain committed to the Western alliance for the foreseeable future. There are minority voices besides the Communists' which will call for a more neutral position, a European "third force," or an understanding with the USSR permitting France to become wholly neutral. But these elements almost certainly will not be able to determine French policy. Even in the improbable event of a popular front or of an ultraconservative government, we believe it unlikely that France would withdraw entirely from its international commitments. There is a more likely danger that a crisis over Algeria in some way might become linked in French minds with betrayal by the Western allies; a wave of intense nationalistic feeling might then cause a temporary breakdown of cooperation with France's allies.

75. While France will continue to support NATO, it will follow an independent policy on many issues. The French will try to maintain their freedom to take unilateral action against Arab nationalist pressures, and to play a role in Middle Eastern affairs. They will almost certainly seek to gain support, or at least acquiescence, from their Atlantic partners for these policies. The French will probably resume their efforts to relax East-West tensions whenever the opportunity arises. They will be particularly interested in economic assistance to underdeveloped countries (which, according to the so-called Pineau plan, should be extended through international agencies), in economic and cultural contacts, and in promoting disarmament. However, in view of their emphasis on the inclusion of conventional forces and their desire to safeguard their position as a possible nuclear power, the French will probably continue to take a cautious attitude toward concrete disarmament proposals.

76. Within the NATO framework France is likely to give particular attention to the seven-member Western European Union (WEU), which it considers as largely its own creation. Among the stimuli for this approach are: (a) the French wish to cultivate closer relations with its neighbors, as a result of Suez and a renewed interest in European integration; (b) the desire to keep a close watch on West Germany; and (c) the hope of bringing the UK further into continental affairs as a counterweight to Germany. While France would still fear the possibility of German predominance in Western Europe, suspicion of the Germans has diminished considerably over the past year or two. The French appear to envisage closer relations with Bonn; for example, there is genuine French interest in standardizing non-nuclear weapons with Germany and the other WEU members. They have accepted the general US concept of German reunification as linked with disarmament and the European security issue. However, the French public has not been fully persuaded by the more cordial approach of its government. France might take a much more cautious attitude if prospects for German reunification were improved.

77. *The French Defense Posture.*<sup>8</sup> France has an army of almost 800,000 men, an air force of about 3,900 aircraft—of which over 1,600 are jet aircraft—and a navy with a substantial antisubmarine force, centered around three aircraft carriers, as well as escort, patrol, and minesweeper forces. The navy has performed well in complex NATO exercises. However, the French ground forces contribution to NATO has been reduced almost to the vanishing point and the air contribution has been seriously diminished over the last two years. The French have the capacity for a modest nuclear weapons program (an annual production rate of three nominal-size bombs in 1958; increasing to an annual rate of 110 by 1967), which they are on the verge of adopting.<sup>9</sup> France could make a more substantial contribution to Western defense by implementing the French Army's plan for reorganizing and re-equipping its armed forces to increase the mobility and fire-power of its divisions. Such units could meet the requirements of either limited operations in overseas territories or large-scale operations on the European continent. It is not doing so now because stringent financial limitations and the involvement of large forces in Algeria prevent the necessary reform measures.

78. French technical and scientific competence in military research and development remains among the best in Europe, especially in the fields of radar electronics, metallurgy, and aeronautical engineering.

<sup>8</sup> See Appendix for a summary of French military strength. [Footnote in the source text. The Appendix is not printed.]

<sup>9</sup> For further discussion of French nuclear policy, see NIE 100-6-57, "Nuclear Weapons Production in Four Countries—Likelihood and Consequences," published 18 June 1957. [Footnote in the source text.]

However, there is a serious lack of trained technical personnel available for the development of full-scale production in these areas, and little likelihood that the numbers of scientists and engineers will increase significantly in the near future. This deficiency, coupled with a severe shortage of funds, suggests that many weapons improvements and developments, although first-rate in design, will remain in the prototype stage during the period of this estimate.

79. Termination of the Algerian conflict will improve France's military posture in Europe, but certain weaknesses will remain. The probable diversion of funds to a nuclear program will be likely to delay the re-equipping of the armed forces without a compensatory increase in potential for resistance to Soviet aggression, since the French cannot develop a substantial independent nuclear capability by 1960. In the field of guided missiles emphasis will be placed on defensive and short to medium range weapons. US aid will plug some, but not all, equipment gaps.

### *The Outlook*

#### *Prospects for an Algerian Settlement*

80. We have estimated above that there is an even chance that by the end of this year the French will give serious consideration to negotiating a settlement with the FLN. We believe that moves toward a settlement are likely within the next 12 months, unless some dramatic international incident has meanwhile caused a fresh outburst of nationalistic reaction in France. In the initial negotiations, the French would probably hesitate to concede the principle of independence, while the FLN probably would demand not only the principle but a timetable for its implementation. Both parties might prove adamant to the point of a temporary breakdown of the talks, but there is a good chance that they would resume after a relatively brief period on the basis of a French concession of eventual independence. We believe that the chances are about even that a settlement will be reached within the next 18 months, and that it is probable that there will be a settlement before the end of 1960.

81. However, it would first be necessary for any French government to obtain parliamentary majority approval—probably excluding Communist votes—for such a course of action. It might be that Assembly sanction for a negotiated settlement could only be achieved through the formation of a "national union" government (consisting of all political parties except the right and left extremes). It is unlikely that the Socialists and Radicals would be willing to share responsibility solely with the Communists for a closing out of the Algerian conflict; they would almost certainly attempt to associate the right-center with such an effort.

82. Until a settlement is negotiated, the French will continue their efforts both toward imposing a political solution and repressing rebel guerrilla activities. Open moves in the direction of concessions to the FLN will almost certainly be accompanied by *colon* violence. We believe that such outbreaks will not attain the proportions of a general uprising unless the French Army as a whole supports such an effort, which we estimate it will not.

83. The terms of a settlement would probably be based on French recognition of the right to eventual independence and a grant of a substantial measure of national autonomy to the Algerians, coupled with extensive safeguards for the *colons*. The FLN would probably be willing to promise protection for French and *colon* interests in return for assurances of continued French assistance with Algeria's economic, technical, and administrative problems. These terms, once approved, would probably take some time to implement. Thus, even if the French and the rebel leaders achieve a negotiated settlement within the next 18 months, there will still be unrest in Algeria. A solution based on substantial autonomy would probably restore order at least temporarily, but the Algerians would soon be pressing the French for more rapid progress toward independence, and might resort to violent pressures. There would almost certainly be some degree of friction and perhaps armed conflict between the Algerians and the *colons*. The French therefore would probably not be able to disengage themselves completely from the Algerian problem over the next several years in terms of either troops or expenditures.

84. *The Alternatives.* While the course of events indicated in paragraphs 80-83 is the most likely, it is by no means certain, and could be altered by many contingencies. Hence, we have examined several possible alternative developments.

85. It is possible that the pressures within France to come to terms with the FLN will fail to achieve sufficient momentum to ensure a compromise solution. In the short run, significant FLN successes in the diplomatic or military sphere might strengthen French intransigence. As a result, the process of exploratory talks might suffer long interruptions, and the conflict might be prolonged into the period of the French national elections, which could entail a further postponement of a settlement. Under these circumstances, the rebels might turn to the Bloc for direct military and other assistance, particularly if the FLN estimated that the US and other Western powers would continue to be unsuccessful in their attempts to moderate French intransigence. Any effort by the French during this period to separate the Sahara from the coastal areas and to create a *colon* enclave within those areas would intensify Moslem hostility to the French. Furthermore, the growing bitterness accompanying a long drawn out conflict would make the rebels increasingly less willing to accept anything short of immediate

independence. Thus, eventually the only alternatives to continued French military occupation would be the forced partition of Algeria, or a grant of outright independence for all Algeria with only initial protection for the *colons* and French interests. The first alternative would pose difficult and continuing problems for the French.

86. Another possible alternative is a reversal of French policy in the direction of concluding an agreement for Algeria's independence with the FLN over the next six months or so—perhaps with the five rebel leaders captured last October and now imprisoned in France. Although this alternative to prolongation might crystallize with little or no warning, we believe it unlikely that any French government during the remainder of this year would have sufficient authority to make such a change, or that the French would abandon so quickly their hopes for an imposed solution.

#### *Prospects for the Fourth Republic*

87. We have already stated our belief that future French governments are likely to be formed for the most part from an Assembly minority—either the center-left (Socialists and Radical Socialists) or the center-right (MRP and *Modérés*)—with precarious support from other democratic parties. The deep division between the Socialists and the *Modérés* on economic and social issues and between the Socialists and the MRP on the clerical issue seem to preclude the formation of a broad center government unless the threat from the extremes forces them together.

88. Under current conditions, we thus would expect French cabinets over the next few years to be based on minority coalitions of either a center-left or center-right complexion. The present distribution of political strength in the Assembly suggests that center-left governments are more likely to be formed than center-right governments. However, over a longer period the Assembly may—as it often does between elections—drift toward the right. It is possible—though highly unlikely—that the Assembly might be dissolved before the expiration of its term in 1960.

89. *The Threat from the Extremes.* A number of threats to this relatively static political situation are currently developing, and may become critical during the period of this estimate. Substantial dangers might arise from the Algerian situation: the government might suddenly offer extensive concessions to the Algerians which the French public would not be ready to accept, or the government might appear to be without a policy at a time when incidents and French reverses had reached a high level. Either contingency could touch off intense demonstrations and riots in Paris, which might be taken advantage of by either the Communists or the extreme right. But these would probably not be sufficiently well-planned or sustained to create a real

threat to the Republic. Another danger is that strong external pressures on France with regard to the Algerian and economic problems might stimulate highly emotional, chauvinistic demands from the French public which the government would be unable to satisfy. Such an eventuality might cause a cabinet crisis, but would be unlikely to result in the overthrow of the constitution. There also is the threat that deteriorating economic conditions could result in a dangerous degree of labor unrest which could be exploited by extremists of either side.

90. The real but very limited strength of the extreme right is centered in a heterogeneous group drawn from the upper and middle classes which for diverse reasons is hostile to the Republic. This group can gain some mob support from a few war veteran organizations and other malcontents. However, although a number of somewhat obscure military figures are connected with them, these rightist elements have no obvious leader and they lack any substantial popular support. The Poujadists have been losing strength and cohesion ever since the last Assembly election. They might form a significant element in any rightist attempt at a coup, but they probably would not be able to assume the leading role in such an attempt. The mood of the French public would have to be far more revolutionary than it is at present for the right to have any prospect of success in an attempt to overthrow constitutional government.

91. General DeGaulle continues to be a focal point for speculation about a rightist bid for power. However, his actions and statements have not been those of a man who is interested in taking control of France; and his views on many questions, including North Africa, appear to be closer to those of the moderate left than those of the right. In any case, he would almost certainly not lend himself to such a bid unless it were cloaked in a legal and popular garb and were certain of success. He might be called to the premiership by the President of France in the event of a severe crisis; he would probably insist upon assurances from parliamentary leaders that the constitution would be amended to establish a strong and independent executive authority before he would accept such a call.

92. The Communist Party has suffered only a slight decline in terms of membership and organization strength; it still controls the CGT, and it retains its electoral position as the largest political group in France. On the other hand, it has lost whatever political respectability it acquired during the period immediately prior to the Hungarian uprising. Socialist refusal to cooperate in any way with the Communists has been confirmed in recent months. It continues to be highly unlikely that the Communists will be able to form and participate in a "popular front," or that they would attempt a bid for power through extra-legal means. A popular front of the 1936-type in any case has little relevance to the current French scene, since the prototype was

based on very different conditions, and since occasional Communist voting support has been accepted by recent governments without any reciprocal commitment.

93. The essential condition for an increase of Communist influence on the government of France is a working agreement with the Socialists. We do not exclude the possibility that circumstances will permit some future limited advance toward that goal. A majority consisting of the moderate and extreme left conceivably might be formed for the sole purpose of closing out the Algerian problem on the terms of French withdrawal. But we regard this as the least likely parliamentary approach to that contingency. If an alliance between the leftist parties should be formed to deal with pressing economic problems, it would have better prospects for at least a brief survival. However, we consider such an alliance extremely unlikely unless the economy should deteriorate much more seriously than we foresee. In addition, we believe that the more conservative groups in the French Assembly would be inclined to compromise with the moderate left on economic and social legislation if the spectre of an agreement between the Socialists and Communists were raised.

#### *The Future French Position*

94. We thus believe that the Fourth Republic will survive during the period of this estimate. However, the next few years almost certainly will subject the fabric of French political, economic, and social institutions and practices to heavy strains. French governments will continue to have only limited maneuverability between the left and right extremes in the Assembly. They will encounter severe difficulties in attempting to find politically acceptable solutions to the problems they will face; they will be caught between the necessity for taking some kind of action, and the fear that any action will create new cleavages and precipitate an adverse Assembly vote. Hence there is likely to be a stalemate on many issues.

95. Nevertheless, certain far-reaching changes may take place within the period of this estimate. The Algerian problem will probably be settled on terms of increasingly weakened ties with France which will eventually lead to independence. France will be subjected to strong pressures from its allies within the NATO and European organizations for closer coordination of its policies with theirs. There is likely to be a serious attempt to normalize France's economic relations with the outside world on the basis of a devaluation and stabilization of the franc.

96. France may be able to turn some of these events to its advantage. However, in many cases there will not be clear-cut decisions and France probably will still be deeply involved in Africa and its pursuit of great-power status. It will experience the frustration of having insuf-

ficient resources to pursue the policies seen as vital to that status, and it will probably be undergoing a highly emotional reaction to the gradual continuing decline of its past greatness. In this situation, there will be mounting pressures for a change at the time of the 1960 Assembly elections, but the innate conservatism of the French and the resistance of their institutions to repeated assaults are likely to preclude a basic reappraisal of the nation's needs and the future role of France in world affairs.

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## 51. Editorial Note

On Saturday, September 7, Foreign Minister Pineau, en route from a tour of Latin America to Paris, called on Secretary Dulles at the Department of State. Briefing papers prepared for the Secretary on Algeria, French-Moroccan and French-Tunisian relations, Syria, French-Egyptian talks, Middle East pipeline, and disarmament, are in Department of State, Central Files, 033.5111/9-557. Memoranda of the conversations on Syria and Algeria are *ibid.*, 783.00 and 751S.00, respectively; that on Pineau's tour of Latin America is *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199. The memorandum of the conversation on disarmament is printed *infra*.

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## 52. Memorandum of a Conversation, Department of State, Washington, September 7, 1957<sup>1</sup>

SUBJECT

Disarmament

PARTICIPANTS

M. Pineau, French Foreign Minister

M. Joxe, Secretary General, French Foreign Office

M. Alphand, French Ambassador to the United States

M. Lucet, Minister, French Embassy

M. Vimont, Minister, French Embassy

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<sup>1</sup> Source: Department of State, French Desk Files: Lot 58 D 132. Secret. Drafted by Witman and Smith.

The Secretary

Mr. Houghton, American Ambassador to France

Mr. Elbrick, Assistant Secretary for European Affairs

Mr. Palmer, Deputy Assistant Secretary for African Affairs

Mr. Smith, Special Assistant for Atomic Energy Affairs

Mr. Witman, First Secretary (designate), American Embassy, Paris

*Armed Forces Definition.*

Although the French Foreign Minister had previously indicated that he wished to discuss the question of disarmament, at the meeting with the Secretary he merely referred to the "problem of effectives" and offered to postpone discussing the subject today.

Mr. Smith said that instructions had been sent to the United States Delegation to endeavor to reach agreement with the French on the matter of definition of force levels which, Mr. Smith said, in view of the collapse of the London Talks, was really somewhat academic.

The Secretary asked why this question could not be shelved, and Mr. Smith replied that the French were greatly interested in buttoning it up so that there would be no doubt in the future.

The Secretary then went on to explain that the question of the number of men in the "armed forces" was one which was always subject to evasion. Should "trained reserves" be included, or those in the armed service of the states, which might be subject to incorporation into the federal armed forces? He said the matter was so complicated that it would be a waste of time to attempt to come to a precise definition. For the United States, when we said two million or two million one hundred thousand men, we were talking about Federal forces; we also have State militia, national guard units, etc. We intended to exclude such troops, but if we did so it would open the way for the Soviets also to exclude the possible forces of the constituent republics of the Soviet Union and subvert the whole agreement. This was such a complicated question, the Secretary declared, that he felt the French point was just one small aspect and that under present circumstances it was not worthwhile arguing about the definition of armed forces.

M. Pineau agreed it was an academic and small point but said he believed there was always great interest in adjusting our positions even on minor points in order to prevent the Soviets from exploiting such differences. Zorin<sup>2</sup> was very expert at this. He therefore hoped we might seek agreement nevertheless, and was sure a formula would be found.

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<sup>2</sup> Valerian Alexandrovich Zorin, Head of the Soviet Delegation to the Subcommittee of the U.N. Disarmament Committee.

*Possibilities of Scientific Cooperation.*

M. Pineau then went on to mention the Russian intercontinental missile, and said that he had some reflections to make on the general question. In his view, the Soviets had made gigantic progress in the last few years. He thought this progress was due to their large effort in scientific research. They had the greatest number of scientists actively working and could have a considerable advance over the West.

M. Pineau asked therefore whether in scientific research the West was really doing everything it could do. He said the West had capable scientists not only in France and the United States, but in the United Kingdom, Sweden, Germany and Italy. He wondered whether the intense fear of secrecy and espionage was fully justified, and suggested that this question be re-examined.

Mr. Dulles declared that his personal views coincided very much with M. Pineau, and said he felt that it was ridiculous for all the countries of the West to conduct separate studies and not pool their capabilities. The Soviet progress was based on pooled efforts with the Germans, not necessarily voluntarily. They had taken over the Peenemunde group, which had given them a big start in the field of guided missiles.

The Secretary pointed out the obstacle of current congressional policy derived from the fact that the United States originally had a monopoly of the atomic weapon and had made an effort to maintain it in the interest of the free world. He said that he thought the Atomic Energy Act restricting or exchanging military nuclear information was obsolete; that the process of persuading Congress and the country away from current policy would be difficult. The original success, he said, was not entirely our own, but derived from the work of scientists from different parts of the world. Mr. Dulles added that the President felt the same way.

Mr. Smith said he agreed that the restrictions on military cooperation with our Allies now contained in the Atomic Energy Act were somewhat obsolescent but that on the non-military side the process of declassification was a helpful development.

M. Pineau explained that when he referred to collaboration in basic scientific matters, he was referring mostly to weapons, but also to general research. Mr. Smith said that there were no legal inhibitions on collaboration in general research. The Secretary said he believed there might be such inhibitions in the field of missiles, but Mr. Smith explained that these would refer only to nuclear components of the warheads. Mr. Dulles assured M. Pineau that we would look into the possibilities of further cooperation in the missile field except for the warhead.

M. Pineau stressed that what he had in mind was a "community of brains".

Mr. Dulles said he felt we should put our minds together on missiles, or on general uses of fissionable materials for industrial and non-military purposes. The missile problem, he said, bore no direct relationship to the kind of warhead the missiles might carry. Mr. Smith felt, however, that there might be some limitations on what our military would be disposed to exchange with the French.

In response to Mr. Dulles' question, M. Pineau said that he had in mind research in both atomic and missile fields. The Secretary remarked that these were entirely different fields with no connection. M. Pineau remarked that his general idea was that the Russians have centralization in their research which the West did not have, and he felt this was a very important element.

The Secretary said that intensive U.S. development of the ICBM had been taken up relatively recently, and that in view of our foreign bases we had a major interest in an Intermediate Range Missile. In this field we had made good progress in the last few years and believed that we were ahead of the Russians, or at least that we were not behind them. Mr. Dulles said he thought we would have the Intermediate Range Ballistic Missile in production before the Soviets had operational ICBMs in production.

The Secretary said we did not feel particularly worried about the Russian statement;<sup>3</sup> we did not know how true it was, nor was it clear. He said there was also a sharp difference of opinion among our military whether in the next decades manned aircraft were not still the best way of bringing weapons to targets. We didn't think the intercontinental missile had yet acquired sufficient accuracy.

The Secretary promised to give careful study to M. Pineau's suggestion for cooperation in research among allied countries.

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<sup>3</sup> Reference is to the communiqué issued by Soviet news agency TASS on August 26, announcing the successful testing by the Soviet Union of an intercontinental ballistic missile; for text, see *American Foreign Policy: Current Documents, 1957*, p. 1311.

**53. Memorandum From the Assistant Secretary of State for European Affairs (Elbrick) to the Secretary of State<sup>1</sup>**

*Washington, October 1, 1957.*

**SUBJECT**

French Cabinet Crisis

The Bourgès-Maunoury Government fell on the vote of confidence on the "Loi-Cadre" for Algeria by 253 to 279.<sup>2</sup> Bourgès had already used up most of his credit with the Assembly, but his defeat on this issue was due primarily to the active opposition of the ex-Gaullist Social Republicans and the hostility of the conservative "Modérés". The Social Republicans, greatly influenced by Soustelle, former Governor General of Algeria, were critical of the liberal features of the "Loi-Cadre"—the centralized institutions and universal suffrage. Soustelle exploited the issue of the Tunisian arms request and the U.S. role in this matter, but it is doubtful that this contributed significantly to Bourgès' downfall. The "Modérés" had similar misgivings about the "Loi-Cadre". Moreover, Peasant opposition to the government's policy on freezing agricultural prices was a factor in the position of the "Modérés".

President Coty will now hold consultations with the party leaders according to the constitutional procedures before designating a new premier. He has not yet accepted Bourgès' resignation, so the government still has full powers, although it will be most reluctant to use them. The crisis will probably be very difficult to resolve, given the current issues confronting France and given the absence of any clear-cut majority.<sup>3</sup> (Bourgès' was a minority cabinet, as in fact was Mollet's.) The persons currently talked about as most likely to succeed are Pleven,<sup>4</sup> Radical Socialist Billères<sup>5</sup> or some relatively non-controversial individual who can obtain the support of the Socialists and the tacit consent of the conservatives. Any such government would be weak and ineffective. However, the Socialists are disgruntled about the conservatives toppling the last two governments and may choose not to back a new government actively. In such a case, a new premier would have to obtain the active support of the conservatives and at

<sup>1</sup> Source: Department of State, Central Files, 751.13/10-157. Confidential. Drafted by Looram. Sent through S/S.

<sup>2</sup> The government was defeated in the National Assembly on September 30. Telegram 1674 from Paris, October 1, analyzed this vote and its consequences. (*Ibid.*, 751.00/10-157)

<sup>3</sup> The crisis lasted until November 6, when Felix Gaillard succeeded in forming a government. Documentation on the crisis is in Department of State, Central File 751.00.

<sup>4</sup> René Pleven, French Prime Minister, 1950-1951, 1951-1952.

<sup>5</sup> René Billères, Minister of National Education, Youth, and Sport.

least the abstention of the Socialists. Nevertheless, if an impasse is reached, it is quite possible that Coty may have to end up asking Mollet to form a new government. There is of course the danger, however remote, that should the crisis continue for a very extended period with no apparent prospect of forming a government, Coty might in the last analysis be induced to call on de Gaulle.

The crisis could not come at a less auspicious time. The fall of the Government will have an unsettling effect on the French military in Algeria and the rejection of the "Loi-Cadre" undermines France's efforts to regain the confidence of the Moslems. Her position before the U.N. will be even more awkward, despite the fact that it is possible that a new government might decide to resuscitate the "Loi-Cadre". Moreover, the crisis will encourage speculation on the Franc, which may thereby offset the advantages gained by the devaluation of August 11.

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**54. Memorandum of Discussion at the 340th Meeting of the National Security Council, Washington, October 17, 1957<sup>1</sup>**

[Here follows a paragraph listing the participants at the meeting.]

1. *U.S. Policy on France* (NSC 5614/1; NSC 5433/1; NSC 5719/1; NIE 22-57; NSC 5721; Memo for NSC from Executive Secretary, same subject, dated October 9, 1957)<sup>2</sup>
2. *Increased Sharing With Selected Allies of Scientific Information Relating to Military Research and Development, and Its Application*

Mr. Cutler briefed the Council in considerable detail on the contents of the proposed policy statement on France (NSC 5721), dealing in particular with paragraph 41, reading as follows:

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Drafted by S. Everett Gleason on October 18.

<sup>2</sup> NSC 5614/1, "Tunisia, Morocco, Algeria," October 3, 1956, is printed in vol. xviii, pp. 138-143. NSC 5719/1, "U.S. Policy Toward Africa South of the Sahara Prior to Calendar Year 1960," August 23, 1957, is *ibid.*, pp. 75-87. NSC 5433/1, "Immediate U.S. Policy Toward Europe," September 25, 1954, is printed in *Foreign Relations*, 1952-1954, vol. vi, Part 2, pp. 1268-1271. NIE 22-57 is printed as Document 50. NSC 5721, "U.S. Policy on France," September 30, 1957, is in Department of State, S/S-NSC Files: Lot 63 D 351. The revised version, NSC 5721/1, is *infra*. The October 9 memorandum transmitted the views of the JCS on NSC 5721. (Department of State, PPS Files: Lot 66 D 70)

"41. In the light of the availability of U.S. resources and over-all demands upon them, continue to furnish France military assistance for the purpose of assisting France to fulfill the missions of its U.S.-approved military forces for NATO, and endeavor to assure that MAP matériel will be used only in support of French military operations consonant with U.S. policy.

"[Such aid should be provided on the following basis:]\*

"[a. Through and after FY 1958 provide France with grant aid, in an amount determined in accordance with the criteria established in paragraph 17 of NSC 5707/8,<sup>3</sup> for advanced weapons systems from the NATO regional program.]"

"[b. Through FY 1958 provide France conventional military assistance on a grant basis.]"

"[c. (1) After FY 1958 provide France conventional military assistance on a reimbursable basis (possibly including payment in francs) to the maximum extent practicable. If such reimbursable assistance will not meet essential French requirements, be prepared, in the light of the availability of U.S. resources and over-all demands upon them, to provide France with a limited amount of grant aid for the above purpose.]"

"[(2) Unless by the end of FY 1958 France has demonstrated that it will redeploy its NATO-committed forces from Algeria to continental Europe and will provide substantially for the maintenance and modernization of its conventional forces, review U.S. aid policy toward France.]\*\*"<sup>4</sup>

"\*State proposes deletion."

Mr. Cutler pointed out that the Department of State had suggested that the bracketed portions of paragraph 41 be deleted, and, further to illustrate the significance of the bracketed sections, referred to the Financial Appendix. He said that the majority of the Planning Board believed that it was essential, in order to provide appropriate guidance in formulating Military Assistance Programs for FY 1959, that the detailed guidance to which the State Department objected should be included in the paper. He also pointed out that the Joint Chiefs of Staff agreed with the Department of State in proposing deletion of the bracketed sections of paragraph 41. He gave the reasons set forth by the Joint Chiefs of Staff, but said he felt it was his duty to the majority of the Planning Board to point out that the argument of the Joint Chiefs—that it would be inadvisable to make a precise determination of aid requirements *over this extended period of time*—seemed to overlook the fact that the policy guidance beyond FY 1958 was valid only in the event that France demonstrated, by the end

<sup>3</sup> This paragraph of NSC 5707/8 deals with the need for allies of the United States to recognize nuclear weapons as an integral part of the Free World's arsenal and the necessity of their use if required; NSC 5707/8, "Basic National Security Policy," June 3, 1957, is printed in vol. xix, pp. 507-524.

<sup>4</sup> All brackets are in the source text.

of FY 1958, that it would redeploy NATO-committed divisions from Algeria to continental Europe and would provide for the maintenance of its conventional forces.

Mr. Cutler also, on behalf of the majority of the Planning Board, emphasized their view that if the bracketed portions were deleted there would be no policy guidance for the period mentioned. In short, the Planning Board, in the bracketed sections, was seeking a criterion for the development of a Military Assistance Program for France.

In order to facilitate a decision on these split views, Mr. Cutler asked Secretary Dulles to speak. Turning to the President, Secretary Dulles stated that the detailed program included in the bracketed portions of paragraph 41, while admirable enough in the context in which it was approached, was, in point of fact, too narrow. In the light of the over-all view of the French problem, we cannot deal with France on so narrow a basis. [*4½ lines of source text not declassified*] In the Secretary's opinion, therefore, we needed great flexibility in dealing with the French situation, and we could not afford to look at France only from the point of view of U.S. fiscal and military requirements. The stakes were just too great to permit this.

On the other hand, continued Secretary Dulles, the matters dealt with in the bracketed portions of paragraph 41 could all of them come up for careful consideration at the appropriate time—for example, in the course of our normal budgetary process and at the time of the NATO annual review. This being so, he doubted the value of the rigid guidance set forth in the bracketed sections of paragraph 41.

[*3½ lines of source text not declassified*] Thus he would recommend, along with the Joint Chiefs of Staff, that the subparagraphs of paragraph 41 be omitted. The fact that these subparagraphs were not enshrined in an NSC policy paper would not mean that they could not be considered in the course of our annual budgetary review, the NATO annual review, and similar stated intervals. In short, paragraph 41 as a whole was too rigid. [*3½ lines of source text not declassified*]

Mr. Cutler then asked General Twining if he wished to add anything to the written views of the Joint Chiefs of Staff.<sup>5</sup> General Twining replied that the Joint Chiefs had felt that in a policy paper of this nature there was no need to be so specific as the language of paragraph 41 proposed to be, and it was certainly not desirable to prejudge what we might have to do in France. The French are very likely to be hard pressed to meet their essential military requirements. In short, the Chiefs felt that we should face up to these problems when the time came.

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<sup>5</sup> See footnote 2 above.

In a slightly ironic vein, Mr. Cutler reminded the Council of criticisms of NSC policy papers on the ground that they were so general that they failed to provide adequate guidance. He then called on Secretary McElroy, who suggested that Secretary Quarles speak for the Department of Defense.

Secretary Quarles stated his belief that there was no fundamental difference of opinion between State and Defense on paragraph 41, but rather a difference as to the degree to which our manner of assisting France should be pinned down in the bracketed language. The bracketed language seemed to Secretary Quarles to be only realistic; but nevertheless we could follow the course of action proposed in the bracketed language without actually putting the words into the policy statement. Secretary Dulles interjected that we might very well indeed follow this course of action. Secretary Quarles went on to say that in any event the Department of Defense would not insist on the inclusion of the bracketed language in paragraph 41, even though this language constituted a realistic statement of the resources which the Department of Defense now sees as being available for France in the period covered. He therefore did not urge inclusion of the bracketed language.

Mr. Cutler called next on Secretary Anderson, who said he had nothing much to add except to point out that if the proposals in the bracketed portions of paragraph 41 were indeed realistic in character, it was better to have the detailed guidance in the paper than outside of it, although he too would not insist on including the bracketed language in NSC 5721.

Mr. Cutler expressed the opinion that with all due deference to Secretary Dulles, the guidance set forth in the bracketed portions of paragraph 41 was not as rigid as the Secretary seemed to believe. He cited evidence to support this contention. To this, Secretary Dulles replied that if paragraph 41 was really as flexible as Mr. Cutler insisted, he was rather overproving his point by indicating that the guidance was *too* general in character.

The President intervened in language which suggested that he was sympathetic to the views of the majority of the Planning Board as to the need of greater guidance than the State Department wished to insert, particularly in view of our reduced resources for military assistance. Secretary Dulles, however, pointed out that we might actually wish to cut other military assistance programs in order to provide additional help to France, because of the transcendent importance of that country.

The President then pointed out that in less than six weeks the legislative leaders of Congress would be coming to this very room in order to be briefed on what the Administration proposes to do in the way of military assistance and other national security programs. If at

that time we are unable to tell them anything in detail about what we are proposing to do for the French, what are we then expected to say to these leaders?

Director Brundage stated that the Budget Bureau felt the same about assistance to France as it had earlier felt about assistance to Taiwan—in short, the Budget wished to pin down the assistance more closely even if it proved to be necessary to change our views later on.

Mr. Cutler suggested that a possible solution would be to omit the bracketed language in paragraph 41, but state elsewhere that this language should be considered as one of the factors in developing our programs for France.

The President observed that he seemed to hold a position somewhat different from that of anyone else. Thus he agreed with the views of the Planning Board majority on the need for greater detailed guidance for FY 1959; but he agreed with the Joint Chiefs of Staff on the undesirability of too detailed guidance to cover our assistance to France in subsequent fiscal years. Thereafter, there ensued a discussion between Secretary Dulles and Mr. Cutler as to precisely what, on the assumption that the bracketed language of paragraph 41 were included, the United States was prepared to do to assist France in FY 1959. As far as he could see, said Secretary Dulles, we would be doing nothing whatever for the French. Mr. Cutler pointed out that we should try to do as much as we could for France without resort to grant aid, although that was not excluded if it proved essential. Secretary Dulles then re-emphasized the view that the stakes were so great for the United States in France [*2 lines of source text not declassified*]. It would be a very great mistake to plan to provide France only with reimbursable aid in FY 1959.

Thereupon Mr. Cutler reverted to the suggestion he had earlier made, that we were going in any case to have to examine our policy toward France in a year's time, and if the bracketed language were deleted, account might be taken elsewhere of the considerations in it. Secretary Dulles agreed with this proposal, and said, for example, that the deleted language could be placed in an appendix. He agreed with the general statement on this matter made by Secretary Quarles.

The President again expressed anxiety as to how the case could be presented to the Congress. The Congress will not be content with generalities any more in the field of foreign military assistance. We have to give them some specific ideas about our plans. Secretary Dulles commented that the Congress always wanted precision in these matters. Congress always wanted to pin you down. But you cannot run foreign policy on that kind of a basis, although it was possible to plan on that basis. A situation might even arise in which the President would want to provide France with assistance from his emergency funds.

Reverting once again to the forthcoming meeting with the legislative leaders in The White House, the President said he was perfectly willing to emphasize the importance of France and the fluidity of the French situation in order to convince these legislative leaders that we could not produce fixed conclusions at this time. Nevertheless, we ought to be able to indicate some general figure representing the costs which were likely to be involved.

Mr. Cutler said he believed he had sufficient guidance to work out the problem of paragraph 41, and asked the Council to direct its attention to paragraph 44, which also contained a significant split. He read this paragraph, as follows:

"44. a. Explore means, within the provisions of the Atomic Energy Act of 1954, for the positioning of nuclear weapons, and, when released by Presidential directive, their rapid turn-over to NATO forces, including French components, for use in carrying out the military tasks assigned these forces within NATO policy and plans for defense of NATO areas, including France. [1½ lines of source text not declassified]

"b. Endeavor to secure atomic storage rights in France for the United States as soon as possible.

"[c. Advise France that should it undertake independent production of nuclear weapons contrary to U.S. advice, the United States would be compelled to reexamine its policies and programs for military assistance.]<sup>6</sup>

"Treasury proposal."

When Mr. Cutler had concluded, he also read to the Council a proposal for a revision of subparagraph 44-c, made by the Secretary of the Treasury. He likewise pointed out that in their written views the Joint Chiefs of Staff had recommended the deletion of subparagraphs 44-a and 44-c. Finally, he explained the general view of the Planning Board that the course of action in subparagraph 44-a simply made explicit what had been implicit in our basic national security policy—paragraph 17 of NSC 5707/8—which reads as follows:

" . . . the United States should continue to provide to allies capable of using them effectively advanced weapons systems (including nuclear weapons systems less nuclear elements)." <sup>7</sup>

Mr. Cutler pointed out that this provision obviously implied that in time of war the United States would furnish to these capable allies the necessary nuclear warheads for rapid use of the weapons. (Mr. Cutler was thus taking issue with the point made by the Joint Chiefs of Staff, that subparagraph 44-a was not in consonance with paragraph 17 of our basic national security policy.)

<sup>6</sup> All brackets are in the source text.

<sup>7</sup> Ellipsis in the source text.

Stating that he understood that Secretary Quarles had in mind a solution to the problem of subparagraph 44-a, Mr. Cutler called on Secretary Quarles to make a statement. Secretary Quarles replied that he had no difference of opinion as to the merits of subparagraph 44-a except with regard to the last sentence, [1½ lines of source text not declassified]. All the other differences respecting this paragraph between the Departments of State and Defense had now been reconciled. He would therefore accept subparagraph 44-a with the recommendation that the last sentence be deleted, on grounds that it did not constitute an important national objective and that it was not pertinent to the rest of subparagraph 44-a. This recommendation, continued Secretary Quarles, also indicated the opposition of the Defense Department to the inclusion of subparagraph 44-c, as proposed by the Treasury Department.

Mr. Cutler then called on Secretary Anderson to express the views of the Treasury Department as to subparagraph 44-c. Secretary Anderson replied that all he wished to say in defense of subparagraph 44-c was that the United States had, after all, only so much resources to assist its allies all over the world. If the French should now insist on spending millions of dollars on a program to produce nuclear weapons independently, we should accordingly re-examine our policy toward France. The French make more money per capita than any other Free World country except the United States. There was no reason, therefore, that we should not bear down on them with regard to this great expenditure for nuclear weapons.

The President said he wished to remind the Council that our basic constitutional requirement was to provide for the national defense. He said he could detect an analogy with the difficult British decision not to provide Spitfires for the French when Hitler was on the point of conquering France. This decision was made on the basis that it was necessary to retain these aircraft in Britain to save Britain itself from the Nazis, and it was the right decision. On the other hand, we are now telling the French in subparagraph 44-c, in effect, that if they do not do what we want them to do in the matter of nuclear weapons, we will give them no further help. Such a course of action would constitute a very grave mistake. We should certainly try to persuade the French not to embark on a course of action to fabricate nuclear weapons; but we should not exert force on the French to prevent them from doing this. If we did so we would sacrifice everything that we had built up in NATO.

Continuing, the President urged with great forcefulness the vital necessity of a fuller exchange of scientific information bearing on military matters between ourselves and our NATO allies. This point of view had been strongly pressed with the President just the other day at his meeting with the scientists who compose the Science Advisory

Committee. He agreed with them emphatically, and insisted that we must find a way to get rid of the restrictions which prevent the right kind of exchange of scientific information between ourselves and our allies. He wished that Admiral Strauss, together with the Defense and State Departments, should prepare a complete proposed revision of existing statutes governing the exchange of military information of the sort he had in mind, so that the recommendations could be presented to the Congress. If we kept on as we were now doing, we would end up without any reliable allies.

[2 paragraphs (25 lines of source text) not declassified]

Governor Stassen suggested the possibility of developing an integrated NATO force with atomic capabilities as an alternative to creating a whole series of nations with independent atomic capabilities. This was something along the lines of the old EDC military concept. Mr. Cutler commented that such an idea as this could be considered in the context of subparagraph 44-a as now written.

Secretary Dulles said he hoped that the President's idea, of having State, Defense and AEC get together on recommending means of facilitating an increased exchange of scientific military information with our allies, would not be overlooked. Mr. Cutler said that the President's suggestion would go into the Record of Actions of the Council meeting. The Vice President also spoke of the timeliness of the President's proposal.

(At this point the Secretary of State left the meeting. He was replaced at the table by Assistant Secretary Gerard C. Smith.)

The President once again emphasized his very strong belief in the desirability of pooling the scientific resources of the United States, the NATO powers, and other friendly countries. He likewise spoke contemptuously of General Groves' <sup>8</sup> exaggerated regard for secrecy.

The Vice President pointed out that the President's old idea for the creation of an academy of sciences was not only being picked up again by the press, but was apparently being adopted by the Democrats. He thought that the opportunity to create such an academy was better at this moment than it had ever been before.

Admiral Strauss pointed out that there was currently going on a meeting at Princeton of two teams of British and U.S. scientists, who had been working on the problem of controlled thermonuclear reaction. There had been a scientific break-through on this very significant problem, and there would presently be a joint announcement by the U.S. and British scientists, both of which groups had been responsible for the break-through.

<sup>8</sup> General Leslie R. Groves, head of the Manhattan Project and commander of Armed Forces Special Weapons Project, 1947-1948.

*The National Security Council (Action on Item 1):*

a. Discussed the draft statement of policy contained in NSC 5721, in the light of the views of the Joint Chiefs of Staff transmitted by the reference memorandum of October 9, 1957.

b. Adopted the statement of policy in NSC 5721, subject to the following amendments:

(1) *Pages 23–24, paragraph 41:* Delete the bracketed subparagraphs and the footnote thereto, subject to the understanding indicated in c below.

(2) *Page 24, subparagraph 44-a:* Delete the last sentence.

(3) *Page 24, subparagraph 44-c:* Delete, and substitute the following:

c. On the basis that it is in the best interests of all countries concerned to discourage production of nuclear weapons by a fourth country, seek to persuade France not to undertake independent production of such weapons. Assure France that the United States will find ways to make nuclear weapons available to NATO allies in the event of aggression against NATO."

c. Noted that the Department of Defense, in consultation with other appropriate agencies, would give consideration, in planning the FY 1959 Military Assistance Program for France, to the following proposal by the majority of the NSC Planning Board, which was deleted from the statement of policy in NSC 5721 by the action in b-(1) above:

"a. Through and after FY 1958 provide France with grant aid, in an amount determined in accordance with the criteria established in paragraph 17 of NSC 5707/8, for advanced weapons systems from the NATO regional program.

"b. Through FY 1958 provide France conventional military assistance on a grant basis.

"c. (1) After FY 1958 provide France conventional military assistance on a reimbursable basis (possibly including payment in francs) to the maximum extent practicable. If such reimbursable assistance will not meet essential French requirements, be prepared, in the light of the availability of U.S. resources and overall demands upon them, to provide France with a limited amount of grant aid for the above purpose.

"(2) Unless by the end of FY 1958 France has demonstrated that it will redeploy its NATO-committed forces from Algeria to continental Europe and will provide substantially for the maintenance and modernization of its conventional forces, review U.S. aid policy toward France."

*Note:* NSC 5721, as amended and adopted, subsequently approved by the President and circulated as NSC 5721/1 for implementation by all appropriate Executive departments and agencies of the U.S. Government, and referred to the Operations Coordinating Board as the coordinating agency designated by the President.

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

*The National Security Council (Action on Item 2):*

Noted the President's directive to the Secretaries of State and Defense and the Chairman, Atomic Energy Commission, to review, and, in consultation with the Attorney General and others having responsibility, to submit recommended revisions of the Atomic Energy Act of 1954 and other relevant statutes, and relevant Executive Orders and security regulations; with a view to facilitating increased sharing with selected allies of scientific information relating to military research and development, and its application.

*Note:* The above action, as approved by the President, subsequently transmitted to the Secretaries of State and Defense and the Chairman, AEC, for appropriate implementation.

[Here follow the remaining agenda items.]

**S. Everett Gleason**

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**55. National Security Council Report<sup>1</sup>**

NSC 5721/1

*Washington, October 19, 1957.*

**STATEMENT OF U.S. POLICY ON FRANCE**

**General Considerations**

*The Status of France as a Power*

1. Despite the diminution of its international power and prestige, France plays a key role in continental Western Europe. Significant developments in France have reverberations in the other Western European states. French support of measures affecting Europe is a requisite for their success; French hostility or indifference to such measures is likely to ensure their failure.

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<sup>1</sup> Source: Department of State, S/S-NSC Files; Lot 63 D 351, NSC 5721 Series. Secret. A cover sheet, table of contents, a note on the Financial Appendix, the Financial Appendix, Attachment 2 to the Financial Appendix, a memorandum of transmittal from the Executive Secretary, and a statement by the North Atlantic Council, March 27, 1956 (the first annex to NSC 5721/1) are not printed. NSC 5721/1 differs from NSC 5721 only in paragraphs 41 and 44 a and c.

2. France is now passing through a difficult period. However, despite the frequent turnover in cabinets, French politics has demonstrated a basic continuity, indeed a static quality. Despite the current financial crisis, the French economy rests on ample and balanced resources. While recovering from the catastrophic defeat and occupation of World War II, France has been engaged in exhausting military efforts, first in Indochina and then in North Africa. France's basic post-war problem has been to work out a new relationship with its overseas territories and adjust to the status of a continental nation, without provoking internal convulsions. Certain weaknesses and shortcomings within the French social, economic and political system must be overcome before France can assume fully the important and constructive role which it is capable of fulfilling in Europe.

#### *The Political Structure*

3. The French internal political scene is largely the expression of historical factors, which explain the opposition to a strong executive, the plethora of parties, etc. In spite of coalition cabinets with short life expectancy, the continuity of governmental administration is maintained by a highly competent civil service. Despite frequent cabinet changes, French foreign policies since the war have remained fairly constant on most basic issues, such as East-West relations, NATO, European integration, etc., and have generally supported U.S. policies.

4. The system obviously has disadvantages: it discourages difficult decisions and inhibits long-range planning; it is vulnerable to special interest pressures; and it enjoys little popular esteem. It is even possible that the present constitutional system might go under in the face of grave foreign or domestic crises. There is no basis, however, for expecting that in the foreseeable future measures will be taken through normal constitutional processes to remedy present governmental instability by a significant strengthening of the executive or by substantially diminishing the multiplicity of parties. Should extra-constitutional changes be precipitated by a deterioration in the French situation and thereby bring nationalistic and authoritarian elements into power, the resulting regime would probably be more difficult for the United States to deal with and could well pose serious problems for the NATO alliance.

5. The existence of a strong Communist Party is a continuing danger. Its large membership (roughly 300,000, with a hard core of approximately 50,000) and larger following of voters (about five million, or 25% of the votes cast) are difficult to explain in the framework of French intellectual qualities and relatively high living standards. Some of the reasons include association of the Communist Party in the popular mind with the historic aims and aspirations of the French Revolution and the interests of labor; the emergence from the resis-

tance period of a powerful and at least outwardly respectable Communist organization; the continuity of Party activity since 1921; and the strong position of the Party in labor unions, which provides it a legal base for mass political activity. Since about one-fourth of the members of the National Assembly are Communists, any government hoping to obtain a working majority without Communist support must obtain two-thirds of the non-Communist vote. This results in the endless reshuffling of coalition arrangements. Communist strength and potential effectiveness have greatly declined from their immediate post-war peak and the Party has been further isolated and shaken by the Hungarian uprising and repression. Nonetheless, there is no reason to expect that it will significantly decline as a force in French politics in the foreseeable future. However, it may become a "static" party subject to very gradual erosion, and its long-term influence in the trade union field may decline. In the event of general hostilities, the hardcore Communists are capable of extensive sabotage, espionage and para-military action.

6. The Algerian rebellion is France's most acute problem today. It imperils the political and financial stability of France and French domestic and foreign policies. The presence of over a million persons of European descent permanently residing in Algeria, and the resulting political and emotional factors, greatly complicate the solution of the problem. Despite the probability that the French Government should preserve the present system almost indefinitely by military force, the eventual emergence of an Algerian state which has been granted self-government or independence appears inevitable. The crucial question for France now is whether and how it can accommodate to, and assist in, this development. The longer France opposes it, the worse the final outcome will be for French interests throughout North Africa and the greater the threat to French internal stability. The discovery of large petroleum deposits in the Sahara has complicated the Algerian problem, and, in an effort to maintain their control over the Sahara, the French have recently even further separated its administration from that of Algeria.

7. A small but growing minority in French parliamentary and public opinion is gradually moving toward acceptance of a separate Algerian state as a step toward complete Algerian independence. The further growth of such sentiments will depend upon military developments in Algeria and their effects in France. A continued stalemate in Algeria would probably contribute to the growth of such sentiments, while a drastic change in the military situation in favor of one side or the other (which does not appear likely at present) would have the opposite effect. Increasing popular frustrations may erupt in the form of violent outbreaks both in France and Algeria by or against the Moslem communities. Such violence is unlikely to endanger seriously

the present constitutional system unless provoked by a sudden and far-reaching change in French policy. Even then, the Fourth Republic would probably not be overthrown, but the chances of a bid for power by General De Gaulle or a similar figure would be increased substantially.

8. French policy toward its African territories south of the Sahara has recently moved toward providing a large measure of autonomy which may lead to eventual independence. If the French can keep up with African demands and yet control developments in French territories south of the Sahara during the transition stage, there are prospects for a mutually beneficial, long-term, close relationship between France and these areas. The continuation of the Algerian conflict, however, will obviously have an adverse effect on the development of French policy in all overseas territories. Resolution of the conflict by the achievement of Algerian independence would augment pressures in its African territories south of the Sahara for more drastic concessions if not outright independence.

#### *Economic Structure*

9. France is basically one of the strongest and most prosperous countries in Europe. France has a balanced economy in the sense that it is a leading manufacturing nation with abundant industrial raw materials as well as agricultural resources. With the injection of a critical margin of external resources,<sup>2</sup> France has recovered from the effects of the war in record time, and expanded and modernized its economy to a remarkable degree. Today France has the greatest abundance in its history, a high and rising standard of living, and an expanding economy. At the same time France would benefit from basic reforms, including measures to place the fiscal system on a sounder basis, free the economy from foreign trade and exchange controls and government subsidies, and remove tariff, quota and other restrictions protecting French industry and agriculture from competition. The implementation of the European Common Market Treaty may eventually contribute to these reforms. The increasing population and the current development of nuclear energy will contribute to France's future economic potential.

10. However, the French are now experiencing a financial crisis. Government accounts are characterized by an annual deficit of roughly 20 percent of total expenditures. The campaign in Algeria was responsible to the extent of about a billion dollars for raising the over-

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<sup>2</sup> During 1945-1956 the United States provided \$4.0 billion in grants and \$2.5 billion in credits, a total of \$6.5 billion gross in economic aid to France. This was equivalent in value to 15 per cent of total imports by Metropolitan France during this 12-year period. [Footnote in the source text.]

all budget deficit in 1956 to the equivalent of about \$2.8 billion at the pre-August exchange rate of 350 francs per dollar. Since last year, however, the rise in expenditures has been largely attributable to increased government spending for purposes other than operations in Algeria. The boom in France has been engendered not only by high levels of Government expenditure but also by high levels of investment and extensive credit to business—indicating the basic confidence of the French in their own economic future. Inflationary pressures have been dealt with in the past eighteen months largely through massive imports and continuously expanding production (notwithstanding the blockade of Suez), at the expense of the readily available French dollar reserves, which have been seriously reduced.<sup>3</sup> France in addition has borrowed and spent half of its International Monetary Fund quota and has withdrawn part of the gold reserves of the Bank of France.

11. Realizing that continuation of the present situation would soon lead to external insolvency, the French have taken some corrective steps. Substantial cuts have been made in projected budgetary expenditures. Nevertheless, the over-all budget deficits for 1957 and 1958, after allowing for economy measures now contemplated, will be nearly as large as the very substantial budget deficit in 1956. The August 1957 changes in the French exchange rate system provided some correction of the very considerable over-valuation of the franc, but appear to have left the franc still over-valued relative to foreign currencies. To bring about a decisive and early improvement in the economic situation, France would need to undertake further budget economies, apply additional credit restraints, impose further stringencies on consumption and investment, and make further adjustments in its foreign exchange rate. It is highly doubtful, however, whether any French Government could take the required actions and remain in power. Even the limited actions taken in recent months have encountered serious opposition in the parliament.

#### *France's Military Role and Capability*

12. From a military point of view, the United States is primarily interested in ensuring continued and effective French participation in Western defense, particularly within the NATO framework. Because of its strategic location, France is vital to the North Atlantic Alliance and to NATO military planning for the defense of Europe. Use of French port facilities, highways, railroads, and airfields is important to U.S. armed forces committed to NATO. In addition, through base rights

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<sup>3</sup> As of August 22, 1957, these dollar reserves had been reduced to approximately \$170 million. [Footnote in the source text.]

agreements, the United States is now operating seven main airbases in France. Approximately 44,000 U.S. military personnel are stationed in France at present.

13. Current Department of Defense-approved major combat force objectives for France are:

|            |  |
|------------|--|
| Army:      | 14 Divisions   |
| Navy:      | 198 Vessels (including 3 aircraft carriers and their planes) |
|            | 84 Maritime Patrol Aircraft                                  |
|            | 25 Helicopters   |
| Air Force: | 57 Squadrons   |

The United States believes that these French forces, in conjunction with other allied forces, would constitute a balanced force capable of contributing to U.S. security and to effective implementation of the strategic concept for the defense of the NATO area.

14. The current strengths and composition of the French Armed Forces, which are based on French over-all national objectives including the NATO commitment, are as follows:

|                       |   |
|-----------------------|---|
| Army:                 | 795,000 (22 divisions of various types which include heavy contingents of conscripts and reserves called up to deal with the Algerian crisis) |
| Navy:                 | 86,300 (231 vessels in active service and 771 planes)   |
| Air Force:            | 165,700 (59 Squadrons: total 3,935 aircraft, including 1,689 in tactical units)   |
| National Gendarmerie: | 82,000 (17 Regiments and 15 Battalions)   |

Of its total army divisions, France, with NATO approval, committed 14 and additionally earmarked three for NATO. The recent inactivation of two divisions in continental Europe may result in a reduction in divisions committed or earmarked to NATO from 17 to 15. It is estimated that at the present time only two of the three divisions remaining in Europe would be capable of effectively opposing aggression during the first month of a war. The over-all combat readiness of the French Air Force suffers from the diversion of experienced personnel to units operating in Algeria. Naval air squadrons are proficient in anti-submarine warfare, and the combat capability of the French Navy is relatively good in this respect.

15. The diversion to Algeria of French forces committed to NATO shield forces has weakened NATO defenses to the extent that

SACEUR's emergency defense plans have been seriously disrupted.<sup>4</sup> Altogether, France has about 400,000 military personnel in Algeria, composed about equally of personnel of the NATO and national command contingents. Until the Algerian conflict is resolved, France will be unable to make the important contribution to NATO, both in forces and logistic reserves, which can be reasonably expected.<sup>5</sup> The resolution of the Algerian conflict, replacement of attrited and obsolescent matériel and provision of modern and advanced weapons systems, could provide the basis for an effective fighting force available for NATO defense.

16. France looks upon the maintenance of U.S. troops in Europe as vital to the NATO concept and as an assurance against the re-emergence of German domination. Therefore, should the United States decide (because of unforeseen political developments in Europe, the terms of a disarmament agreement, or personnel cuts in total U.S. forces) to reduce the number or personnel strength of its combat units now stationed in Europe, special care would be required with regard to the timing and extent of such withdrawals in an attempt to mitigate the psychological effects thereof in France.

17. From 1950 through June 30, 1957, the United States programmed approximately \$3.8 billion in military assistance for France, of which over 98% was delivered by May 31, 1957. (This aid includes some direct and indirect military assistance furnished Metropolitan France in connection with the Indochina conflict, but does not include approximately \$1 billion of matériel and services delivered to the Associated States under the Indochina program.) France has also received assistance through the facilities assistance program. In addition, there has been a large offshore procurement program in France, with obligations as of June 30, 1957 totaling over \$1.0 billion and expenditures reaching 96% of this amount. France has also benefited from the Mutual Weapons Development Program, NATO infrastructure activities, and dollar reimbursable aid. NATO calculates that France itself spent almost \$24 billion for defense during CYs 1949-1956. Its military expenditures in 1956, including expenditures for Algeria, amounted to \$4.2 billion, or 8.0% of its GNP, and approximately \$4.3 billion (about 7.6% of the GNP) has been budgeted for military expenditures during the fiscal year ending December 1957.

18. a. Despite the magnitude of U.S. aid, the substantial rate of defense spending, and a large production of military matériel, France has not provided necessary replacements for either its own or previ-

<sup>4</sup> See Annex, pp. 15-17. [Footnote in the source text. The Statement by the North Atlantic Council, March 27, 1956, is not printed.]

<sup>5</sup> France has recently indicated that it cannot at this time state when it will return any large part of its forces now in Algeria to continental France. [Footnote in the source text.]

ously-furnished MAP equipment and ammunition. In order to reconstitute French forces in continental Europe on a basis which would enable them to fulfill their NATO missions, this attrited and obsolescent equipment, particularly general-purpose vehicles, would have to be replaced, and an advanced weapons program undertaken. At this time, it is not possible to estimate with assurance the eventual total costs of French improvement and maintenance requirements in conventional weapons or of French advanced weapons needs (and thus to provide a reliable basis for determining U.S. aid policy related thereto) because:

(1) Current information is unavailable on the extent of equipment diversions to Algeria, the rate of attrition, and the amounts of equipment which may eventually be transferred back to the continent and the timing of such transfer.

(2) Any realistic assessment of France's future requirements will also depend upon an adequate survey of the obsolescence problem, the full extent of which can be determined only after French forces are restored to Europe and a decision made on the size, pattern, organization and equipment of French forces to be committed to or earmarked for NATO in the future.

b. In the winter of 1957 France requested U.S. assistance in the form of grant aid and offshore procurement for a portion of its requirements by submitting lists of conventional and advanced weapons, which were subsequently costed by the U.S. at about \$1.4 billion.<sup>6</sup> A preliminary review indicated that, exclusive of the advanced weapons portion of this request, a little more than half consisted of matériel requirements related to U.S.-approved French NATO forces. The U.S. reply of March 13, 1957,<sup>7</sup> stated that current aid to France was not contemplated on the scale proposed but that the French request would be considered in developing future military assistance programs.

c. France is industrially capable of producing a great part of its defense needs. If there were a substantial decrease in Algerian requirements, and if the level of its present defense budget were subsequently maintained, France could finance a substantial part of its total replacement, modernization and advanced weapons requirements. The extent to which France could do so when operations in Algeria cease cannot now be foreseen; being heavily dependent upon the extent of the decrease in total expenditures for Algeria, the success of measures to deal with the current financial problem, whether France decides to produce nuclear weapons and especially upon the extent to which, largely for political reasons, the present level of the French budget is reduced.

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<sup>6</sup> See footnote 3, Document 42.

<sup>7</sup> Document 42.

19. Although it would impose a very heavy financial burden which France presently could ill afford, France has the capability to produce nuclear weapons in the next few years. There are, moreover, very considerable pressures, both from the military and from certain political elements, to undertake now such a program in order to safeguard France's military defense and enhance France's international prestige. The French military are particularly concerned by France's complete dependence on the United States for nuclear weapons in the event of hostilities. This concern will increase with the growing importance of tactical nuclear arms. In the absence of acceptable alternatives, such as an early disarmament agreement or satisfactory access to nuclear weapons from other sources, France will almost certainly proceed with the manufacture of nuclear weapons, possibly in collaboration with Germany. The French are already pressing the United States to provide the French military with access to atomic warheads for use in its advanced weapons, and have made formal request to the United States for an IRBM program.

#### *International Relations*

20. France's future would appear to lie primarily in its European role, which will continue to be extremely important. France can either advance or block European integration, and in the past has done both. France is currently subject to strong nationalist and isolationist tendencies, which were heightened by the Suez affair and are fed by the frustrations of the Algerian conflict, particularly the feeling that its allies have not given sufficient support in the Algerian troubles. However, barring serious internal convulsions as results of this issue, France should move cautiously toward European integration, which in turn should contribute importantly to NATO strength and to an increased tie-in of Western Germany with Western Europe. Continuation of the present improvement in France's relations with Spain would further strengthen Western Europe.

21. Owing to the current financial situation and chronic protectionism of the French economy, it is questionable whether France is well prepared now for the adjustments required under the terms of the Common Market. Nevertheless, France has ratified and will undoubtedly implement the treaty. The treaty contains escape-clause provisions which France can and probably would invoke whether her economic situation requires such action.

22. France is faced with the problem of protecting its interest and maintaining its influence in Tunisia and Morocco. As long as the Algerian conflict continues, France's relations with the countries of North Africa can have no stable basis. The duration and outcome of the conflict will determine whether French influence can be maintained in this area, and will also be a significant factor in the long-term

possibilities for fruitful collaboration between Europe and Africa. Increased American influence and prestige in these areas is a source of irritation to the French, who tend to believe that we are attempting to supplant French influence. While the United States often cannot avoid exercising greater influence in the affairs of the newly independent states, it is generally in the Free World interest that strong and healthy links be maintained between France and its former territories, and that French aid and technical assistance contribute to their development.

23. Among the former Associated States of Indochina, France still maintains some political influence in Laos, less in Cambodia, while in Viet-Nam influence is limited largely to cultural and commercial interests. While it is in the U.S. interest that France cooperate with us in this area, the French role in SEATO will be of marginal importance. The French may continue the Sainteny mission in North Viet-Nam, although it is of little or no importance at present and the French Government appears to doubt its eventual utility.<sup>8</sup>

24. France, together with a number of other Western European countries, is gradually becoming convinced that the UN as presently constituted is largely inimical to its national interests. The French feel that the positive contributions of the UN to France are slight, that French security and French political and economic interests depend primarily upon other relationships, and that the UN only weakens these other relationships. Because of the recent enlargement of the UN's membership, there is an increasing tendency in France and neighboring states to regard the UN as little more than an extension of the Bandung Conference.<sup>9</sup> Despite this, the French still recognize certain advantages in UN membership, particularly their position on the Security Council. Thus, moves by the UN to interfere in Algeria might cause a French walk-out from the General Assembly, but France is unlikely to withdraw completely.

25. As long as the Algerian conflict continues, France will be a liability in U.S. relations with the Afro-Asian bloc, as well as in the Middle East. If and when this conflict is settled, French capabilities for exercising a constructive role in Africa will depend on the nature of the settlement. French influence in the Middle East, other than in Israel, will probably be limited for some time to commercial and cultural interests.

26. Satisfactory French-German relations remain indispensable to European integration. These relations have developed surprisingly well since World War II, but continue to constitute a sensitive area.

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<sup>8</sup> See Document 18.

<sup>9</sup> Reference is to the conference of non-aligned nations of Africa and Asia at Bandung, Indonesia, April 18-24, 1955.

27. While there is a deepseated French fear of eventual German domination of Western Europe, a fear which will be enhanced as German military power grows, it is unlikely that France would revert to the historic French policy of alliance with Russia against Germany. In the absence of a revival of aggressive German militarism, French policy toward the Soviet Union is likely to remain generally in consonance with our own. Partly because of French cultural prestige and partly because of former French influence in Eastern Europe, France might eventually be in a position to promote pro-Western influence in the satellites. French parliamentary and public opinion is in favor of recognizing Communist China. That the French Government has not yet done so is principally due to deference to U.S. policy, and it is probably only a question of time before France recognizes Communist China.

28. French policy until now has strongly supported NATO. The French Foreign Office and most of the French leaders have appeared deeply convinced of the importance of NATO to French security, and particularly of the need for U.S. troops to be stationed in Western Europe. French support for NATO will probably be strained by the frustrations engendered by the Algerian conflict. An emergence of French-German tensions would also be a serious factor. However, as far as can be judged at present, France will continue to support NATO.

29. Relations between France and the United States are not easy and will probably become more difficult, given France's reluctance to admit its declining world position and given the emergence of U.S. influence in former and present areas of French influence. U.S. ability to bring effective pressure on French attitudes and policies is limited. Algeria is the crucial point at present, and the course of relations between the United States and France will be critically affected by the positions the two countries take on this issue. Similarly, U.S. policies in Tunisia and Morocco will be closely scrutinized by the French.

### Objectives

30. Maintenance of good U.S.-French relations, and French policies generally in consonance with our own.

31. Continued French adherence to NATO and fulfillment of its commitments to NATO as well as continued availability to the United States of military facilities and lines of communication.

32. French political and economic contribution to and increased participation in European integration, based on increasingly close French-German relations.

[Numbered paragraph 33 (1½ lines of source text) not declassified]

34. Equitable settlement of the Algerian conflict leading to general stability in North Africa and the Sahara.

35. French economic and financial well-being.

36. Constructive French political and economic policies for French territories in Africa south of the Sahara.

#### Major Policy Guidance

37. Seek maximum French support for U.S. positions and objectives. To this end, consult with the French Government to the extent feasible on current issues of international importance. Where necessary to oppose French policies, conduct such opposition privately so far as possible and, where feasible, by offering constructive alternatives.

38. Coordinate with the French our policies with regard to the Soviet Union and German reunification. Avoid giving the impression that the United States and the USSR may bilaterally reach agreement on matters of direct concern to France.

39. Endeavor to minimize French trade with Communist China, and to prevent, or at least discourage for as long as possible, French recognition of Communist China.

40. Continue to urge the earliest practicable return to Europe of NATO-committed French forces which were diverted to North Africa.

41. In the light of the availability of U.S. resources and over-all demands upon them, continue to furnish France military assistance for the purpose of assisting France to fulfill the missions of its U.S.-approved military forces for NATO, and endeavor to assure that MAP matériel will be used only in support of French military operations consonant with U.S. policy.

42. Seek to continue the use on a harmonious basis of U.S. installations in France and the satisfactory carrying out of the NATO Status of Forces Treaty.

43. a. Explore means, within the provisions of the Atomic Energy Act of 1954, for the positioning of nuclear weapons, and, when released by Presidential directive, their rapid turn-over to NATO forces, including French components, for use in carrying out the military tasks assigned these forces within NATO policy and plans for defense of NATO areas, including France.

b. Endeavor to secure atomic storage rights in France for the United States as soon as possible.

c. On the basis that it is in the best interests of all countries concerned to discourage production of nuclear weapons by a fourth country, seek to persuade France not to undertake independent production of such weapons. Assure France that the United States will find ways to make nuclear weapons available to NATO allies in the event of aggression against NATO.

44. Continue, as in the case of the Common Market and EURATOM, to give discreet encouragement to further French participation in Western European integration. In this connection, assist,

where feasible and necessary, the continued maintenance of satisfactory French-German relations and the improvement of French-Spanish relations.

45. Take appropriate steps to attempt to reduce Communist strength and effectiveness in France.

46. Bearing in mind the eventual and inevitable emergence of a self-governing or independent Algeria and the long and continuing financial dependence of Algeria on France, take whatever opportunities seem appropriate to contribute toward a realistic Algerian settlement which is in keeping with U.S. interests and the future stability and economic viability of North Africa. To this end:

a. Avoid public pressure, overt U.S. interposition in the Algerian problem, or assumption by the United States of responsibility for a situation which may serve only to strengthen resistance to the efforts of moderate elements on both sides to produce reasonable concessions.

b. Endeavor to ensure better understanding of U.S. motivations in seeking an early, peaceful and equitable solution which would assure the stability of the North African area and its relations with France and the West.

c. Direct U.S. efforts toward encouraging moderation and willingness to negotiate, but attempt to have third powers contribute to settling the dispute.

d. Encourage the maintenance of a close and friendly French relationship with North Africa and the continuation of French financial and military assistance to North Africa.

e. Urge France and Morocco and Tunisia to improve their mutual relations and their cooperation in the UN.

47. Encourage the French to adopt and subsequently to maintain policies designed to achieve internal financial stability and balanced external accounts at high levels of activity. With reference to the immediate financial difficulties of France, discreetly encourage the French, wherever possible, to undertake further budget economies, curtailment of credit, restraints on consumption and investment, and adjustment of their foreign exchange rate.

48. Encourage the implementation of the present progressive French policies in French territories in Africa south of the Sahara and the continuance of French economic assistance to those territories. Make clear our policy favoring the continuance of close ties between France and those territories. Coordinate any U.S. technical and financial assistance to those territories with French and European plans in order to prevent duplication or the impression that the United States intends to supplant French influence.

**Attachment**

[1½ pages of source text not declassified]

**[Attachment 1]<sup>10</sup>****DEFENSE COMMENTS ON MILITARY ASSISTANCE**

1. *MAP Objectives:* The objectives of the military assistance program are: (a) within the provisions of the North Atlantic Treaty (NAT), to assist in meeting requirements which are essential to organizing, equipping, training, and maintaining the forces specified as necessary for the defense of the NAT area in NATO-approved defense plans, within levels which can be maintained over an extended period of time; (b) to provide military assistance in a manner which will assure that such assistance contributes toward the development of forces capable of effective integrated action generally in consonance with the strategic concept for the defense of the NATO area.

2. *DOD-Approved Force Objectives:*

|            |  |
|------------|--|
| Army:      | 9 Infantry Divisions, Motorized              |
|            | 3 Armored Divisions, New Type                |
|            | 2 Mechanized Divisions, Rapid                |
| Navy:      | 3 Aircraft Carriers (CVL)                    |
|            | 3 Cruisers (CA/CL/CLAA)                      |
|            | 70 Destroyer/Escort types (DD/DDE/DE/PF)     |
|            | 6 Patrol Vessels (PC/PCE/SC)                 |
|            | 15 Minesweepers, Ocean (MSO)                 |
|            | 78 Minesweepers, Coastal (MSC)               |
|            | 15 Minesweepers, Inshore (MSI)               |
|            | 8 Submarines (SS)                            |
|            | 84 Patrol/Antisubmarine Aircraft             |
|            | 25 Helicopters                               |
| Air Force: | 9 Interceptor Day Fighter Sqdns (UE 16 a/c)  |
|            | 16 Interceptor Day Fighter Sqdns (UE 25 a/c) |
|            | 9 All-Weather Fighter Sqdns (UE 12 a/c)      |
|            | 11 Fighter Bomber Sqdns (UE 25 a/c)          |
|            | 5 Light Bomber Sqdns (UE 12 a/c)             |
|            | 4 Tactical Reconnaissance Sqdns (UE 18 a/c)  |
|            | 3 Transport Sqdns (UE 16 a/c)                |

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<sup>10</sup> Secret. This is Attachment 1 to the Financial Appendix which is not printed.

3. *U.S. Military Assistance—FYs 1950–1957:* U.S. military aid programmed for France for the period FY 1950 through FY 1957 totaled \$3,796.3 million with estimated deliveries of \$3,764.3 million as of 30 June 1957.<sup>11</sup> This amount included the value of equipment and supplies, packing, crating, handling, and transportation costs; expenditures for training; construction; and the cost of rehabilitating excess stocks. Excess stocks, not chargeable to MAP, in the amount of \$272.1 million were also programmed and delivered. Final approvals for France under the FY 1956–57 Advanced Weapons NATO Regional Program have not been made, and the above figures do not include such costs. France also received assistance through the Facilities Assistance Program (obligations—\$24.7 million; expenditures—\$4.2 million). During this period, programs other than grant aid which resulted in U.S. dollars entering the international balance of payments for France were: the Mutual Weapons Development Program (obligations—\$43.7 million, expenditures—\$16.6 million); the Offshore Procurement Program (obligations—\$1,050.7 million, expenditures—\$1,016.3 million); and NATO infrastructure expenditures of \$212.5 million. Deliveries of equipment and supplies sold to France for dollars under the Reimbursable Aid Program amounted to \$16.6 million as of June 30, 1957.

4. *Estimated U.S. Military Assistance—FY 1958:* On the basis of the illustrative program outlined in Paragraph 7 below, U.S. military aid programmed for France for FY 1958 is expected to total \$160 million, including \$90 million of advanced weapons tentatively allocated to France from the NATO Regional Program. The \$70 million for Conventional Item MAP is made up of equipment, supplies and training from the country program and of expected deliveries from the NATO Regional Spare Parts Program. Expenditures for FY 1958 under the illustrative program are estimated at \$72 million. The Facilities Assistance Program for France in FY 1958 is estimated to be \$7 million, with expenditures of \$13.1 million.

5. *Effectiveness of French Forces:* The French Army is capable of maintaining internal security in European France and of retaining control in Algeria at the expense of obligations elsewhere. However, with all but 3 of the 17 divisions earmarked for or committed to NATO now in North Africa, it is incapable of meeting its NATO commitments. Only two of the NATO-earmarked French divisions in Europe could be brought to combat effectiveness by M + 30 days, and probably not more than two of those in North Africa could be returned to Europe and readied for combat during such a period. The French Navy, al-

<sup>11</sup> These figures include some direct and indirect military assistance furnished metropolitan France in connection with the Indochina conflict, but do not include approximately \$1 billion of matériel and services delivered to the Associated States under the Indochina program. [Footnote in the source text.]

though somewhat limited by obsolescent ships and aircraft, can effectively handle its antisubmarine warfare role and, except under conditions of sustained operations, has an effective coastal mine sweeping capability. Its carrier air groups are effective for antisubmarine warfare and carrier operations. French Air Force over-all capabilities remain below NATO standards. Only 17 of 25 NATO-committed squadrons are considered combat ready, largely because of diversion of personnel to North Africa, obsolescence of some aircraft and deficiencies in training, spare parts, and war reserves.

#### *6. Outlook for the Future*

##### *a. French Aid Request*

(1) Notwithstanding prior military assistance of about \$4 billion, on 13 December 1956 France requested additional military aid (including a large OSP program) over a period of years in an amount of about \$1.4 billion. The U.S., on 13 March 1957, informed France that: (a) grant aid was not contemplated on the scale proposed; (b) U.S. could not undertake to finance, directly or indirectly, French operations in Algeria; (c) U.S. aid for conventional matériel must take into account France's capabilities to meet its own requirements; and (d) the French request would be reviewed in detail during development of U.S. military assistance programs.

(2) A preliminary review indicates that, exclusive of advanced weapons, a little more than half of the original French request includes matériel requirements related to U.S. military objectives, forces, and plans for France. These objectives, forces, and plans assume the French NATO forces would be occupying continental defense positions at the time deliveries are made. The review also shows that the deficiencies consist largely of attrition replacements, modernization requirements, and ammunition reserves. Many of the 20,000 general purpose vehicles and the substantial ammunition reserves requested are probably the result of Algerian attrition. Remaining deficiencies are largely for modernization of interceptor day fighters, combat vehicles, maritime aircraft, and other matériel.

##### *b. French Self-Support Capabilities*

(1) The strength and balance of the French economy are described in the General Considerations. In comparison with the U.K. and Germany, which are financing all their own defense requirements, the French are in a favorable position by reason of substantial U.S. military assistance. Moreover, France is industrially capable of producing most of its defense needs. The French proposal for a substantial amount of OSP shows the availability of France's military production capacity and appears to indicate industry pressure to utilize such capacity and French interest in augmenting dollar earnings. French producers have also directly presented numerous requests for U.S. orders.

(2) Despite the fact that France is devoting a substantial share of its resources to non-defense purposes, the present level of defense expenditures—were it not for the cost of Algerian operations—would be more than adequate to meet NATO objectives. France is currently

spending \$4 billion a year on defense, as compared to \$3 billion in the pre-Algerian period. Current expenditures for matériel are \$800 million, up \$200 million from the previous peacetime rate. Consequently, a substantial decrease in Algerian requirements, even if accompanied by some defense budget cuts, could release sufficient budgetary funds to finance stated French NATO matériel needs over a period of three or four years. Admittedly, it may not be realistic to expect that the French would maintain their present level of defense expenditures if the Algerian operation ended, or that they would necessarily devote all savings that might result to the equipping of NATO forces.

### *7. Outlook for Future U.S. Military Assistance<sup>12</sup>*

a. In view of the circumstances stated above, consideration is being given to the utilization of the authority of Section 103 (c) of the Mutual Security Act, including particularly the provisions regarding the acceptance of local currency. Following this suggested general approach, the U.S. would supply matériel to France on a reimbursable basis, accommodating French foreign exchange difficulties, as necessary, by accepting franc payments. Inasmuch as productive capacity exists in France to fill many of the conventional equipment deficiencies of the French forces, it is assumed that U.S.-produced military end items would be purchased by the French Government to meet only a portion of those needs. As to that portion of the requirements producible in France, it is assumed that the French would make budgetary provision for this procurement, but that some form of U.S. assistance might be necessary to offset the foreign exchange costs of the imported components necessary for this production. The specific procedure for providing such a foreign exchange accommodation may range from offshore procurement contracting methods to any of several forms of reimbursable economic assistance. It should be noted that the U.S. has had no prior experience with a reimbursable military aid program for local currency under Section 103 (c) of the Mutual Security Act as recently amended. Problems varying in proportion to the size of the transactions should be anticipated, particularly in the use in MAP or other U.S. government operations of local currency so generated.

b. *U.S. Military Assistance—FY 1958–61:* The following table indicates the cost to the U.S. of implementing an illustrative program for France for FYs 1958–61. Under the illustrative program, France would receive on a grant-aid basis all of the advanced weapons tentatively programmed for the period FY 1956–61. In addition, France would receive on a grant-aid basis the conventional MAP items programmed through FY 1958. For the conventional MAP items programmed after FY 1958 it is assumed that France would reimburse the U.S. in dollars or possibly in francs, under the provisions of Section 103 (c) of the

<sup>12</sup> See State-ICA comments on the remainder of Defense Comments. [Footnote in the source text. See Attachment 3 below.]

Mutual Security Act of 1954, as amended. When local currency payments are received from France, it is assumed for the purposes of this Financial Appendix that these franc reimbursements would be re-used to purchase in France or elsewhere MAP equipment or services for other MAP recipients. It is possible, however, that some part of the expenditure shown as Reimbursable Aid in the table may become grant aid. Similarly, to the extent the francs could not be used, this reimbursable program would, in effect, become grant aid.

c. The illustrative program contemplated (both grant and reimbursable aid) provides for spares and maintenance support for French-held MAP equipment at approximately the present level; provides major end items of conventional equipment not economically producible in France (e.g., medium tanks); and also provides advanced weapons from the NATO Regional Program.

d. The advanced weapons tentatively shown in this illustrative program are:

- 4 Bns Nike
- 6 Bns Honest John
- 1 Bn Corporal
- 1 Sqdn Matador
- 200 F-84 Conversion Kits
- 7 Sqdns F-100D Fighter-Bombers

e. Advanced weapons programming, both as to dates and quantities, is extremely tentative. Allocations from the NATO Regional Program are subject to change from a U.S. programming standpoint, and there may be some reluctance on France's part to accept certain advanced weapons when the great maintenance effort (in both personnel and money) required to support them is realized.

f. Expenditures by the U.S. during the period FY 1958-61 for grant-aid military assistance would be about \$303 million.

g. Gross expenditures by the U.S. for Reimbursable Aid military assistance for the period FY 1958-61 would be about \$207 million. Any franc reimbursement received would enable U.S. purchases of MAP equipment or services to be made in France or elsewhere for allocation to other MAP recipients.

h. Supplementary programs, e.g., a dollar OSP program in France for third country needs, may be necessary to assist France in its foreign exchange difficulties. These dollar needs would result from the large indigenous military production effort keyed to the U.S. military assistance program.

**[Attachment 3]<sup>13</sup>****STATE-ICA COMMENTS ON PARAGRAPH 7 OF THE DEFENSE  
COMMENTS ON MILITARY ASSISTANCE**

While the idea of reimbursement in local currency bears careful exploration with the French, there are probably limitations on the extent to which it may be usefully employed.

With regard to continued U.S. programming of grant aid for maintenance and spare parts for conventional equipment previously delivered to France, the Country Team at Paris has agreed with the concept of phasing out such grant aid progressively during the period ending in FY 1961, after which all such support would terminate, if not before. Such support for the French Navy terminated in CY 1956, and arrangements are being negotiated to cut off grant aid for this purpose for the French Army in CY 1959, and French Air Force by CY 1961. The French have requested that spares for certain items, such as the M-47 tank and certain engineer equipment, be continued longer than CY 1959; and certain Air Force spares be provided on a continuing basis, to assure adequate utilization of previously delivered equipment.

France made cash military purchases amounting to \$85 million in 1956 and \$100 million in 1957, from the dollar area, part of which was carried out under the reimbursement provisions of U.S. legislation; and a further \$60 million a year was spent on such purchases from other European countries. It is estimated that by CY 1959 France will spend roughly \$25 million as a consequence of the reduction in U.S. grant aid for spares, and that by CY 1962 the amount will increase to \$50-60 million a year, according to estimates by the Country Team at Paris. It is unlikely that France will increase this rate of dollar expenditure for military supplies over the next several years; the extension of the spare parts cut-off will, it is apparent, take up a large part of the slack in these expenditures which might otherwise result from a decline in external requirements for the forces in Algeria.

At the same time it can be anticipated that the present level of over-all French defense expenditures will decline sharply after Algerian operations are ended, unless France launches an extensive missiles production or nuclear weapons program. It therefore appears likely that the probable extent of future French over-all financing of conventional military equipment, if taken together with the phasing out of U.S. grant aid for this purpose, would lead to a steady decline in the effectiveness of French military forces in the conventional field.

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<sup>13</sup> Secret. This is Attachment 3 to the Financial Appendix which is not printed.

**[Attachment 4]<sup>14</sup>****ICA COMMENTS ON ECONOMIC AID***Magnitude, Objectives and Achievement of Program*

France has been one of the two largest recipients of U.S. economic aid. From 1945 through the middle of 1957 France had received close to \$6.5 billion in economic assistance (both grants and loans) from the U.S. Of this total, \$3.9 billion<sup>15</sup> was advanced from Mutual Security programs and \$2.6 billion from other U.S. sources (e.g., UNRRA, Lend Lease, Ex-Im Bank, surplus sales, etc.). (Practically the entire amount obligated has been spent by the end of FY 1957.) This aid has enabled France to rebuild its extensive war damage and supplied it with badly needed machinery, food, fuel, raw materials, and numerous other commodities. It also assisted the French in modernizing its industries and has enabled it to maintain full employment.

A number of major industries were placed on a world competitive basis with the aid of U.S. equipment. Outstanding among them is the French steel industry. U.S. assistance has enabled France to build the two most modern and fully integrated continuous strip mills on the European continent, Sollac and Usinor, which are supplying France with sheets for the growing steel processing industries.

The counterpart francs generated with U.S. aid constitute a large proportion of the fund used by the so-called Monnet Plan of modernization of industry and agriculture. This fund played a particularly important role in the expansion of the French basic industries. As a result of the combined efforts of the U.S. and France the French industrial production at the end of 1956 was almost double that of 1938. The great contributions made by the U.S. aid to the French economic recovery and expansion have been fully acknowledged by responsible Frenchmen in all walks of life. The bulk of the aid was given in the years 1949–1953.

*Program Trend*

U.S. direct economic assistance to France in recent years has been confined to modest labor TE programs (\$250,000 in 1956 and \$150,000 in 1957) designed to aid French free trade unions to combat the CGT, the communist controlled trade union organization. The TE program has played a significant role in the training of the leaders of the French free trade unions in a number of industries.

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<sup>14</sup> Secret. This is Attachment 4 to the Financial Appendix which is not printed.

<sup>15</sup> Of this amount, \$716 million was diverted for economic assistance to Indochina. [Footnote in the source text.]

**56. Editorial Note**

Foreign Minister Christian Pineau came to the United States on November 17 to take part in the debate on Algeria in the U.N. General Assembly. He visited Washington November 18-20. Memoranda of his conversations with Secretary Dulles on November 19 on the Tunisian arms question and on the Algerian debate in the United Nations are printed in volume XVIII, pages 764 and 285, respectively. The draft of a memorandum for the record of Pineau's conversation with Secretary of Defense McElroy on November 20 is printed *infra*.

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**57. Draft Memorandum for the Record of a Meeting,  
Washington, November 20, 1957<sup>1</sup>****SUBJECT**

Luncheon Meeting Between the French Foreign Minister, M. Pineau, and Party  
and Secretary McElroy, 20 November 1957

**1. Present***French*

Christian Pineau, Foreign Minister  
Herve Alphand, French Ambassador  
Francois de Rose of the Foreign Ministry  
Albert duChalet, Atomic Energy Official  
General Andre Martin, Deputy C/S, French Armed Forces  
Maj. Gen Jean Marie Bezy, Air Attaché

*United States*

Secretary McElroy  
Deputy Secretary Quarles  
Deputy Assistant Secretary (ISA) Irwin  
Assistant Secretary (R&E) Macauley  
General Twining, Chairman, JCS  
Lt Col Vernon Walters, Interpreter  
(Under Secretary of State Herter had been invited but was unable  
to be present)

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<sup>1</sup> Source: Department of State, French Desk Files: Lot 56 D 645, Atomic. Secret.  
Prepared on November 20 in the Office of International Security Affairs of the Department of Defense.

2. Mr. Pineau said he felt there should not be any political obstacle for any country to produce any particular type of equipment for armament in view of industrial capability and other considerations, which would impose limitations, but he felt it would be wrong to specify that certain countries could not produce certain types of equipment.

3. Mr. Quarles agreed but pointed out that if every nation would try to produce all types of equipment this would result in less effective defense than if the effort were made collectively. Mr. Pineau felt it was important that the country not be asked for an open remuneration as in the case of France, but to announce a decision that they make or not make atomic weapons would be unfortunate for two reasons—first, the obvious political reason, and second, it would discourage atomic research throughout France. They could not accept something that might prevent the French from developing weapons others did not have. Mr. Quarles then said he felt that as soon as possible the U.S. might make available to the French through the Department of State our thinking on collaboration in the research field. We are not demanding anything but merely indicating our thoughts on these matters and how the U.S. could presently fit into them.

4. Ambassador Alphand brought up the question of IRBMs. Mr. Pineau said that the French position on these had changed during the past year. The French had originally asked for a short range missile—this request had been made within the framework of a general attack by the Russians and viewed as a conventional type of invasion. This danger was now decreasing. The launching sites for short range missiles might well be destroyed by longer range missiles and for this reason it was necessary for European countries to base their defense on longer range missiles with which they could strike the vital centers of the Soviet Union.

5. Mr. McElroy then asked whether the French were disposed to work together with the U.S. to establish the capability. Mr. Pineau replied this certainly was the case and the evolution in the French thinking had led them to believe in the need for longer range missiles. Mr. Quarles stated that he felt that the French thinking was consistent with ours and it is a matter of working out arrangements. He did not disagree with Mr. Pineau but felt everyone considered the position of the West versus Russia. We had a continent where we had based the bulk of retaliatory power. For this reason, before Russia could attack Europe she must destroy these U.S. bases first and thus we must view our defense collectively with the French and with others. He felt that locating IRBMs in France should be considered a collective deterrent. He felt that such missiles should be placed in France but it was more necessary for each country to have them, but he did agree with the idea of deploying such missiles in France.

6. Mr. McElroy then said that the question of deployment and training personnel to handle such weapons was a major one and we would have to proceed at the maximum rate so that it would not be a bottleneck in achieving such a capability. Mr. Pineau then said if agreement could be reached they might be able to go ahead with infrastructure for such deployment. The French had never asked that the weapons (?E.M.H) or infrastructure be for France but had always regarded this as a joint NATO project. Mr. Quarles then spoke of the requirement under present laws that the U.S. must control the warheads, but that the NATO stockpile concept would at the present time meet Mr. Pineau's position.

7. Mr. Pineau then said that one additional point which might come up under the allocation of tasks to the different countries might be that some nations might continue to develop weapons (missiles) and in such case it would require closer cooperation with the U.S. to be able to marry the U.S. warhead with the missiles. Mr. Quarles did not anticipate difficulty in handling this problem and at such a point the U.S. would visualize that the countries would be brought into a bilateral agreement with the U.S., for the exchange of necessary information in making firm arrangements.

8. Mr. Pineau then stated he would further like to clarify the French position. They desired to work in full cooperation with the U.K., Germany, and Italy, and that they are considering working in even closer cooperation with these countries in the future. He felt that if the allocation of the tasks could be made to groups of nations rather than individual nations that this might sometimes give more effective results. Mr. Quarles replied he did not see anything in this that was inconsistent with the U.S. view. Mr. Pineau spoke of France's conviction for ever closer community to insure a better defense. Mr. Quarles inquired as to Mr. Pineau's understanding of the community and Pineau replied that he was referring to the six nations.<sup>2</sup>

9. Mr. Quarles said he did not see any problem in this but in actual practice we have found it more effective when it came to a specific task, to arrange this on a bilateral with the country in question, but he did not think any question of principle was involved. Mr. Pineau then asked if the U.S. would object to dealing with two or three countries instead of a single one, and Mr. Quarles said he did not see any problem providing all participated.

10. Col. duChalet said that the French were considering building atomic submarines—they had reached a stage where it was necessary to make a decision. Admiral Strauss, with whom they had discussed

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<sup>2</sup> Reference is to the European Economic Community.

this matter, had indicated objections to the idea<sup>3</sup> of operating a reactor on natural uranium. The French had replied that they had done this because they did not have enriched uranium for military purposes. Admiral Strauss indicated it might be possible to supply the enriched uranium but that he would have to have Pentagon consent to do this. Col. duChalet said this was a classical example of a fruitful field for exchange. The French could have a far better submarine at a tremendous economy (15 billion francs). They wondered if this were possible. They had a large allocation of enriched uranium (5000 kilos) for peaceful purposes and they only needed 30 kilos for the submarine. Mr. Quarles replied that he had not discussed this question with Admiral Strauss and was not sure whether it would be possible under the law. However, if we found it was possible we would like to work it out and collaborate on this. He would take the matter up with Admiral Strauss.

11. Col. duChalet said it was a question of developing a propitious system rather than a particular type of ship. Mr. Irwin then said as he understood it the approach to the six would be within the overall framework of NATO, and Mr. Pineau agreed to this.

12. The Ambassador then said he had a separate question. They would be very interested to hear the Secretary's views concerning Russia's ICBM capability. Mr. Quarles replied he was somewhat troubled to define what the Russians meant by an ICBM. In the first place the Russians could fire a missile someplace in the Soviet Union to another continent with the Russian missile range of only 1000 miles. Perhaps this is what they meant by an ICBM missile. In the U.S. we think of ICBM missiles with a range of 5 or 6 thousand miles. We think that they do not have in operation weapons in the 5 and 6 thousand mile range. We do credit them with a broad base of capability—guidance, rocketry, etc. The Russians have worked hard on these and it is only a matter of time before they do have such weapons. It is difficult on the basis of what we know to say when they will have this capability or whether they will have it before or after us. Our military likes to concede to them every capability and assume that they may do this ahead of us, and we are working on this basis. The difference in time between us will not be great.

13. The Ambassador then inquired whether we are developing an anti-missile missile. Mr. Quarles replied we were proceeding with the development of such a missile but it contained many difficult problems because there are so many means of confusing the defense, so we do not want to go too far until we are sure that this weapon could be effective in defense. We are pushing our research on this vigorously and if it appears desirable we feel we can develop such a weapon but

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<sup>3</sup> The following unidentified handwritten note appears above the words "objections to the idea": "doubts about the practicability."

only at great expense. The Ambassador then asked whether Europe would be involved in such a system. Mr. Quarles said he felt that it would and this was one of the questions which should be discussed in Paris.<sup>4</sup>

14. General Martin then asked the Secretary's opinion concerning Russia's ICBM ability. Mr. Quarles replied there were many uncertainties in this and it was difficult to know what degree of error the Russians would be willing to accept in such a system. We feel that we have effectively manned bombers that would provide a more effective delivery system for the present. Russians on the other hand might decide to deploy their missiles earlier. He felt we should expect the Russians to have a missile capability of covering French targets in one to one and a half years, and a year later for more distant targets. We agreed the French should have a weapon which would permit them to strike at the USSR in case of aggression.

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<sup>4</sup> Reference is to the meetings of the North Atlantic Council in Paris, December 16-19, 1957.

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**58. Telegram From the Department of State to the Embassy in France<sup>1</sup>**

*Washington, November 21, 1957—6:46 p.m.*

1955. This message in two parts (A) general considerations underlying our thinking on French financial situation and (B) action to be taken respectively by Embassy and USRO.

Part A. This is FYI only.

1. Recognize continued deterioration French situation could seriously endanger broader US interests in Europe. Restoration of economic and financial stability in France is essential among other things to permit France to play its necessary role in Atlantic alliance and insure Common Market and EURATOM treaty commitments be carried out by France, especially initial tariff and QR measures scheduled one year after entry treaties into force.

2. However we are also convinced no foreign assistance can prevent or even significantly delay continued financial deterioration unless French authorities promptly and courageously undertake more

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<sup>1</sup> Source: Department of State, Central Files, 851.10/11-2157. Confidential; Priority. Drafted by Edgar J. Beigel and approved and signed for Dulles by Dillon. Repeated to London, Bonn, and Luxembourg.

drastic program of corrective action. Internally this would involve reduction total government expenditures to eliminate budgetary deficit, and reduction both short-term and medium-term bank credit particularly rediscounting such credits at Bank of France. Total internal demand must be reduced so as to reestablish confidence in value of franc and franc savings, prevent any further wage-price spiral, and release French production for export. Moreover widely believed here substantial over-valuation franc still to be dealt with by further exchange rate adjustment.

3. Believe with proper policies France inherently capable stabilize its domestic finances and foreign balance at high and growing level business activity. Consider most important any financial aid France obtains from external sources should serve to assist and hasten accomplishment this objective and not be wasted in hopeless effort postpone essential corrective actions. To allow already serious French financial situation to deteriorate further would probably make long-term solution more difficult. We realize Gaillard cabinet undoubtedly wishes avoid measures that could lead to renewed political crisis with eventual outcome uncertain and even holding ominous possibilities. At same time we have great difficulty accepting bland statements that any hard decisions whatsoever would lead directly to this end.

4. Since Gaillard appreciates need for true stabilization, we would hope significant external pressure for an adequate program and continued firmness in refusing any substantial foreign credits in absence such a program would encourage him to press for adequate corrective measures to permit this important result. However economic and financial program to date is totally inadequate in this respect and we are sure this judgment fully shared by von Mangoldt<sup>2</sup> and Jacobsson. Believe therefore Gaillard and Pfleimlin must be brought to understand clearly that in our opinion and presumably that of all possible lenders what has so far been done or indicated as intended is not adequate as basis for external assistance.

5. Outside pressure on France will be more effective if executed through international agencies, which means EPU and IMF, but we feel most important we not create any possible impression we think that negotiations these agencies can rapidly or easily produce acceptable French program. Believe EPU and IMF should spearhead effort push French into taking effective measures and we should be prepared to give fullest support to efforts both institutions avoid acquiescing in inadequate French program. We wish minimize if not avoid altogether any impression bilateral US-French bargaining in order avoid any-

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<sup>2</sup> Baron von Mangoldt-Reiboldt, Head of the German Mission to the OEEC.

thing like Pinay incident of October 1952 in which Gaillard was involved.<sup>3</sup>

6. Baumgartner has invited Jacobsson to come to Paris in personal capacity to advise on necessary corrective measures and be in contact with French cabinet. We have told Jacobsson we agree his Paris trip is useful but that we also agree his view that range and difficulty technical matters which must be covered, together with inadequacies existing program, make it clear that technical consultations with EPU and IMF cannot be hurried and it is unlikely results can be assessed earlier than 60 to 90 days at best.

7. In light fact 70 percent French gold and dollar losses past two years have flowed [to] other European countries through settlements with EPU and in light vital political interest European countries as well as US have in successful implementation Rome treaties, believe European countries generally and Germany in particular should provide correspondingly large part of whatever total external credits may ultimately be needed to help France resolve current financial difficulties. We have serious doubts Mangoldt-Calvet formula (Polto 1294 and Embtel 2513)<sup>4</sup> involving not more than \$200 million credit through EPU compared equal or greater amount from non-European sources would meet this test particularly since mechanics this formula would require France in effect pay out to other European countries through EPU \$200 million from their outside credits in order obtain full use of EPU credit. German suggestion (expressed in restricted MB meeting by von Mangoldt) that EPU cannot provide any major credit to France except after, or any credit at all except simultaneously with, French drawing from IMF is highly undesirable.

8. Imminent exhaustion gold and dollar balances of French Stabilization Fund raises danger French may make emergency request for help on purely political ground attempting by-pass need for further French economic and financial measures. This most unfortunate any case but especially so at time December NATO meeting. To avoid this we would be prepared give support to some such measure as limited deferment for brief period of French gold and dollar settlements with EPU as least undesirable form of stop-gap outside assistance. Assume 25 percent of credit involved such deferment would be financed by

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<sup>3</sup> Reference is to the domestic political use made by Pinay of certain conditions which the United States required to be met before it would extend aid to France, conditions which were characterized as U.S. interference in French internal affairs, and attempts by Pinay to "blackmail" the United States into giving more aid than intended in return for French adherence to the European Defense Community.

<sup>4</sup> Pierre Calvet, Under-Governor of the Bank of France. The formula in question dealt with the terms and conditions of the proposed EPU loan to France. Polto 1294 from Paris, November 15, and telegram 2516 from Paris, November 16, discussed the French request for an EPU loan. (Department of State, Central Files, 851.10/11-1557 and 851.10/11-1657, respectively)

EPU creditors under existing quota and rallonge commitments. Believe remainder should be financed primarily if not entirely by Germany whether by deferring payments from EPU, by gold deposit with EPU or otherwise. If proposed use EPU capital finance any part such deferment with consequent increase in risk EPU drawing on \$123 million deposit here we would have consider in light problem described Polto 1437 para 3.<sup>5</sup> In connection such stop-gap deferment EPU settlements believe serious consideration should also be given appropriateness and feasibility requiring France make stop-gap use their own potential resources. End FYI.

Part B. Action to be taken respectively by Embassy and USRO:

For Embassy: You should talk to French along following lines: On basis all information so far available as to nature measures taken or contemplated by French we regard these measures as quite inadequate and insufficient to lead to internal and external stability which would restore confidence in franc and prevent continuance of wage-price spiral and hence to provide basis for outside financial assistance. This issue of an adequate stabilization program is a technical and not a political problem and in this connection we feel France should consider whole range of their fiscal and monetary policies. You should encourage French discuss with IMF and EPU nature of an adequate stabilization program. Such discussion will in all probability take approximately 60 to 90 days since inadequacies of present program are substantial and IMF in particular must be fully assured that program is decisively adequate. Jacobsson must be able satisfy his Executive Board that French program fully meets requirements of IMF policy. It would be damaging to France and IMF if inadequate program were to be submitted for financial support by IMF. French should be able find ways meeting foreign exchange deficit in next 60 to 90 days by use of own resources. (You should avoid being drawn into detailed discussions with French of US views on particular measures they have taken or expect to take, though we wish continue receive information and your judgment as to such measures.)

For USRO: You should explore informally with Mangoldt and others as appropriate possibility stop-gap measures with EPU as indicated above. Also desire your recommendations this subject in time send instructions for November 29 meeting.<sup>6</sup> In exploring subject you may make clear our view stop-gap measures could be justified only if

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<sup>5</sup> Not printed.

<sup>6</sup> Apparent reference to a meeting of the restricted group of the EPU Managing Board, described in Polto 1564 from Paris, November 30, to consider the French loan request. (Department of State, Central Files, 851.10/11-3057)

serious consultations are taking place to determine what further steps will be taken by France to achieve internal and external stability and thereby make any further external aid meaningful.

Dulles

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59. **Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, December 20, 1957—10 a.m.*

3056. French Defense Minister Chaban Delmas gave luncheon December 18 for Secretary McElroy, Quarles, Sprague,<sup>2</sup> Yost, General Twining, Dr. Killian<sup>3</sup> and French officials. Most of discussion centered around IRBM question. Minister began with expression of general satisfaction re outcome morning session of Foreign and Defense Ministers on defense questions. Secretary asked Minister what he envisaged next step should be on IRBM's, assuming heads of government approve decisions of Ministers.

Minister replied essential that bilateral arrangements be worked out regarding conditions for use. Minister cited same arguments he has used in past: i.e. problem is basically political; France in agreeing to stationing IRBM's in its territory must be assured that it will have voice in decision as to their use and there is danger that Communist propaganda could exploit successfully any arrangements without this.

Secretary stressed importance of coming to rapid conclusion bilateral arrangements on IRBM's so that there would be no delay in actual deployment. Said he understood France was anxious to receive IRBM's at same time as British. Understood SACEUR was prepared recommend deployment to France so that weapons would arrive at approximately same time as in UK. Therefore hoped there would not be prolonged bilateral negotiations on use question. Other matters also, such as choosing sites, financing, and training, would require preparatory work. Therefore important reach prompt agreement on use question.

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<sup>1</sup> Source: Department of State, Central Files, 751.13/12-2057. Secret; Limit Distribution. Repeated to London.

<sup>2</sup> Mansfield D. Sprague, Assistant Secretary of Defense for International Security Affairs.

<sup>3</sup> Dr. Thomas J. Killian, Deputy Director and Chief Scientist, Office of Naval Research.

Minister replied that he recognized need for prompt agreement use question, but was very important to reach good agreement which would meet political needs in France, citing again at some length dangers communist propaganda.

Secretary said he understood French political concerns, but emphasized again importance prompt agreement on use. Inquired whether his understanding was in fact correct that it was important to French that IRBM's be deployed in France at same time as in UK. Secretary pointed out that we have problems on our side also. We are now going into production IRBM's, and very important that they not remain unused. There are other places where IRBM's might be deployed if France does not need them.

Minister replied that deployment in France at same time as in UK was important factor for France, although good settlement of "use" question also very important.

Secretary asked Minister what suggestions he had for settlement of "use" question.

Minister replied that problem divides itself in two parts.

(1) In case of attack, SACEUR should have delegated to him authority to act promptly in certain specified cases. In such cases, there might be immediate bilateral consultation with French Government.

(2) In cases where there is no attack, but there is serious threat of hostilities in Europe or in other parts of world, decision should be based on NATO Council consultation.

Discussion then turned to development and production new weapons and scientific cooperation. Minister stressed importance no discrimination in types of weapons which a country could produce. Cited recent French-German-Italian initiative re coordination arms production as very important step toward giving Europe capability to produce weapons which countries individually could not produce.<sup>4</sup> Felt this could be worked out in manner consistent with broader NATO efforts.

Minister then stressed great importance of scientific cooperation and described at some length folly of allies withholding from each other technical military information already fully known to Soviets. To withhold such information could only mean great waste of time, money, and scientific brains while European countries make duplicating effort to catch up. This completely inconsistent with doctrine of need for greater effectiveness NATO Alliance. Minister said he was pleased to learn that U.S. Government was proposing amendment to

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<sup>4</sup> On January 21, 1958, France, Italy, and the Federal Republic of Germany formally agreed to proceed with joint development and production of weapons and equipment.

McMahon act<sup>5</sup> and that these amendments might be in effect in few months' time.

Secretary fully agreed on desirability cooperation among European countries in development and production arms, in coordination NATO. Also agreed on desirability greater exchange scientific and technical information and confirmed that McMahon act changes were to be sought by U.S. Govt, although could not predict Congressional action. Pointed out that we are already instituting important programs in non-nuclear fields, such as cooperation in missiles production, and that much could be done in these fields without McMahon act changes.

Minister agreed on importance cooperation non-nuclear fields also, citing particularly missiles.

After further discussion, Minister agreed that should be possible work out quick agreement on IRBM's. Felt this should be regarded as temporary or transitional agreement which could be broadened later in light McMahon act changes and further developments.

Discussion turned to procedure for reaching "quick" agreement, and was agreed that small U.S.-French group could meet December 19 to consider details. After consideration at working level, this might be followed by further conversations, either in Washington or Paris, soon after beginning of year. Purpose would be to settle any remaining differences with view to reaching agreement in shortest possible time. French agreed to prepare agenda for experts meeting. Results this meeting being reported.

**Yost**

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<sup>5</sup> The Atomic Energy Act of 1946 (Public Law 585, 60 Stat. 755).

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**60.      Telegram From the Embassy in France to the Department of State<sup>1</sup>**

*Paris, December 23, 1957—4 p.m.*

3087. I should like to stress certain political aspects of proposed financial aid to France through IMF, EPU and other agencies.

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<sup>1</sup> Source: Department of State, Central Files, 851.00/12-2357. Secret. Repeated to London and Bonn.

1. Subject is receiving wide and often misleading publicity. Banner headlines front page December 21 *France-Soir* (largest circulation in France) reported agreement already reached with international and US agencies to supply \$450 million. Other papers, including front page *Combat* December 23, more accurately report negotiations under way to provide either \$262 million or smaller amount from IMF and \$200 million from EPU. Several reports also mention contribution by Export-Import Bank or other such sources. All published stories emphasize foreign aid between \$400-500 million essential to prevent substantial shortfall essential imports and consequent serious economic crisis.

2. While reports uniformly make clear aid is being primarily sought from IMF and EPU, most bring out major creditors in these two institutions are respectively U.S. and Germany and that decision whether or not aid is granted will in large measure be determined by these two governments.

3. Gaillard government is generally considered to be highly unstable. Its Assembly majority is dependent on support both Socialists and Independents, neither of whom are happy about continued participation in government responsible for relatively severe economic measures which have been or are to be taken. More liberal attitude toward Algerian solution among Socialists also increases tension between these two parties. Expectation seems to be that government will survive January, which is traditionally quiet period, but that beginning end that month it will, for reasons set forth above, be extremely vulnerable.

4. If foreign financial aid question is unsettled by end January it will almost inevitably become important factor in internal political maneuvering, and foreign governments primarily concerned, U.S. and Germany, whatever they do or do not do, will be accused by interested parties of interfering in French politics. If aid is granted when French Government is in serious trouble in Assembly, it will be charged we are bailing this government out in exchange for certain commitments, e.g., on Algeria; if aid is withheld under these circumstances, even though reasons are purely financial, we shall be accused of willfully overthrowing government and provoking crisis of regime.

5. In view these circumstances, I should strongly urge that every effort be made to bring aid negotiations to definite conclusion one way or another well before end January, preferably by January 20. This recommendation would hold good even if French Government should not press for conclusion by that date, since it is not inconceivable government might itself desire to use pending aid negotiations as argument in Assembly for prolonging its life.

## ITALY

### **U.S. EFFORTS TO SUPPORT DEMOCRATIC FORCES IN ITALY AND TO REDUCE THE POWER OF THE COMMUNIST PARTY; U.S. ATTITUDE TOWARD THE ITALIAN GOVERNMENT'S POSSIBLE "OPENING TO THE LEFT"<sup>1</sup>**

61. Letter From the Ambassador to Italy (Luce) to the President's Special Assistant for National Security Affairs (Cutler)<sup>2</sup>

*Washington, January 14, 1955.*

DEAR GENERAL: You are aware of my firmly held opinion that we are at a decisive juncture in Italian affairs, one which holds out promise of much progress against the Communists if we and the Italian Government can exploit the successes achieved during the last year. The turmoil within the Communist Party over Togliatti's leadership is adequate proof that the Italian Government's anti-communist actions and the progress of free labor are hurting the party badly.

I believe with the President that this is a situation where we should, as he puts it, "support success."

What I believe to be required is the following:

1. Full and rapid implementation by the Italian Government of its sweeping December 4 anti-communist program;<sup>3</sup>

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<sup>1</sup> Continued from *Foreign Relations, 1952-1954*, vol. vi, Part 2, pp. 1565 ff.

<sup>2</sup> Source: Eisenhower Library, Clarence Francis Records. Top Secret. Ambassador Luce was in Washington for consultations.

At a meeting of the Operations Coordinating Board on January 12, Cutler had asked for guidance with regard to an impending dinner engagement with Luce. Under Secretary Hoover, Department of State Representative and Chairman of the OCB, replied that he believed Luce wished to discuss a plan for assistance to Italy, but that he had informed Luce that such a suggestion would require study and more money than he believed would be available. [3½ lines of text not declassified] (Department of State, OCB Files: Lot 61 D 385, OCB Preliminary Notes)

<sup>3</sup> For excerpts from the Council of Ministers' communiqué announcing the program, see Document 67. The complete text of the communiqué was sent to the Department of State in telegram 2141 from Rome, December 6, 1954. (Department of State, Central Files, 765.00/12-654)

2. Willingness and preparation on our part to give serious consideration to assisting the Italians with the economic development program they are presently working out, provided that during the next two or three months they make a good start in implementing the December 4 program. This U.S. assistance is an essential concomitant to Italy's ability to carry out even more vigorous anti-communist measures. To this end, we should endeavor to scrape together from various sources a "package" of assistance of various kinds which we might agree to extend (subject to negotiations) either on the occasion of the Scelba visit<sup>4</sup> or whenever we considered it appropriate thereafter. In my view such a package would consist principally of Eximbank loans, PL 480,<sup>5</sup> OSP and possibly other forms of aid. (I am, incidentally, seriously concerned that the FOA contingency fund be cut drastically by the Administration or in Congress.) This aid package would not be extended however until we were fully satisfied both with the validity of the economic program the Italians had worked out, and with the adequacy of the Italians' own efforts in this field.

As you are aware the time element is important if we are to exploit success. If we can move ahead on the above basis, however, I am convinced that there is real hope of achieving in the next few years a truly significant, perhaps even a definitive victory against the Communist Party in Italy.

Sincerely yours,<sup>6</sup>

**Clare Boothe Luce<sup>7</sup>**

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<sup>4</sup> Prime Minister Scelba was scheduled to visit the United States in March.

<sup>5</sup> Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), approved July 10, 1954; for text, see 68 Stat. 454.

<sup>6</sup> Cutler replied to Luce's letter on January 18, assuring her that the points she had raised would be brought before the NSC Planning Board. (Eisenhower Library, Clarence Francis Records)

<sup>7</sup> Printed from a copy that bears this typed signature.

**62. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, February 11, 1955—2 p.m.*

2929. For Hoover, Merchant and Stassen. Joint Emb/USOM. Ref: (A) Stassen memo, "Possible Ital Program", Jan 29 Draft. (B) Deptel 2303, Jan 19. (C) Tousfo A-348, Toeco A-86, Dec 30. (D) Tousfo 538, Toeco 127, Dec 21. (E) Ecoto 669, rptd Rome Ecoto 68, Feb 8.<sup>2</sup>

1. As I explained in various talks Wash still believe most important every effort be made work up aid package which we can give Scelba at time his visit<sup>3</sup> if developments are such as to warrant giving this incentive award. Basically, thoughts expressed Tousfo 538 Dec 21 still prevail. For these reasons hope every effort will be made all appropriate agencies work out possible package made up such elements as OSP, PL 480, X/M, etc. so that I can discuss question in detail when I arrive Wash prior Scelba visit.

2. As I have explained, Scelba has and is continuing to take within "legal limits" comparatively vigorous anti-Communist measures (i.e. implementation of Council of Ministers anti-Communist decisions announced Dec 4).<sup>4</sup> He and his govt (i.e. quadripartite formula) are in need of as firm backing as possible from US, particularly in view of necessity resignation his govt after presidential elections in May [1½ lines of source text not declassified] and particularly in view of Sicilian elections scheduled first week June.

3. Scelba has assured me he will have some economic proposals to make while in Wash that he hopes may induce US advisability giving him further economic assistance which is essential from internal political point of view. If we desire to encourage him to continue or step up anti-Communist activities he must be able show on return to Italy US still [garble—backs?] his basic policies, and we must permit him to take public credit for having received some US assistance and encouragement for his own immediate suggestions for assisting Ital economic situation to maintain present level pending active consideration by OEEC of long range realistic Ital Govt plan.

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<sup>1</sup> Source: Department of State, Central Files, 765.5-MSP/2-1155. Secret; Limit Distribution.

<sup>2</sup> References A, C, D, and E were not found in Department of State files. In reference B, telegram 2303 to Rome, January 19, the Department requested information on Italian economic plans for use during the Scelba visit. (*Ibid.*, 033.6511/1-1955)

<sup>3</sup> See *supra*.

<sup>4</sup> See footnote 3, *supra*.

4. Because of delicate political balance here, thoughts expressed above must be kept on a "need-to-know" basis, but in any event, strongly urge working levels all agencies study carefully any and all items which may be included in a package for possible use in connection with Scelba visit.

5. Including FY 55 aid package in support given Scelba during March visit will not interfere OEEC consideration Ital problem which not expected to reach recommendation stage before June or later [and] which could then be considered in connection with possible FY 56 program discussion.

Luce

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**63. Telegram From the Department of State to the Embassy in Italy<sup>1</sup>**

*Washington, February 11, 1955—5:05 p.m.*

2551. During call on Secretary Feb 11 Brosio gave assurance Italian Government moving ahead on ratification Paris Agreements.<sup>2</sup> He stated Scelba had chosen late March for visit in order have ratification behind them. Secretary referred to importance unity and strength to set purposeful course alliance notwithstanding French difficulties and hesitations.

Brosio then inquired regarding agenda items we had in mind for Scelba visit. He said Scelba proposed publicly to present purpose visit as good will and high level *tour d'horizon*. He said however that Prime Minister undoubtedly would desire to discuss internal economic as well as political position in Italy. Expectation was 4-year abstraction Vanoni plan<sup>3</sup> would be ready for Cabinet consideration mid-February and submission to OEEC March 15.

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<sup>1</sup> Source: Department of State, Central Files, 033.6511/2-1155. Secret. Drafted and signed for Dulles by Merchant.

<sup>2</sup> Reference is to the Nine-Power and Four-Power Agreements, signed October 23, 1954, which brought Germany and Italy into the Western European Union, and Germany into NATO. The Italian Chamber of Deputies ratified the Paris Agreements on December 23, 1954; the Senate ratified them on March 11, 1955. For text of the agreements, see *Foreign Relations, 1952-1954*, vol. v, pp. 1435 ff.

<sup>3</sup> The Vanoni Plan was a 10-year plan for Italian economic development, prepared by Italian Budget Minister Vanoni. The February 1, 1955, issue of the Department of State classified publication *Current Economic Developments* contains a detailed analysis of the plan. (Department of State, *Current Economic Developments*: Lot 70 D 467)

Secretary agreed desirability preparation agenda and confirmed we were now awaiting any specific suggestions this regard from Rome.<sup>4</sup> Ambassador indicated he would call again on Secretary when Rome's suggestions received.

In brief discussion Sicilian elections and general strength Communists in Italy,<sup>5</sup> Ambassador expressed himself as not pessimistic, regarding Communists more as hindrance to orderly government than as menace capable gaining control through elections or overthrow government by subversion.

He then referred to Scelba's anti-Communist measures which Secretary emphasized we hoped would be vigorously pressed.

Dulles

<sup>4</sup> In telegram 2885 from Rome, February 9, Luce reported on a meeting with Scelba in which the agenda of his Washington visit was discussed. Scelba informed Luce that he hoped to discuss economic issues while he was in Washington, and that he would present an agenda to the Embassy after his return from a visit to London. (*Ibid.*, Central Files, 033.6511/2-955) Scelba was in London February 15-20.

<sup>5</sup> The elections were held on June 5. In telegram 4526 from Rome, June 7, Counselor Durbrow reported that the elections had resulted in the extreme right and left suffering losses, while the Christian Democrats increased in strength. Durbrow concluded that the Christian Democrats would be able to form a one-party government or could continue their present arrangement of combining with the monarchist party, but without having to rely as heavily on monarchist support. (*Ibid.*, 765.00/6-755)

#### 64. **Telegram From the Department of State to the Embassy in Italy<sup>1</sup>**

*Washington, February 15, 1955—6 p.m.*

2590. From Hoover and Stassen.

1. Department continue prefer Italians retain responsibility for proposing other topics if any for agenda Scelba visit (memo conversation January 24 between Merchant and Luciolli).<sup>2</sup>

2. Have noted your report of conversation with Scelba, your 2885 and your 2929.<sup>3</sup> Following is result our further considerations since

<sup>1</sup> Source: Department of State, Central Files, 765.5-MSP/2-1155. Secret; Limit Distribution. Drafted by John Wesley Jones and William E. Knight.

<sup>2</sup> In this memorandum, Merchant reported that Italian Chargé Luciolli had asked what topics the Department wished to discuss with Scelba. Merchant had replied that the Department expected the Italians to suggest the agenda. (*Ibid.*, 033.6511/1-2455)

<sup>3</sup> Regarding telegram 2885, see footnote 4, *supra*. Telegram 2929 is printed as Document 62.

your departure regarding relationship Scelba visit to Italian economic plan. On balance believe we should not go beyond position you assumed with Scelba regarding further precision his economic proposals. In particular our reluctance in this regard based primarily on two considerations: (a) Such a suggestion would imply commitment US Government to support an economic aid program; (b) is not practical commit US to support on unilateral basis short-term economic program within framework development program presently under study in OEEC before OEEC consideration more advanced. (We would wish indicate our agreement his statement last sentence second paragraph reftel re role OEEC.)<sup>4</sup> Should Scelba wish bring with him further details re plans for implementation first few years of economic program we would be interested in seeing them as you have already indicated to him. However he should understand and should make clear to Italian public that it is not contemplated that during his visit consideration of development program will be sufficiently advanced to permit concrete US commitments. We recommend he present visit to public as indication Italy's major power status and as opportunity for discussion world problems with President and Secretary and not as merely attempt obtain further US aid. Economic matters may also of course come up in Washington discussions. You may explain confidentially for his background that as matter of standing policy we wish discourage any impression that in order for official visits to US to be worthwhile visitors must obtain promise additional aid while here. FYI in line this thinking we believe approved PL480, OSP programs etc. should be announced as completed in their natural course (subject of course to satisfactory start in implementation December 4 program<sup>5</sup> and reassuring prospects continued performance). Announcements should not be held aside for release all at once on occasion Scelba visit. This would not prevent announcement at that time of programs whose consideration completed shortly before his arrival should we believe opportune. End FYI.

3. Fully recognize substance para 2 bears with it risk of misinterpretation that we are motivated by lack of confidence in Scelba Government and are by this means seeking indirectly to strengthen his possible rivals Vanoni and Fanfani. This is definitely not case and important we avoid actions or statements that might reinforce such impression. We continue to believe Scelba Government [1½ lines of source text not declassified]. Is also Government with which we have to deal and which it is in our interest to encourage as an effective moderate Center Government willing to take necessary measures to weaken

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<sup>4</sup> This sentence of telegram 2885 reads: "Scelba replied firmly that it was his intention to discuss certain economic questions directly with United States officials, and without prejudice to the role of the OEEC in European economic affairs."

<sup>5</sup> See footnote 3, Document 61.

Communists. (These are our political objectives either with Scelba or with any successor Government.) For these reasons it would be consistent with our policy should Scelba's personal position be strengthened as result of his visit. Correspondingly we should not hold back from such measures on grounds it would add to his prestige at possible expense his competitors. In spite of foregoing however and because of uncertainty of next few months developments in Italian Government believe we should continue avoid being drawn into Italian intrigues in support of Scelba vs Vanoni and/or Fanfani or vice versa.

4. Would it not be possible to enlist Scelba's personal support of OEEC plan by assuring him our desire assist him obtain full credit for having secured indications US support for plan during Washington visit? For example he could say before leaving Rome that one of the objects his visit was to create vital US interest in Italy's short and long-term development programs within framework OEEC study and ultimate recommendations. FYI while Scelba here we could announce appointment McGowan who could dramatize US interest by accompanying Scelba back to Rome before proceeding to Paris as US representative to OEEC Study Group. Another possibility would be establishment as result visit special interagency committee to examine plan (para 3 Ecoto 669).<sup>6</sup> We could also attempt secure Eximbank agreement to issue statement during Scelba visit of its interests in Italian development program in OEEC and during visit device might be found for putting special emphasis on importance we attach to specific and detailed program for implementing first three or four years activities under plan which we understand OEEC Secretariat has requested from Italians. End FYI. Scelba could by suitable provision in communiqué quite properly claim upon return to Italy responsibility for high-level US interest in early stages of plan.

5. OCB has given go-ahead for staff study of possible composition "package" along lines draft Operational Plan but not decision yet made whether package approach possible either in connection Scelba visit or thereafter.<sup>7</sup>

6. We would also inform Scelba when here of bilateral conditions that would apply to any assistance US might provide in support any multilaterally approved plan.

Dulles

<sup>6</sup> Not found in Department of State files.

<sup>7</sup> The portion of the notes of the OCB meeting, January 26 [1/2 page of source text], was not declassified. For the Outline Plan of Operations, March 2, see Document 67.

**65. Memorandum of Discussion at the 237th Meeting of the National Security Council, Washington February 17, 1955<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and items 1-3.]

**4. United States Policy Toward Italy** (Progress Report, dated January 28, 1955, by the Operations Coordinating Board on NSC 5411/2)<sup>2</sup>

Mr. Cutler summarized the major points in the Progress Report. He called special attention to an economic development program which Ambassador Luce had recommended<sup>3</sup> and which is now being studied by the OCB.

In response to Mr. Cutler's request for his views on the Luce program, Secretary Dulles said the program could not be considered as an isolated case. Consideration of economic programs must be worldwide, rather than one country after another. Secretary Dulles said he did not know whether the size of the program could be accepted within present budget limitations, or whether other programs would have to be reduced if the Italian program was financed. He called attention to the \$700 to \$800 million which the U.S. is spending in Southeast Asia. Mrs. Luce, he continued, believed that the U.S. should spend its money where it has the best chance of achieving its objectives. Secretary Dulles said that this rule cannot be applied generally. For example, in Indochina our chances of achieving our objectives are not good, but the effect of the loss of the area to the Communists would be so great that we have to take the risk of losing the money spent for programs in the area. He concluded by saying that the Luce program looked very good when one considered only Italy, but that the Italian program could only be judged when it was put alongside all other aid programs.

Governor Stassen stated his belief that the Council would have to decide how high a priority to place on Italy. If it was believed essential to support Premier Scelba's program, then it might be necessary to scale down other Italian aid programs, such as the amount of military end items scheduled for Italy. Governor Stassen called attention to the fact that the present Italian program is within budget figures. No economic assistance program is being carried out this year and none is planned for next year. He said that FOA is now engaged in deciding

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by S. Everett Gleason on February 18.

<sup>2</sup> NSC 5411/2, April 15, 1954, is printed in *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1677. The Progress Report was dated January 26 and covered the period April 15-November 1, 1954; it was concurred in by the OCB on January 26 and forwarded to the National Security Council.

<sup>3</sup> See Document 61.

how much of the Luce program could be financed by using (1) hard loans, (2) funds made available from sale of U.S. surplus agricultural commodities, and (3) funds taken out of other Italian programs. [8 lines of source text not declassified]

[2 paragraphs (5½ lines of source text) not declassified]

Secretary Wilson reported that there were approximately two million unemployed in Italy, even though there was no present inflation. In his opinion, the "trickle down" process was too slow in Italy, and the rich were getting richer and the poor were getting poorer.

The President related to the Council a recent conversation with the new Italian Ambassador, [1 line of source text not declassified]. Natural gas has been discovered in the Po Valley, according to the Ambassador. The President said that if fuel, gas or oil, were discovered in Italy, he believed the country would boom, because Italians are good workers. The Ambassador told him that conditions in Italy were hopeful, and that now that the birth rate was actually going down, there was prospect of developing a sound situation in Italy.

Governor Stassen called attention to the rapid rise in the labor force in Italy despite the falling birth rate. He added that the economic situation in Italy was not unhealthy. The Scelba program, in his opinion, consisted of obtaining more U.S. aid, of providing a larger number of jobs, and of breaking up Communism. [4 lines of source text not declassified]

*The National Security Council:*

Noted and discussed the reference Progress Report on the subject by the Operations Coordinating Board.

[Here follow the remaining agenda items.]

**S. Everett Gleason**

**66. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, February 18, 1955—4 p.m.*

3005. Re Deptel 2530 Feb 9.<sup>2</sup> Following general and specific considerations re OSP developed from recent conversations with Hensel and Anderson and subsequent visit by USRO-USCINCEUR team.

(1) CT continues to believe optimum solution for OSP to Italy in FY 55 is in directed procurement. This would result:

(a) In assuring large level OSP required to maintain production base for ammo, electronics, spares, etc., which has been so successfully established;

(b) In retaining present political leverage for CT which has proved so useful in effecting improvements; and

(c) In permitting CT to continue exercise same degree of surveillance of potential contractors as in past without jeopardizing Ital share OSP through loss to other countries not adhering to similarly strict clearance system. CT believes that three years' experience in OSP contracting in Europe should provide contracting agencies with sufficient background re costs individual items so that directed procurement to Italy which it is particularly qualified to produce should probably not result in cost increase over open international competitive system.

(2) Only if directed procurement proves unfeasible would CT reluctantly agree institute some form of approved list system in order assure equitable consideration Ital firms by procurement agencies. Proposal developed in conversations mentioned above as follows:

(a) On receipt detailed procurement for FY 55: DEFREPNAMA would send rep to Rome for discussion program with CT.

(b) Individual items would be reviewed and CT would recommend several specific firms as potential contractors for each item (such recommendations would probably subsequently be lumped into general categories). This political approval by CT would be for purpose bid solicitation only and would be valid for say 30 days. However, no general "white list" as such would be compiled—simply recommendation of consideration specific firms for various categories of items.

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<sup>1</sup> Source: Department of State, Central Files, 765.5-MSP/2-1855. Secret. Repeated to Paris.

<sup>2</sup> Telegram 2530 to Rome dealt with the Department of Defense proposal for the creation of a "white list" of Italian firms that the United States would use in awarding offshore procurement contracts. In the telegram, the Department of State noted that it was prepared to develop such a list. If the Department of Defense decided against the procedure, however, the Embassy was instructed to explore alternatives that would ensure equal consideration of Italian firms by the procurement agencies. (*Ibid.*, 765.5-MSP/2-955)

(c) In event contracting agency desired solicit any firms not among those specifically recommended by CT, would first submit name of firm, item under consideration and approximate value of contract to CT. CT would reply immediately, either (1) approving or disapproving firm on basis info on hand, or (2) giving interim approval firm for solicitation only (if no info on file) pending full investigation.

(d) As determination re safeguards against sabotage (Section 107(2)) PL 7785 will apparently be made by appropriate agency on basis certain final assurances of CT just prior to actual award, CT should have final opportunity approve or disapprove all contracts before final award. (CT understands consideration being given to visit Washington by USRO-USCINCEUR team to discuss possible directive re Sec 107 determinations in field.)

(e) As question international competition will affect prime contracts only, CT will expect to continue present system of clearance without change for all firms being considered for all subcontracts in excess of \$1,000,000.

(3) Question which is becoming increasingly urgent and which overshadows foregoing procedural problems is actual level OSP which Italy can expect for FY 55 and when can be expected. Dept will recall CT's repeated recommendations one year ago that OSP for Italy during FY 54 not fall below \$100 million. However, despite fact that contracts let totaled \$94 million, this sum included now cancelled [*less than 1 line of source text not declassified*] contract of \$18.8 million and approximately \$14.5 million which Ital Govt must pay to North American for F-86K parts, etc., leaving net total impact in Italy of only approximately \$60 million. Moreover, follow-on contracts which were expected early in fiscal 55 have never materialized and labor situation in several key plants now becoming critical. Bombrini Parodi Delfino, forced to dismiss 800 workers last fall, now plans to dismiss 600 more in April and some 1500 in June if additional ammo orders from some source not promptly received. (This occurring in firm where free labor overwhelmingly dominates and where still additional gains made in 54 elections.) CT therefore strongly urges that every effort be made to assure, insofar as possible, that Italy will receive minimum share of \$90 million to \$1000 [100?] million from 55 OSP.

(4) Foregoing recommendation should be considered particularly in light of striking gains shown by free labor unions and increasingly enlightened attitude of management toward free labor during 1954. This improvement occurred over same period during which CT was applying strict political and labor criteria to firms under consideration for OSP contracts and cannot [we?] believe, be attributed solely to coincidence. If large slice OSP (with which firms which have shown total improvement could be "rewarded") not forthcoming, political leverage for additional improvement will be lost and CGIL propaganda claims will be supported.

(5) Despite assurance Deptel 2384, no info yet received re possible reletting in Italy of all or part of cancelled contract.<sup>3</sup> Directed procurement in Italy of this item at this time would do much to restore confidence in our OSP policy and would forestall many threatened dismissals in ammo industry ending award of new FY 55 contracts.

Luce

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<sup>3</sup> In telegram 2384 to Rome, January 26, the Department informed the Embassy of the results of discussions among Luce, Hensel, and Department officials concerning the creation of a "White List," and explained the procedures for using such a list. Additional information concerning the reletting of contracts was to be sent separately. (*Ibid.*, 765.5-MSP/1-2655)

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**67. Outline Plan Prepared by the Operations Coordinating Board<sup>1</sup>**

*Washington, March 2, 1955.*

**OUTLINE PLAN OF OPERATIONS FOR ITALY**

*I. Introduction*

1. *Reference:* US policy towards Italy is contained in NSC 5411/  
2.<sup>2</sup>

2. *Present Situation:* At present Communist bloc electoral strength is growing steadily, particularly in Southern Italy. If national elections were held today the bloc would probably win several percentage points more than the 34 percent of the vote recorded in 1953. This trend, if not arrested, will ultimately present Italy with the alternatives of succumbing to Communism by democratic processes or of instituting an authoritarian regime to combat a Communist rise to power. This basic fact conditions the entire approach of the U.S. Government toward Italy. An effective government based on all the Center parties

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<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Top Secret. In a March 10 memorandum attached to the source text, Elmer B. Staats, Executive Officer of the OCB, stated that the Board concurred in the report on March 2, and on March 9 added a "Purpose and Use Statement" to the report. That statement indicated the agencies involved had agreed to implement the plan subject to later review and modification. The minutes of the March 2 meeting are *ibid.*: Lot 61 D 385.

<sup>2</sup> NSC 5411/2, "U.S. Policy Toward Italy," April 15, 1954; for text, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1677.

is now in power and all parties in the government agree a vigorous anti-Communist and developmental program is necessary. [4½ lines of source text not declassified]

### 3. Operational Techniques:

a. Primary responsibility for taking the necessary anti-Communist and economic-social actions rests with the Italian Government. In spite of Italian agreement that vigorous anti-Communist and developmental programs are needed, it is doubtful whether really effective action will be taken by the Italians without the firm and constant support and influence of the U.S. [3 lines of source text not declassified]

b. To achieve a significant reduction in Communist strength and work for the preservation of constitutional, democratic government in Italy:

(1) The U.S. should encourage and assist the Italian Government to take more energetic action to harass and weaken the Communist bloc's organizational strength;

(2) The U.S. should give additional encouragement and assistance to the Italian Government for the purpose of increasing its efforts to press ahead with reforms and development programs to alleviate significantly conditions on which Communism feeds. The U.S. should examine the possibility of having overt assistance to Italy available for use if found to be in the U.S. interest subject to conditions in paragraph a. The magnitude of such an assistance program, if eventually decided upon, would be subject to review and determination as the Italian Economic Expansion Program became more clearly defined; its components might include contributions from PL 480, OSP, Eximbank loans, and possibly other forms of governmental aid.

(3) The U.S. should increase its efforts to encourage the development and strengthening of anti-Communist organizations.

4. *Timing and Emphasis:* U.S. objectives can be achieved in Italy provided the necessary Italian and U.S. actions are taken promptly. The anti-Communist and developmental programs are necessarily long range in focus. Their full economic, social and political effect will be some years in developing. However, positive actions taken under this program can have desirable interim effects and there is time for significant results by the next national elections. (These could be held next Fall, but are more likely to occur sometime between the Spring of 1956 and 1958 in which year they are constitutionally required.) For this program to have the maximum impact on the attitudes of Italian voters, it must be initiated promptly, at the latest within the next six months.

Major emphasis in this program should be focused on the South of Italy.

## II. Actions Agreed Upon

(Paragraph references are to the numbered paragraphs and sub-paragraphs in NSC 5411/2)

*Paragraph 14: "[less than 1 line of source text not declassified]* to strengthen the Center and encourage non-extremist minor parties to support the Center government."

1. Greatly increase U.S. encouragement to all Center parties to support their organizational activity and continue this encouragement as long as they continue increasingly to take effective action and mutually to collaborate on the issue of anti-Communism. Target date: January 1955. Primary: State. Supporting: USIA.

2. Plan the official visit of Prime Minister Scelba in March 1955 in such manner as to add the maximum possible strength to Center forces. Target date: March 1955. State.

3. Seek to arrange visits to the United States through sponsorship of private U.S. organizations of other key Italian political figures such as Secretary of the Christian Democrat Party Fanfani, President of the Chamber Gronchi, President of the Senate Merzagora, Christian Democrat Youth Leader Emilio Colombo, and others. Target date: Late Spring and Summer 1955. Primary: State. Supporting: USIA, FOA.

[Numbered paragraphs 4 and 5 (7 lines of source text) not declassified]

6. Encourage the Democratic Socialist, Republican, Liberal and Christian Democrat Parties to continue their collaboration in the Government. Target date: Continuing. State.

[Numbererered paragraph 7 (7½ lines of source text) not declassified]

8. While recognizing the occasional necessity for trade unions to adopt a special position on purely labor questions, continue to encourage the free trade unions and the Scelba Government to collaborate closely. Target date: Continuing. State. Supporting: FOA.

[Numbered paragraphs 9 and 10 (10½ lines of source text) not declassified]

11. Encourage the Italian leaders to sponsor a series of seminars of the type held at Pesaro in September 1954 for stimulating activities among Democratic civic groups in provincial communities. As an out-growth of these seminars encourage the establishment by Center elements of democratically oriented cultural centers in provincial communities. Target date: Continuing. USIA. Supporting: State.

*Paragraph 15:*

[less than 1 line of source text not declassified]:

"a. To reduce the strength and effectiveness of the Italian Communist Party and of pro-Communist groups.

"b. To prevent Italy from falling under the domination of the Italian Communist Party, or of the present Italian Socialist Party."

12. Encourage [*less than 1 line of source text not declassified*] the Italians to take effective action to reduce Communist organizational strength and pursue reform and economic development programs. [*6½ lines of source text not declassified*]

13. In order to implement para. 12 above, the U.S. Government should be prepared to give serious consideration to assisting the Italians with the economic development program they are presently working out, [*2 lines of source text not declassified*]. To this end, the United States should examine the resources from which a "package" of assistance of various kinds might be made up for negotiation with the Italian Government, if in the interest of the U.S. and as soon as it was considered appropriate. Such a package could include sums already programmed but might also include additional sums in the form of Eximbank loans, PL 480, OSP, and possibly other forms of aid. The desirability and size of this overall aid package could not be finally determined until the United States was fully satisfied with the validity of the economic program the Italians had worked out and with the adequacy of the Italians' own efforts in this field. (See also paras. 26-29 and para. 43 below). Target date: First quarter 1955 and continuing. FOA, State. Supporting: Defense, Agriculture.

14. Continue intensive administration of the various U.S. procurement programs in Italy in such manner as to weaken Communist and fellow-traveling organizations. Target date: Continuing. State. Supporting: Defense, FOA.

15. Continue U.S. policy of seeking wherever possible through administration of the programs under paras. 12, 13 and 14 above and by other means to strengthen non-Communist labor unions, cooperatives and other democratic organizations by actions such as the following:

a. Negotiate and implement programs under Title II and III of PL 480, the Agricultural Trade Development and Assistance Act, in a framework that will help combat Communist influence by working through welfare activities, such as supplemental feeding of needy children, social service centers to aid needy people. Target date: First quarter 1955. State. Supporting: FOA.

b. Explore further and implement, if possible, free union-to-union activities that can be assisted through PL 480 surplus foods. Target date: First quarter 1955. FOA.

c. Be prepared to provide appropriate relief under the Title II, PL 480, in the event of disaster or emergency taxing the economic resources of Italy. Target date: Continuing. FOA.

d. Within the limitations of PL 480, work out a Title I sales program that will assist economic development in Italy. Target date: First quarter 1955. Agriculture. Supporting: FOA.

16. Seek to encourage private American business in Italy to take measures to assist free labor organizations and weaken Communist organizations. Target date: First half 1955. State, FOA.

[Numbered paragraphs 17 and 18 (7 lines of source text) not declassified]

19. Continue efforts to program shipments of goods under aid programs, particularly MDAP, in such manner as to help break the Communist near monopoly of port labor. Target date: Continuing. State, Defense. Supporting: FOA.

20. Continue implementation of the law requiring individual seamen's visas in such manner as to break Communist control over seamen's organizations and assist the development of anti-Communist organizations. Target date: Continuing. State.

[Numbered paragraph 21 (3 lines of source text) not declassified]

22. Continue support (through books, magazines, films, seminars, etc.) to indigenous groups, in particular, Associazione Italiana per la Liberta della Cultura. Target date: Continuing. USIA.

23. Consider the desirability of encouraging the Italians to establish an experimental community recreation and welfare center in a small community to counter effects of Communist social centers and help build rooted local support for democratic programs. State, USIA, FOA. Target date: Continuing.

24. Continue visits of U.S. Sixth Fleet units to various Italian ports as opportune. Target date: Continuing. Defense.

*Paragraph 15c:* "To prevent Italy from falling under the domination of neo-Fascist groups."

[Numbered paragraph 25 (5½ lines of source text) not declassified]

*Paragraph 16:* "Encourage the Italian Government to adopt and carry out a broad constructive program capable of attracting maximum popular approval and decreasing Communist popular appeal."

26. Use U.S. influence to encourage the Italian Government to press forward with developmental programs already underway and to work out realistic additional plans and specific courses of action for the next few years. (See also para. 13 above.) Target date: First half 1955. FOA. Supporting: State.

27. Encourage the Italian business community to adopt more liberal business policies which might encourage modernization, price reduction, expansion of markets, development of new products, improved relations with employees, etc. Also encourage conservative political groups in Italy to develop and support such policies. Target date: Continuing. State, FOA. Supporting: USIA.

28. Provide an appropriate American team member to participate in the OEEC review of the Italian proposals for economic development. Target date: January 1955. FOA.

29. In discussing with OEEC members the program of multilateral assistance to underdeveloped areas seek to persuade OEEC that Italy should be included in such programs. Target date: January–March 1955. FOA. Supporting: State.

30. Seek to encourage the Italian Government to arrange a series of meetings of Italian industrialists and businessmen throughout the South to explain opportunities under Loan Funds, possibilities of exploiting local industrial materials and the political implications of socio-economic reform. Target date: January 1955. USIA. Supporting: State, FOA.

31. Render publicity support to welfare programs under PL 480. Target date: Continuing. USIA.

32. Continue to urge the Italian Government to improve the atmosphere for private foreign investment in Italy and to encourage domestic investment in the South. Target date: Continuing. FOA. Supporting: State.

*Paragraph 17:*

[4 paragraphs (11 lines of source text) not declassified]

*Re: Paragraph a.:*

[Numbered paragraph 33 (5½ lines of source text) not declassified]

A. The following are pertinent excerpts from the Council of Ministers communiqué of December 4, 1954:

" . . . <sup>3</sup> the President of the Council referred to careful studies conducted in the recent months which document the existence of a vast commercial network under the control of the Communist Party. The activities of this network are often facilitated by complacent political activities in certain sectors of public administration; by a studious deviation of local regulatory bodies under Communist control; by complicity of certain private entrepreneurs; and by the assistance of certain foreign states. Furthermore in certain sectors it was disclosed that in addition there has been a systematic violation of the law or the application of the law incompatible with the requirements of public interest.

"In order to redirect commercial operations into legal channels and to break the established position of special privilege the Council of Ministers has promulgated a series of directives under existing law and required specific ministers to apply them vigorously in the field of their responsibility.

"With regard to business and economic activities:

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<sup>3</sup> Ellipsis in the source text.

1. A re-examination of licenses of any kind with a view to the revocation of those found to have been obtained illegally, or to be not in the public interest, or to be used by their assignees to favor totalitarian movements;
2. A similar re-examination of concessions to municipalities (*concessioni amministrative*) with particular attention to those pertaining to the use of public property or the exercise of public services;
3. A revision of the lists of those companies entitled to compete for performance of public functions (*Note:* as private subcontractors for activities which the municipality or province cannot itself perform), with a view to excluding from competitive bidding or private negotiation those which are found to have been created in order to favor totalitarian movements;
4. The stepping-up of close surveillance over cooperative societies in order to single out those among them which betray the cooperative spirit and in which the cooperative structure has become merely an instrument for the attainment of political ends;
5. The adoption of the same criteria of vigilance in cases where organs of the state or quasi-public organizations have discretionary powers for dispensing subsidies, contributions and facilities of any kind, always keeping in mind the basic principle of the preeminence of the public interest;
6. The exclusion of the letting of public contracts by these organs and organizations to companies which operate to the advantage of organizations carrying out anti-democratic activities;
7. In the field of foreign trade licenses will not be granted to firms which are found to be operating with the above aims.

"As far as public administration is concerned, in order to prevent the possibility that activities which should be carried out for the benefit of the country be diverted instead to subversive ends, the Council of Ministers resolved as follows:

1. There should be singled out in every administrative sector appointments and jobs of particular responsibility to be entrusted exclusively to persons whose loyalty to the democratic state is unquestionable;
2. It should be prohibited to administrative organs of the state either to make loans of any kind not provided for by law or to allow the use, even on a temporary basis, of public property for the activities or demonstrations of groups or organizations whose aims are known to be totalitarian;
3. Directives shall be adopted by which a similar prohibition will be made to local and quasi-public organizations as well as organizations subsidized by the state or with state capital.

"With reference to those organizations subject to supervision and guidance, the Council of Ministers noted the measures already adopted to make supervision by the regular organs of control more active as well as the extraordinary inspection already planned and underway in some communal and provincial administrations for the purpose of eliminating political partiality.

"In addition the Council decided to intensify its supervision of the employment of workers with the aim of eliminating monopoly and privilege.

"Finally, the Council directed special attention to the current situation created by foreign tendentious and false radio propaganda, emphasizing its harmful effect on the credit, prestige and interests of the country, its confusion of public opinion as well as its systematic defamation. In addition it brought out the fact that the broadcasts are sponsored by an organ of a state with which Italy maintains normal diplomatic relations and that they represent serious interference in the internal affairs of our country.

"The Minister of Foreign Affairs, the Honorable Martino, reported to the Council of Ministers on the steps taken in this connection during the last few days with the diplomatic representative of that state; the Council has postponed further discussion of the question until the results of the Ministry's protest are known. The Council further decided that henceforth any Italians implicated in such criminal activity will be denounced to appropriate judicial authority."

[Heading and 6 paragraphs (15 lines of source text) not declassified]

*Re: Paragraph b:*

[Numbered paragraph 35 (4 lines of source text) not declassified]

36. Continue intensified implementation of the Offshore Procurement contracting authority and, when applicable, the various other aid programs in such manner as to penalize individuals and plants who are not taking effective action against Communism and reward those who are. [5½ lines of source text not declassified]

*Re: Paragraph 17C:*

37. Continue to use U.S. influence to encourage the Italian Government and private employers to grant preference to the greatest extent possible to non-Communist unions in negotiations for collective bargaining agreements, in hiring and firing and in all matters relating to labor-management relations. Target date: Continuing. State, FOA.

38. Explore the possibilities of developing union-to-union projects involving not only U.S. but also European unions and international federations to aid the Italian free unions on direct union problems and for humanitarian objectives. Encourage European free unions to take some lead in this. Target date: Continuing. FOA.

39. Continue to bring trade union specialists to observe American industry, technology and trade union methods. Strengthen the labor technical exchange work in the operation of the Mission. Target date: Continuing. FOA.

40. Explore the possibility of sending U.S. trade union productivity experts to Italy. Target date: First half 1955. FOA.

41. Continue exploration of feasibility of intensive in-union training program in the U.S. for promising young leaders of the free trade union movement in Italy. Target date: Continuing. FOA.

42. Continue study of possible means of ensuring the security of the military line of communications in Italy against Communist attempts at sabotage in time of crisis. The direct measures to accomplish this must in the main be undertaken by Italy, but there may be appropriate political and military actions which the United States could undertake to support Italian efforts. Target date: Continuing. State. Supporting: Defense.

*Paragraph 18:* "Increase pressure on the Italian Government to extend tax reform and more stringently enforce tax laws." (The Italian Government is taking action on its own initiative. Therefore, no pressure is necessary in next six months.)

*Paragraph 19:* "Be prepared to assist the Italian economy if such assistance is required to prevent serious deterioration of the economic and political situation."

43. No serious economic deterioration is expected in the next six months and no emergency economic defense support aid is anticipated over this period. However, from the long range point of view the danger of extensive growth of Communist strength in Southern Italy clearly requires on political grounds examination of the possibility of extending special assistance for development of the South. (See paras. 12 and 13 and 26-29 above.) Target date: First half 1955 and continuing. State. Supporting: FOA.

44. Explore actions which will result in increased U.S. personnel spending in Italian markets and encourage procurement services to purchase in Italy supplies, materials and services for support of U.S. military forces. The extent of action possible under this program will in part be determined by Italian ratification of the NATO Status of Forces Treaty. (See para. 54.) The latter will permit the deployment to Italy of U.S. forces and the undertaking of construction and related activities of benefit to the Italian economy. Target date: Continuing. Defense.

*Paragraph 20:* "Continue technical assistance programs."

45. Continue to support a limited Technical Exchange Program in Italy. Target date: Continuing. FOA.

46. Strengthen the National Productivity Committee (CNP) through normal operations and through use of Section 115K of MSA 1952 funds which are expected to be released to CNP shortly. Target date: Continuing. FOA.

47. Wherever possible under the Technical Exchange Program help to develop programs looking to the absorption in the economy of unemployed young people and intellectuals. Target date: Continuing. FOA.

48. Press for necessary action of the Italian Government and private groups to permit early initiation of operations under the industrial development funds established from the counterpart of FY 1954 defense support aid. Target date: First quarter 1955. FOA.

49. Continue through the Mutual Weapons Development Program to afford financial support for certain research and development items. Target date: Continuing. Defense.

*Paragraph 21:* "Continue to seek wherever feasible, the reduction of barriers to trade between Italy and other countries outside the Soviet bloc, including the United States."

50. Continue to encourage the Italian Government to maintain liberalization of trade in Europe and reduce barriers to trade with the free world countries. Target date: Continuing. FOA. Supporting: State.

*Paragraph 22:* "Initiate and support international and other measures for the emigration and resettlement of substantial numbers of Italian nationals and refugees living in Italy."

51. Continue efforts to speed implementation of the Refugee Relief Act of 1953. Target date: Continuing. State.

52. Continue efforts to encourage other countries to provide greater emigration opportunities for Italians through the Inter-Governmental Committee for European Migration and through direct appeals where appropriate. Target date: Continuing. State. Supporting: FOA.

53. Continue to support the President of the UN Committee on Refugees in his plan for resettlement of "hard-core" refugee cases. Target date: First quarter 1955. State. Supporting: FOA.

*Paragraph 23:* "Implement the projected agreement on military rights and facilities with due regard to maintaining friendly Italo-American relations."

54. Develop implementing memoranda covering each installation as suitable facilities become available, as agreed upon by the responsible military commanders of the two countries. Target date: Continuing. Defense, State.

55. Should the Italian Parliament slip from its present schedule for ratification of the NATO Status of Forces Agreement renew pressure for speedy ratification. Target date: First quarter 1955. State. Supporting: Defense.

*Paragraph 24:* "Conduct vigorous information and educational exchange programs in Italy directed at winning Italian acceptance of and support for U.S. policies and objectives."

56. Continue to show USIS exhibit on the peaceful uses of atomic energy in principal cities of Italy. Target date: Continuing. USIA.

57. Initiate program to assist Italians in developing peaceful uses of atomic energy. Target date: January 1955. State, USIA.

58. Participate in Milan and Verona and Palermo Trade Fairs. Target dates: March 1955, Verona; April 1955, Milan; May-June 1955, Palermo. Commerce. Supporting: USIA.

59. Within existing programs utilize to the maximum extent present resources of USCINCEUR to provide specially trained full-time community relations experts (military or indigenous personnel) to handle troop-community relations, doing so in close collaboration with USIA and Embassy staffs and with an overall objective of seeking to prevent problems in advance. Target date: Continuing. Defense. Supporting: USIA, State.

60. Encourage Italians to take full advantage of opportunities made available for members of Italian armed forces in training installations both in the U.S. and Europe. Target date: Continuing. Defense.

61. Implement program to invite 300 senior Italian army officers to visit U.S. army installations in the U.S. Target date: Continuing. Defense.

62. Continue program to brief MAAG and other military personnel and dependents prior to assignment to Italy. Target date: Continuing. Defense.

63. Assist Seventh Army Symphony Orchestra in conducting a five-week tour of eight Italian cities (Milan, Leghorn, Bologna, Florence, Rome, Naples, Bari, Palermo). Target date: February 1955. Defense. Supporting: USIA.

*Paragraph 25:* "Encourage U.S. non-government organizations and individuals to undertake appropriate programs in support of U.S. policy."

64. Seek to enlist the cooperation of U.S. non-governmental organizations in arranging visits of influential Italians, including key Italian industrial leaders. Target date: Continuing. State. Supporting: USIA.

65. See also paras. 3 and 17 above.

[Heading and 1 paragraph (2 lines of source text) not declassified]

*Paragraph 27:* "As long as Italy continues to meet its defense obligations to the West, continue appropriate military assistance toward equipping and maintaining currently-agreed Italian forces."

66. As soon as Italy has ratified the London-Paris Agreements seek legislative authorizations from the Congress for lifting the Richards Amendment restricting military assistance for the Italian armed forces under the FY 54 and FY 55 appropriations for failure to ratify EDC. Target date: March 1955. State.

67. Within legislative restrictions continue shipment of material against approved MDA Programs to meet deficiencies in approved force bases and toward approved force levels. Insure that materials which must be withheld because of legislative restrictions are of lowest military priority. Through MAAG Italy administer and supervise the MDAP program with the force goals for FY 56. Furnish training assistance to Italian forces. Supervise end-item distribution and use of MDAP. Target date: Continuing. Defense.

*Paragraph 28:* "Acting whenever appropriate with the support of or in concert with other friendly governments:

a. Support Italian participation in the movement for European integration and encourage Italy to reassume a primary role in this movement.

b. Promote strengthened Italian political, economic and military collaboration with the United States and Western Europe through such organizations as NATO, OEEC, CSC and EDC.

c. Seek to persuade the Italian Government that it is in the best interest of Italy to ratify EDC promptly."

68. Seek discreetly to encourage Italian political leaders to speed ratification of the London-Paris Agreements. Target date: February 1955. State.

69. Seek to encourage active participation and assistance of other European countries through OEEC and other agencies in efforts to reduce Communist strength in Italy. Target date: First half 1955 and continuing. FOA, State.

70. Continue working through Movimento Federalista Europea in promoting European themes. Target date: Continuing. USIA.

*Paragraph 28d:* "Encourage the Italian Government to fulfill its NATO commitments for combat-effective forces, and to this end to maintain its defense spending consistent with its economic capabilities."

71. Seek a solution of the problem of the inadequacies of the Italian defense budget to build up, maintain and effectively operate defense forces agreed to in NATO. Target date: First half 1955. State, Defense.

*Paragraph 28e:* "Continue, as appropriate, attempts to obtain Italian admission to the UN."

72. Continue to explore the possibility of associate Italian UN membership and if possible, of full membership. Target date: Continuing. State.

*Paragraph 28f:* "Continue efforts to bring about an Italo-Yugoslav rapprochement, particularly through an early solution of the Trieste problem of a kind which would make such a rapprochement possible."

73. Make available \$15.5 million through FOA to Italy in fulfillment of U.S. obligations under the Trieste settlement. Extend this aid in a manner that will avoid linkage with the Trieste settlement. Target date: January 1955. FOA.

[Numbered paragraph 74 (4½ lines of source text) not declassified]

75. Encourage Italo-Yugoslav economic collaboration and assist in any feasible manner. Target date: First quarter 1955. State. Supporting: FOA. (See para. 9, p. 3.)

*II [III]. Actions Agreed Upon as Feasible and Desirable But Not Included  
Because of Limitation of Policy, Funds or Other Operating  
Considerations*

(References are to paragraphs of NSC 5411/2)

[Heading and 1 paragraph (4½ lines of source text) not declassified]

*Paragraph 22:*

1. Expand possibilities of Italian immigration to the U.S. through such devices as: (1) increasing the Italian quota; (2) authorizing the use of Italian quota numbers not used during the war years; (3) authorizing the use by Italians of unused quota numbers originally allotted to other nationalities; (4) extension or expansion of the emergency refugee program, etc. Action: State. Reason: lack of Congressional authority.

*Paragraph 24:*

1. In order to get a positive political message across to the people in Southern Italy, who because of the high illiteracy rate can be reached only through audio-visual means, explore with the Italian Government the possibility of distributing through some established organization, e.g., CARE, radio and television sets from the American people. Continuing action: USIA. Reason: Lack of funds.

**III [IV]. Actions Not Agreed Upon****Paragraph 17b:**

1. Encouraging the organization of democratically oriented special technical training schools by the free labor unions. Target date: Continuing. FOA, USIA. Supporting: State.

**68. Letter From the Ambassador in Italy (Luce) to the Assistant Secretary of State for European Affairs (Merchant)<sup>1</sup>**

*Rome, March 14, 1955.*

DEAR LIVIE: Assuming that Scelba's government does not fall meanwhile, the Prime Minister will arrive in Washington on March 26. As I will not be there, myself, until the time of his arrival, I would like to pass on a few perhaps not too original personal observations of my own on the subject of the Vanoni Plan,<sup>2</sup> and the wisdom of publicly offering U.S. support to it at the time of Scelba's visit.

1. The Vanoni Plan is not a plan. It is an academic projection, an exploratory study, at best a frame of economic reference. Its actual policy has yet to be formulated. It lays down no concrete steps for government action. The 64 dollar question, "Where will the money come from?" remains unanswered in the plan.

2. Nevertheless, what is plain about the plan is that it is (a) an *austerity plan*, (b) a plan for a *vigorously "managed economy"*. Its basic assumption is that the major part of the prospective growth of the national income will go into investment and not into consumption. This may be sound economics. My competence in this field of judgment is not great but what I am competent to judge is its *political* soundness. In a country where there are millions of unemployed and underemployed, where one-third of the parliament is pro-Cominform and therefore constantly agitating for higher wages, more public works, and all manner of consumer benefits and popular handouts an

<sup>1</sup> Source: Department of State, Central Files, 033.6511/3-1555. Secret; Official-Informal. Merchant transmitted this letter to Under Secretary Hoover on March 18, with a covering note that reads in part as follows: "While I have reservations with regard to some of the arguments advanced by Mrs. Luce in condemning the Plan, I am in full agreement with her recommendation to avoid at present 'any hearty *public expression of support* by Administration members of the Vanoni Plan *in its present stage* and in the Italians' present situation." Merchant also sent copies of the letter to Stassen and Waugh. (*Ibid.*)

<sup>2</sup> See footnote 3, Document 63.

*austerity program* (once it is recognized as such by the public) is not politically feasible. How can a weak government which believes it will certainly have to face elections next year, hope to put through such a plan of action? An austerity program in a free economy requires on the one hand a disciplined, [*less than 1 line of source text not declassified*] unified citizenry and on the other, an equally disciplined, [*less than 1 line of source text not declassified*] group of political and industrial leaders. An austerity program can, of course, be put through by a dictatorship. Neither condition exists here.

3. The background against which the *workability* of the Vanoni Plan must be considered is (a) Italy's essentially inferior and weak economic position—which would require—if the Vanoni Plan were to work—substantial external and internal financing *on a continuing basis*; (b) Italy's weak, incompetent, strife-ridden, immobilized, [*less than 1 line of source text not declassified*] government, which has not yet solved its current economic headaches such as IRI, taxation, foreign investment, agrarian pacts, etc.; (c) Public opinion in the USA (as I see it) is unwilling to pour forth large sums of aid even over a short period—no less a *ten-year period* to "Foreign Paradise Planners."

4. The publicity and encouragement given up to now to this vague Vanoni projection both in the USA and in Italy may have been useful and may even continue to be useful in arousing hopes and expectations in the Italian people that Italian democracy intends to solve problems which today only the Communists are promising to solve. *But* its usefulness must constantly diminish and in the end become counter-productive *unless*: (a) within a short time the plan is vigorously hammered into a plan for action; (b) is soon vigorously supported by substantial USA aid (the channel through which that aid flows is a secondary consideration), and (c) is thereafter vigorously implemented by a strong Italian Government.

Failing a, b, c, the hopes and expectations of the Italian people will be deceived and the plan will boomerang against the USA and the present government. The poet says, "Hope deferred maketh the heart sick". Hope deferred also maketh plenty of Communists. . . .<sup>3</sup>

5. There is reason to doubt that the Italians are very serious themselves about the workability of the plan (certainly Mr. Scelba is not). It is interesting to note that even while the "Italian experts" are presumably working hard to scheme out a four-year slice of the Vanoni Plan for submission to OEEC in March, the Italian budgetary proposals for 1955-56 show rather clearly which way the prevailing economic and political winds are still blowing in Italy. In line with the Vanoni Plan, one should have expected the budgetary proposals would reduce non-productive expenditures and expand public invest-

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<sup>3</sup> Ellipsis in the source text.

ments. Actually, the Budget provides for an aggregate increase of 355 billion lira—of which only 25 billion are investment expenditures, and the rest is "unproductive."

The editors of 24 ORE (the foremost economic journal of Italy) wrote on February 19, "Little as we believe in the plan as such, the Minister of the Budget, the On. Vanoni himself, appears to believe in it even less than we do."

In short, I view our hearty *public expressions of support* by administration members of the Vanoni Plan *in its present stage* and in the Italians' present situation as being economically unrealistic and fraught with the very real possibility of counter-productive political repercussions in both Italy and the U.S.A in the next year or so.

Sincerely yours,

Clare Boothe Luce<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

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**69.      Telegram From the Department of State to the Embassy in  
Italy<sup>1</sup>**

*Washington, March 18, 1955—11:09 a.m.*

2953. Italian Ambassador called on Merchant yesterday to discuss economic part agenda for Scelba visit. In frank conversation which followed Ambassador revealed he aware TS papers on economic proposals which were passed to our Ambassador and known only to Scelba and Martino on Italian side. He asked for guidance on whether: 1) US Government expecting Scelba to submit proposals for economic aid 2) it would be advisable for him to request economic aid on basis these proposals and 3) it would be wise to expect any decisive conclusion to be reached during his visit. Ambassador indicated he had personal doubts about US reception of any economic proposals and wished to be in best possible position advise Prime Minister in order assure success his visit.

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<sup>1</sup> Source: Department of State, Central Files, 033.6511/3-1855. Confidential. Drafted by John Wesley Jones. Repeated to Paris for Ambassador Luce who was en route to Washington for consultations at the Department of State prior to the visit of Scelba and Martino to the United States.

Merchant replied present Administration's policy was to discourage, as undesirable and even undignified, what had almost become habitual public expectation that visits to Washington of Foreign Chiefs of State and Government be accompanied by some material benefit. Concept of Secretary of Italian Prime Minister's visit was that it would provide opportunity for personal contact and exchange of views on general problems of mutual interest and on those of specific Italo-American character. It was not contemplated Scelba visit would be occasion for negotiations on any subject. On second point Merchant said present philosophy of administration and Congress was that U.S. economic assistance should be related to sound basic economic programs undertaken by foreign country itself which required relatively limited amount of foreign economic assistance to implement. That he pointed out was advantage of ten-year development plan under study in OEEC adding US Government would be reluctant consider any economic projects not related thereto. On point three Merchant replied any proposals received only ten days before Scelba's arrival obviously could not receive serious consideration in US Government nor be subject of fruitful discussion during Prime Minister's visit.

In answer to further questions Merchant advised against including economic aid proposals in agenda or referring to them in final communiqué.

Ambassador said he was not surprised by Merchant's response which was more or less what he expected. However with reference Merchant's reply to second point he felt that with more time and careful study an Italian economic program requiring some US aid might be favorably considered through regular channels following Prime Minister's visit. Merchant agreed this was preferable means handling this problem.

**Hoover**

70. Memorandum From the Secretary of State to the President<sup>1</sup>

*Washington, undated.*

## SUBJECT

Meeting with Prime Minister Scelba, March 28

The Italian Prime Minister, Mario Scelba, the Foreign Minister, Gaetano Martino and two other members of his party, will call on you at noon, March 28 for an hour before the luncheon you are offering them. Biographic summaries are attached (Tabs A and B).<sup>2</sup>

Mr. Scelba has been in office for one year at the head of a quadripartite coalition government of the center. His government is not very secure, since the four parties together have only a small majority in Parliament.

Publicly, Mr. Scelba is expected, after considerable persuasion from us, to treat his visit to Washington as essentially a means of promoting good will between Italy and the United States. Hence he will regard his talk with you as a means of advancing Italian and his own personal prestige.

Mr. Scelba has, however, been planning a highly secret request to you for something like \$330 million of direct economic aid for each of the next three or four years. His rationale is that the removal of the serious Communist threat in Italy can be accomplished by strong anti-Communist actions by the Italian Government. These actions, however, will be accepted by the Italian people only after the problem of large-scale unemployment is well on the way to solution. Mr. Scelba argues further that Italy has neither sufficient resources nor a strong enough Government to contribute significantly to the badly-needed economic development of Italy, and that the United States is the only source of the required funds. His request is over and above such current forms of assistance as our agricultural surplus program (PL 480) and pending loans from the International Bank. These he discounts.

We have strongly advised Premier Scelba not to present to you his emergency economic development plan, or a request for large-scale aid. Ambassador Luce has explained that it is unrealistic to expect large-scale aid from Congress [*3½ lines of source text not declassified*]. Nevertheless, Premier Scelba is likely to describe to you the political

<sup>1</sup> Source: Eisenhower Library, Whitman File. Top Secret.

<sup>2</sup> Neither attached to the source text.

and economic difficulties in his fight against the Communists, and may leave with you a paper emphasizing the importance of his economic program and our aid.

[1 paragraph (5½ lines of source text) not declassified]

Since I believe that with all its weaknesses the present Italian Government is the best one in sight, I think we should avoid weakening Scelba's position through a rebuff which might become known. I therefore suggest the following:

You might open the conversation by congratulating him on the Trieste settlement, the completion of Parliamentary action on the Paris Accords, and the signing of the Military Facilities Agreement (Base-rights) with the United States. You might then comment favorably on Italy's remarkable economic progress as compared to both 1948 and 1938 (Tab D).<sup>3</sup> You might note the anti-Communist actions Scelba has already taken, such as the eviction of Communist organizations from government buildings. You could then add that we appreciate that neither he nor we can be satisfied with the progress against the Communists and that much remains to be done to improve the Italian economy. With a few years of peace and with determination, further forward strides seem possible, and the U.S. hopes to continue in fiscal year 1956 to be of assistance in current forms to the extent Congress authorizes. We would be unrealistic if we thought Congress would return to the programs of large-scale economic aid of the Marshall Plan type. The U.S. is encouraged by the anti-Communist program announced by the Italian Government on last December 4 (Tab E),<sup>4</sup> and believes that its prompt implementation would seriously weaken the Communist apparatus in Italy without a violent reaction.

I suggest that you then proceed to invite Premier Scelba's thoughts on the international situation and recent developments. He will no doubt wish to exchange views with you on East-West relations, particularly steps that might be taken after all nations concerned have ratified the Paris Accords. In that connection he may suggest a worldwide disarmament conference, the objective of which we of course agree upon, but which we would not favor until there have been concrete results from the efforts going on under the auspices of the United Nations. You may also find occasion to say that we share Italy's desire for European integration and hope Italy will, after the Paris Accords are in effect, resume its initiative in that direction.

Mr. Scelba will no doubt also wish to hear your general views on Balkan and Near Eastern affairs, as well as on the situation in the Far East. The Italians are sensitive to developments in the first two areas.

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<sup>3</sup> Not printed.

<sup>4</sup> For extracts from the communiqué of December 4, 1954, see Document 67.

Mr. Scelba may also wish to report on his recent talks with the Prime Ministers of France, Turkey and Britain.<sup>5</sup>

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<sup>5</sup> Turkish Prime Minister Adnan Menderes visited Italy for 3 days beginning January 30; French Prime Minister Pierre Mendès-France visited Italy for discussions January 11-12; and Scelba visited London February 15-20.

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**71. Draft Memorandum of a Conversation, Department of State, Washington March 28, 1955, 11 a.m.<sup>1</sup>**

**SUBJECT**

Visit of Premier of Italy Mario Scelba with Secretary of State

**PARTICIPANTS**

The Prime Minister of Italy

The Secretary of State

The Foreign Minister of Italy

Ambassador Luce

Ambassador Brosio

Ambassador Magistrati

Assistant Secretary of State Merchant

Minister Canali (Interpreter for Italian side)

Mr. Jones (WE)

Lt. Col. Walters (Interpreter for U.S. side)

The Secretary opened the meeting by saying how happy he was to welcome Premier Scelba and how glad he was to have an opportunity of talking over a number of different problems. Since their last meeting a number of events had taken place, in particular, a happy solution of the Trieste problem had been reached. The Italian ratification of the Paris Accords had taken place at a psychological time and had contributed materially to the recent ratification of these accords by the French Assembly. He felt that the role of Premier Scelba's Government was significant and it enabled us to envision a future in which the Italian nation is destined to play a great part. He felt that the role of Italy would be increasingly important and that his Government welcomed this development.

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<sup>1</sup> Source: Department of State, Central Files, 765.13/3-2855. Secret. Prepared by Lieutenant Colonel Walters, a member of the U.S. Delegation to the NATO Standing Group in Washington. A note, dated March 30 and attached to the source text, indicates that this draft was cleared by Merchant and seen by Secretary Dulles.

Mr. Scelba thanked the Secretary and said how happy he was to meet him again. Many events had taken place since their last meeting at Villa Carminati in Milan and a successful conclusion had been given to a number of matters that had been considered at that time.<sup>2</sup> The Trieste question had finally been solved after being an irritant ever since the end of World War II. Italy had played her part in solving the various international problems which had arisen. She had given her full cooperation in the matter of European collaboration. He was happy to have this meeting with the Secretary and to be able after these events had occurred to examine the new situation now existing. He again wished to thank the Secretary for all he had done to help in solving the Trieste problem and he wished also to pay a warm tribute to the friendly and practical attitude of Ambassador Luce.

The Secretary then said that he would be happy to follow any line of conversation which the Prime Minister might care to suggest. He hoped that they could at some point talk about the future in Europe in terms of moving forward from the ratification of the Paris Accords towards a greater measure of unity in Europe.

Mr. Scelba mentioned that both the French and Italian Parliaments in ratifying the Paris Accords expressed the hope that some talks might be held with the East on the whole question of East-West relations. While one might not necessarily expect concrete or fruitful results from such discussions, it might be wise not to give the Russians the psychological advantage of presenting this problem as one of refusal to talk, on the part of the West, on questions of East-West problems and limitation of armaments.

In the matter of limitation of armaments the Secretary said he knew how close this matter was to Mr. Scelba's heart. He believed that the pattern established under the Brussels Treaty<sup>3</sup> constituted a first major practical effort to limit and control armaments, and this pattern might lend itself to constructive action. He would like to have the Prime Minister's opinion on this matter. The Prime Minister agreed with the Secretary and said that this was important psychologically in Italy where the Communists had such strong representation.

Foreign Minister Martino said that just before he left for the United States the Italian Ambassador in Bonn, Mr. Grazzi, came to see him and told him that Chancellor Adenauer would like the Secretary informed that he is now in a somewhat difficult position in his own country because of a movement in public opinion, that he would feel compelled to talk of the necessity of conversations with the East to

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<sup>2</sup> For a record of the Dulles-Scelba meeting of May 3, 1954, see *Foreign Relations, 1952-1954*, vol. VIII, p. 419.

<sup>3</sup> The Treaty of Economic, Social, and Cultural Collaboration and Collective Self-Defense among the United Kingdom, France, Belgium, and Luxembourg was signed on March 17, 1948.

explore means of unifying Germany. The Chancellor is convinced that unification will not be easy. The Chancellor felt that however great the attractiveness of this search for unity, he would not like to leave the solidarity of the Western camp but that the German Government wanted talks to take place with the East perhaps in the form of a Four-Power conference in order to solve the problem of unification and reach general agreement. The Chancellor felt that the limitation and control of armaments could take place only in such a framework and only in that way might it be possible to unify Germany. He wanted the Secretary to know his position that he would now find it necessary to speak publicly regarding the desire of the German Government in this direction.

The Secretary then said that he was appearing on the following day before the Senate Foreign Relations Committee<sup>4</sup> as the U.S. had not yet ratified the Paris Agreements. Mr. Scelba jokingly remarked, "You are the ones at fault there." The Secretary then said that he would like to read to the Prime Minister what he planned to say and would be interested to hear whether the Prime Minister thought this was appropriate and fitted in with their ideas on this subject. The Secretary then handed his proposed statement to Minister Canali who read it aloud in Italian to the Prime Minister. Mr. Scelba then said he felt it was an excellent statement and Foreign Minister Martino added that it accurately reflected the Italian point of view also. Mr. Scelba added that he felt it was extremely timely and he was appreciative of this. The Secretary said he thought the Prime Minister had expressed some thoughts along this line in Ottawa and Montreal. The Prime Minister said that he had been in agreement with the Canadian Government but that the press had inflated what he had actually said and this poor reporting had given rise to some misunderstanding. The Premier said he felt something should be done to satisfy the European Parliament who had asked on the occasion of the ratification of the Paris Agreements, that following these, something be done to lessen international tension.

Foreign Minister Martino said it was a matter of satisfying public opinion. The Canadian Government apparently felt the same way and Mr. Pearson had mentioned that at the new [next] NATO meeting<sup>5</sup> it might be well to suggest that a rather broad agenda be set up so that public opinion could be informed that the NATO Council was discuss-

<sup>4</sup> Dulles' statement to the Senate Committee on Foreign Relations, made on March 29 on behalf of the Paris Accords, is printed in Department of State *Bulletin*, April 11, 1955, p. 605. The Senate ratified the agreements on April 1; President Eisenhower signed them on April 7.

<sup>5</sup> The North Atlantic Council met in Paris, May 9-11.

ing this matter collectively and this would avoid private initiatives by individual nations. The Prime Minister signified his agreement with what the Foreign Minister had said.

The Secretary said he felt the next NATO meeting could be important and would be important. The instruments of ratification would have been deposited. The Germans would be there for the first time and we could look ahead and chart new perspectives with more hope.

Mr. Scelba said that the Canadian Government regretted the limited agenda for the next NATO Council meeting. They felt that in one day it would be impossible to engage in any serious discussions of the numerous problems involved, and the Italians themselves shared this point of view. The Secretary said we felt it should last longer than one day. The Prime Minister then said that it might be profitable if the NATO Council were to study methods and ascertain the modalities for preparing talks with the USSR. The Secretary asked on what particular subjects, and the Prime Minister replied, on the question of East-West relations and disarmament.

The Secretary said that certain aspects of East-West relations were of interest to all NATO nations. The unification of Germany was a matter of concern to all but there was a field of special responsibility of the United Kingdom, France and the United States as they retained under the Accords the rights of occupying powers insofar as the unification of Germany is concerned. He felt that probably about that time or shortly before the meeting, a conference of three or four powers could be held to draw up a common point of view as they had certain legal responsibilities that were not general. He felt that the entire Council would have an opportunity to discuss matters of interest to the whole NATO Alliance. In the matter of disarmament and limitation of armaments the Secretary felt that as indicated in his proposed statement to the Senate Foreign Relations Committee, we felt that the greatest hope at present for progress lies in taking the Brussels pattern and ascertaining if it could be extended to the East. There were two aspects to this question which we should bear in mind: (1) the Federal Republic would not be willing to discuss this matter merely in terms of German rearmament, as this would reopen an issue that had already been settled, but rather to talk about it in terms of the whole NATO position, perhaps again using the Brussels pattern. They would not want the discussions to lead to the isolation or neutralization of Germany. As a second point the Secretary felt that we would have a certain amount of clearance and understanding with the U.N. Commission which was working in London on this subject now. He could not foresee the outcome of their work but he felt that we should be careful not to cross wires on this problem.

Mr. Scelba felt he had several questions in this connection in order to clarify the matter in his own mind. Firstly, a meeting with the Germans, French and British would be considered entirely natural, particularly now that they were in NATO and in view of the fact that the foregoing powers had certain special rights as occupying powers. Italy was not involved in these matters. The establishment of Germany's equality and participation in NATO presents additional problems in East-West relations concerning unification of Germany, disarmament and Austria. In these, Italy was interested and could participate. He wondered how these questions would be discussed, whether with a fixed agenda or else without formal agenda. He felt that the exclusion of Italy from talks on these subjects would not be considered favorably by the Italians. He would also like to know if such conversations as might be held with the East would be on a particular question, or would cover a broad framework of East-West problems. His second main question was as to where would these matters be discussed and where would decisions be arrived at. In NATO, or elsewhere? This was important for them as Italy was a member of NATO. They also felt that in relations with the East a common agreement was important for the West and that separate initiatives of individual states should be avoided. Individual actions were always dangerous as the Russians consistently used this in an attempt to drive a wedge between the Western countries. The Prime Minister said that he felt that in thrashing out the shape and form of any efforts in this field, NATO would be an appropriate forum particularly now that the Germans would be in it. The Secretary said jokingly that the Prime Minister had certainly succeeded in asking a difficult question early in the meeting. The Prime Minister said that it was important to arrive at a decision as to how to proceed in this matter as the method used would have important psychological repercussions. The Secretary said that he fully recognized the importance of the question that the Prime Minister had brought up. He felt that the time was passing when a few countries could presume to speak for many. That had perhaps been necessary during the war but it was an era that was diminishing. On the other hand it seemed that in the problem of East-West relations where for the purpose of dealing practically with these matters it might be necessary for certain countries who are charged with a special responsibility arising from the recent war to discuss the appropriate means of handling such a difficult question. He felt that in the matter of the liberation of Austria and the unification of Germany that there was a primary responsibility on Germany and Austria themselves and on the four occupying powers. He did not by any means believe that this meant that the opinion of others would be ignored. It had been a practice, at least insofar as the Western occupying powers were concerned to consult and exchange views with the

NATO Council in handling these particular problems and he believed that the notes which were exchanged in the past were usually presented in advance to the Permanent Council. He felt that this practice should be continued and developed and that they might take advantage of the next ministerial meeting to have oral discussions on this subject.

Insofar as the other question was concerned, that of disarmament in Europe, this was of obvious interest to all NATO powers. He did not think it would be practical to deal with all aspects of this question through the United Nations of which Italy was not a member. In addition to this there were other aspects of disarmament such as those in the atomic field which might be of special interest to another group of states. Every one of these problems presented, in a manner of speaking, special sub-problems as to which nations were directly concerned and should participate in discussion on them. He did not feel it would be easy to make a generalization. The Soviets were continually trying to bring the Chinese Communist regime in on all discussions and we might have to face a situation where their efforts to enlarge the area of discussion and the participants of such discussions would be unacceptable to us. The Prime Minister's question had posed a difficult problem. He would like to add that at Moscow in 1947 they had spent many fruitless hours on trying to determine who should attend the German peace conference. This was never settled. Some of the South American countries felt they should participate because they had declared war on Germany. To sum up, he felt that every aspect should be weighed separately to see how the problem could best be dealt with and which states should participate.

The Secretary wanted to make quite clear at this phase that we recognized the growing interest of Italy in these problems and that Italy by her conduct had qualified herself for this type of participation. The Secretary then indicated that it would be necessary to leave in order to reach the White House in time for the meeting with the President. The Prime Minister said he hoped he would have occasion to discuss these matters at the same level again before his departure as they were rather important to Italy.

72. Memorandum of a Conversation, White House,  
Washington, March 28, 1955, Noon<sup>1</sup>

SUBJECT

Call of Prime Minister Scelba of Italy on the President

PARTICIPANTS

The President  
Secretary of State—Mr. Dulles  
Ambassador Luce  
Assistant Secretary of State—Mr. Merchant  
Prime Minister Scelba  
Foreign Minister Martino  
Ambassador Brosio  
Ambassador Magistrati  
Minister Canali  
Lt. Colonel Walters

The President welcomed the Prime Minister and said how happy he was to receive him. The Prime Minister thanked the President for his welcome and recalled that he had first met him on the occasion of his last visit to Rome as Supreme Commander in Europe when the Italian Government had given a luncheon for him at the Villa Madama. Mr. Scelba said he would try to give the President an exposé of the present situation in Italy. This exposé would be given in the fraternal terms of a younger brother addressing an older brother. The President jokingly said that he was the older anyway.

The Prime Minister said that when his government came to power after a period of governmental instability it had two main objectives, one was the consolidation of foreign policy and the other the question of internal restoration of the authority of the State. In the former field, the problem of Trieste had been solved and he wished to express his thanks to the President for the good offices of the Secretary of State and Ambassador Luce in this respect. The President said he was glad to hear this and was sure Mrs. Luce was also. Following the demise of EDC which had been killed by the negative vote of the French Parliament the Italians had ratified the Paris Accords, first of all nations in continental Europe, and second only to Great Britain. The Status of Forces Agreement had passed through the Lower House and they were hopeful of Senate action before the summer vacation.<sup>2</sup> (This last

<sup>1</sup> Source: Department of State, Central Files, 765.00/3-2855. Top Secret. Drafted by Walters.

<sup>2</sup> The "Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Their Forces," June 19, 1951, was ratified by the U.S. Senate on July 15, 1953, approved by the President on July 24, 1953, and entered into force on August 23, 1953. For text, see TIAS 2846. The Italian ratification of the agreement was deposited on December 22, 1955.

phrase was not translated into English by Minister Canali but was spoken by the Premier in Italian.) In accordance with a promise given Mrs. Luce, they had signed the Facilities Agreement following the Accord on Trieste.<sup>3</sup> The Premier wished to point out in this connection that even parties opposed to the Atlantic Pact had voted for the Status of Forces Agreement (with the exception of communists and their socialist allies) showing that some progress had been achieved in this field. He said that the Italians had lived up to their promises and commitments. He wished to assure the President that he could count on Italy. The Agreement on Trieste had been inspired by the desire to remove this question which had remained in suspense since the end of World War II and in order to fill the gap which existed in the field of Western defense due to the divergences between the Yugoslav and the Italian Governments.

In the domestic field of the struggle against communism, the Premier said that as a result of the 1953 elections, the center parties were in a state of uncertainty and the communists were emboldened to resume their former overbearing behavior and it was imperative for the Government to establish order and restore governmental authority. Much had been done in these fields. The Government had established a program of measures to be taken all of which could not be made public immediately and in some cases it was wiser to wait for a more opportune time. He would not go into details of this matter but he was leaving a short memorandum with the Secretary of State covering the problem.<sup>4</sup> He did, however, wish to make mention of two important measures which the Government had taken in the struggle against communism. In the first case the Government had drawn up a black list of firms dealing with the East. Some 46 firms who had previously monopolized trade eastward were now incapacitated from doing so and the State had practically monopolized this question,

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<sup>3</sup> The military facilities agreement was signed in Rome on October 20, 1954; the documents which comprised this agreement were attached to despatch 871 from Rome, November 2, 1954. (Department of State, Central Files, 711.56365/11-254)

<sup>4</sup> The text of the memorandum, entitled "A Year of Democratic Struggle in Italy: The Anti-Communist Initiative of the Scelba Cabinet," bears a handwritten notation indicating that it was given to Merchant by Martino on March 30. According to the memorandum, the anti-Communist measures undertaken by the Scelba Cabinet included: the eviction of socialist-Communist organizations from government buildings; the barring of trade-union organizations from government-owned premises; and an end to the employment of state workers by trade-union organizations. To further defend democracy, the Italian Government intended to cooperate closely with the Atlantic Alliance and to impose strict controls on trade with Communist bloc countries. Additional internal measures such as increased surveillance of the Communist Party and press, legal inquiries into the activities of local Communist officials, and a loyalty program for civil servants were also being implemented. The memorandum concluded that this campaign would be successful provided "the Western democracies will furnish new proofs of their solidarity toward the nation which within the limits of free Europe now faces with success the strongest communist pressure." (*Ibid.*, 765.00/3-3055)

handling some 70 percent of East-West trade, thus depriving the communists of large sources of income. The Government had also put a stop to clandestine trade with East Germany and Russia itself. Secondly, the Government had undertaken an important program to screen out communists in public service. [5½ lines of source text not declassified] These anti-communist activities against the Government had commenced bearing fruit and for the first time since the liberation the communist vote had dropped during the recent regional elections in Val d'Aosta, near the French border. They had dropped 12% in relation to the vote of June 1953. In reply to a question by the Secretary of State, the Prime Minister indicated that these elections had taken place in November. Mr. Scelba went on to say that similarly in municipal elections it had dropped one percent. Similarly there had been a drop in the communist vote for shop stewards and other labor activities including farmers' unions. As a result of all this there was evident in Italy a greater sense of security. The Government would continue to carry out the program it had set forth but it must be understood that there were limits to governmental action. The only further step that could be taken would be to outlaw the Communist Party. In order to explain this he wished to point out the political background against which the Government had taken its measures against the communists. In the elections of 1946, out of a total of 22 million votes, the communists had obtained nine million or 41 percent as a result of Fascism and the war. The Prime Minister said that in a country like the U.S. where there were only 500,000 communist sympathizers it was easy for the government to take strong measures against them but if instead of 500,000 there were 50 million it would be a great deal more difficult, yet that was the situation which they faced in Italy. One can outlaw a few thousand but outlawing a third of the population is not easy.

To sum up the situation geographically, the Prime Minister felt there was an improvement in the North. In the center of Italy, the situation was stationary and in the South and in the islands the situation was delicate. This was closely related to the economic situation which was improving in the North, constant in the center, and depressed in the South and the islands. The future of Italian democracy was directly related to the economic situation of that country. In the whole of Italy the average per capita income was only one seventh of that in the United States. The income per capita in southern Italy was one 1/21st of the U.S. average per capita income. The Premier pointed out that the depressed southern areas of which he was speaking contained 25 million people or almost half the population of Italy and in this area only half the active population was employed. Thanks to the efforts of de Gasperi's governments, the per capita income had moved from \$125 in 1946 to \$350 in 1954 but there remained severe

shortages in housing, schools, water supply and irrigation which none of the preceding Italian governments had been able to remedy. His Government had marked down last year 500 billion lira (25 percent of the Government's revenue) to meet the problem of unemployment. They had set aside 700 billion lira for defense and police forces in order to be able to meet their NATO commitments. These different commitments make it difficult to devote a larger proportion of the Government's income towards meeting the problem of unemployment. Through the Government's activities some 400,000 men had been given employment. But it is doubtful if this effort can be long sustained.

Several courses had been considered in an attempt to permit the Government to increase its commitment in that field. Severe penalties had been voted for income tax dodgers including prison sentences but this would only spread the load more equitably and would not increase overall income. Another solution for this problem had been sought in emigration. This was a difficult matter as there were barriers against emigrants in many countries. Most of these emigrants had come from the depressed areas of southern Italy which he had mentioned. The difficulty in this field lay in the fact that as other nations would not accept communists they had to export democratic workers and keep the communists at home. When one considered that the 1953 elections had been lost for lack of a 100,000 votes and that in the preceding period 120,000 non-communist emigrants had gone to Canada, it became evident that this was a limited possibility. They did not feel that they could reduce their defense expenditures without reneging on their NATO commitments.

The Premier said that his experts had elaborated a plan to achieve full employment but that it would take ten years to fully implement this plan. Furthermore, it could not be undertaken before two years, thus twelve years would be required but the political and social posture in Italy is not one which will permit waiting that long. The Premier said that they had real prospects of starting to implement this plan at an early date if only the Government had the funds available. He said that speaking with "fraternal frankness" they did not feel that Italy's economic situation was fully appreciated here. The question of loans and off-shore procurement was still under negotiation after more than a year. He said he would not venture to draw the attention of the President who was also General Eisenhower to the strategic position of Italy and the catastrophic effects communist control there would have. It would be a disaster for the whole free world and would impose on the American tax payers additional burdens to face in the light of this new situation in the Mediterranean. If Europe were to achieve a position of social peace, the U.S. would be able to turn its position [attention] subsequently to Asia, [less than 1 line of source text

*not declassified].* He felt that Asiatic problems would require a great deal of money and a great deal of time and patience. A much smaller investment in Italy would be effective in a shorter time. If the problem of unemployment could be solved in Italy it would send a wave of hope throughout the free world. The communists have constantly hammered the point that only in a communist regime can such problems be solved. A happy result in Italy would prove that it was possible to achieve a similar result without sacrificing freedom. The West had been constantly on the defensive in the propaganda struggle. It would be a disaster for the entire civilized world if Italy and Rome should fall into the hands of the communists. They were conscious that in defending their country they were defending the seat of Western culture and one of the centers of Christendom. The Prime Minister said he wished to assure the President that they realized this was a problem they must solve for themselves. They were not asking for gifts or direct aid but if some other means could be found to help them it would greatly improve the situation in Italy and they might have two or three stable years if some of the lesser parties do not allow themselves to be carried away. He wished again to emphasize to the President that they would never permit Italy to be taken over by the communists but that they were determined to fight and they felt that they had a right to be helped by their allies and friends. There was a Latin saying which went "one should ask only honest things from one's friends", they wished only to ask honest things from the U.S. They did not wish to increase the already heavy burden on the U.S. tax payer on whom had fallen the responsibility of defending freedom and civilization throughout the world. The Premier went on to say he wished to conclude by reiterating that he was speaking with frankness as of a younger brother to an older one and that he hoped that the President would forgive the time he had taken to make this exposé of his country's situation.

The President said that he wished to thank the Prime Minister for the clear, energetic and vivid account of the action taken to defend the common cause and his exposé of the difficulties lying ahead. We had followed the progress which had been made and had been gratified by it. To take the actions which the Prime Minister had taken required courage, drive and forcefulness. He wished to reassure the Prime Minister regarding two subjects: 1. That we recognized the scope of his problem and 2. that we fully recognize the importance of Italy to the world and to NATO. He felt that generally the Premier's impression that they were entitled to some aid was correct. He was happy to note the Premier's recognition of our problems. Without going back to the past, he felt sure that Mr. Scelba was aware of our record in this field. [10 lines of source text not declassified] He assured the Prime Minister that we would look with sympathy on his problems but he did not

wish the Premier to underestimate the scope of our problem. As a former military commander in the Mediterranean and as Supreme Commander he was well aware of the political and strategic importance of Italy. We had no intention of losing Italy. He wished to be a good partner to them but he trusted that the Premier would not make his plan so entirely dependent on American aid as to jeopardize our plans or make us fail in some other area, nor to cause us to ask Congress for something we could not justify. The President said that he would conclude by expressing his earnest hope that upon the Prime Minister's return to Italy at the conclusion of his visit here he would find things looking brighter as a result of the further conversations he would have here in Washington. He felt sure his problems would receive friendly and sympathetic consideration in the conversations the Prime Minister would have in Washington. Mr. Scelba said that there were two things he wished to make clear. The Italians had no intention of unloading on the U.S. the problem of the internal defense of Italy. They would handle that themselves, and secondly that they were not looking for gifts or donations but other forms of aid. He would be grateful if the President would ask his colleagues to listen to the Prime Minister's problems with the same sympathetic consideration which the President had given them.

The President said he felt that this was not necessary as it was already a foregone conclusion. That the Prime Minister could be sure that he would be given a sympathetic and understanding hearing but he would do it anyway if the Prime Minister so wished though it was not really necessary. The President then took the party in to lunch.

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**73. Record of a Meeting, Washington, March 29, 1955, 11 a.m.<sup>1</sup>**

**PARTICIPANTS**

Prime Minister Scelba  
Foreign Minister Martino  
Ambassador Brosio  
Count Magistrati  
Minister Canali (Acts as interpreter for Scelba)  
Counselor Ortona  
  
Secretary Humphrey  
Ambassador Luce

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<sup>1</sup> Source: Department of State, Italian Desk Files: Lot 58 D 357, Scelba 1955. For Official Use Only. Drafted by Andrew N. Overby.

W. Randolph Burgess, Under Secretary of the Treasury for Monetary Affairs  
A.N. Overby, Assistant Secretary of the Treasury  
C. Burke Elbrick, Deputy Assistant Secretary of State  
Francis Deak, U.S. Embassy, Rome

Prime Minister Scelba stated he had had the opportunity to present to President Eisenhower, Secretary Dulles and others a review of Italy's political, economic and financial problems and he would not repeat them at this meeting. He understood that Secretary Humphrey had the final say on all financial matters and he was therefore grateful for the opportunity to see him. Secretary Humphrey disclaimed that he had the final say and referred to the Congress as the ultimate authority on appropriations and financial assistance. The Prime Minister expressed the hope that, as always, we would consider their problems sympathetically, which Secretary Humphrey assured him we would. Mr. Scelba expressed the hope that economic problems would be considered with the political problems of Italy in mind. He reported a bill had just been presented to the Italian Parliament favoring private investment and he left Secretary Humphrey a copy of the bill.<sup>2</sup> This bill takes full account of past experience and its purpose is to induce private investment and he hopes for prompt approval by the Parliament. He also referred to the double taxation agreements with the United States which are to be signed March 30.<sup>3</sup> Secretary Humphrey assured the Prime Minister of our sympathetic approach to their problems and our hope that economic and political progress will continue. When we get to the details of the problems, we will approach them in as liberal spirit as we can. Secretary Humphrey stated we, too, have problems in the United States, but, keeping these problems in mind, we are anxious to see Italy progress both economically and politically and we hope to take a constructive approach in our cooperation.

Prime Minister Scelba indicated he had seen Mr. Black of the World Bank last night and was exploring the possibility of raising the ceiling on the International Bank loan. He asked about Export-Import Bank loans and the problems of coordination of the two Bank's lending. Secretary Humphrey said the lending depends on the total borrowing and indicated that the lending of one bank must not interfere with that of the other. The total borrowing of a country must be within its debt payment capacity. Coordination is required. Responding to the Prime Minister's question, Secretary Humphrey said that it was proper to approach both banks but that they would check with each other. Secretary Humphrey said it might be desirable to have all the borrow-

<sup>2</sup> Not with the source text. An analysis of the investment bill by Ralph V. Korp, Acting Treasury Attaché, was sent to the Department of State as an enclosure to despatch 1654 from Rome, February 11. (*Ibid.*, 800.05165/2-1155)

<sup>3</sup> The press release issued at the signing and the statements made by Dulles and Martino are printed in *Department of State Bulletin*, April 11, 1955, p. 614.

ing with one bank and if a substantial amount was required for development, it should be perhaps with the International Bank. In any event, there could not be any doubling up on borrowing between the two banks and it would depend on the types of loans involved. Prime Minister Scelba thanked the Secretary and said he understood there must be coordination of borrowing activities.

With regard to private investment, Secretary Humphrey asked when the private investment laws might pass the Italian Parliament. Mr. Scelba indicated that it might be about six months; the budget, which is time-consuming, comes first. Secretary Humphrey emphasized that the financial and political climate has a great bearing on private investment and loans. This depends on real progress, not just on hope, in order to open the doors for private investment for economic development. The Prime Minister said the policy of his government was aimed at monetary stability and at maintaining the purchasing power of the lira. As regards political conditions, the Prime Minister said we must not confuse sensational stories with the reality of the situation which he thinks is sound. Secretary Humphrey responded that other people must feel that the situation is sound, so that Italians will repatriate funds which they hold abroad and outside investors will also be induced to make investments in Italy.

In conclusion, Secretary Humphrey said as they make progress we are anxious to work along with them as we appropriately can. As they create greater confidence, there will be a greater stimulation of private investment for the acceleration of economic development of Italy. Secretary Humphrey wished the Prime Minister well and the Prime Minister expressed his appreciation for the opportunity of having this talk.

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**74. Memorandum of a Conversation, Secretary of State Dulles' Office, Department of State, Washington, March 30, 1955,  
10:15 a.m.<sup>1</sup>**

SV MC-6

**PARTICIPANTS**

*United States*

The Secretary  
Ambassador Luce  
Mr. Jones (WE)  
Lt. Col. Walters (Interpreter)

*Italy*

Prime Minister Scelba  
Foreign Minister Martino  
Ambassador Brosio  
Minister Canali (Interpreter)

[Here follows a brief table of contents.]

[*Heading and 2 paragraphs (1/2 page of source text) not declassified*]

*Fiat Elections*

The Secretary thanked the Prime Minister for his remarks and said that he would like to express the gratification which we all felt over the shop steward elections at Fiat where he believed the Communist percentage had declined from 62% to 39%.<sup>2</sup> This was the type of development which was encouraging and might open possibilities for improvement in the offshore procurement situation. The Prime Minister said he felt that this development confirmed their opinion that the Communist problem in Italy is directly related to the economic situation. The U.S. had had a great part in the Fiat victory by helping to provide permanent employment through the offshore procurement program and when it could be made clear to the working people that democracy could provide stable employment, they would choose democracy over Communism every time. He felt that the recent Fiat development might well be the beginning of a complete change in the Italian situation. In the struggle against Communism, tangible evidence could be given that work could be provided in other factories and this would have a favorable effect on the whole situation. They felt this confirmed their opinion that Communism in Italy is rather a problem of economic need than of ideology. He hoped the Secretary would forgive his constant emphasis on the fact that the Italian economic problem was not perhaps completely understood and that the possibility existed of consolidating democracy in Italy if the Govern-

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Prepared on April 1; the drafting officer is not indicated.

<sup>2</sup> The results of the shop steward elections held at Fiat on March 29 were sent to the Department in telegram 15 from Turin, March 30. (*Ibid.*, Central Files, 865.062/3-3055)

ment were able to carry out its plans. Political action against the Communists was easier to take when it was accompanied by measures of social improvement.

[1 paragraph (15½ lines of source text) not declassified]

#### *Private Investment*

The Secretary said there was one point he would like to bring up in connection with what the Prime Minister had said and that was that he felt that it was always a mistake to consider that in this country important economic developments could only be handled through governmental action. There existed in this country a vast reservoir of capital available, of a private rather than a governmental nature. We did not believe in loaning money for commercial purposes and did not feel that this was a proper function of government. While we had done so in the past it was only in matters where an emergency existed. This vast reservoir of private capital was ready and able to flow to places where a climate existed which encouraged private investment. He cited the case of Venezuela where more than \$2 billion had been invested in the last few years, and said that many billions had also been invested in Canada. He said this capital would flow quite easily and could be used where the climate favored it. He noted with satisfaction that a new law to encourage private investments had been introduced in Italy and although he was not familiar with the details, he wished to emphasize to the Prime Minister how important this was as a source of funds in the economic field. He felt that it might be useful if a brief phrase could be inserted in the communiqué which would serve to bring this to the attention of his colleagues in the Italian Parliament and also to remind U.S. capital of the opportunities in this field. He wondered if the Prime Minister did not feel that such a phrase in the communiqué would be useful. The Prime Minister said he shared the Secretary's opinion and was cognizant of the importance of private investment. A week ago, a new law concerning private foreign investments had been introduced in the Italian Parliament.<sup>3</sup> The experts who had worked on this law felt that it was a great deal more liberal than anything that had preceded it and that if the Parliament approved this law it could well serve as a basis for increased private investment but once again in the political field we faced a vicious circle due to the fact that economic developments influenced political events and therefore the two should be attacked simultaneously. The Prime Minister added that the introduction of the phrase into the communiqué was purely a question of wording. They agreed with the substance but as there had been a considerable controversy on this subject in Italy they did not want to say anything that would

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<sup>3</sup> See footnote 2, *supra*.

further exacerbate this problem. The controversy arose purely from the ill-will of those who were opposed to the government but that he had no objection to the introduction of this idea into the communiqué.

The Secretary then asked if there were any other subjects that the Prime Minister wished to develop during this restricted meeting. Mr. Scelba said he might like to discuss the question of the Secretary's recent trip to the Far East and the situation there. The Secretary wondered whether this might not be discussed at the larger meeting which was about to take place and the Prime Minister fully concurred and said that he had no other subjects for discussion at the restricted meeting. The meeting then concluded.

**75. Memorandum of a Conversation, Department of State,  
Washington, March 30, 1955, 10:50 a.m.<sup>1</sup>**

SV MC-7

PARTICIPANTS

*United States*

The Secretary  
Ambassador Luce  
Mr. Merchant  
Assistant Secretary Hensel  
Mr. Waugh  
Mr. McCardle  
Mr. Nolting  
Mr. Jones (WE)  
Mr. Tasca  
Mr. Freund (WE)  
Mr. Tesoro (WE)  
Mr. Knight (WE)

*Italy*

Prime Minister Scelba  
Foreign Minister Martino  
Ambassador Brosio  
Minister Migone  
Ambassador Magistrati  
Minister Giustiniani  
Minister Lucioli  
Minister Canali (Interpreter)  
Sig. Ortona  
Sig. Grillo  
Sig. Perrone-Capano

[Here follows a table of contents.]

*Far East Questions*

Following the Secretary's restricted meeting with Premier Scelba and Foreign Minister Martino (see Memorandum SV MC-6),<sup>2</sup> a further meeting of a more general nature and with more persons representing both sides took place. This meeting began with an account by the Secretary of his impressions following his return from Bangkok and

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted on April 1; the drafting officer is not indicated.

<sup>2</sup> *Supra*.

his visits to neighboring countries.<sup>3</sup> He said he returned with a considerable sense of foreboding. The Chinese Communists gave every indication of reckless ambition and aspirations. They felt that their conquest of the Chinese mainland, their achievement in the Korean war of driving the UN forces back from the Yalu and their occupation of Tibet in 1951 were great successes. The conclusion of the Korean armistice had helped Ho Chi Minh gain his great victory over the French and now Chinese activity was directed at the Formosa straits and they had already been successful in bringing about the evacuation of several of the small offshore islands. They had held UN prisoners of war illegally and in their opinion the U.S. had done little about it. The Chinese Communists rebuffed a special UN mission sent to Peiping to discuss this question. The Security Council's invitation to the Chinese Communists to come to New York was rejected in an unfriendly manner. Several friendly governments have sought to obtain their assurances that they would not seek to take by force Formosa or the Pescadores islands (which we have a treaty to protect). Not only have they rejected these confidential approaches outright but have also in public declared repeatedly and in violent terms their intention to take the islands by force if necessary. They repeated these threats when the offshore islands were recently evacuated. The position is very difficult. The U.S. is committed to defend only Formosa and the Pescadores which have a very distinctive legal status and strategically are part of the island chain extending from the Aleutians through Okinawa to the East Indies. The question of how to defend Formosa is a military and tactical matter which may or may not require preventing the capture of Quemoy and Matsu. Our concern is about Formosa itself, particularly in view of the Chinese Communists' inflated opinion of their own recent successes. We fear that they will attack. Chou En Lai recently stated that there would be war with the U.S., that 100 million Chinese might be killed but that this would leave 500 million and that this was enough for them. This was an indication of the utter disregard for human life of the Chinese Communists. President Eisenhower was resolved to be patient and not provocative, but firm. The U.S. hoped the situation could be worked out without hostilities.

Prime Minister Scelba thanked the Secretary for his account and proceeded to comment that the principal problem was what line should be defended and did this include Quemoy and Matsu? Would the loss of those two islands weaken the defense of Formosa? From talks he had had in London and Ottawa the opinion seemed general that the defense of these islands was not strictly necessary and that the

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<sup>3</sup> Dulles was in Bangkok for the first meeting of the SEATO Council, February 23-25. He then made brief visits to Rangoon and Vientiane on February 27; Phnom Penh on February 28; and Saigon, February 28-March 1.

U.S. might get into a war over them which would automatically lead into the third world war. He thought the problem was one not so much of substance as of form, that is, finding a way of getting out of the islands in circumstances that would not appear to constitute a retreat before Chinese Communists' threats. All with whom he had spoken were in agreement that the Chinese Communists cannot be permitted to conquer Formosa, since this would be a great blow to the strength of the West and would weaken the will as well as the defense capabilities of other countries in the area. However, they were concerned regarding the possibility that the U.S. may become too completely committed to the defense of Matsu and Quemoy.

#### *Quemoy-Matsu*

The Secretary replied that he appreciated the statesmanlike presentation of Premier Scelba, continuing that occasionally the U.S. found that its European allies were so taken up by European problems that they could not give proper weight to problems of Asia. The U.S. is not only an Atlantic but a Pacific power as well and our interests lie to an important degree in the Pacific world. The U.S., in the treaty with the Chinese Nationalist Government, has in fact drawn the line such as suggested by Premier Scelba, beyond which the Chinese Communists cannot go without encountering our active defense. This encompasses only Formosa and the Pescadores which Scelba had indicated would be acceptable. President Eisenhower had said he had no intention of enlarging the *treaty* area. The problem thus was [as] to whether the coastal islands were essential to defense of Formosa. Militarily, the islands were important. Although perhaps not indispensable, they do block the exits from the two most likely staging ports for an invasion of Formosa or the Pescadores. Psychologically, the effect of evacuating Quemoy and Matsu could be serious on the 350,000 Chinese Nationalist soldiers who would be called upon to bear the brunt of any major assault on Formosa. The U.S. does not have enough ground forces available to assign to the defense of Formosa. We cannot depend wholly upon sea and air since, should the defending forces be seriously affected by subversion, only a token force of actual Chinese Communist troops would be needed and these we might not be able to prevent landing. This is a question we cannot discuss publicly but it gives us grave concern.

The Secretary continued that the U.S. would not fight for Quemoy and Matsu if it were clear that the Chinese Communists did not intend to attack Formosa after it had taken those two islands. This was not yet the case and the Chinese Communists had given thus far no such indication. The U.S. had a greater degree of knowledge than other

countries regarding the situation in the Formosa area and it was necessary to repose confidence in the decisions which were necessarily President Eisenhower's in this matter.

#### *NATO Discussion Mentioned*

Premier Scelba remarked that there was no disagreement on the necessity for holding Formosa but only on how this should be done. He then stated that the concern of the Secretary regarding the psychological effect of an assault of these two islands might be resolved by a joint declaration by a number of countries that Formosa would be defended and that any attack on Formosa or the Pescadores would be a cause for war. However, judging the situation from a very great distance, it appeared to the Italian Government that the Chinese forces were not in a position to assault the American defense forces supporting Formosa, but might risk an attack on Matsu and Quemoy. This question might be discussed in NATO with a view to achieving a joint declaration of several powers of the type he envisaged. Premier Scelba observed that the absence of such declarations in the past had often led to war (he cited the ambiguity of England's position in 1914). Should such a declaration be made at this time, he felt that an outbreak of war could be avoided.

The Secretary said that this was a valuable suggestion though he was not sure the North Atlantic Council was the place in which to debate it. Possibly, the forthcoming informal meeting of the permanent representatives in Paris in June might provide an occasion. He asked whether Premier Scelba had any indication whether the United Kingdom would be willing to go along in any such declaration. Premier Scelba replied that he had not discussed this in specific terms but that he was sure the United Kingdom agreed that Formosa could not be yielded. This was however a question of vital concern to other powers than the great powers and also to NATO which is interested in avoiding as well as in preparing for war. The Secretary said that he appreciated the Premier's suggestion and would give it careful thought.

The Secretary then said that another factor to bear in mind is whether the French would bring up the question of North Africa at the North Atlantic Council meeting. Mendès-France had raised the possibility of so doing on the occasion of his visit to Washington and the Secretary had discouraged him from so doing since some NATO members were not happy about being embroiled in this question. He asked what Premier Scelba's thoughts were on this. Prime Minister Scelba replied that they had no particular thoughts on the subject, but that they agreed it was better not to complicate the situation in the North Atlantic Council.

### *Recent Italian Bilateral Talks*

The Secretary asked whether the Premier had any observations from his talks with the French, Turkish and British leaders.<sup>4</sup> Foreign Minister Martino replied that with Mendès-France all main problems had been discussed, the most important being Western European Union. Leaders of both countries agreed on the necessity for strong efforts to bring about early ratification and agreed in principle on the armaments pool, although on Italy's part subject to certain reservations (for example, they did not agree on the pools of OSP). Italy did, however, agree on the standardization of arms, on the common production of arms, etc. Other bilateral questions affecting only Italy and France were discussed. They reached agreement on some of them but not on others. Regarding the Mediterranean area it was agreed that Italy and France should make a joint effort to consolidate their common defense. Italian-Yugoslav relations following the Trieste settlement was discussed with the French and it was agreed that it was necessary in this sector to exercise care to avoid mistakes prior to the entry into force of WEU. Close consultation among the allies was needed. Regarding talks with the East, Mendès-France talked of suggesting an East-West conference for May, but made it clear that he did so only because he thought that WEU would be ratified and in force by that time.

The Foreign Minister said that in Italian talks with the Turks the latter showed themselves to be optimistic regarding their pact with Iraq. With the Turks, the Italians discussed much the same questions as they had with the French, and the same general agreements were reached.

### *Immigration*

Premier Scelba then raised the question of immigration and urged that the Department examine sympathetically the proposals for expanding Italian immigration to the U.S. which were now before Congress. He mentioned particularly the possible use by Italy of unused quotas and he said that the effect of the McCarran Act<sup>5</sup> was to discriminate against Italy and to damage Italian morale. He said this Act helped those who were campaigning against Italo-American friendship. The Secretary replied that he was aware of the importance of this question and that the Department was sympathetic to the bills under consideration. However, the Premier would appreciate that legislation was the special province of Congress. The Secretary observed that while it was not likely that any of the bills now pending would be

<sup>4</sup> See footnote 5, Document 70.

<sup>5</sup> Reference is to the Immigration and Nationality Act of 1952, Public Law 414, enacted June 27, 1952; for text, see 66 Stat. 163.

enacted by Congress at this time, passage of one or more was not to be altogether excluded. We would take note of what the Premier had said, however, and he could be assured that we were sympathetic to Italy's need to find migration outlets.

### *Psychological Warfare*

Premier Scelba then raised the question of psychological warfare and stressed the necessity of not losing the initiative in the cold war against the Communists. He referred specifically to the importance of the normal exchanges of men and ideas across the Iron Curtain and said that in his discussions with Eden this had been particularly touched upon. Eden had agreed on the desirability of such exchanges. Premier Scelba said that Western countries should take advantage of any opportunity to increase such exchanges. The Secretary agreed on the importance of such exchanges and said this question was constantly under study. Regarding psychological strategy against Communism the Secretary asked whether the Italians had any concrete suggestions to advance. Premier Scelba mentioned the Memorandum to NATO that Italy had submitted a year or so ago and he urged that the U.S. consider it once again. The Secretary said that we would go back to it, review our position on it and be prepared to discuss it further at the next NATO meeting.

### *Communiqué*

The conversation then turned to the communiqué and after a few minor modifications were agreed upon this joint statement was approved.<sup>6</sup> [4½ lines of source text not declassified] There was also considerable discussion of Premier Scelba's opinion that the communiqué should contain some form of assurance that the U.S. would collaborate and participate in the Italian economic development program and not merely express its sympathy. The result of this finally was elimination of the word "sympathetic," and a phrase assuring the Premier of the "continuing interest of the U.S." in the economic field was introduced into the final draft.

The meeting closed with mutual expressions of gratification at the results of the meetings with the Secretary. Each side emphasized particularly the importance of getting to know leaders of other countries better through this type of meeting. Premier Scelba on his part said

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<sup>6</sup> The final communiqué, issued on March 30; the communiqué issued after Scelba's talk with Eisenhower on March 28; and his address before the Senate on March 30 are printed in Department of State *Bulletin*, April 11, 1955, pp. 612-615. During their visit, Scelba and Martino also met with the Secretary of Defense at the Pentagon on March 29 to discuss various military matters; and with Stassen at the Foreign Operations Administration on March 29 to discuss various economic issues. Records of the meetings are in Department of State, EUR Files: Lot 59 D 233, Scelba Visit 1955.

that Italy counted on the constant support of the U.S. and that the efforts of the Italian Government would not be less than the U.S. expected.

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**76. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, May 5, 1955—noon.*

4082. As indicated in Embtels 4026 and 4047<sup>2</sup> election of Giovanni Gronchi as third President poses serious problems for U.S. policy in Italy for the following reasons:

(1) Gronchi is one of the prominent CD's who has for a long time championed leftward orientation in Ital politics. He is linked in the public mind with effort to wean PSI membership from alliance with PCI and his past maneuvers indicate he would have been capable making deal with Nenni in bid for premiership. In pursuit his ambitions Gronchi generally believed capable however dealing with either or both sides political spectrum. He has traded on his nuisance value as chronic dissenter with little following and somewhat obscure convictions. He is acutely aware of his leftist reputation but he seeks appropriate occasions to disavow any intention associate self with Social-Communists and pays strong lip service to Western solidarity.

(2) Gronchi's election stems from resistance of right wing CD elements to Fanfani's efforts to organize party as instrument for own purposes. Alignment in CD party against Fanfani, similar to that at Naples congress, was able on secret ballot to exploit both PNM and MSI desire to smash quadripartite and long time Social-Communist benevolence toward Gronchi which of course he made no effort to disavow. When it became apparent Merzagora could not win last minute alternative such as Einaudi clearly offered little or no prospect of success. Fanfani element then quickly jumped on band wagon to

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<sup>1</sup> Source: Department of State, Central Files, 765.00/5-555. Top Secret; Priority.

<sup>2</sup> In telegram 4026 from Rome, April 30, Luce advised that Gronchi was a supporter of the "opening to the Left" strategy and that the United States should therefore adopt a cautious attitude in regard to commenting on his election until the policies he intended to follow became clearer. (*Ibid.*, 765.00/4-3055) In telegram 4047 from Rome, May 2, Luce advised that the United States should delay all programs of benefit to the Italian Government until the new government's position became clear. To achieve that end, Luce instructed that conclusion of current P.L. 480 negotiations be postponed. (*Ibid.*, 411.6541/5-255) Gronchi was elected President on April 29, succeeding Luigi Einaudi.

conceal fact Gronchi could have won without Fanfani support because of large Social-Communist backing and thus to give appearance of CD unity and victory.

(3) Gronchi's election points up existing tendency to greater state economic control and possible authoritarianism either of National Socialist or perhaps Socialist front type manipulated by Moscow both probably closely tied in with neutralism. The coincidence of the election of Gronchi who is associated in the public mind with the left together with developments in Austria and possible developments in Germany and the Far East tends to give support to the neutralist forces in Italy. Present international diplomatic developments undoubtedly will strengthen belief that Italy's policy need not be completely dependent on the U.S. position.

(4) Prospects for immediate future would seem to be:

(a) If coalition parties hold firm Gronchi may either reject Scelba's resignation or request latter seek parliamentary endorsement.

(b) If coalition does not hold or if Gronchi accepts Scelba's resignation there is prospect Pella will be asked form government which may tide over readjustment period. He holds some appeal to Social-Communists because of "distensione" attitude in 1953 and would be acceptable to right because of economic orientation.

(c) Vanoni also possibility as *monocolore* government based on PSI abstention with benevolence from PRI and PSDI.

In view of confused situation I wish to re-emphasize recommendations in Embtel 4047 that we hold up any further action on PL 480 until it is seen whether Scelba is reaffirmed for time being or until nature of new govt is determined. I hope necessary cooperation can be obtained from various govt agencies in Wash to make this action effective. (Separate tel on this subject follows.) Delaying action on PL 480 should not be linked with Gronchi's election per se but only to uncertainty status of govt following inauguration new President. Should be borne in mind those commitments made to Scelba in relation to specific programs he stated he had in mind.

In long run the bona fides of any future govt can only be tested by its willingness carry out foreign policy objectives of all preceding Ital Govts particularly principal commitments made by Scelba govt such as

1. Passage of SOF
2. Solution of Air Force gasoline tax question<sup>3</sup>
3. Fulfillment of NATO military goals, etc.

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<sup>3</sup> U.S. efforts to convince the Italian Government to repeal its aviation gasoline tax are documented in telegram 2563 from Rome, January 16 (*ibid.*, 765.5-MSP/1-1655); memorandum from Carney to Merchant, January 18 (*ibid.*, 456.116/1-1855); telegram 2684 from Rome, January 24 (*ibid.*, 033.6511/1-2455); and telegram 2796 from Rome, February 2 (*ibid.*, 033.6511/2-255).

We will give further study benchmarks which will reveal the orientation and objective of any future govt and will recommend how these may be utilized in determining our future course here.

Luce

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77. **Memorandum of a Conversation Between President Gronchi and the Ambassador in Italy (Luce), Rome, May 21, 1955<sup>1</sup>**

I called on President Gronchi at his office in the Quirinale this morning at my request. I told him that I wished to extend my congratulations on his election to the Presidency, and to pay my respects prior to returning to the United States next week.

The conversation, which he began on a note of grim courtesy, lasted an hour and ended very cordially. We discussed the following:

1. *U.S. Press Treatment of Gronchi.* Gronchi consumed the first half hour in complaining very sourly against U.S. press reaction to his election and inaugural speech. He pointed out that when he had first become President of the Chamber he had had some contact with the American press. However, since that time he had been ignored completely. He made it quite clear that the burst of attention he was now receiving was both belated and unfriendly and that he felt abused and completely misunderstood. He thought that the foreign press had created a poor climate in which to establish confidence between nations. He pointed specifically to an unfriendly article in the last issue of *Time* (of which he had a copy of his desk), and also mentioned with pain articles in the *New York Times* and other papers. He said that there should be some way whereby these reporters could receive better and more accurate information, and suggested that it might be helpful if, for example, a friendly article was written in *Time*. After I thought he had talked himself out on the subject, I tried (with little success) to give him the "facts of life" concerning the free press in the U.S., mentioning that a long series of U.S. Presidents had frequently complained about unfriendly reporters or reporting by the U.S. press. I said that although he would be seven years in the Quirinale, it would probably not be seven months before the U.S. press reaction would

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<sup>1</sup> Source: Department of State, Central Files, 765.11/5-2455. Secret. Drafted by Luce. Transmitted as an enclosure to despatch 2411 from Rome, May 24. Paolo Canali, Diplomatic Adviser to Prime Minister Scelba, served as interpreter.

become very favorable, especially when the ambiguity concerning his views on foreign affairs and the opening to the Left were cleared up, as no doubt they would soon be.

I said that there could no be question that the American Government and people fully shared his well-known desire to improve the workingmen's lot in Italy, and to raise the living standards of the country. I said that since the end of the war, we had given great sums of aid with the intention not only of strengthening the defense posture of Italy, but also of raising the general standard of living. There should be no doubt in his mind or on the part of Italy as to where the U.S. stood with regard to bettering the economic conditions of the common people. A misunderstanding, if it still existed, probably arose from the frequently referred to "opening to the Left." The American Government and people did not believe that Marxism or Communism was the best way to solve economic problems. History has proved that Communist experiments, where tried, had not lightened the economic burdens of the masses, but rather had increased them. I said that, for example, the increase in the standard of living which has taken place in Yugoslavia could certainly not be attributed solely to Yugoslav Marxism, but that very large amounts of aid from the West had been responsible in great part for the improvement of the Yugoslav economic situation.

2. *Gronchi's Views and Philosophy.* Gronchi then proceeded to set forth his political views and philosophy.

He said that he could not understand how anyone could believe that he, as a Catholic, would ever support the PCI. As a Catholic, he was antipathetic to Communism on religious, ethical and moral grounds. This naturally led to antipathy to Communism on political grounds. He made no mention of economic antipathy, and it is plain that on this score he does not feel keenly against Communism. He said that his antipathy did not apply to the PSI since there were not the same ethical and religious objections to that Party.

He said that as a Catholic, he must find the best way to work with those forces which would best guarantee the raising of the whole economic standard of Italy, and left little doubt that the Socialists were to be included among these forces.

Turning to the present government situation, he said that so far as the present Quadripartite government was concerned, it was not suited to the goals he had in mind. The reason was that the Quadripartite formula "included people who sought forms of government which could not be reconciled with the economic advances necessary to the Italian people." He said that he was speaking specifically of the PLI (Italian Liberal Party). He considered that the Liberals' point of view did not allow them to accept programs for social progress which the

DC must present to the people if the Communist strength is to be reduced in Italy, and that plainly this latter objective was basic for Catholics.

Gronchi then said that the situation was clear: the DC must present an economic plan which should not be a vague one "hovering in air," but an exceedingly concrete one with concrete objectives. He said that amongst these objectives were the relief of unemployment, reforestation, etc. (The points he enumerated seemed to be those contained in Scelba's economic memorandum on the first phase of the Vanoni plan which he brought to Washington, and outlined to the President and the Secretary.)<sup>2</sup> Gronchi thought that after the Sicilian elections the DC leaders should present such a plan to the whole Quadripartite. It could then immediately be seen who was in agreement and who was in disagreement. He believed that the PLI would be in disagreement.

Gronchi said that he thought that there must be "distensione" not only between the East and West, but also between rich countries and poor countries. Rich countries could use all of their labor potential, but the poor countries could only use part. The U.S. must understand this difference. He said that in rich countries there would be room for a Liberal Party, like the present Liberal Party in Italy but that in poor countries there was not room. In Italy there was room only for Conservative Democrats. Unfortunately, the Liberals here were not Conservative Democrats. They represented interests which were stubbornly against economic progress. The most controversial point between the DC and the PLI was the limit of State intervention in private business. He himself did not believe in destroying private interests, but he did believe in pressing these interests hard to make them act in favor of economic programs. Gronchi said that he believed that land reform and general agrarian reform were slowed up in those countries where the Liberals and private interests had too much influence in government. The responsibility for social progress must be assumed by the State, and pushed by the State in the face of such Liberals. For example, Gronchi pointed to the Gappugi bill (for the expropriation by the State of factories which management left idle or closed down claiming they were no longer profitable). The PLI was opposed to such a bill, but Gronchi felt that if private enterprise could not or would not keep factories in operation, then the State must intervene, in order to avoid further unemployment. Gronchi offered as another grave example of the difficulties created by the PLI, the agra-

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<sup>2</sup> For the records of the meetings held during the Scelba visit, March 27-30, see Documents 70-75.

rian pacts question<sup>3</sup> which has several times threatened to break up the Quadripartite.

Gronchi then said that when an economic program was presented by the DCs to the Quadripartite, it was not possible to get the Liberals to go along—which he thought they would not—then it would be necessary to dissolve the Quadripartite and go to a DC government supported by the PSDI and the PRI—a tripartite government. When I asked him where such a government would get its vote of confidence and majority, Gronchi replied that the votes could come from any party (floating vote concept), provided that it did not result from concessions which were against Italy's best interests. (I assume Gronchi was referring here to foreign policy questions.) Gronchi said that this situation was no longer a question of theories, but one of practical necessities. He said that it was plain that the present Chamber could not last long, and that the country must go to the next elections with a concrete economic program which could deprive the Communists of voters, and was the only practical way of fighting the Communists. Gronchi said that a Government program of anti-Communism was counter-productive since PCI makes effective political capital by saying to the people "every time the DCs hit us (the PCI), they mean to hit you (the workers and voters)."

3. *Gronchi on the "Opening to the Left".* Gronchi said that he wished to make it clear that an "opening to the Left" was now absolutely necessary, but that he did not mean an opening to the "political Left," but rather to the "economic Left." He said that it was important to secure the support of the PSI parliamentarians and voters on the basis of an economic program, thus driving a wedge between the PSI and the PCI. Gronchi stated the time had not come, however, to bring the PSI into the government, but that it was desirable to create the conditions in which the PSI and its voters could join the democratic forces.

He said that he could see no situation in which the PCI could come into the government. He reminded me that he had told me over a year ago that since Italy is a Catholic country, the PCI will never be in a position to come into the government. A program directed at separating the PCI and the PSI was not to be misunderstood as coming to terms with the Communists.

4. *United States Position.* I told Gronchi that the U.S. had no prejudicial interest in particular men or formulas. Rather the U.S. was interested in a democratic government whose policies would keep Italy in the Atlantic Alliance and in making progress along the road of

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<sup>3</sup> The agrarian pacts question centered around the length and terms of contracts issued to sharecroppers, leaseholders, and copatrons. An analysis of the issue was sent to the Department in despatch 1419 from Rome, January 14. (Department of State, Central Files, 865.16/1-1455)

economic improvement. I said I was sure that any program which the Italian Government put up to relieve the basic economic problems of Italy would be sympathetically viewed in the United States. I said that one of the difficulties was plainly where the funds for such a large program would come from, and that we certainly all hoped they could be found in Italy. Certainly Italy had means and resources which had not yet been adequately used in the solution of its own problems.

5. *Gronchi and Foreign Affairs.* Reverting to foreign affairs, Gronchi said that his task as President of Italy would not be easy, but that it could be made lighter. "If the U.S. had faith in me it would have faith in my policy." He said that without mutual confidence, then there could be no fruitful collaboration and a free democratic policy could not be advanced. He repeated that he though he was deserving of confidence as a Catholic and as a democrat. In this connection, he said that it was now his desire to interest himself deeply in foreign affairs, and that he intended to exchange views frequently and informally with foreign Chiefs of Missions. He said that his desire to have such exchanges would naturally be held "within the limits of his authority."

I told President Gronchi that I would welcome such discussions, since I was sure that nothing but good could come from such exchanges of views.

6. *The Future Situation.* I told President Gronchi that I would be leaving next week, and that I would not be back until about the middle of July. I would be spending my vacation in my country house where I would only have access to newspaper information. I wondered what his present guess would be regarding the situation on my return.

Gronchi replied that in June there would be a clarification in the DC Party, which he believed would amount to a general acceptance of his views. If that did not occur, then there would be a new government situation.

7. *Aviation Gasoline Tax and SOF.* I also thanked President Gronchi for his action in signing the decree on the aviation gasoline tax exemption. I also mentioned that in light of the Austrian Treaty, the passage of SOF by the Chamber of Deputies had assumed a certain urgency. He said he was well aware of the matter.

**78. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, May 24, 1955—7 p.m.*

4345. 1. I had an hour's private conversation with Scelba on May 23 before signing PL 480 agreement.<sup>2</sup>

2. Scelba expounded at length on US press reaction to Gronchi election and inaugural speech which had been interpreted in "uninformed and superficial fashion". Scelba believed that US press should have had sense enough to know that Gronchi election would not mean change in Italian foreign policy since "a nation cannot change its foreign policy in 24 hours". He called for more "serenity" in press treatment.

3. I replied with references to freedom of US press and stressed that Italian Government's alarm over American public opinion alarm should have taken into consideration that "US policy also could not change towards an ally in 24 hours." I agreed that "more serenity" all around would be helpful.

4. Scelba said Gronchi would be constitutional President and that his character was such that he "cannot develop sustained political work".

5. Scelba indicated there would be "clarification of programs" and Cabinet reshuffle after Sicilian elections. He hoped that present quadripartite formula would last as it had been very successful. He was critical of Malagodi's attitude on agrarian pacts question which he said was heart of disagreement between PLI and other members of coalition. Scelba thought that agreement on all other questions, including oil and investments, could be made with coalition partners. He hoped that wisdom would prevail regarding agrarian pacts, and that Malagodi and his clients (big landowners and Confindustria) would finally see they have to "give something for fear they will lose everything". Scelba said that latter would occur if Quadripartite were smashed, since remaining choices would either be government supported by Nenni Socialists or dissolution of Parliament in preparation for new elections.

6. Scelba admitted that there were difficulties attached to Cabinet reshuffle and mentioned Pacciardi as example. He said appointment of Pacciardi would provoke violent Communist reaction.

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<sup>1</sup> Source: Department of State, Central Files, 765.00/5-2455. Secret.

<sup>2</sup> Reference is to a surplus agricultural commodities agreement signed on May 23, 1955, under P.L. 480.

7. Scelba went on to say that "experience has shown that Communism in Italy can only be overcome on economic and social plane". He said he had made it plain in Washington that DC's would have to receive economic aid in order to formulate program which would attract Nenni Socialist voters to Democratic center and win Communist voters away from Togliatti. I assured Scelba that US had always been, and would continue to be, hopeful that Italian Government would take all means at its disposal to put through successful economic program in Italy.

8. Scelba then alluded to SOF and said that foreign press and Social Communist speculation on deployment of US troops in Austria would make passage of SOF most difficult but not impossible. He said that SOF would pass, but there might be criticism of government for "acting on American orders". I assured him we had every confidence that Italy would resolve question according to Italy's best interests and not on basis of foreign press speculations or Social Communist criticism.

9. Finally Scelba said he hoped I would convey to President and Secretary Italy's strong allegiance to NATO and also fact that only real danger Italy now faced was going to elections without economic program which would appeal to left wing voters.

Luce

**79. Memorandum From the Ambassador in Italy (Luce) to the Counselor of Embassy (Durbrow) and the Army Attaché (Miller)<sup>1</sup>**

*Rome, May 26, 1955.*

Many Italian politicians and others who are currently eager to allay American alarms over Mr. Gronchi, are bearing down hard on the fact that Mr. Gronchi is a "practicing" or "militant" Catholic, and therefore will never make common cause with the Communists. In my own interview with him on May 21,<sup>2</sup> Gronchi also gave as his own main warrant for why he should not be suspected by U.S. public opinion of any desire, no less intention, of "doing business" with Togliatti, his catholicity—his "militant Catholicity."

<sup>1</sup> Source: Department of State, Luce Files: Lot 64 F 26, Correspondence and Miscellaneous 1955. Secret.

<sup>2</sup> See *supra*.

At this point, as an American and as a Catholic I feel obliged in duty and in truth to point out that this argument, however sincerely advanced by Gronchi or anyone else, is invalid and fallacious.

To begin with, there is the commonsensical fact that just being a Catholic isn't (unhappily) a guarantee against a man's making a political (or any other kind of) fool of himself. Neither does it prevent him from making errors of judgment. Having said that, here are some facts that we do not always think about when we talk about the Communist-Catholic antithesis.

(1) The individual Catholic, like the individual Christian, is presumed to have a dual role in life and therefore dual allegiances: First, his allegiance is to God, in Faith, as a believer; and second, his allegiance is to the State under Law, as a citizen and as a patriot.

(2) The individual Catholic can live, and is *taught* to live under any state, or under any form of government *which does not close his schools and churches*, i.e., does NOT FORBID HIM TO WORSHIP ACCORDING TO HIS TENETS OF FAITH. If *this* condition is met, he can live, as a Catholic, with no scruples of *religious* conscience, under a Fascist, Nazi, Communist, Monarchist, Democratic, Military, Colonial, or any other type of government. If this condition is met, his other objections to the form of government under which he lives, must be made *not* on grounds of faith, but on economic or political or humanitarian or ethical grounds, i.e., not as a Catholic, but as a patriot and a *citizen*. For example, as a *citizen* he can object to the government because he is given no voice or vote in it; because its policies threaten war or do not hasten peace; because they threaten his livelihood; because the "morals" of government are corrupt and venial; because the government is cruel, unjust, unfair to certain elements, groups or divisions in society; and because, because, because. . . .<sup>3</sup>

(3) Assuming the Communist Party promised the average Catholic to leave his religious life untouched, and also offered him *as a citizen* a richer participation in the nation's economic and political life, and a long period of peace: if the average Catholic *believed* these promises, he could find no good reason either as a Catholic *or* citizen to be against Communism. On the contrary, he should not, in conscience oppose it.

Indeed this *is* exactly what communism promises in Catholic Italy, and as these promises are believed, there are naturally millions of Communist Catholics.

(4) Mr. Gronchi's argument that he could never be a Marxian Communist *just because he is a Catholic* plainly does not apply to millions of his fellow Catholics.

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<sup>3</sup> Ellipsis in the source text.

Nor is Italy a special case. There are more than millions of Polish, Yugoslavian, Guatamalian, and Mexican Catholic Communists, not to mention millions of Russian Catholic Communists.

(5) Most intelligent and all well-informed Christians, whether Catholic or non-Catholic realize that Marxism, which is based on dialectical materialism, both as expressed in its mild form of Fabian Socialism, or in its rabid form of Totalitarian Soviet Communism, *inescapably works towards the destruction of the duality of the role of the individual in society*—i.e., his role as a worshipper owing obedience to God, and his role as citizen owing loyalty to the State. Students of Marxism, both those who are *for* it and those who are *against* it, know that it makes the individual's obedience to the State not only paramount, but *exclusive*.

Intelligent Catholic leaders, like intelligent Christian leaders in all states have, therefore, been in opposition to *both* Socialism and Communism.

(6) On the record of past performance and present utterances, Mr. Gronchi plainly seeks the political opening to the left, via Nenni, and has no intellectual or religious prejudices towards Socialism. Therefore, either Mr. Gronchi is *not* an intelligent Catholic leader and does not know what he is advocating, or he knows just what he is doing and is *not* as Catholic as he would have us believe.

It is interesting to recall in this connection that Dino Grahdi reports that he and Gronchi joined the Popular Party 40 years ago in the same year, and were both *excommunicated* for having done so. If this is true, then Mr. Gronchi has, from his earliest beginnings, put his political fortunes and beliefs on economic and political questions so far above his now much-vaunted "militant Catholicism" that excommunication (40 years ago the most dread thing to a Catholic) had no restraining influence on him. And there [*therefore*] I am of the view that all the evidence supports the guess that if his Catholic Faith ever comes into conflict with his political ambitions or convictions he will, without scruple, choose the latter.

**80. Editorial Note**

Mario Scelba resigned his position as Premier on June 22, after unsuccessful attempts to reconstruct his cabinet. On June 26, President Giovanni Gronchi asked Antonio Segni (Christian Democrat) to explore the possibility of forming a new government. On July 5, Segni informed Gronchi that he could form a government and was then designated Premier. In despatch 37, July 8, the Embassy in Rome analyzed the government crisis and concluded that the formula of the Segni government was based on the same coalition (Christian Democrats, Liberals, and Social Democrats, with Republican parliamentary support) as that of Scelba. The despatch stated that the crisis had arisen because of Gronchi's attempts to extend his powers rather than from any ideological concerns. (Department of State, Central Files, 765.00/7-855) in a memorandum to Deputy Assistant Secretary Elbrick, July 11, Richard Freund concluded that in foreign affairs Segni would continue Scelba's policies of collaboration with the United States and with the Atlantic Alliance, while undertaking some domestic reforms. Freund doubted that Segni would take as decisive a stand as Scelba on the anti-Communist issue. (*Ibid.*, 765.00/7-1155)

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**81. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, July 5, 1955.*

**SUBJECT**

Italian Narcotics Situation

You will recall that Ambassador Luce was quite disturbed about the Italian narcotics situation. We have looked into the matter and talked with Mr. Anslinger, the United States Commissioner of Narcotics. It developed that:

(a) Mr. Anslinger did not endorse the "Bluebook" article,<sup>2</sup> although there are indications that he informed the magazine publisher that the situation described in the article was correct a few years ago;

(b) The Italian Government has made very substantial progress in this field, having suspended all production of heroin in 1951 and imprisoned for 11 years the chief offender in the illicit production of heroin;

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<sup>1</sup> Source: Eisenhower Library, Whitman File. Confidential.

<sup>2</sup> Not identified.

(c) While some local magistrates might have been corrupted by traffickers in heroin, Mr. Anslinger stated that there is no evidence to prove that the Italian Government is involved in the present smuggling activities;

(d) While the situation in Italy is vastly improved, Mr. Anslinger would like the Department to make representations to the Italian Government asking for a prohibition against heroin production as recommended by the World Health Organization (instead of the present suspension) and urging Italy to ratify the Opium Protocol of June 23, 1953.<sup>3</sup>

In recent testimony before the Senate Judiciary Committee, Mr. Anslinger praised the Italian Government's present efforts. The Italian heroin production figures submitted to the United Nations show no production [rise?] since 1951. We do not feel that the situation is a serious problem in the relations between the United States and Italy, although we are instructing Ambassador Luce and Ambassador Lodge, through their respective channels, to support the United Nations recommendation that heroin production be prohibited rather than merely "suspended", and that Italy adhere to the United Nations Narcotics Commission Protocol.

We are advising Ambassador Luce of the facts we have learned, which seem to indicate that the impressions she was under when she was last here are quite distorted.<sup>4</sup>

**John Foster Dulles<sup>5</sup>**

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<sup>3</sup> Reference is to the "Protocol for limiting and regulating the cultivation of the poppy plant; the production of, international and wholesale trade in and use of opium," June 23, 1953. For text, see TIAS 5273; 14 UST (pt. 1) 10.

<sup>4</sup> In instruction A-34, July 15, the Department of State informed the Embassy in Rome that the charges made in the "Bluebook" article were investigated and found to be without foundation, although it was true that Italy lagged behind other countries in adopting safeguards against the manufacture and use of heroin. The Ambassador was therefore instructed to discuss the matter with the Italian Government in order to obtain increased cooperation from them in the area of international narcotics control. The Department was particularly anxious to have Italy ratify the Opium Protocol. (Department of State, Central Files, 865.53/7-1555) In telegram 3298 from Rome, March 27, 1956, Chargé Jernegan informed the Department that the Italian Government had, on March 14, issued a decree prohibiting the manufacture and sale of heroin. (*Ibid.*, 102.14/3-2756)

<sup>5</sup> Printed from a copy that bears this typed signature.

**82. Memorandum of a Conversation, Rome, July 23, 1955<sup>1</sup>****PARTICIPANTS**

President of the Republic of Italy Giovanni Gronchi

Governor of New York State W. Averell Harriman

American Ambassador Clare Boothe Luce

Interpreter: Mr. Luciolli

After the usual exchange of compliments the following subjects were discussed by President Gronchi and Mr. Harriman, in an hour's conversation at the Quirinale.

*The Geneva Conference*

President Gronchi thought that a beginning had been made at Geneva<sup>2</sup> to relieve the tensions in Europe. But we would have to await the outcome of future Ministerial talks in October for concrete results. Meanwhile, the West must remain united and strong, since it was this strength that had made it necessary for the Russians energetically to seek more peaceful means of coexistence.

Italy was especially aware of the need to be militarily strong since no nation could maintain its independence that was not prepared to defend it.

Mr. Harriman expressed his accord with this view, and said that there would be no change in U.S. Western defense policies in future. He explained that President Eisenhower's basic foreign policy is Truman's. Accordingly, it is being forcefully backed by the Democrats, so that regardless of what administration might be in power in the U.S.A. in the next four years there will be no departure from the main lines of the past in cooperating with our Allies. Harriman then repeated what he had told Prime Minister Segni and Foreign Minister Martino:<sup>3</sup> What he feared was that the Soviets would use the "relaxation of tensions" to step up a policy of creating popular fronts in every country in the world. Such an effort, he said, would be particularly dangerous in Italy, where there is already a popular front between the Nenni Socialists and the Communists.

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<sup>1</sup> Source: Department of State, Central Files, 765.00/7-2555. Secret. Drafted by Luce. Transmitted as an enclosure to despatch 151 from Rome, July 25.

<sup>2</sup> Reference is to the Four-Power Conference of the Heads of Government, held in Geneva, July 18-23.

<sup>3</sup> A summary of Harriman's discussions with Martino and Segni was sent to the Department in telegram 232 from Rome, July 21. (Department of State, Central Files, 033.1140/7-2155)

*The Unity of Action Pact*

Governor Harriman asked Mr. Gronchi to explain why, unlike most European countries, the Italian Socialist Party was united with the Communist Party. Signor Gronchi replied that during the Mussolini era the Socialists and the Communists had been drawn closely together in making common cause against the Fascists, and that the bond between them had been greatly strengthened during the period of the Liberation and in the immediate postwar era.

Mr. Harriman asked if the President believed that it would ever be possible to effectuate a break in this pact. Signor Gronchi replied that he had often done all he could to persuade Nenni it was to his own interests to make the break, and to announce that he would support the DC's. He had tried to persuade Nenni of this not only in the past but also during the recent cabinet crises. But Nenni did not see it that way. Gronchi felt that the situation vis-à-vis Nenni was very difficult. It was a "vicious circle," or "like a dog biting its own tail." Nenni would not make the break until he felt certain the Socialists could become an effective part of the "democratic forces;" and the CD's would not permit them to become such a part until they had broken with Togliatti.

*The Entrance of the Socialists into the Government*

Mr. Harriman asked President Gronchi if he believed that the Socialists should be taken into the government, and Mr. Gronchi replied that there was "no question at this time of taking the Socialists into the Government," not perhaps "for two or three years." The basic question was for the Government to secure their abstention, or support. This would widen the democratic base in Italy, and be a public recognition of the participation of the working classes in the political life of the country. Asked what concessions the Government would be expected to make to secure Nenni's support, Mr. Gronchi replied that in the foreign policy field Nenni would expect the emphasis to be put on the *defensive* rather than aggressive character of NATO. As he was about to leave this point, I replied that the West had never put the emphasis anywhere else, that NATO was plainly and honestly conceived as a defensive organization, and had always been so presented and as such had been joined by all the European nations. Gronchi answered that obviously this was so, but that Nenni's request was natural enough, since politically he had to *seem* to demand and get some foreign policy concessions. We must remember that Nenni had fought NATO, EDC and WEU, all in turn, that he had, of course, lost. The encouraging fact was that he was now making the best of the matter:—he had recently made speeches accepting NATO and WEU not only as *faits accomplis* but even indicated they would be useful to

Italy, and the cause of peace, in certain conditions. He probably would proclaim NATO as entirely desirable, if he could secure from the government more emphasis on the fact that NATO must be used as purely defensive. In short, this talk was a political retreat tactic.

Mr. Harriman replied that in his view it would be bad propaganda for Italy to admit that NATO had ever at any time been anything else *but* defensive, and that government acceptance of such a line might lead Italy step by step to neutralism. Gronchi answered that while it might be true that Nenni's views could lead to neutralism *if Nenni were in the government*, there was little danger from his views so long as Nenni remained outside the government, which, as Gronchi had said, would probably be the case for the immediate future. Moreover, the men in the government all of whom are firmly for the West, and for NATO concepts, would not change their internal government's actions in behalf of stronger defense, and Western policies, simply because they emphasized publicly and for domestic consumption the defensive character of the Western Alliance.

### *The Segni Government*

Mr. Harriman said he had had many talks with political personages in the past three days, and he had come to the conclusion that the Segni Government and the Quadripartite seemed to be fairly strong. He believed, from what he had been told, that it might even become stronger as time went on. Mr. Gronchi agreed that Segni's Government was basically stronger than Scelba's. The reason Scelba fell was principally because Scelba had deliberately avoided the necessary "clarification" which Gronchi had consistently urged upon him, especially in the matter of the agrarian pacts. Segni, however, had taken his advice, and accordingly had succeeded in reforming the old coalition which was currently more unified because of the clarification. Asked as to the Segni Government's "staying powers," Gronchi replied that the political realities in Italy simply had to be faced: they are what they are, namely: there are still deep and irreconcilable disagreements between the parties of the coalition on basic economic programs, especially between the Liberals and the minor parties. Moreover, the minor parties (Republicans, Sarragatians) whether one likes it or not, are constantly dwindling in strength and election appeal. The disagreements on economic questions within the coalition prevent the dominant CD party from presenting a coherent and appealing program to the people. Signor Gronchi said that the plain fact was that this situation must sooner or later lead to the collapse of the coalition, and that in view of it, the CDs were faced with one of two alternatives, either (a) to go to new elections, when the coalition could no longer carry on, or (b) to form a *monocolore* government, with a coherent economic program, which would then be able to govern with the

abstention or support of the Socialists, since such a program would force the Socialist leaders to support it, because the voters would be for it.

### *New Elections*

Mr. Harriman said he hoped he would be permitted to give his advice at this juncture, which was to urge the President strongly to seek the alternative of elections. He, Harriman, had never seen in all his world experience any government survive "going to bed" with the Communist Left, and that until Nenni had clearly broken with the C.P. any experiment which secured Nenni's support now meant that the government was willing to be supported by the Communists. Gronchi replied that if elections were held in present circumstances, and in the absence of a broad progressive economic program, the situation following the elections of 1953 would merely repeat itself. After the election the same political problems would have to be faced all over again—with the same alternatives.

Mr. Gronchi then repeated his analysis of the political situation in Italy: he did not believe that the Segni Government would grow stronger. He thought that (a) the coalition was sooner or later doomed because the parties could not agree among themselves on economic measures, especially measures to solve the unemployment question, (b) only a CD *monocolore* government could agree on a sound economic program, "such as the Vanoni Plan," (c) the Vanoni Plan, advanced by the CDs would secure the support of the Socialists for popular reasons, (d) a CD government, with the Vanoni Plan and Socialist support, would either not need to go to elections, or would win them.

### *The Vanoni Plan*

Mr. Harriman replied that since his Marshall Plan days he had seen a remarkable recovery in Italy. He was greatly impressed by the statistics that had been shown him. He felt that international cooperation plus free enterprise were the best safeguards for Italy's continuing progress. The Italian government would do well to pass the necessary investment and mining laws which would develop her growing and new resources which in turn would greatly aid unemployment. Mr. Harriman wished to point out, as a Democrat, that he was well aware of both Italy's need for continuing economic assistance, and relief for over-population in the field of immigration. He thought he could assure Signor Gronchi that next year there would be a revision in the McCarran-Walter Act, and that he, personally, would do everything in his power, as he believed the majority of the Democratic party would, to secure this revision. His long friendship for Italy, whose interests he

had had closely at heart since the Marshall Plan days could be counted upon in Italy. Taking his leave, he said that while he had no authority to invite Signor Gronchi to America, if Mr. Gronchi should be invited, he would, in his capacity of Governor of New York, do all in his power to make the visit a success.

I assured both Mr. Gronchi and Mr. Harriman that an eventual visit by Mr. Gronchi to America was a foregone conclusion, but that national ministerial meetings, national elections and so on made every statesman's planning of state visits very difficult.

Mr. Gronchi took leave of us very cordially.

*My note:* Returning from the Quirinale with Mr. Harriman, he remarked that of the many interviews he had had in Rome, this interview was the only one that had alarmed him. He said he had the distinct impression that Gronchi would use his power in every way he could to collapse the Quadripartite and to open towards the Nenni left, before Nenni had broken with the Communists. He was aware that the device for this opening would be the Vanoni Plan, the adoption of which by the CD would probably break up the Quadripartite. He noted that Mr. Gronchi had made no reply to his remarks on the passage of investment or mining laws. The Governor said that he had spoken on the subject of Socialism very clearly and very strongly at luncheon to Mr. Vanoni. [1½ lines of source text not declassified] he repeated, as he left, what he had said in all his interviews in Rome, that such an opening would be the beginning of the end of a free democracy in Italy.

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**83. Memorandum of a Conversation Between Foreign Minister Martino and the Ambassador in Italy (Luce), Rome, July 29, 1955<sup>1</sup>**

In a long conversation with Foreign Minister Martino, he made the following points:

*Gronchi and the Opening to the Left*

According to Martino, President Gronchi continues to feel that his ideas concerning the political scene are misunderstood by the American Embassy.

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<sup>1</sup> Source: Department of State, Central Files, 765.00/8-155. Secret. Drafted by Luce. Transmitted as an enclosure to despatch 217 from Rome, July 29.

(*My Note:* Gronchi's main idea, clearly set forth in many other Embassy despatches, is his persistent conviction that the present quadripartite government formula is doomed, and the experiment of a C.D. *monocolore* based on Nenni's support, in terms of a vast economic reform program, is the only alternative to calling general elections which, he believes, the coalition would lose.)

Martino said that Gronchi had been greatly encouraged by the friendly reception his views had received from Cy Sulzberger (*New York Times*) and Cleveland (Max Ascoli's *The Reporter*). Martino made it quite clear that he, like other leading members of the Coalition, were in disagreement with Gronchi. However, he said, Gronchi was correct in his view that the present Segni government is by no means "solid," and that another crisis may occur in the Autumn.

The issue that would precipitate the crisis, was "Foreign Policy."

#### *A Future Crisis in Italy's Foreign Policy*

Mr. Martino had, that very morning, been reporting on Italy's role in Geneva to the Foreign Affairs Commission. The general feeling in the Commission was, that while the results of Big Three diplomacy at Geneva were as good as could be expected, and were especially successful from the propaganda point of view, Italy's role was that of hardly more than a bystander. De Marsanich (MSI Deputy) and Cantalupo (Monarchist), members of the Commission, had been particularly vocal on the score of Italy's continued exclusion from the international deliberations of the Big Four and had insisted that in future decisions taken on the great questions of disarmament and East-West relations, Italy should have the voice she deserved in view of her importance in Western Europe. Italy, they felt, should be able to take part in some of the deliberations in the October Geneva meeting. It was to be hoped, he said, that Italy would be included in the London disarmament discussions, and gathered that the Secretary at Geneva had given Magistrati assurances that Italy's voice would be heard.

I reminded the Foreign Minister of the conversations he had had on the score of Italy's role in international deliberations with Secretary Dulles in the Department during the Scelba visit, and repeated that the practical fact was that those nations carrying the greatest burdens of peace, and supplying the overwhelming part of the defense and security of the West had naturally the obligation to assume the major responsibility and therefore to exercise the major role in these deliberations. Martino agreed, especially he said, in the German question, which was a result of wartime decisions by Russia, Great Britain, France and the U.S., and in the questions which predominantly concerned the U.S.A. in the Pacific. Nonetheless, he said, the questions of the relaxation of tensions between the USSR and Western Europe profoundly concerned Italy, the more so since (a) Italy had "the great-

est Communist problem" of any European nation, and (b) the neutralization of Austria had increased the strategic and political importance of Italy. He said that nationalistic sentiment was growing rapidly in Italy, and that the Center Forces were being crowded hard by both the Right and Left to insist more firmly on Italy's voice being given more attention by the "Big Three," especially by America in view of Italy's close cooperation with the West. Martino then said, "*This may become a real issue before long, and if it is not resolved in Italy's favor, there may be a shift in our foreign policy.*"

He said that President Gronchi felt especially keen on this score of U.S. failure to give Italy a voice in international conferences.

Gronchi, he said, intended to write a letter to President Eisenhower on the subject.<sup>2</sup> He asked me what I personally thought of the wisdom of sending such a letter. I told him that, of course, a head of a state was always free to communicate whenever he desired with the head of another state, but that what I would think of the letter would depend entirely on its contents. Naturally, I assumed it would be a friendly and constructive letter. Martino replied that this would, of course, be the case—as he himself would write it. However, Gronchi was being advised by some not to send the letter at this time, but since he had apparently made his mind up to send it anyway, Martino thought the best thing was to agree with him but carefully to work out the message himself.

#### *Government Stability*

Martino would make no guesses as to how long the government would last, except to repeat that the role Italy in the future was permitted to play by the Big Three would have a great effect on the prestige of the government.

#### *Gronchi's Visit to America*

He then told me that since Governor Harriman's visit, and his invitation to Gronchi to give him a great reception in New York,<sup>3</sup> Gronchi had revived his interest in going to America. When did I think that the President might receive an invitation?

I replied that I had no idea whatever of the President's or Secretary's views concerning the timing of a Gronchi state visit, but I was certain that they would be greatly occupied in the autumn months with the Ministerial meetings. Moreover, when Mr. Gronchi went to America he would naturally wish to be presented, as Scelba had been, to the whole Congress. The Congress would not return until January

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<sup>2</sup> No evidence has been found to indicate that President Eisenhower received such a letter.

<sup>3</sup> See *supra*.

1956. However, I said, I had some personal thoughts on the timing of Gronchi's visit. In 1956, I explained, the U.S.A. would be entering into its quadrennial presidential election throes. In view of the fact that there were millions of American citizens of Italian origin in the U.S.A., a state visit in a presidential election year by Mr. Gronchi—who has already expressed his desire to visit these groups—was bound to give rise to some charges by both the Democrats and Republicans running for election in districts which had many Italo-Americans, that Mr. Gronchi was being "used" to help get the Italian vote. I said that while everyone knew that Mr. Gronchi would never permit himself to be so used—and would not wish to intervene, even inadvertently in domestic politics in the U.S.A., since it would plainly be counter-productive to the best interests of Italy—such charges might be irresponsibly made. And, "politics is politics" in America no less than Italy. Therefore, although I had absolutely no knowledge of the President's or Secretary's views as to a Gronchi visit at this time, I was inclined to believe from my own experience of domestic politics in presidential years, that there would be few visits of heads of state, except for specific or extraordinary reasons. I said no doubt after 1957, and after the new administration had settled down, Mr. Gronchi would be more than welcome.

Martino said he ought to have figured that out but now he understood perfectly. He hoped that Brosio or Luccioli would also explain the situation to Gronchi, since he has gotten it into his head, especially since Scelba's visit, that if he is not soon invited it must be because of personal prejudice against him. He explained that Gronchi has already indicated that he intends to visit "many countries," but that obviously the question of an American visit must first be considered.

(*My Note:* Mr. Gronchi may have in mind following an American visit with a Russian visit, and may find it difficult, for obvious political reasons and suspicions as to his desire to move Left, to head for Moscow until he has *first* been to the U.S.A.)

#### *Mr. Gronchi's Election*

I took this occasion to remark to Mr. Martino that until two or three days before the election of Mr. Gronchi there had been considerable talk that Martino himself was a formidable "dark horse" for the Presidency. Mr. Martino said that indeed he believed until almost the eve of the election that he might be elected President. He said that this would probably have been the case if "Donna Ida (Mrs. Einaudi) had not interfered at the last minute."

It seems that Martino had been assured by Einaudi that Einaudi did not wish to be reelected, and accordingly his choice was Martino. On the other hand, Einaudi said, it would hurt Martino's chances if he made this clear too soon before the elections, since some of the votes

which he could otherwise hold for Martino would go at once to Merzagora. Einaudi would wait to make his position plain until the eve of the election. Accordingly, when the Liberals and Saragatians, who wanted neither Merzagora or Gronchi, announced for Einaudi this had the effect of "freezing Martino," and neither he nor the Liberals could work for Martino's candidacy. On the eve of the election, Martino had a long talk with Einaudi, and tried to persuade him either to renounce publicly his desire for reelection, or to announce equally firmly that he *did* want to be reelected. Martino argued that Einaudi's ambiguity on his real intentions was certain to result in Einaudi's receiving very few votes (which he pointed out to Einaudi would be humiliating) and spoil Martino's chances. According to Martino, Einaudi himself could easily have been persuaded of this view, but at the last moment Donna Ida, convinced that Merzagora would fail, and Gronchi would be unacceptable, persuaded her husband that it was his duty to say nothing, and let himself be drafted. When Einaudi saw what happened on the second ballot, it was too late for him to make his influence felt in Martino's behalf, the more so since his prestige had suffered a consequent diminution.

#### *Benvenuti Sacked*

I asked him why Undersecretary Benvenuti had been dropped, and replaced by Folchi, Mr. Gronchi's man, especially as Benvenuti had been one of the most ardent, vocal and able exponents of Western policies. Martino replied that Benvenuti had made a strong attack on Gronchi immediately before his election in the Council of Ministers, and that Gronchi had not only demanded his replacement but insisted he be replaced by Folchi, his man Friday. However, as Benvenuti was well-liked in the Foreign Office, a job had been found for him as Italian Delegate to the Intergovernmental Committee on European Integration [Migration]. Mr. Martino then insisted that Gronchi was not opposed to Benvenuti's policies—but rather to the personal attack Benvenuti had made on him.

84. **Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, August 10, 1955—5 p.m.*

1. I saw Segni August 9 at his request.

2. Deployment. Segni believed progress would be made on points outlined Embtel 443.<sup>2</sup> He gave no evidence that he had changed his mind in any detail since our last conversation.

3. Oil. Segni told me oil question had become so difficult that time had come to send group of experts to US, Canada and elsewhere to make on-spot study workings of oil legislation. He indicated that until experts had made study, doubtful whether there would be any oil legislation. Hoped study could be concluded rapidly and that legislation could then be completed to protect Italian interests and to provide for foreign private participation. He said experts would wish discuss question with appropriate US officials Washington and promised to send me names of experts when they had replied his invitation.

4. Vanoni plan. Believing that Vanoni plan should now be translated in practical program, Segni asked whether US would send experts to Italy to assist in study of plan and its materialization in more concrete form. His government had pledged itself to realization of plan and situation would become difficult if US did not indicate its support and assist in making it reality. Necessary also to determine what economic steps Italy might be expected to make in exchange for US aid.

I told Segni that sending of experts would raise major problems: (1) would prejudice OEEC approach which we had supported; and (2) would unnecessarily raise hopes that US had by this act committed itself to moral and material support of plan; and (3) question of US Congressional attitude. If experts were needed, there were plenty attached to Embassy. I also stressed to Segni that Italy had abundance of its own most able economists, and I would suggest that he and Vanoni

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<sup>1</sup> Source: Department of State, Central Files, 765.00/8-1055. Secret.

<sup>2</sup> Under the terms of the Austrian State Treaty, the deadline for full withdrawal of all Allied occupation forces from Austria was October 25, 1955. The U.S. contingent was due to be withdrawn from Austria to Italy in September, to augment NATO forces there. The details of the redeployment were discussed by Italian officials and Embassy personnel throughout the summer of 1955. In telegram 119 from Rome, July 12, Chargeé Durbrow reported his impression that Italian officials favored the redeployment because they believed it would give moral support to the anti-Communist forces in Italy. (*Ibid.*, 711.56365/7-1255) In telegram 443 from Rome, August 6, Luce reported on a conversation she had had with Gronchi in which various technical details of the redeployment had been discussed, such as housing, NATO designation, and availability of training areas. (*Ibid.*, 711.56365/8-655)

enlist aid of these men to draft concrete plan, which might thus be completed by next spring, at which time mission would study it with view to making recommendations to Department.

I then told Segni that US had been sympathetic to idea of realistic plan from outset, and had urged Italian Government to produce workable scheme. Vanoni plan had certain features in it which my economic advisers doubted could be politically put over in Italy, i.e. consumer controls and wage freeze. When he replied that PSI would support austerity program, I expressed doubt since PCI opposed to plan and has control of CGIL. I also pointed out that Vanoni plan had got unfortunately mixed up with widespread talk about opening to the left, and was considered by many as vehicle to go to a *monocolore* DC government depending on Nenni support.

I expressed view that one way out of difficulty might be to produce another plan, which would (a) be more concrete in nature; (b) be more limited in scope than 10 years; (c) contain best features of Vanoni plan and other features such as sound utilization of Italian means and resources necessary to its consideration; and (d) steer clear of involvement with Nenni's support.

Segni said 4-year plan already existed but it would be absolutely impossible change name of plan since Vanoni would resign, causing cabinet crisis. He defended Vanoni as not being Socialist and said US support for any type of plan would have to be given to Vanoni. Segni said that on basis our conversation he could request Vanoni to get down to business of formulating limited, practical plan for US consideration.

5. Rome press carried reports of meeting with Segni, with majority papers relating conversation to deployment. However, *Rome Daily American* reported that possible US aid to Vanoni plan had been discussed.

6. Memorandum of conversation which expands on conversation being airpouched.<sup>2</sup>

Luce

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<sup>2</sup> Sent to the Department as despatch 318 from Rome, August 11. (Department of State, Central Files, 865.00/8-1155)

**85. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, August 17, 1955—2 p.m.*

550. Personal for Secretary from Ambassador Luce. Reference Deptel 455 August 12.<sup>2</sup> I appreciate reasons why my suggestion concerning Gronchi visit cannot be carried out at this time (Deptel 455 August 12). In discussion today<sup>3</sup> Rossi-Longhi suggested that it would be most helpful if you could visit Rome for two or three days prior to meeting in Geneva. The reasons underlying his suggestion are both fundamental and urgent and can be summarized as follows:

1. Since summit conference tempo of *distensione* in Italy has been stepped up. Rossi-Longhi and other responsible officials believe after-math relaxation in world tensions will have profound effect on Ital politics and consequently on Ital diplomacy.

2. Italian Ambassador in Moscow has already been approached to ascertain reactions to stop-over visit in Rome by Bulganin en route to India.<sup>4</sup> Rossi-Longhi has advised Di Stefano that formal request for such an invitation should be avoided if possible. He points out however that if Bulganin visits London next spring and in view of possible exchange of visits with US that Italians cannot long refuse such requests. Visit by Bulganin to Italy would inescapably increase power, prestige Communist Party. If it has to take place it should be preceded by high-level contacts between Italy and Western nations.

3. Eden plans to visit Rome in mid-winter after Ministerial meeting returning visit of Scelba and Martino to London last spring.<sup>5</sup>

4. I am concerned by left drift in Italian affairs following the Geneva Conference. Communists have capitalized at every turn on relaxation of tensions and as Rossi-Longhi points out election Sunday in San Martino may provide "small foretaste" of effect which *distensione* can be expected to have in administrative elections next spring. In foreign policy Foreign Office for example has initiated study concerning possible reorientation policy toward Red Chinese leading to recognition although pointing out that any move this kind would be done in agreement with US.

<sup>1</sup> Source: Department of State, Central Files, 033.6511/8-1755. Secret.

<sup>2</sup> In telegram 455 to Rome, Dulles informed Luce that a visit by Gronchi in October was not possible because the President would be absent from the White House. (*Ibid.*, 090.6511/8-1055)

<sup>3</sup> The conversation took place on August 15. The memorandum of conversation was sent to the Department of State as an enclosure to despatch 359 from Rome, August 18. (*Ibid.*, 765.00/8-1855)

<sup>4</sup> Bulganin and Khrushchev visited India, November 18-30.

<sup>5</sup> Scelba and Martino visited London, February 15-20, 1955.

You will also recall De Gasperi's repeated insistence to me expressed also to Churchill that Churchill's *distensione* speech in May 1953 lost the election for him. De Gasperi to end insisted "relaxation of tensions" might be good news for world but would always favor internal progress Communism Italy. I believe internal political and Foreign Office officials need not only personal reassurance from highest US levels that conference with Soviets does not in any way mean any change in our policy of opposition to Communism but steadyng of public opinion which your presence here would do. If you could manage to come to Rome for two or three days en route Geneva it would also reassure Italian officials and have great public effect by demonstrating further that our objectives are unchanged, that we still wish work closely with Italians in developing our general European policy. I hope you can arrange such a visit.<sup>6</sup>

Luce

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<sup>6</sup> In telegram 531 to Rome, August 19, Dulles replied that a visit to Italy en route to Geneva would not be possible, but that a short stopover en route to Washington after the conference might be feasible. He also stated that it was difficult to see what special measures could be taken to further allay Italian anxieties in light of the redeployment of troops to northeast Italy which had been geared as a special gesture of continued U.S. support against Communism. (Department of State, Central Files, 110.11-DU/8-1955)

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**86. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, August 19, 1955—8 a.m.*

577. Rossi-Longhi called on me August 17 at his request to report following:

The Prime Minister had sent for him yesterday to ask him to make following points to me most urgently, emphatically.

1. The general relaxation of tensions following summit meetings has had a very bad effect on internal Ital situation and has greatly accelerated demand that exists even in some quarters of DC for an opening to Nenni left and fanned discontent among DC rightwing elements. If October meetings at Geneva do not change present international climate (as it affects Italy) internal situation is sure to deteriorate in months ahead with consequent growth of neutralism.

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<sup>1</sup> Source: Department of State, Central Files, 765.00/8-1955. Top Secret.

Most immediate problem which confronts Ital Govt as result of relaxation is what to do about invitation which apparently Bulganin is seeking to visit Italy either on his way to India or at time of discussed visit to Queen of England. According Segni whole question of visits from and to Kremlin and question of cultural exchanges are becoming increasingly difficult cope with. Rossi-Longhi repeated his own suggestion that a two or three day visit from Foster Dulles—"not a stop-off between planes"—would help situation greatly.

In passing Rossi-Longhi said that he had just had a conversation with Dutch Ambassador who said he had reported to his govt the rapidly deteriorating situation vis-à-vis Italian left. He and Boon speculated on possibility of Holland or one of small countries bringing up matter of over-relaxation in NATO Council where they might say that England and USA had gone too far in friendly gestures at summit and any relaxation of tensions (especially in matter of state visits) should be postponed by USA, England until there had been some evidences of good faith on Russia's part—Rossi-Longhi told Segni these evidences would be: 1. disarmament; 2. taking down the Iron Curtain; 3. withdrawing troops from satellites.

Segni also concerned effectiveness of recent Russian demobilization announcement.<sup>2</sup> Rossi-Longhi told him this meant nothing conclusive as peaceful gesture. On contrary it could mean:

- a) the Russians didn't need forces because of new weapons;
- b) economic strain had forced the force reduction and men were needed to increase their labor-factory forces;
- c) the USSR did not really intend to demobilize but was only making "propaganda gesture".

Segni nevertheless urged that it be brought to attention of U.S. that situation following Geneva meeting was favoring Italian extremists and would accordingly lose votes for center parties both to left and right but especially to Socialists.

2. Segni wished Rossi-Longhi to reemphasize all he had told me about growing necessity in above atmosphere for U.S. backing of government's Vanoni plan. Relaxation made it more necessary than ever for center forces to deliver electorate this popular economic program. U.S. backing for plan was indeed imperative if Christian Democrats could be expected win next elections in spring and general elections thereafter.

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<sup>2</sup> On August 13, the Soviet Union announced its decision to reduce its armed forces by 640,000 men by December 15, 1955. The stated reason was the relaxation of international tensions brought about by such recent developments as the Geneva Conference of July 1955.

I repeated to Rossi-Longhi difficulties U.S. public opinion presented in generating a new extraordinary aid program for Italy. Rossi-Longhi said he had explained this to Segni and that while Segni understood in principle he wished again make it clear that without U.S. backing of plan it would be impossible contain left and some agreement with Socialists might result if govt encountered new crisis. Many would feel this arrangement lesser of two evils the worse being to be badly beaten by a combination of Social-Communists in next election.

3. Segni expressed intention to sign interim Status of Forces Agreement<sup>3</sup> immediately but when Rossi-Longhi told Segni that we were not raising COMLANDSOUTH question Segni said he must remind us that he had clearly told me (Embtel 443 Aug 6 para 4)<sup>4</sup> that any change in principle present language now covers was totally unacceptable to Italy. Otherwise he said he could never hope to get SOF passed in Parliament as question of total abandonment of sovereignty our indicated changes would imply would lose many votes of the right and perhaps some DC votes as well.

He insisted present interim document is wholly acceptable. The Italians are prepared to sign immediately.

Rossi-Longhi aware that Fechteler was working on a formula, apprised Segni of this fact. Segni said he "hoped the formula would be acceptable but that in any event no basic change could be made in the principle covered by the presently existing text" [less than 1 line of source text not declassified].

Luce

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<sup>3</sup> Italy had not yet completed ratification of the Status of Forces Agreement (see footnote 2, Document 72). In telegram 217 from Rome, July 20, Durbrow reported that Rossi-Longhi had informed him that Segni had agreed that a temporary agreement relating to SOF could be drawn up prior to ratification. (*Ibid.*, 711.56365/7-2055) In telegram 290 to Rome, July 28, the Department reported Congressional criticism of the move of troops to Italy prior to ratification of SOF and urged the Ambassador to continue to apply pressure to the Italians to achieve ratification before the bulk of the American troops arrived. The interim agreement suggested by the Italians was under study. (*Ibid.*, 711.56365/7-2855) Discussions continued throughout the summer with agreement being reached by September. In telegram 791 to Rome, September 12, the Department informed the Embassy that although the troops were being redeployed on the basis of the interim agreements reached, the United States intended to continue to urge the Italians to promptly ratify the SOF agreement. (*Ibid.*, 711.56365/8-155)

<sup>4</sup> In paragraph 4 of telegram 443 from Rome, August 6, Luce reported Segni's statement that the redeployed troops should not be stationed in Trieste or Bolzano because of possible irredentist sentiment in both regions. (*Ibid.*, 711.56365/8-655)

87. **Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, October 19, 1955—8 p.m.*

1326. For the Secretary. Since message received that you would visit Rome I and members of my staff have talked to the FonOff about the arrangements for your discussions.<sup>2</sup> The tentative schedule is arrive Rome 6 pm October 22, meeting with President Gronchi 7:30 pm.

Official-informal stag dinner at Villa Madama 9 pm given by Segni. Guest list will include high-ranking members of Ital Govt, MacArthur, Merchant, McCardle, Phleger and Bowie and Embassy officers.

Sunday October 23. Meeting with Segni and Martino at 10 am. Departure 1 pm, with lunch on plane with Martino in accordance with arrangements you have proposed.

You will note from foregoing that you will have little time for substantive discussions following a prepared agenda. Also it will be extremely difficult to brief you personally before your meeting with Gronchi and the dinner. Therefore, would like to transmit these detailed recommendations.

We recommend that you confine your discussions to international questions rather than going into matters of internal policy. As much as we would like for you to take up such questions as the Vanoni plan, oil legislation, private investment and other highly controversial issues, time is too short to do so for reasons outlined below.

*A. General Situation.*

All competent observers here are alarmed about the consequences of *distensione*, both in terms of Italian diplomacy and internal political orientation of present government. Leaders of the government and

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-1955. Secret; Priority.

<sup>2</sup> In telegram 1178 to Rome, October 13, Dulles informed Ambassador Luce that he could stop over in Rome for a few hours on October 23 on his way to a NATO meeting in Paris. (*Ibid.*, 110.11-DU/10-1355) In telegram 1258 from Rome, October 14, Luce answered that a short visit would not be useful and asked if Dulles could alter his schedule to allow for a longer period for discussions with Italian leaders. (*Ibid.*, 110.11-DU/10-1455) In telegram 1226 to Rome, October 15, Dulles agreed to arrive in Rome on the evening of October 22 and to depart for Paris the following day. (*Ibid.*) At his press conference on October 18, Dulles announced that he was visiting Rome to discuss common problems with the Italians and to keep them informed of developments concerning the Geneva Foreign Ministers meeting. (*Ibid.*, EUR Files: Lot 59 D 233, Italy 1952-1955) In telegram 1257 to Rome, October 18, Dulles advised Luce that he did not wish to develop a fixed agenda and preferred informal talks. (*Ibid.*, Central Files, 110.11-DU/10-1755) The itinerary for the visit indicates that Dulles was accompanied by Merchant, MacArthur, Phleger, McCardle, and Bowie. (*Ibid.*, Conference Files: Lot 60 D 627, CF 563)

many responsible elements in the CD party are conscious of this problem and are trying to check the internal drift which will lead inevitably to the opening to the left. They need encouragement and advice. In field of diplomacy, there are many signs that Italian interpretation of so-called "spirit of Geneva" may be carrying nation to a position which will conflict with Italy's obligations to West; for example the growing pressure for recognition of Red China,<sup>3</sup> increased demand for cultural exchanges with East, various comments on plans for European security, and a general questioning of the value of Italy's commitments to West. We note in press and talks with public leaders a tendency to inquire why Italy should continue appropriating money for defense and commitments to NATO. General Mancinellian, for example, in conversation with Embassy officer, praised results of Paris meeting of Defense Ministers but stated it would be increasingly difficult to hold NATO together in the face of *distensione* and particularly to justify in Parliament expenditures for military purposes.

In other words, we are faced with a trend in the interpretation of international events which has profound effect in this country where 35 percent of voters vote left. In our estimation, it is based on false interpretation of summit meeting at Geneva. If unchecked, it can only result in encouraging opening to left and creation of popular front government which will include Nenni or his reasonable facsimile. His recent trip to Moscow and Peking<sup>4</sup> and espousal of popular causes, as expansion of trade with East and acceptance of Soviet conditions for entry into UN, can only increase both his personal stature and his pressure on a weak government to adopt leftist programs, particularly in Italy's foreign policy.

#### B. Recommendations.

In view of this drift in popular opinion and the general confusion which prevails in government circles, recommend for your consideration following approach:

##### 1. Meeting with Gronchi.

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<sup>3</sup> Telegram 1172 to Rome, October 12, instructed Luce to convey to Martino U.S. concern over a recent Italian statement concerning the possibility of normalizing trade and diplomatic relations with the People's Republic of China. (*Ibid.*, Central Files, 765.00/9-2855) In telegram 1270 from Rome, October 15, Luce reported on the dé-marche she had made to Martino. Martino stated that Italy had proposed the establishment of trade relations with the Chinese, and that the Chinese responded affirmatively but cautioned that because of Italy's support of the U.S. exclusion of China from the United Nations, a more extensive relationship between the two nations was not possible. He stated that pressure on Italy to recognize China was growing but that Italy realized there was little to gain by such a move. (*Ibid.*, 765.00/10-1555)

<sup>4</sup> Nenni arrived in China on September 29, after visiting the Soviet Union on September 26.

There will probably be little opportunity to present any detailed position as President likes to do all the talking. You might try to draw him out on his views concerning:

a. Future course of events in Europe and what effect he envisages the relaxation of tension will have on great plans for defense of Western civilization and integration of Western Europe in which Italy has played such prominent role, asking him precisely what he means by *distensione* and how it will alter the international scene.

b. You might then lead into the internal situation and inquire what effects *distensione* will have on theory of government which has been so highly successful in preserving democratic institutions in Italy against internal threat of Communism. You might inquire about Nenni's prospects and plans and in the end state your own views and those of President Eisenhower on the real meaning and significance of Geneva with a very strong indication US will not support a Nenni-Socialist-neutralist type of government or, in fact, any government with which either Nenni or the Socialist Party is connected directly or indirectly.

These detailed suggestions are offered because, in Embassy view, the immediate threat in Italy does not arise completely from the Communist movement, but from the ambitions of Gronchi and from his long consistent effort to reconcile the Nenni left with CD forces, plus the weakness of the present cabinet and the consequent tremendous confusion and indecision in the CD party on how to deal with whole question of *distensione*. In other words, if you can draw Gronchi out on his plans, you will be in a much better position to discuss problem with government leaders following day.

In this connection, Gronchi's one great desire is to visit US. If practical, I hope you can sustain his hope to do so without committing yourself to a formal invitation. If you could reasonably offer such a prospect to him, it might have a great effect and might forstall any future plan on his part to visit Moscow before Washington visit consummated.

## 2. Meeting with Segni and Martino.

Suggest pitching talks with Segni and Martino on your reactions to what Gronchi tells you about *distensione*. If Gronchi says that *distensione*, both internally and externally, is the order of the day, would firmly inform government leaders that any opening to the left would have a disastrous effect on Italo-US relations. If Gronchi quibbles, which he will do in all probability, then you might discuss how Italy and US together can meet problem of Communist exploitation of spirit of Geneva and how we can work together to prevent Communists coming to power in Italy through medium of Nenni. Would, therefore, recommend following approach:

a. That you give appearance to Italians that you are consulting them about future decisions in Europe. This would fulfill a basic desire on their part, and if it could be exploited publicly would strengthen not only government but many democratic nationalist forces which feel that Italy is treated as a second-rate power.

b. Inform them prior to NAC meeting to extent possible how you plan to deal with basic problems at Geneva and ask their advice as to how they would solve problems of European security and German reunification.

c. Ask them how they plan to deal with Communist problem in Italy in face of *distensione* and what the outcome of future elections might be.

d. Tell them precisely what relaxation of tensions means in the American view and stress dangers faced by other European countries, for example, France.

e. Urge them to ratify SOF at earliest possible date as a visible sign of strengthening ties with West. In this respect, you should thank them for fine reception given to US forces moved here from Austria.

f. Urge them to maintain both as a political and military necessity the strong ties with NATO and stress that our mutual commitments must not be relaxed.

g. Inform them of latest developments on Italian entry into UN which is a basic problem here.

h. Go over with them once again the US policy on China.

Martino agrees with you that there should be no fixed agenda, but that each side should bring up questions of mutual interest. He wishes to raise two specific points:

1. Italy's entrance into UN, particularly our position with regard to various package deals which he apparently suspects we oppose.

2. Association of Italy and other non-UN members in the work of the Disarmament Commission. He will repeat position taken by Casardi in New York which has been explained to you in detail by Brosio. He may assume that you are committed in Italy's favor.

Martino agrees that major subject of discussion should be *distensione* and general situation in Europe.

Foregoing recommendations transmitted in detail your consideration, because I firmly believe that your visit will be of tremendous benefit in strengthening government and in arresting a trend highly dangerous for US objectives.

Luce

**88. Message From the Secretary of State to the President, at Denver<sup>1</sup>**

*Paris, October 23, 1955.*

I had a very satisfactory and I think useful visit in Rome. My coming there seemed to have been deeply appreciated by the government and people and it completely overshadowed Nenni's return from Moscow.<sup>2</sup>

After I had concluded my visit with Gronchi on Saturday afternoon<sup>3</sup> and formal dinner by Prime Minister Saturday night and business conference Sunday morning, I stopped at the Vatican and had an audience with the Pope (for your personal and secret information this was brought about on his initiative).<sup>4</sup> We had a very useful talk which emphasized our common agreement that the "spirit of Geneva" while it meant, we hope, that our differences would not lead to war did not lead to elimination of those differences or blurring over the distinction of those who believe that the state is to serve man and not man to serve the state.

The Pope seemed himself to be in vigorous health and expressed his great concern at your illness. He said "all the world greatly needs you". He also recalled your Philadelphia speech.<sup>5</sup>

Martino, the Italian Foreign Minister, came to Paris on the plane with me and this was an attention which he and the Italian nation, I think, appreciated. Best regards,

**Foster Dulles<sup>6</sup>**

<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-2355. Confidential. Transmitted to the Department of State in Dulce 2 from Paris, which is the source text. A handwritten note on the source text indicates that the telegram was sent to the Denver White House on October 25. The President was in Denver recovering from a heart attack.

<sup>2</sup> See footnote 4, *supra*. Nenni returned to Italy on October 19. In a conversation with the President on October 19 at Fitzsimmons Hospital in Denver, Dulles indicated that the purpose of his visit had been to strengthen the position of anti-Communist elements in Italy. (Memorandum of conversation; Eisenhower Library, Dulles Papers)

<sup>3</sup> October 22.

<sup>4</sup> Footnote [7½ lines of text] not declassified.

<sup>5</sup> Reference is to the address by the President on August 24 to the annual convention of the American Bar Association in Philadelphia. The text is printed in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1955*, p. 802.

<sup>6</sup> Dulce 2 bears this typed signature.

**89. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, October 23, 1955—10 p.m.*

1390. For the Secretary and Ambassador Luce.<sup>2</sup> Following is a summary of discussions during first evening of Secretary's visit to Rome.

1. Meeting with Gronchi. At 7:30 pm Oct 22 Secretary, accompanied by Ambassador, called on Pres Gronchi for a discussion lasting one hour, which Ital press has characterized as longest any foreign statesman has ever held with President. Foreign Minister Martino was also present. Prior to this meeting, Foreign Minister Martino stressed to Amb at airport that President's views concerning relationship of European security pact and problem of German reunification were not shared by govt. Later at official dinner, both Martino and Saragat reiterated this point and said that Gronchi had met Nenni that morning in a private meeting and had shared some of Nenni's views on Italy's position vis-à-vis Geneva and basic European problems.

During conversation with Gronchi, Secretary outlined basic premises of US policy in seeking establishment of international peace. He congratulated President on important role which Italy has played in developing European unity. In defining US policy he reiterated points made in speech before American Legion regarding dangers of neutralism.<sup>3</sup>

Gronchi in response developed comprehensive view of Ital foreign policy and internal problems. He made following points.

a. Need for European solidarity and unity greater now than ever before, particularly because of "new look" in international affairs.

b. He did not anticipate an early or easy agreement at Geneva because of difference of views held by European countries concerning future developments. In his view two positions existed—first, that reunification of Germany, conclusion of security pact, and limitation of armaments should be simultaneous; and [garble—second?], that German reunification should follow other steps at a specific time. He made clear he favored second position. In this connection, he told Martino earlier that reunification based on free elections might follow two or three months after conclusion of security pact and agreement on limitation of armaments, whereas he told Secretary that time lag might extend to two or three years. In any event Gronchi felt West

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-2355. Secret. Repeated to Paris.

<sup>2</sup> Luce left Italy on October 23 to accompany Dulles to Paris.

<sup>3</sup> The text of Dulles' October 10 speech is printed in Department of State *Bulletin*, October 24, 1955, p. 639.

should be prepared make concessions at Geneva re Germany because if a solution not found soon Germany likely to become neutral, oriented however probably towards West rather than East.

c. If problem of European security could be solved, Gronchi believed West could attack problem of European integration and solidarity on principles contained in Art 2 of NAT.<sup>4</sup> Italy's main problem is economic and is characterized by such questions as stability of lira, budgetary deficits, high illiteracy rate. European integration can never proceed fast enough to solve Italy's problems. Hence, Italy required massive loans to finance badly needed economic development.

d. Development of West Eur integration would aid in controlling East-West trade. Gronchi said at present time Italy needed to sell to East basic products, such as electrical equipment. At present time, trade with East benefited only East, but if Western trading bloc were established the drive to sell in East might profit the West. Gronchi quickly affirmed that there were no leaks and diversions to East and that Italy upheld COCOM agreements.

The Secretary replied that he appreciated Gronchi's views on problems of Germany and European security. He pointed out that US had long advocated utilization of principles of Art 2 of NAT and organization of OEEC to carry out objective of integration. He also emphasized many facets of US aid, tourism, US military expenses and private remittances which, if added together, came close to figure of 500 million dollars which Gronchi stated was necessary for Italy's economic rehabilitation. He also pointed out that Italy had an historical and cultural responsibility to fulfill and that its true character should not be besmirched in any way by political experiments.

In a warm exchange on the views of Pres Eisenhower towards Italy and present state of his health, Secretary raised possibility of Gronchi's visit to US as explained in Embtel 1389.<sup>5</sup>

## 2. Official dinner at Villa Madama.

At a dinner given by Segni, following Ital officials were present: Segni, Saragat, Vanoni, Taviani, Martino, Carlo Russo, Scelba, Pella, Folchi, and many officials from FonOff. There was no opportunity for any detailed discussion. During entire evening no mention was made of internal economic questions. In discussion following dinner, four main questions were raised.

a. Secretary's trip to Yugoslavia<sup>6</sup> was explained to Itals inasmuch as news of visit had reached press. Secretary said [1 line of source text not declassified]. This keeps Western Europe from facing a monolithic

<sup>4</sup> Article 2 of the North Atlantic Treaty dealt with the promotion of international understanding through the strengthening of free institutions.

<sup>5</sup> Telegram 1389 from Rome, October 23, reported that Dulles had invited Gronchi to visit the United States, but had explained that the President's illness and forthcoming elections made the setting of an early date for the visit impossible. (Department of State, Central Files, 033.6511/10-2355)

<sup>6</sup> Dulles visited Yugoslavia in November 1955.

group and can be said to be for Italy's sake too. He admitted, however, there was room for doubt as to Tito's policy. He had sent Murphy to Yugoslavia<sup>7</sup> to study this point and his own visit, if it materialized, would have same object.

b. Spirit of Geneva—according to US view spirit of Geneva means that though differences between East and West are recognized, they will not be resolved by war. USSR makes attempt to persuade that spirit of Geneva means differences no longer exist. Ital concurred Secretary's analysis.

c. Internal *distensione* in Italian politics—in response Ambassador's question on this subject, Segni said Italy was committed 100 percent to democratic principles though public opinion occasionally required statements or actions seemingly at variance.

d. Secretary pointed out that fact Soviets stopped at Berlin<sup>8</sup> on way home from summit conference to assure East German Govt there would be no free elections was significant and proved East German Govt cannot face idea of free elections. He urged Italy to keep hitting at that point and said that under no circumstances should West agree to postponement of elections. All Italians present agreed to points a, b and d.

Jernegan

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<sup>7</sup> Documentation on both Murphy's and Dulles' visit to Yugoslavia is printed in vol. xxvi, pp. 664 ff.

<sup>8</sup> Bulganin and Khrushchev visited Berlin, July 24-26.

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**90. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, October 23, 1955—11 p.m.*

1391. Paris for Secretary and Amb. Luce. Secretary and Prime Minister Segni met October 23 with following present: FonMin Martino, FonOffice Secretary General Rossi-Longhi, Director General Political Affairs Magistrati, Special Assistant to Prime Minister Canali, Ambassador Luce, Merchant, MacArthur and Jernegan.

Subjects covered were:

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-2355. Secret. Repeated to Paris.

### 1. Italian Membership in United Nations<sup>2</sup>

Segni, supported by Saragat, made strong and reiterated appeal for US support of Ital candidacy ahead of any other non-member nation and argued even more insistently that if Italy were vetoed by USSR US must at all costs prevent any other new member from being admitted. Hoped it would not come to this soon but urged that US use veto if necessary to prevent admission to UN of any other country ahead of Italy. Used familiar arguments re probable effect on Ital public opinion of failure Italy secure membership when others were admitted. Asserted results of such development would be especially disastrous in view of local administrative elections to be held next April or May. These elections afforded opportunity to accelerate decline Communist strength in Italy, but if Italy lost race for UN membership while others succeeded, Communists would be given powerful weapon to attack foreign policy of this and preceding center coalition governments.

Segni said he realized that responsibility Italy's non-admission to date rested with Russians. However, Italian people had already discounted Russian action in vetoing Italian candidacy, whereas admission of Austria or any other state would be new factor which had not been discounted and would have disastrous repercussions on Italian public. Italian people would say Austria was being rewarded for neutrality while Italy was being punished for adherence to Western Alliance.

Secretary replied UN membership of Italy more ardently desired by US than any other non-member nation. US would make no agreements or deals with anyone which could have effect of bringing in any state ahead of Italy. It was, however, very difficult for US to undertake veto admission of other eligible states merely because Soviets vetoed Italy. We hoped bring about vote on present candidates on understanding that all permanent SC members would waive veto rights. We had proposed this to Soviets and were still awaiting their reply.

Soviets had indicated they willing make package deals which might include Italy but would also include states we did not think eligible under UN Charter. We did not want make such deals because we thought each state should be considered on its merits. We would find it very difficult to vote for states not fully sovereign or which had not shown necessary evidence of being peace-loving.

Secretary recalled Bandung Conference<sup>3</sup> had proposed admission of seven Asian countries. There were indications Russians might vote

<sup>2</sup> Documentation concerning the admission of Italy to the United Nations is in Department of State, EUR Files: Lot 59 D 233, Italy 1952-1955.

<sup>3</sup> Reference is to the Conference of Asian and African States which met in Bandung, Indonesia, April 18-24.

for at least some of these countries. However, Secretary did not know of any European country which would have better chance for admission than Italy. US would certainly make every effort obtain Italian admission at this GA session. Secretary would probably have chance to talk to Molotov on this subject at Geneva.<sup>4</sup>

In response to Segni's remarks re effect on internal Italian politics of failure US to prevent admission of other states than Italy, Secretary asked whether he was suggesting that if Russia violates UN Charter this causes Italian public opinion to favor Russia. If so, Secretary added, we might follow same policy in order strengthen our position with public opinion in Italy.

When Secretary reiterated hope Russians would forego use of veto in reply our proposals, Segni asserted he convinced USSR has too much interest in creating trouble in Italy to relinquish this weapon.

After intervention by Saragat stressing link between Ital Socialists and Communists and their joint efforts to convince Italian public that neutrality offers more advantages than Western Alliance, Segni closed this point. Secretary remarked we were glad to have Italian views and would take them seriously into account.

## *2. Disarmament*

Segni opened by saying it would be most useful if Italy could take part in exchanges on this subject. US and Italian representatives had already discussed this Italian desire and it had been recognized as reasonable. He hoped there would be some early concrete action.

Secretary observed that so far disarmament discussions had been more procedural than substantive. US was not disposed to discuss such matters as types and quantities of armament until we knew provisions for inspection and control. We did not want to embark on disarmament program which would prove unilateral because other parties would violate agreements reached. First we must know how much control there could be.

As soon as serious discussions began on substantive arrangements, Secretary considered it essential that they be broadened to include other powers and he would hope and expect that Italy would be one of those. Meanwhile, we were arranging to keep Ital Govt fully informed of everything that went on in disarmament discussions.

Secretary emphasized strong desire of US to move into substantive part of discussions. Soviets try represent US as really uninterested in disarmament. This was entirely untrue. American people do not like maintain large armed forces in peacetime and have never done so in

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<sup>4</sup> Reference is to the Council of Foreign Ministers meeting at Geneva, October 27-November 16.

past history. However, after experience of World War I and II and Korean War, we wanted to be sure that if we reduced our armaments, others would do likewise.

Segni commented our position seemed correct and fair. He hoped we would soon pass into the substantive phase of disarmament discussions.

### *3. Italian Interests in Mediterranean and Near East*

Characterizing Italy as "the Mediterranean power par excellence" Segni spoke of Italy's special position "enclosed in the Mediterranean" which gave her both special interests and special capacities for service. In past Italy had been subjected to various events in the Mediterranean without advance warning. She desired to be helpful to her friends and allies and could be more so if she were taken more into consultations on these matters, especially since she had no enemies in the Mediterranean. He was not speaking about old concept of "mare nostrum" which was discredited and obsolete, but merely desire to further common interests.

In reply to Secretary's question Segni said he was referring to events in North Africa, Cyprus, Israel and whole Middle East.

Secretary commented US itself was not directly involved in any of these situations. Our advice was not always heeded by those nations which were directly involved and we might not be best nation to broaden scope of consultations on this field. Nevertheless, we did recognize deep and proper concern of Italy in Mediterranean affairs. If Segni had any suggestions for solution Arab-Israel conflict, Secretary continued, he would be most happy to have them. In this connection he wanted to thank Segni, Saragat and Martino for support which Itals had give his speech of August 26.<sup>5</sup> So far that speech had won more applause outside Near East than within that area.

### *4. German Unification and European Security*

Segni said he would be grateful for information Secretary could give him on these closely related questions and on any understanding US might have reached with British and French in this regard.

Secretary summarized at some length US views on these points. He pointed out that German unification had been most acute point of difference since Geneva summit meeting, with Soviets trying to postpone discussion this subject and concentrate on what they called "European Security". This apparently meant liquidation of NATO and Brussels Treaty and substitution of all-European "security" organization. Segni interjected that Russians, of course, wanted to bring about

<sup>5</sup> For text of the speech, delivered before the Council on Foreign Relations in New York on August 26, see Department of State *Bulletin*, September 5, 1955, p. 378.

all-European system which would exclude America from Europe. Secretary continued that he expected that at Geneva Soviets would maintain former policy that two Germanies should be left to work out unification problem among themselves after establishment of European security system. We on other hand expected that both topics be discussed together, as provided by Geneva Summit directive. We planned to insist that European security treaty should come into force when Germany was united and not before and that such treaty would not require liquidation of NATO or Brussels Treaty.

We recognized, Secretary said, that Russia has suffered from German aggressiveness and is entitled to assurances against German remilitarization. We believe best assurances she can have is integration of Germany into Western Europe, NATO and Brussels Treaty. Since Bulganin said at Geneva that a great power does not like to have its security dependent on arrangement to which it is not a party and in which it has no voice, we would be prepared, once Germany were unified and had joined NATO and Brussels Pact, to give Russia guarantee regarding levels of force and inspection of forces within area which would include on one side all or most of Germany and on the other a comparable area of Poland and Czechoslovakia. We thought it possible through such arrangements to quiet and legitimate Soviet claims that Germany would menace Soviet security. Secretary was not sure, however, whether this would really satisfy Soviets since they were even more concerned with future of East German republic than with their own security. He felt Soviets feared (rightly) that unification would liquidate East German republic and have disastrous impact on other Soviet satellites. Fact that Russian leaders stopped for three days in East Berlin after Geneva conference was measure of their anxiety this score. (Segni nodded in agreement.)

Secretary went on to remark that he had learned himself and President Eisenhower had re-emphasized to him on basis of past military experience how easy it is to become so preoccupied with one's own troubles that one fails to realize opposition also has troubles. We on our side realized more friendly attitude of Soviet leaders tended to reduce Western fears and loosen ties holding free world together, but we should also realize that once Soviets departed from past policy of rigid conformity, intolerance and iron discipline within their own sphere, they were destroying means by which they had held together area they controlled.

At Geneva, Secretary said, we must meet all fears Soviet dare avow publicly and leave them in position of having no possible reason to reject German unification. World public opinion would not stand for rejecting unification merely so that Russia could maintain its puppet regime in East Germany. In a year or two they would be forced to accept unification.

Concluding exposition this point, Secretary assured Italians we had reached no final agreement with British and French. He expected to talk with them on this subject in Paris and also would talk further with Martino.

Segni thanked Secretary for his outline of US views. Said Ital Govt agreed fully with thoughts put forward. Considered unification of Germany and European security as inter-dependent. Believed that if free elections were held in Germany in near future, democratic parties would win. This was probably why Russia opposed unification. He suggested, however, that collective security threats might precede elections by a short period. (Implication seemed to be that Italians thought agreement on security pact would induce Russians to agree to free elections shortly thereafter.) Segni reiterated Italian desire to be helpful in these matters.

Secretary did not comment directly on Italian suggestion re elections but paid tribute to part Italy has already played in integration of Western Europe, especially in working out Paris Accords.

##### 5. Possible Move of Italian Government to Left

Secretary observed there was some talk in US to effect effort might be made to form Italian Government in coalition with Nenni Socialists on theory that this would be means of applying "spirit of Geneva". [1½ lines of source text not declassified] Spirit of Geneva did not eliminate differences between Communist and free world beliefs. We continued to believe firmly that state was designed to help man realize his God given rights and that man was not intended to serve the state. Differences between these two beliefs was as great now as before, even though we recognized they must not lead to war. Any experiments by Italy with a corporate authoritarian state would be contrary to spirit of Geneva. In our view, calmer atmosphere produced by Geneva should make it possible to spread more successfully our own concept of democracy and the rights of man. It was not designed to encourage compromises. [1½ lines of source text not declassified] In this connection Secretary expressed his appreciation for cooperation of Martino in helping prevent spread of Communism.

Segni commented he could assure Secretary there had never been any intention to extend Ital Govt coalition to left. In fact, aim of govt was to avoid any extensions. In his opinion, spirit of Geneva did not mean any abandonment of Italian democratic principles. Secretary expressed his pleasure in having this confirmation of what he had been sure was attitude of Ital Government.

As meeting broke up, Secretary inquired about ratification of Status of Forces Agreement. Segni said he was sure it would be effected in November.

Jernegan

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**91.      Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, October 25, 1955—11 a.m.*

1415. For the Secretary and Ambassador Luce. Reference Embtels 1390 and 1391, October 23.<sup>2</sup> Analysis of conversations by Secretary with Ital officials, as well as evidence from both official and press sources available at present time show that Secretary's visit to Rome was great success and will have important effect in strengthening center government in meeting criticism of its opponents.

Following conclusions may be drawn of results of visit:

1. Judging from accounts in pro-government press, Secretary's visit gave Ital nation exactly what it needed, namely a sense of importance. Press has uniformly commented on timing of visit, coming on eve of conferences in Paris and Geneva, and concludes that Secretary wished to consult with Ital leaders and to obtain their advice prior to making important European decisions. Secretary's remarks at airport about Italy being one of the great powers with which US desires to maintain closest relationship has been widely quoted and may offset impression that Italy is consistently treated as second-rate power. Full coverage on press, radio and TV has assured that majority of Ital population knows the details of Secretary's visit and his consultations with Gronchi, Segni, Saragat and Martino. Particular comment has been given to fact that Martino accompanied Secretary to Paris in order to continue consultations begun in Rome.

2. Secretary's visit will be of great benefit to present government since it established fact of consultation. Repeated remarks made by the Secretary in this regard have been widely quoted, visit will add to the stature of the Segni government. However, great hopes have been aroused for future and questions have been raised concerning establishment of system of "permanent consultation". Visit also did a great

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<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-2555. Secret. Repeated to Paris.

<sup>2</sup> Document 89 and *supra*.

deal to offset effects of Nenni trip to Russia and China,<sup>3</sup> although it must be noted in this connection that prior to Secretary's arrival Nenni arranged appointments with Martino and Gronchi to explain his point of view and his recommendations for Ital foreign policy.

3. Visit provided opportunity for clarification of US policy objectives, particularly in defining precisely so-called "spirit of Geneva" which has been utilized by each political current in Italy to further their own ends. Secretary's clear exposition, particularly at Quirinale Conference, will help Segni and Martino in formulating their own policy and in maintaining what press hails as "complete identity of views" between two governments. As may be noted in record of conversations, differences of opinion exist within Ital Government, particularly between Presidency and Cabinet on problems of European security and German reunification. It may be assumed that in view of exposition of US objectives these differences may be reconciled in spite of drive by left to popularize Soviet position on reunification and European security.

4. Secretary's visit afforded Segni government excellent opportunity to assure Ital population officially that Ital foreign policy remains unchanged despite all pressures towards neutralism and a weakening of commitments to West. Point has been particularly stressed that only alternative to continued collaboration with US is dissolution of the democratic order.

Despite success of Secretary's trip and the discussions, several questions remain unsolved and will present Itals with certain difficulties.

1. Ital entry into UN. Government officials realize that public aspects of this problem are more important than any substantive results which might be derived from her admission to UN. It is a matter of pure and basic national prestige. Embassy does not believe Itals were pleased with Secretary's position re package deal or use of veto to prevent entry of other states prior to Italy. Latent fear still exists that, by some maneuver, Austria will be admitted and Italy vetoed. This would be taken as a national defeat and would provide the forces of neutralism with a powerful weapon to attack the government.

2. Drive for international prestige. Points raised by Segni on Italy's role in the Mediterranean and Middle East illustrate an important drive within government circles to obtain for Italy a large share in determination of diplomatic action. Fact that question was raised was not to show Secretary what steps Italy had taken to support his proposals made on August 26, as this had already been done, but to make a bid for participation in any future steps which may be taken in this

<sup>3</sup> In telegram 1349 from Rome, October 20, Luce reported Nenni's return to Italy on October 19. Nenni stated that the purpose of his trip was to normalize relations with China and improve relations with Russia. He criticized the Italian Government for not improving ties with both countries. (Department of State, EUR Files: Lot 59 D 233, Italy 1952-1955)

area. Embassy regards this move as related to all the other maneuvers by the Ital Government to obtain international prestige and a voice in major decisions.

Immediately prior to Secretary's visit, semi-official publication *Esteri* outlined Ital diplomatic objectives as follows: first, simultaneous solution of the problem of German unification, creation of European security system and international control of armaments; secondly, elimination of international tension by solution of outstanding international problems; thirdly, stabilization of armaments at present level pending adoption of program for reduction of armaments; fourthly, rapid economic integration of Europe.

Secretary will recall that all of these points were raised in one form or another during discussions. This program of the Ital Government does not present any startling development but, in our view, is a bid to follow-up the actual discussions in Rome to establish a system of continuous consultation with Ital Government. In Embassy's viewpoint some provision will have to be worked out in this regard, starting particularly with disarmament discussions in the UN.

Press summaries concerning Secretary's visit will follow by separate wire.

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**92. Memorandum of a Conversation, Department of State,  
Washington, November 30, 1955<sup>1</sup>**

**PARTICIPANTS**

Signor Paolo Emilio Taviani, Italian Minister of Defense  
Signor Manlio Brosio, Ambassador of Italy

Mr. John Foster Dulles, Secretary of State  
Mr. Robert Murphy, Deputy Under Secretary of State  
EUR—Mr. Livingston T. Merchant, Assistant Secretary of State  
WE—Mr. Richard B. Freund, Mr. James B. Engle

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<sup>1</sup> Source: Department of State, Central Files, 033.6511/11-3055. Secret. Drafted by Freund and Engle on December 9.

On November 16, the Department of Defense announced that Defense Minister Paolo Emilio Taviani, would visit the United States November 28-December 7. In telegram 1847 from Rome, November 23, Ambassador Luce informed the Department of State that Taviani was very anxious to see the Secretary of State during his visit to discuss the Middle East and conditions in Western Europe. Luce recommended that the Secretary agree to a meeting. (*Ibid.*, 033.6511/11-2355)

The Secretary opened by complimenting Taviani on the ratification of SOF<sup>2</sup> and the establishment of SETAF.

### *1. Geneva and the Need for European Unity*

At Taviani's request, the Secretary then gave his impressions of the Geneva Conference. The Soviets were immovable on all points. The Secretary observed that the experience of the conference demonstrated that European unity was more important than ever. The best interest of Western European countries was to get on with the job of unity. Taviani, in expressing his agreement, said that it was his view that if Western Europe did not unify itself, individual Western European countries would steadily decline in importance and that, within 50 years, they would occupy secondary positions in the world. Taviani said that, in view of the Commonwealth orientation of the British, efforts should be directed toward the initial objective of integration based on the six continental countries which were members of the Coal and Steel Community. Perhaps after a greater degree of unity were achieved, British cooperation could be secured. He felt that U.S. interest and guidance was an indispensable element of progress toward unity. He did not see how the conflicts of economic interest between the Benelux countries on the one hand and France and Germany on the other, and of political interest between France and Germany could be resolved without U.S. leadership and encouragement. Taviani pointed to the sad spectacle of France, whose leaders (Monnet, Schuman, Bidault, et al.) had conceived the plans for European unity, creating the greatest difficulties for the realization of these plans. He hoped that political groups favoring European unity would gain ground in the coming French elections. The Secretary said that while the U.S. was very much in favor of European unity, the initiative, impetus and will to get together must come from the European countries themselves.

### *2. Middle Eastern Situation*

Taviani said that he knew Nasser, who he thought was basically pro-Western. He was sure Nasser realized that Egypt's security depended on the West. Taviani said that it was his own opinion that there was no alternative between Nasser's military dictatorship and Communism. He hoped that the U.S. was aware of the special position Italy enjoyed with the Arab world. Italy had had a great deal of experience with the Arabs including assimilation of waves of Arabic

<sup>2</sup> The Status of Forces Agreement was ratified on November 11. In telegram 1033 from Rome, September 27, Luce indicated that Taviani had specified that he would not visit the United States unless the Status of Forces Agreement had been ratified. This was in response to Luce's statement that the visit would be more meaningful if ratification had already occurred. (*Ibid.*, 033.6511/9-2755)

migration in South Italy and Sicily. This experience, together with the fact that Italy is no longer a colonial power, gave Italy a unique position among the Western powers with respect to the Arabs, and Taviani thought the West could benefit by Italian cooperation in this area. In response to the Secretary's inquiry regarding pressure to export Italian arms to the Middle East, Taviani said that twenty-eight fighters with English-manufactured motors were delivered to Syria about four months ago under a contract of some years ago, another contract for twenty-four planes has been negotiated with Saudi Arabia but still lacks Italian governmental approval, and a third similar contract was still in the preliminary discussion stage. Aside from minor small arms Italy is now refusing all export permits.

### *3. Defense of South Europe*

Taviani said he thought it was important, in view of events that had occurred in the past year, to strengthen the southern flank of NATO defenses which rests on Italy. He had discussed this matter with General Gruenthaler who impressed him as having a magnificent grasp of the problem. Taviani reviewed unsuccessful efforts on both political and military levels to seek cooperation with Yugoslavia. He said that a political solution of this problem was not possible, but that advance military planning for the contingency of a Soviet attack through the Balkans and North Italy was essential. He referred to the Trieste settlement as a great triumph of Western diplomacy. He also felt that our policy toward Yugoslavia was the best course for the U.S. to follow in the present circumstances. [4 lines of source text not declassified]

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### **93. Memorandum of a Conversation, Department of State, Washington, November 30, 1955<sup>1</sup>**

#### **SUBJECT**

Conversation with Giulio Pastore

#### **PARTICIPANTS**

Hon. Giulio Pastore, General Secretary of CISL  
Signor Manlio Brosio, Ambassador of Italy

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<sup>1</sup> Source: Department of State, Central Files, 865.062/11-3055. Confidential.  
Drafted by Engle on December 5.

G—Mr. Robert Murphy, Deputy Under Secretary of State

G—Mr. Daniel Goott, Special Assistant for International Labor Affairs

WE—Mr. Richard B. Freund, Mr. James B. Engle

Mr. Murphy began the conversation by saying his interest in Italian Trade Unions had begun in 1944 when he was in Italy for several months as Political Advisor of the Supreme Allied Commander in the Mediterranean area. He had heard of Mr. Pastore at the time the Allied forces entered Rome and he remembered that the Allies had liberated Mr. Pastore from prison. After expressing his appreciation of Mr. Murphy's interest and memory, Mr. Pastore said he wished to thank the United States Government for the aid and encouragement it had given to the democratic labor movement in Italy since the War. The succeeding conversation covered the following points:

*Reasons for the Recent Gains of the Free Trade Unions*

Mr. Murphy congratulated Mr. Pastore for his great success in building up the free trade union CISL at the expense of the Communists. Mr. Pastore said that while the free unions have benefited from U.S. encouragement and the application of OSP screening criteria, the real essence of the present trend away from the Communists in the trade union field was that the conscience of the Italian working class was becoming increasingly more democratic. More and more workers were deserting the Communist CGIL because they were persuaded that a union divorced from political parties and employing democratic methods was in the best interest of the working class. Mr. Pastore thought that the shift toward free unions involved a real change in the outlook of the Italian worker. The Communists have rationalized the shift as the temporary effect of managerial and U.S. intervention into Italian trade union affairs.

*Political Effect of Progress by Free Trade Unions*

Mr. Freund inquired whether recent free union gains may be expected to have a favorable effect on the administrative elections which will be held next spring. After asserting confidently that there will be no "catastrophe" in the administrative elections, Mr. Pastore said the gains of the free unions will be translated into gains by democratic political parties at the polls in proportion as these parties are able to satisfy the claims of the working class as expressed by the free unions. If the democratic parties, through policy and legislation, demonstrate that they are working for the real good of the working man, they will gain votes in 1956. However, if they fail to identify themselves with working class objectives and make no progress toward realizing these objectives through concrete political action, they will probably lose votes. Some workers who have recently switched

their votes in shop stewards' elections from the CGIL to CISL may still vote for the Communists in a political election if they are not satisfied that the democratic parties are trying to do something for them. Likewise successful political action by the democratic parties during the next few months would attract votes for those parties from among workers who still voted for the CGIL in the last shop stewards' elections.

#### *Request for an Increase in U.S. Immigration Quotas for Italy*

Mr. Pastore said that Italy's basic problem was unemployment and that while the number of unemployed has dropped in the last few years, it can never be cut to manageable proportions unless there is an expansion of emigration outlets. The official figures on unemployment oscillate between 1,800,000 and 2,100,000. No estimate of less than 1,500,000 is realistic. In addition there is an equal number of "under-employed" workers. Mr. Pastore said that the U.S. could provide great relief for this problem and score a propaganda success in Italy if we either (a) increased our annual quota for Italian immigrants, or (b) allotted to Italy the unused numbers from other Western European quotas (he thought there were about 75,000 such unused numbers each year). The fact that Italy has such a low quota as compared with other European countries is cited by the Communists as evidence of U.S. discrimination against Italy and particularly against the Italian working class. In Mr. Pastore's opinion the U.S. could easily absorb 75,000 Italians per year without detriment to the U.S. economy. Such an annual flow of emigrants out of Italy each year would have salutary political and economic effects in Italy. He wished to point out that he understood that since further applications under RRP would shortly be halted (because the present waiting list exceeds the number of visas to be issued under that program before December 31, 1956), the RRP outlet is for all practical purposes closed and Italy now has only the small regular immigration quota.

#### *UIL-CISL Relations*

Mr. Murphy inquired about the state of relations prevailing between CISL and the other free trade union UIL. Mr. Pastore replied that no improvement has taken place recently and that UIL now takes every opportunity to hit at CISL. UIL usually makes its attack against CISL in the factory just a day or so in advance of shop stewards' elections. UIL employs the anti-clerical theme against CISL. UIL fights CISL just as much as it does CGIL with the result that there is a three-way battle in the trade union field. Mr. Pastore said that although the ICFTU has laid down the objective of a merger of the free unions in Italy it has set no date and UIL is actively opposing the objective itself.

When queried concerning the basis for UIL differences with CISL, Pastore replied that it was not merely a question of personalities but of fundamental outlook on the role and function of trade unions. UIL takes the traditional Socialist view that the union must be tied to a political party which expresses in the political sphere the claims of the union. On the other hand CISL has always opposed ideological uniformity among its membership and it wishes to keep free of direct ties with political parties, so that the union is really a union (such as in the U.S.) and therefore is not merely an instrument of a party such as the CGIL is for the Italian Communists. Mr. Pastore pointed out the curious fact that despite UIL claims to represent democratic socialism, CISL has more Social Democrats in its membership than does UIL.

*Pastore's Request for Further OSP Aid to Italy*

After expressing again his union's appreciation for U.S. aid to Italy, and especially OSP contracts over the past few years, Mr. Pastore said he wished to assure us that no U.S. aid such as OSP could ever be considered "superfluous" in Italy. Every bit of it helped Italian workers. He hoped that OSP could continue.

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**94. Letter From the Ambassador in Italy (Luce) to the Assistant Secretary of State for European Affairs (Merchant)<sup>1</sup>**

*Rome, December 1, 1955.*

DEAR LIVIE: On March 24, 1955, Undersecretary of State Hoover forwarded the Embassy two copies of the Outline Plan of Operations for Italy approved by the OCB on March 2, 1955.<sup>2</sup> At the same time he requested that our comments and a progress report be sent directly to you.

The Outline Plan has been studied by all the representatives of the OCB member agencies in Rome and discussed at a number of the weekly meetings of these representatives held under my direction. The situation in Italy has been so unstable for the last six months that it did not seem as if any report could be of value. A report was prepared in July, but by the time it was ready to go forward the situation had changed.

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<sup>1</sup> Source: Department of State, Central Files, 611.65/12-155. Top Secret; Official-Informal.

<sup>2</sup> Document 67.

There are forwarded attached, nonetheless, two copies of a report prepared in the Political Section of the Embassy [*less than 1 line of source text not declassified*] embodying not only the suggestions of USOM and USIS, but also the results of conferences with those and other sections of the Embassy. I concur with this report and think it presents as sound an analysis of the situation today and the prospects for tomorrow as is possible under the circumstances.

As you have noticed, not only from my reports, but also from my conversations with you, I have been most concerned by the possibility of a slipping to the left in Italy. The Soviets moves during the summer have had an effect here both in internal as well as foreign policy. The Center Democratic forces had strengthened themselves by spring time, and if they had struck some really hard blows at Social-Communist strength, they might have eliminated the danger from that quarter. But they didn't really try very hard to launch an effective anti-Communist campaign; they merely made noises to please us! Thus, with the change in the international scene they found themselves in a box. Now the situation *may* have improved somewhat.

I think we must continue to support the Center—a move to the Left is unacceptable, while a move to the right would be politically unpalatable in Italy today. On the other hand, I don't think we should expect any earth-shaking anti-Communist moves. If we can head off an "opening to the left" by which the Socialists are used as an organized party by the Government, and if the international situation continues to result in the détente's not being translated into real Soviet concessions of substance, I think there is some chance that the trend of organized labor away from the Communists will continue, that the drop in influence of the Communist press will be maintained, and that the slight political amelioration of the center parties, especially the Christian Democratic Party, will increase. The two *ifs* are important.

Having submitted this report on the OCB plan of March 2, 1955, we shall await further instructions, in the meantime carrying on as indicated in the Plan and our report. We would, however, like to suggest some changes to NSC 5421/2.<sup>3</sup>

With best regards.

Most Sincerely,

Clare

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<sup>3</sup> Reference should be to NSC 5411/2, "United States Policy Toward Italy," April 15, 1954; for text, see *Foreign Relations, 1952-1954*, vol. VI, Part 2, p. 1677.

**Attachment**

**Memorandum From V. Lansing Collins, Jr., [less than 1 line of text not declassified] to the Ambassador in Italy (Luce)<sup>4</sup>**

*Rome, November 15, 1955.*

**SUBJECT**

Operations Coordinating Board Outline Plan for Italy, March 2, 1955

**I. General**

As directed, the following comments are submitted for your approval and transmission to Mr. Merchant in reply to Under Secretary of State Hoover's letter of March 24, 1955. These comments are the result of discussions at the regular meeting of the OCB agency representatives and of a series of meetings between Mr. Collins and Mr. Francis Deak, Chief of the Economic Section; Mr. Fulton Freeman, Special Assistant for MDAP affairs; Mr. Edward T. Long, Acting Labor Attaché; and Miss Barbara White, USIS. The full cooperation of other sections of the Embassy was received when needed to answer specific points. The memorandum has received the concurrence of the Minister and of the Counselor.

1. The Outline plan of operations for Italy, hereafter called "The Plan", is based on NSC 5411/2. Certain revisions of this NSC paper seem called for and will be submitted soon. These suggested revisions will be generally reflected in the comments regarding the Plan.

2. One general comment regarding the Plan is that many of the items therein are unduly specific and thus become outdated quickly or give unwarranted emphasis to minor programs. An effort will be made to suggest an elimination or rewording of these items.

3. The *Present Situation* outlined on page 1 of the Plan no longer seems to reflect "steadily growing" Communist strength as mentioned in the Plan. In the summer and fall of 1955 it rather seems that Social-Communist strength has been stabilized and to some extent balanced by strengthened Democratic forces, although the Social-Communists continue to represent a most dangerous bloc. The basic problem now facing the US in Italy, it seems, is whether Democratic forces can act effectively to eliminate the Social-Communist threat or will permit it to live on undisturbed awaiting either a more propitious moment for the seizure of power or the encouragement of Italy's taking a neutralist position through an understanding between the Socialists and the Christian Democrats. 1955 has been marked by Government immobility resulting from inability of the Democratic forces to get together and form a really effective Government. This immobility *might* only really be solved by new elections. The advent of the Segni Government in

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<sup>4</sup> Top Secret.

July 1955 augurs no improvement on this score. There is, moreover, much evidence that responsible Center leaders, particularly the President of Italy, Gronchi, are seriously considering methods to cooperate with the Nenni Socialists.

4. While the *Operational Techniques* mentioned in paragraph 3a (page 1) of the Plan remain valid, the considerably smaller amount of direct economic aid available lessens greatly the bargaining position of the US. In using this technique the effectiveness of the "carrot" approach should not be overestimated in the relatively prosperous Italy of today. Insofar as paragraph 3b (page 2) of the Plan is concerned, it should be noted that the policy outlined has been initiated and will be continued; these programs appear later in the *actions agreed upon* section and therefore might possibly be omitted from this paragraph which relates to operational techniques rather than to the details of the Plan. It is suggested that the word "additional" on line 1 and the words "increase its efforts to" in paragraph 3b3 should be deleted and the sentence changed to read "the United States should encourage the development and strengthening of anti-Communist and/or pro-Democratic organizations."

5. The paragraph *Timing and Emphasis*, paragraph 4 (page 2) of the Plan, should be recast to state merely that while the full impact of the Plan can not be expected immediately, there will be interim effects which will show up in the next National elections. Emphasis should still be given to the South (including Sicily and Sardinia) because of economic conditions there without, however, losing sight of the serious problems which must be faced in the rest of Italy. There are depressed areas in the North, such as the area southeast of Bologna and the Trieste Territory. Furthermore, the months to come will be extremely critical ones for the free trade unions in the North.

6. Throughout the Plan reference is made to the Scelba Government's anti-Communist campaign often spoken of as the December 4, 1954 plan or program. It should be borne in mind, it is submitted, that the December 4 announcement and the earlier statement of the Spring of 1954 were merely policy declarations of the Scelba Cabinet. They were thus policy declarations of a government no longer in power which have not been and are not going to be specifically endorsed by the Segni Government. The Segni Government has never indicated that it would pursue an anti-Communist program labelled as such. In fact, the Segni Government has taken little or no anti-Communist action of any kind. It is therefore submitted that the Plan should contain no language treating these Scelba Government declarations as anything more than what they were. Thus the results can better be gauged.

[Here follows the body of the 21-page report, consisting of detailed comments on each paragraph of the "Actions" section of the OCB Outline Plan.]

## 95. Report Prepared by the Operations Coordinating Board<sup>1</sup>

Washington, January 4, 1956.

### PROGRESS REPORT ON UNITED STATES POLICY TOWARD ITALY (NSC 5411/2)<sup>2</sup>

(Policy Approved by the President April 15, 1954)

(Period Covered—November 1, 1954–January 4, 1956)

#### A. Listing of Major Developments During Period

1. *Changes in Italian Political Leadership.* Gronchi, a Left-wing Christian Democrat, was elected to a seven-year term as President of Italy on April 29, 1955. After a prolonged crisis within and among the parties behind his Center coalition, Premier Scelba resigned on June 22, 1955. A new Center coalition government was formed by another Christian Democrat, Segni.

2. *Italian Foreign Policy Developments.* Italy continued its close collaboration with the U.S. and the Western Alliance but had considerable difficulty in adapting its foreign policy to Austrian neutrality, the change in Yugoslav-Russian relations and the general international détente. Italy increasingly emphasized its claim for a greater role in international affairs as manifested by its drives: UN entry, which it achieved,<sup>3</sup> participation in UN disarmament discussions prior to gaining UN admittance, greater Western consultation with Italy, and a more important voice in Near Eastern affairs.

#### 3. Internal Politics.

a. *Internal Stalemate.* The instability of the Italian Government continued, due to the narrow parliamentary margin of the Center parties and extensive differences on internal policy within and among these parties. Divisions within the Christian Democratic party are aggravated by the favorable responses of some Christian Democrats to Nenni Socialist overtures for cooperation offered on the basis of enactment of social and economic reforms but probably involving a neutralist foreign policy as well. Public debate is centered on the question of whether the axis of the Government should be shifted Leftward to secure the support of the Nenni Socialists. The prevailing public mood is one of political cynicism.

<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Top Secret. A Financial Annex is not printed. A covering memorandum from the OCB Secretariat Staff, February 14, notes that the OCB concurred in this report for transmittal to the National Security Council on January 4, 1956, and that the NSC noted the report on February 9. See Document 98.

<sup>2</sup> *Foreign Relations, 1952–1954*, vol. vi, Part 2, p. 1677.

<sup>3</sup> Italy was one of 16 nations admitted to the United Nations on December 14, 1955.

b. *Softening of Anti-Communist Policy.* The Italian Government, though remaining dedicated to the "defense of democracy", has ceased to make a public issue of Communism. Scelba's anti-Communist program of December 4, 1954 has been quietly dropped.

c. *Fortunes of Political Forces.* Although the Communists have lost some ground their basic strength remains unimpaired. Their faithful allies, the Nenni Socialists, benefiting at least temporarily by the new Soviet tactics, have made gains. The organizationally-improved Christian Democrats have gained ground at the expense of their lay democratic allies and the Right-wing parties. Communist domination of Italian labor has been weakened by free union gains. The Christian Democratic organization of independent farm proprietors increased its already overwhelming predominance over its Communist competitor.

4. *Military.* The Southern European Task Forces (SETAF) was established on October 25, 1955 in response to the Italian Government's request that the U.S. redeploy a portion of its former occupation forces in Austria to North Italy in order to strengthen NATO defenses in that area. [1 line of source text not declassified] Parliamentary action on the NATO SOF agreement was completed on November 11, 1955 but it will not become fully effective until about January 1, 1956. The total military aid (matériel and services) for FY 1955 amounted to \$200.3 million bringing the total deliveries of MDAP to 72% completion of the total MDAP program. During FY 1955 \$50.3 million in OSP, Special Facilities and Mutual Weapons Development contracts were let, making a total of about \$450 million since 1951.

#### 5. *Economic Sphere*

a. *Economic Stability and Improvement.* During the past year the Italian GNP increased 6% in real terms, a rate of growth exceeding that projected in the long range Vanoni Plan. Employment increased more than the increment to the labor force, although approximately two million are still registered unemployed (9.5% of the labor force) and about one and one-half million are underemployed. The overall balance of payments has improved without a commensurate improvement in EPU.

b. *U.S. Funds.* In addition to FY 1955 defense support (\$15.5 million discharging U.S. obligation under Trieste settlement plus \$1.2 million obligated for TE and ICA Coal Program \$3.4 million), PL-480 will provide resources for supplemental feeding of school children, voluntary agency food programs and (under Title I when the sales agreement is fulfilled) local currency proceeds for economic development of the South. Major emphases in TE were development of an institutional base to spur free enterprise and an expanding economy to strengthen the National Productivity Committee, to improve public and private management, and to improve organization and operations of free labor unions.

c. *Loan Agreements.* An Ex-Im Bank loan to finance purchase of U.S. machinery and an IBRD loan to finance South Italian development were negotiated.

d. *Further Steps Toward Economic Development.* The Segni Government is publicly committed to the objectives of the long-range expansion studies called the Vanoni Plan. OEEC encouraged the Italians and requested more detailed plans. The Italian Government made unsuccessful efforts to obtain an official US commitment to assist in financing further economic expansion.

6. *Information Activities—USIA.* USIA assisted an Italian Government information program to initiate operations in South Italy and Sicily, aimed at winning just credit for the accomplishments of the Democratic coalition. An indigenous national committee was formed which sponsored six training seminars for young Democratic party and union leaders. USIA helped explain U.S. policy on OSP, collaborated with the free labor unions in organizing information training seminars, and provided materials to democratic organizations for use in their own anti-Communist programs. It assisted in establishing courses on American subjects at several Italian universities, promoted publication of American books, cooperated with State in a leader exchange program, supported cultural events under the President's Fund Program and cooperated with Defense in maintaining a satisfactory public relations climate for U.S. forces.

7. *Refugee Relief Program.* Of a 60,000 quota which should be filled before the final deadline of December 31, 1956, 32,499 Refugee Relief Program visas were issued to Italians up to October 14, 1955 (refugees 2,428; orphans, escapees and expellees 635; and relatives 29,436). RRP announced it would not process any applications for refugees or relative visas after December 31, 1955.

#### B. Summary Statement of Operating Progress in Relation to Major NSC Objectives<sup>4</sup>

The basic policy paper is adequate and no revision is recommended at this time.

Despite U.S. initiatives and vigorous and successful actions by the U.S. Ambassador during the past year, U.S. ability to decisively influence Italian developments continues to decline from the high point reached during the period of large U.S. economic aid. However, U.S. influence is still considerable and U.S. prestige remains high. (See paras. 10 and 14)

<sup>4</sup> Latest NIE dated November 16, 1954. A revision of short-term political outlook now being prepared, with scheduled publication about the end of January, 1956. [Footnote in the source text.]

8. *In Strengthening and Stabilizing the Center Coalition.* The changes in top Italian leadership were unfavorable. Although Premier Segni has maintained the Center coalition he is indecisive and his outlook is provincial. His weakness increases the range of maneuver of President Gronchi [*3 lines of source text not declassified*]. In response to this situation, the President has invited Gronchi for a state visit beginning February 28. Despite constant U.S. encouragement [*less than 1 line of source text not declassified*] the Center coalition is probably weaker than a year ago and is so divided on internal issues that a government crisis could occur at any time. Unity of the Christian Democratic Party is hampered by personal rivalries as well as policy differences. The inability to secure passage of social and economic reform legislation limits the Coalition's possibilities of improving its public backing at the expense of the Left. The composition of the present Parliament makes it unlikely that a stable government can emerge in Italy until after the next national elections which must take place before June 1958. If elections were held now the Christian Democrats and Nenni Socialists would probably gain as compared with 1953, the Communists would very nearly hold their ground, and the Right-wing and small Democratic parties would suffer losses. Although the organization of the Christian Democratic Party is improving, it is doubtful that this party is yet capable of winning by itself the absolute Parliamentary majority that could form the basis of increased political stability in Italy.

9. *In Strengthening Italian Collaboration with the Free World.*

a. *Italian foreign policy.* The new international conditions have caused the Italian Government considerable anxiety regarding Italy's defense posture and the adjustments required in her foreign and internal policies. It has had to defend stoutly its collaboration with the Western Alliance against a powerful Socialcommunist campaign in favor of a neutralist foreign policy, the establishment of more extensive relations with the East including Communist China, and a widening of the governmental majority to include at least the Nenni Socialists. The Italian Government and the parties supporting it were greatly relieved by the failure of the Geneva Conference. Influenced by uncertainty over the implications of the "Geneva spirit", the constant pressure of the Left, the need to compromise with the Right (at the price of developing a certain degree of Italian independence from its allies) in order to assure a substantial majority on foreign policy questions, the desire for increased international prestige, and the influence of President Gronchi and his Foreign Office supporters, Italian diplomacy during the past year undertook a number of initiatives, risky ones with the East and ill-advised ones with the West, [*less than 1 line of source text not declassified*]. However, with establishment of SETAF, partly as a result of Italian initiative, passage of SOF and exchanges of visits

(Scelba and Martino in Washington, Secretary of State in Rome)<sup>5</sup> Italy's ties with the West were cemented more tightly. Admission of Italy to consultation with the U.S., U.K., and France on the Middle Eastern arms question represented an achievement for Italy. Although the Italian public has not yet learned of this, it was pleased by Italy's admission to UN, but hopes for much more.

b. *Military.* The Southern European Task Force (SETAF) of 5,500 troops, now two-thirds deployed to North Italy, has strengthened the Southern flank of NATO and has furnished an added element of stability in Italy. Ratification of the NATO Status of Forces Agreement (SOF) removes the final obstacle to initiation of the military construction program and resumption of planning for additional deployment. MDAP generally met its objective in counteracting military deficiencies in the past year. Italy still accepts NATO force goals but its military budget is insufficient to permit attainment of these goals. There will be shortfalls in all three services in relation to 1954 annual review of force goals. The most serious weaknesses are in the air control and warning system, anti-submarine warfare, and deficiencies in the whole field of logistics. Although the effectiveness of the Italian defense forces has increased, deficiencies remain outstanding among all three services.

10. *In Combatting the Communists.* [1 line of source text not declassified] The greatest success against the Left occurred in the trade union sphere where the OSP program, political screening for individual Italian plants benefiting from U.S. direct aid and procurement programs, U.S. encouragement of the free unions, and the increased organizational efficiency of the free unions, were decisive factors. These U.S. policies, which were effectively carried out by the U.S. Ambassador, have caused a more favorable attitude toward free labor in some sectors of Italian management and have helped the free unions to reduce the extent of Communist predominance in the labor field. Firms affected by OSP screening criteria showed greater free union gains at the expense of the Communists than were made in other Italian plants. There is no assurance that Communist labor losses will be translated into Communist electoral losses. Technical Assistance programs, which the Communists oppose, are also favorably affecting labor-management views and relationships. [less than 1 line of source text not declassified] U.S. companies with businesses in Italy are now beginning to follow labor policies consistent with OSP criteria. The press carried an increasing amount of anti-Communist material. The Communist Party was put on the defensive partially as a result of the Scelba Government's official attitude of hostility against it, expressed

<sup>5</sup> Scelba visited the United States, March 27-30, 1955; see Documents 69-75. Dulles visited Rome, October 22-23, 1955; see Documents 88 and 89.

in specific actions and the un-implemented December 4, 1954 anti-Communist program. However, official action against the Communist apparatus has virtually disappeared under the Segni Government. The beginnings of more determined anti-Communist governmental actions and public attitudes (under Scelba) were blunted by the new "soft line" of the Communists.

11. *In Strengthening Italy's Economy.* The continued financial stability and increasing productive ability of the Italian economy reflects in part the effectiveness of past U.S. aid programs. Economic aid funds, counterpart and local currency resources and TE efforts are being concentrated as much as possible in problem areas, combining political and economic actions with the effects noted above.

#### C. Major Problems or Areas of Difficulty

12. *Maintaining the Center Parties in Power—Preventing a Shift to the Left.* Notwithstanding the Geneva results, the main internal issue in Italy for at least some time to come will be whether the majority behind the Italian Government should be broadened to include the Nenni Socialists. Resistance to the shift Leftward may be seriously weakened by further disunity within the Center coalition (especially within the Christian Democratic Party) and by pressure for passage of internal reform measures.

[Numbered paragraph 13 (4½ lines of source text) not declassified]

#### 14. Western Collaboration.

a. *Political.* It is probable that the U.S. will still be confronted with [1½ lines of source text not declassified] the need to find appropriate means to satisfy legitimate Italian aspirations for greater consultation and a more prominent international role. However, with entry to the UN on 14 December, Italy will realize a new and measured prominence in international affairs.

b. *Military-Economic.* The question of continued MDAP support remains. Though Italy's rate of economic expansion indicates a capacity to increase defense expenditures and thus reduce, but not eliminate, the gap between requirements and current expenditures, political difficulties limit possibilities of increasing defense expenditures.

15. *East-West Trade.* Tendencies on the part of Italian leaders and increasing public pressures indicate the possibility that Italy may develop trade with the Eastern bloc including Red China.

16. *OSP.* The decline in volume of OSP and its possible early disappearance threatens the modest industrial base for armaments now existing in Italy and could result in significant reversals of the extensive recent gains of the free unions in OSP-recipient plants, gains which were largely achieved through OSP leverage. This in turn could create an adverse public reaction with attendant possibilities for propaganda detrimental to the U.S.

*17. Economic Problems:*

a. *Economic Expansion.* The Italian Government is publicly committed to the further elaboration of long-range development plans and it can be expected to continue pressing the U.S. to contribute to their financing. As these plans are further elaborated, the U.S. may have to consider whether and how to render marginal assistance.

b. *Foreign Investment.* Though Italian legislation may soon be enacted to improve the climate for general foreign investment in Italy, the petroleum bill now under consideration does not provide attractive terms for foreign companies to participate in Italian petroleum development. Any attempt to modify the petroleum bill in a way less favorable to Italian nationalist sentiment will encounter great political difficulties.

c. *PL-480.* Though Italy wishes to negotiate a new agricultural surplus agreement (\$50-\$100 million), problems are presented by her probable inability to realize these commodity imports at the quoted prices (as in the current program), and by her desire to obtain a greater percentum of the lira proceeds for Italian uses.

d. *Technical Exchange.* A decision to eliminate bilateral U.S. Technical Exchange aid to Italy, now being considered, may raise problems of (1) obtaining adequate Italian budget and foreign exchange support to maintain the pace of the productivity program and (2) increasing the coverage of multilaterally-supported programs and private financing to meet the needs of special problem areas.

18. *Immigration.* Since the termination of the Refugee Relief Program expected at the end of 1956 will leave Italy with nothing more than its regular annual quota of 5,645, the Italian Government has started to exert pressure for an upward revision of this quota, transfer of unused Western European quotas to Italy, and the establishment of further special U.S. immigration programs.

**96. Memorandum From the Director of the Office of Western European Affairs (Jones) to the Assistant Secretary of State for European Affairs (Merchant)<sup>1</sup>**

*Washington, January 17, 1956.*

**SUBJECT**

The need to re-assess the Italian political scene

A fresh assessment of the Italian political situation is prompted by the recent passage of the important Tremelloni Tax Reform Bill with the parliamentary support of the Communists and Nenni Socialists and their claim that support given on this and several previous occasions has made the Segni Government dependent upon them. They claim that, in fact, the Center majority that put Segni in power has been liquidated by events and that a new majority, consisting of the Left and the Left-wing of the Center, has been formed in its place. Therefore, they assert, the "opening to the Left" has already taken place. It is immaterial whether any kind of "opening" has occurred (quite apart from the fact that there are so many current interpretations of the phrase "opening to the Left"). What is important is that the situation to which the Left refers requires evaluation.

*Recent Instances of a Center-Left Majority*

The Left cites as evidence of its argument the presidential election of Gronchi (April 29), the passage of the Military Tribunals Bill and the Interior Budget (both in October), the election of the Constitutional Court Judges (November), and the passage of the Tremelloni Tax Reform Bill (December). All except the first of these instances are discussed in detail in a memorandum prepared by DRW (enclosure #1)<sup>2</sup> and a breakdown of these votes, together with comments, is

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<sup>1</sup> Source: Department of State, Central Files, 765.00/1-1156. Secret. Drafted by Engle and Freund.

<sup>2</sup> Enclosure 1, not printed, was a memorandum entitled "The De Facto 'Opening to the Left' in Italy," prepared by the Division of Research for Western Europe. It analyzed the Left's claims that the government was now dependent upon its support, and concluded that whether or not any specific arrangement for collaboration existed between the Nenni Socialists and the Christian Democrats, the Left would continue to support government measures which minorities within the center coalition opposed in an attempt to either split the coalition or to force the government into abandoning its legislative program, thereby damaging its chances in the local elections scheduled for the spring.

given in a memorandum prepared by WE (enclosure #2).<sup>3</sup> It should be noted that there is no public evidence that Leftist support on the measures given above was prearranged, except in the case of the Constitutional Court where the Constitution required a 3/5 majority which the Center coalition does not enjoy. All of the above instances involved ad hoc majorities, formed for a single given occasion. The Military Tribunals Bill very likely would have passed without Leftist support. Segni could have got the Interior budget through by delaying the vote or having a re-vote, making it a confidence vote if necessary (on this issue the Left merely left the Senate floor, permitting a handful of Center Senators to prevail over the few Monarchists and neo-Fascists present). The Tremelloni Tax Bill also might have passed by a small majority without Left support.

#### *What is the Explanation?*

Basic to all of these instances of a Center-Left ad hoc majority is (a) the division among and within the Center parties, especially within the Christian Democratic party, and (b) the aim of the Left to create the impression that it is keeping the Segni Government in power, in order to provide circumstances propitious to the eventual formation of a new Government which is in fact based on a Center-Left majority. Ever since the national elections of June 7, 1953 the Center parties have been divided on almost every important issue, the basic division being that which separates the Liberals and the Right-wing Christian Democrats from the remaining Christian Democrats, Social Democrats and Republicans. Premier Scelba found that he could not get a Reform Program through since he could never muster the unanimous support of Center Parliamentarians that was required for the passage of any measures of his Government's internal program. Apparently Segni (probably pushed by Fanfani for some reasons and by Gronchi for others) has resolved to get through at least part of his reform program whether the Center coalition which put him in power and helped him formulate the program gives unanimous parliamentary support to his reform measures or not. It is likely that Segni, confronted in a pre-electoral period (local elections throughout Italy are tentatively slated for April or May 1956) by the alternative of further immobility through the lack of his Center majority's unanimity on reform issues on one hand and the necessity of getting through part of his program for the sake of the election campaign, chose the latter.

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<sup>3</sup> Enclosure 2, an "Analysis of Parliamentary Votes Which the Left Cites as Evidence That a De Facto 'New Majority' Based on Itself Had Been Formed," prepared by the Office of Western European Affairs, is not printed. It details the support that each party had given to recent bills voted on in the Italian legislature.

Although there is no positive evidence of premeditated arrangements for Socialcommunist support (except in the unique case of the Constitutional Court Judges), there is reason to suspect that Gronchi rather than Segni is the behind-the-scenes manipulator. Gronchi of course is publicly committed to the establishment of a Government based on collaboration with the Nenni Socialists at the earliest possible moment. His wire pulling can be explained only partially in terms of expansion of the presidential powers and by Segni's weakness. It is extremely doubtful if Gronchi's maneuver could succeed for very long if the Christian Democratic party were united. The disunity in this party is to some extent a result of differences in ideology but also arises from (a) personal feuds between the "ins" and the "outs" and the former "ins" and the former "outs"; (b) the decision of Segni to press forward with his legislative program, which is based on a political estimate (which in itself is probably sound) that in a pre-election period continued *immobilismo* is disadvantageous; and (c) the powerful anti-reform vested interests controlling the Right-wing Christian Democrats.

#### *Comments*

It is not yet clear whether the Center or the Left will benefit more from the support which the Socialcommunists have been giving to certain of the Segni Government's measures. Since these reform measures contribute to the realization of the Center coalition's program and in the long run reduce or remove the social and economic basis of much of the Left's attacks and platform, their *ultimate* beneficiary should be the Center. However, reports from Rome indicate that the *short-run* benefits of this legislation seem to be accruing in favor of the Left. There is much confusion among the public as to whether the Center or the Left should be credited with putting through the reforms. Unless this trend is reversed, this could be costly to the Center parties in coming elections.

The prestige of Nenni was greatly raised by the "Geneva spirit", the effect of which has not disappeared, and seems to be enhanced still further by his party's support for internal reform measures. The old, relatively clear-cut distinction between the Center and the Left seems to be fading and Nenni finds it relatively easy to proceed with a straight face to proclaim continued unity of action with the Communists at the same time that he expresses willingness to support the Government on domestic legislation. In continuing these two paradoxical lines of action he has the advantage that there is no significant international policy matter on the parliamentary agenda during the next few months that would force him to unmask himself (the Center being united on foreign affairs).

We have, then, a situation in which an essentially weak Segni Government could, despite the opposition on internal reform matters of the Liberals and a serious split in the Christian Democratic Party, continue in office so long as the Left finds it profitable to keep it there. And its remaining in power in that manner would very likely be under circumstances which would benefit the Left rather than the Center in either local or national elections.

*How Can a "Shift to the Left" be Frustrated?*

The democratic forces in Italy could endeavor to frustrate the Socialcommunists' attempt to promote the formation of a new Center-Left majority by (a) precipitating national elections or (b) re-establishing Center unity by agreeing to shelve the most controversial legislation and by singling out at least a few measures upon which they will reach agreement and then carry them through parliament by a solid Center party majority, thus greatly reducing (by rendering unnecessary) the effectiveness of any Socialcommunist support. It is difficult to estimate which of these two alternatives involves the less disadvantageous probabilities for the Center. This, in fact, has been the dilemma of the Center ever since the last national elections in 1953. Clearly the Center must have a greater majority of the seats in Parliament in order to be able to make substantial legislative progress. However, the political climate in the country is such that national elections in the near future might very well produce even less favorable results than those of 1953. On the other hand, the Center has to have a record of legislative achievement to put before the public in an election campaign. It therefore stands to lose sympathy with the electorate by further *immobilismo* and further degeneration of Center party unity seems more likely with the passage of time.

[Heading and 1 paragraph (7½ lines of source text) not declassified]

*Recommendation*

That we take advantage of the presence of Ambassador Luce in Washington to discuss the foregoing.<sup>4</sup>

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<sup>4</sup> Luce was in Washington in January for consultations.

97. National Intelligence Estimate<sup>1</sup>

NIE 24-56

Washington, February 7, 1956.

THE POLITICAL OUTLOOK IN ITALY

The Problem

To estimate probable political developments in Italy through 1958 and their implications for Italian domestic and foreign policy.

Scope

The most notable recent development in the Italian scene has been the growing interest in the possibility of parliamentary cooperation between the governing center coalition and the parties of the extreme left, particularly the Nenni Socialists.<sup>2</sup> This estimate is principally devoted to an examination of this possibility and of other discernible trends in the Italian political scene. [4½ lines of source text not declassified]

Conclusions

1. The current political situation in Italy is characterized by growing popular pressure for more rapid progress in a domestic reform program, by the governing center coalition's lack of the cohesion and discipline necessary to enact such a program, and by the extreme left's tactics of supporting the coalition in important votes on domestic issues. Most Italians believe that the danger of general war has receded and there is a feeling that Italy should give primary attention to the solution of its domestic problems. Despite continued industrial growth and comparative financial stability, the severe problem of unemployment remains and the need for social reform persists. (Paras. 11, 31, 36)

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<sup>1</sup> Source: Department of State, INR-NIE Files. Secret. An attached chart showing the party composition of the Italian Chamber of Deputies as of January 1, 1956, is not printed. According to a note on the cover sheet, "The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff. Concurred in by the Intelligence Advisory Committee on 7 February 1956."

Another note on the cover sheet indicates that NIE 24-56 was a supplement to NIE 24-54, "Probable Developments in Italy," November 16, 1954. (Department of State, INR-NIE Files)

<sup>2</sup> This possibility is currently characterized in Italy as the "opening to the left." However, the phrase has no precise or generally accepted definition. It is used to describe a variety of possible arrangements, from mere parliamentary support of center coalition reform measures by the Nenni Socialists to a Popular Front government including Nenni Socialists and Communists. [Footnote in the source text.]

2. The Christian Democratic Party lacks the cohesion and discipline necessary to fashion strong and stable governments now that the fear of Communism in Italy appears to have diminished. The party suffers from factionalism and personal rivalries, and the coalition governments which it has dominated have not accomplished enough of their reformist programs to satisfy their electorate. Some of those in the party who favor more rapid progress in domestic reforms are prepared to obtain the necessary votes by reaching some accommodation with elements to the left. In particular, President Gronchi has advocated parliamentary cooperation between the Christian Democrats and the Nenni Socialists, and has been exercising his influence to encourage this development. As of the moment, however, most Christian Democratic leaders are opposed to an open partnership with the Nenni Socialists so long as the latter retain their Communist ties. (Paras. 13, 16-19, 40)

3. The Communists have suffered some setbacks during the past year. These losses have occurred both in the trade unions and in the Sicilian regional elections. More important than the actual loss of votes has been its psychological effect—a widespread impression in Italy that the Communist Party has passed the zenith of its electoral strength. Nevertheless, the Italian Communist Party is still the largest in Western Europe, its electoral appeal remains great, and the recent setbacks cannot be regarded as a decisive reversal of trend. (Paras. 24-25)

4. The Nenni Socialist Party has become increasingly important in Italian politics because of its recent electoral gains, Communist setbacks, and the increased interest of certain Christian Democrats in pushing social reform. The Nenni Socialists have been encouraging the idea of cooperation between themselves and the Christian Democrats, and some of them have cultivated the impression that a growth in Nenni Socialist electoral support might eventually enable them to break with the Communists. Nevertheless, it is improbable that Nenni would give up his alliance with the Communists, even in order to enter a coalition with the center. (Paras. 27-30)

5. The Christian Democratic Party will dominate all Italian governments between now and the next general elections. Because of lack of agreement and discipline within the party, many of its leaders will probably welcome, and some may even solicit, the votes of the Nenni Socialists to push the reformist program to which the Christian Democrats are committed. In this event, a tacit collaboration between the government and the Nenni Socialists would probably emerge. We believe it unlikely, however, that such collaboration would be translated into a formal agreement. (Paras. 38-40)

6. Such a tacit collaboration between the government and the Nenni Socialists would be precarious and possibly short-lived. It could be endangered both by increasing demands from the extreme left in return for its support and by the restiveness of the Christian Democratic right in supporting a government which was consistently advocating reform legislation. (Para. 41)

7. If this tacit collaboration should break down, the situation might relapse into virtual immobility, or during a period of severe governmental crisis could result in a formal agreement between the center and the extreme left. We believe, however, that the Christian Democratic leaders will in general continue their present course, avoiding either formal collaboration with Nenni or the virtually static government which would follow were they to surrender to rightist pleas for a halt in the reform program. (Para. 42)

8. In the next general elections, which must be held by 1958, we believe the parliamentary strengths of the various parties will not be greatly altered. The political center of gravity will probably shift somewhat to the left. However, the maneuverings of parties and factions, the struggles for personal power among political leaders, the nature of progress toward reform, and possible changes in the international situation might alter the direction or dimensions of present trends. (Para. 45)

9. We believe that Italian foreign policy is likely to continue its pro-Western character. Italy will probably, however, display increasing independence and seek to avoid the appearance of subservience to the United States. (Para. 46)

10. However, if Nenni Socialist collaboration were to continue for some time or to become formal, or if the Nenni Socialists actually participated in the government, there would be serious danger that Italy's pro-Western policy would be gradually eroded even though not officially abandoned. (Para. 48)

[Here follows the Discussion portion of the estimate, which considers political and economic trends in more detail.]

98. Memorandum of Discussion at the 276th Meeting of the National Security Council, Washington, February 9, 1956<sup>1</sup>

[Here follow a paragraph listing the participants at the meeting and items 1-6.]

7. *United States Policy Toward Italy* (Progress Report, dated January 4, 1956, by OCB on NSC 5411/2; NIE 24-56)<sup>2</sup>

Mr. Anderson briefed the Council on the reference Progress Report, and pointed out that a new National Intelligence Estimate on Italy had just been issued. He thought that Mr. Allen Dulles might wish to comment on this new estimate.

[3 paragraphs (18 lines of source text) not declassified]

Secretary Humphrey inquired whether President Gronchi was coming here for money.<sup>3</sup> The President quipped that if he was, we were in a position to get tough with him.

Admiral Radford pointed out that whether or not President Gronchi was seeking U.S. funds, the Chief of Staff of the Italian Army would be seeking a lot more direct forces support, on grounds that otherwise Italy would be unable to maintain its current military force levels.

In conclusion, Secretary Dulles pointed out the rather relative prosperity of Italy at this time. In the light of this, the fact that Communism continued to maintain its position in Italy was further proof of the fallacy that Communism thrives only in desperately poor and undeveloped countries and that it can be reduced to ineffectiveness or eliminated by a high level of economic health.

*The National Security Council:*

Noted and discussed the reference Progress Report on the subject by the Operations Coordinating Board, and NIE 24-56.

**S. Everett Gleason**

<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason on February 10.

<sup>2</sup> Document 95 and *supra*, respectively.

<sup>3</sup> On December 17, 1955, the Department of State announced that President Gronchi would visit the United States, beginning on February 28. (*Department of State Bulletin*, January 2, 1956, p. 16) On February 17, the Department announced that Gronchi and his party would visit the United States, February 27-March 14. During March 2-14, Gronchi would tour selected American cities. (*Ibid.*, February 27, 1956, p. 331)

**99. Briefing Paper Prepared in the Department of State<sup>1</sup>**

*Washington, undated.*

**SUBSTANTIVE BRIEF FOR THE PRESIDENT FOR HIS MEETING  
WITH PRESIDENT GRONCHI AT 10:30 A.M. FEBRUARY 28**

*U.S. Objectives During the Visit*

It is precisely because of the controversial character, personality and intentions of President Gronchi and also of his ignorance of the U.S. that we have, early in his term of office, invited him to this country. We cannot hope to convert him on all issues and in fact, his pretensions toward executive power make it undesirable to pursue with him official matters that should properly be the concern of his Premier and the latter's cabinet. Thus, our objectives are to impress Gronchi with the spiritual and material power of the U.S., our friendly reasonableness, our enlightened motivations and the correctness of our vigorous policy in defense of the Free World.

A pertinent illustration of Gronchi's efforts to obtain executive powers is the fact that throughout the planning of his visit he has sought to convert it from a State Visit to an official one normally enjoyed by chiefs of government. Not wishing to deny him the opportunity to air his views, which is very important to him, Secretary Humphrey and I have each agreed to meet with him informally before two of the scheduled dinners. Gronchi will also have an opportunity to see Admiral Radford and General Twining, and by direct Italian arrangements, Mr. Eugene Black, Governor Harriman and Governor Dewey. Administration officials will avoid being drawn into normal government-to-government matters he may raise.

*Points President Gronchi May Raise*

1. He has no intention of proposing specific agreements but merely of portraying Italian and international problems as he sees them, with the expectation that action will follow in normal government-to-government channels.
2. He fears that he is misunderstood in America through no fault of his own and wishes to reassure you that he is anti-Communist and pro-West, though he may have legitimate differences of view as to methods the West should adopt.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Secret. No drafting information appears on the source text. The source text is undated but it was transmitted to the President by Secretary Dulles as an attachment to a February 25 memorandum dealing with arrangements for the State visit of President Gronchi.

3. Since his election internal reform measures have been adopted in Italy that were stymied for years. Much more remains to be done, and if the Nenni Socialists will support further reforms, so much the better. The little people of Italy will feel that they are better served and are less likely to turn to the Communists (he will probably make no distinction between the pro-Communist Nenni Socialists and the anti-Communist Saragat Socialists who are Social Democrats of the Center and comparable to other European Socialist parties).

4. Legislation being passed is in the U.S. interest too, viz., the foreign investment law, which he favored. He realizes our interest in the pending petroleum legislation, but the Italians would not understand it if their oil resources were turned over to foreigners. Their understanding might be increased if the U.S. showed more interest in the serious need for Italian large-scale economic development.

5. Italian economic development cannot await European integration. Without such development the Italian people would feel their normal aspirations were being thwarted, governmental instability would worsen and Italian support for the Atlantic policy would weaken. Prompt U.S. action is required in its own interest under Article 2 of NATO, so that the Italian people feel the U.S. sees them not merely as front line soldiers but as fellow humans in need of help. Rather than aid of the Marshall Plan type, he will seek large-scale loans that he claims would be a sound business venture for the U.S. and the IBRD. Given an affirmative response, he might suggest that a more favorable petroleum bill than the one now in Parliament could be passed.

6. Italy's problem of overpopulation and unemployment also requires for solution heavier emigration and he will express interest in the passage of the legislation you have recently proposed to Congress.

7. The West is losing out to the Soviet bloc because of concentration on military fields. Economic and social progress must be pressed forward by the West, led by the U.S. The U.S. must also appreciate that neutrals and neutralism are here to stay. Specifically, German unification is a vain hope without a neutral Germany and/or if the West would agree to proceed first with a European security pact and international control of armaments with, of course, a concurrent Soviet commitment that unification would follow within several months or years.

Italy's ability to play a larger role should be more fully appreciated and exploited in the UN and the councils of the Big Three with respect to the Mediterranean, NATO and East-West problems.

#### *Recommended Points to be made by the President*

(Since Gronchi is anxious to be heard and naturally loquacious, you may prefer to take, and later, re-take the initiative.)

1. Your welcoming remarks could include references to: the fact that Gronchi's is the first Italian state visit ever made to the U.S.; the remarkable economic and social progress in Italy since the war; the close interdependence of Italy and the U.S. in the post-war effort to preserve the freedom and dignity of the individual; and the importance of Italy's international position. (Gronchi may use as a theme in his visit the ten years of progress of democratic, post-war Italy, which theme we wish to encourage in hopes of placing him in the framework of his party and of past leaders such as DeGasperi and Einaudi who represented the most dependable post-war Italian elements and policies);

2. Your views on the situation facing the allies since the second Geneva Conference, perhaps stressing points made in your reply to Bulganin's first friendship treaty proposal and our assessment of the dangers and falsity of the Soviet-proposed European security pact without prior or concurrent German unification;

3. The importance we attach to self-initiated European integration and continued Italian leadership therein;

4. Our current assessment of Communist tactics in internal subversion in Western Europe, i.e., the growing efforts to restore "popular front" governments, the campaign to gain respectability through support of desirable internal legislation and our realization that Italy faces a particularly difficult problem in that its Nenni Socialist Party is committed to the Communists but attempts to portray itself as just another European Socialist Party. We see grave risk if European leaders permit the lines between the "Socialcommunists" and truly democratic parties to become blurred in the public mind.

#### *Proposed Response to other Points made by Gronchi*

If Gronchi raises such matters as the Italian need for large-scale economic development and U.S. loans to support it, it is suggested you reply in general terms and imply that these are questions that would appropriately be taken up between his Foreign Minister and your Secretary of State.

#### *Assessment of Gronchi*

Giovanni Gronchi was elected President of Italy on April 30, 1955 for a seven-year term by the two houses of Parliament sitting jointly. Under the Italian Constitution he, as Chief of State, is merely the titular executive. The real executive power resides in the Premier who is the head of the Cabinet which depends for its existence on the will of Parliament. The only substantive powers of the President are the decision to dissolve one or both houses of Parliament (but only upon the advice of the Premier and the speakers of the two houses), the

choice of the Premier (but only after hearing the political leaders; it is constitutional custom that he must heed the wishes of the majority in Parliament), and titular Commander-in-Chief of the armed forces.

While President Gronchi's predecessor limited himself to the foregoing role, the Italian Republic is so new (the constitution went into effect in 1948) that there is no clearly established tradition regarding the limits of the presidential powers. President Gronchi has made little attempt to conceal his intentions of expanding those powers by any available means, a subject that has been openly discussed in Parliament. His almost frank desire to encroach upon the sphere of the Government itself makes it particularly important to be aware that any views he may express are not necessarily those of the Italian Government. In fact it is known that many of his views on domestic and international politics are at complete variance with those of the present government of Italy.

Gronchi defies categorization, although he was one of the founders and remains identified with the largest party among the four center democratic parties in Italy, the Christian Democratic Party. Although he was President of the Chamber ("Speaker" of the lower house), he has never had a large personal following and his views frequently diverge from those generally held by his party. He is, however, believed responsive to Vatican attitudes. It is, therefore, particularly important to consider President Gronchi's personal attributes and views so far as we know them. He combines charm, cleverness, and forcefulness with a high degree of vanity, sensitivity to the personal regard in which he is held by others, [*less than 1 line of source text not declassified*] inconsistency, inexperience in international affairs and great personal ambition. He enjoys expatiating on his thoughts of the moment, thus creating varying impressions of his beliefs and policies.

As implied above, President Gronchi appears to conceive of his role as a national leader of unrivaled power. On the one hand, he claims to be anti-Communist; he has private, substantial business interests; he expresses belief in the Atlantic Community and he has shown active desire to improve the economic and social lot of the Italian people. On the other hand, he prefers a Government based on the collaboration of the pro-Communist Nenni Socialists with the Christian Democrats to the present Center coalition of democratic parties. Gronchi, we believe, considers this the means of ridding the Center of the small but "free enterprise" Liberal Party and reorienting the Center to a socialist program more in line with his fundamental outlook. He appears under the illusion that it is possible to cooperate with Nenni on domestic economic and social legislation without running the risk of compromising Italy's pro-Western foreign policy, even though Nenni has had a unity of action pact with the Communists for many years. When questioned, Gronchi replies that the Center coali-

tion is rent by dissension and has only a small majority; a broader, more stable majority is necessary in order to guarantee Italy progressive government. He either fails to understand or refuses to admit that collaboration with Nenni would split the Center and thus prevent the stable majority toward which Gronchi says he is aiming.

Gronchi is also believed to be critical of the United States on the grounds that it is too rigid in its foreign policy, inclined to disregard its allies in policy-making decisions, preoccupied only with military defense as a means of resisting Communism and blind to the positive factors in the Communist world that could be exploited for evolutionary development in desirable directions.

Gronchi seems genuinely desirous of solving the basic economic weaknesses of Italy, but looks to the U.S. and NATO for substantial assistance in his proposed solutions. Finally, Gronchi shares with most of his countrymen a strong desire for much greater Italian international prestige and, on certain terms, may be expected to give some support to the idea of European integration.

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**100. Memorandum of a Conversation Between the President and the Secretary of State, White House, Washington,  
February 27, 1956, 4 p.m.<sup>1</sup>**

1. I spoke to the President about the future of Ambassador Luce. I said that she had told me Saturday night<sup>2</sup> that she was entirely agreeable to staying on as Ambassador to Italy if the President and I so desired. But under these circumstances she would hope that the President would make clear to President Gronchi his confidence in her and that he was asking her to stay on because she was such a friend of Italy and could help relations.

The President said that he concurred in this recommendation. He thought it would be a mistake to change Ambassadors at this time and he did not see any other particularly adequate post for her.

I then spoke to the President about the somewhat neutralist tendency of President Gronchi and his ambition to play some sort of role as intermediary between the Soviet Union and the United States. I said that the Italian Government did not sympathize with this and that the major purpose of Gronchi's visit would be accomplished if President

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, Meetings with the President. Secret; Personal and Private. Drafted by Dulles.

<sup>2</sup> February 25.

Eisenhower could make clear to Gronchi that he thought such a course for Italy would have disastrous consequences for Italy insofar as United States' relations were concerned. The President said he would be glad to do this. I suggested that the seating arrangements at the luncheon might be such as to put them beside each other, where he could talk informally along this line. We then got the seating arrangements and discussed possibly rearranging them. The President also said that he would try to hint at this in the toast which he would give.

[Here follows discussion of subjects other than Italy.]

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**101. Memorandum for the Record of a Conversation Between  
President Eisenhower and President Gronchi, White House,  
Washington, February 28, 1956, 12:45 p.m.<sup>1</sup>**

This memorandum is prepared by Major Pasquale A. Romano, Army Serial Number 01045904, presently assigned to the Office of the Assistant Chief of Staff, Intelligence, Department of the Army. The following occurred during the discussion between President Eisenhower and the President of Italy, H. E. Giovanni Gronchi, in the White House on 28 February 1956 between 1245 and 1315.

The discussion opened and ended in an air of cordiality, mutual respect and understanding. [13½ lines of source text not declassified]

Then the conversation turned to NATO and was inspired by President Eisenhower's request for comment. President Gronchi stated that the general impression in Italy was that President Gronchi could not do anything with respect to NATO forces. President Gronchi commented by saying that he fully supported NATO and used an example to strengthen the point. He stated that upon assumption of the post as President, a law which was promulgated by the Scelba Government

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation. No classification marking. A memorandum attached to the source text, March 1, by John W. Hanes, indicates that the only written record kept of the Eisenhower-Gronchi meeting were informal notes by a military aide to President Eisenhower (presumably this memorandum). Hanes stated that the Italians had alleged after the meeting that the President made encouraging statements to Gronchi concerning the latter's desire to expand the powers of his office. Hanes stated that Colonel Goodpaster checked the notes, found that the President had much no such remarks, and noted that the Secretary might wish to request a copy of the notes in the event of future questions. A March 12 memorandum from Goodpaster, attached to the source text, states that a copy of the minutes was being sent to Dulles and Hoover only and was to be returned if they did not wish to retain it. A March 12 note from Hoover's office attached to the source text states that the Secretary's copy carried an "eyes only" classification and was to be filed with the Secretary's files and not made a part of the Department of State files.

placed a tax on gasoline which would make necessary use of aviation gasoline by Italian NATO planes very difficult because of the high cost. This high tax was nullified by President Gronchi as one of his first acts. The discussion then turned to the economic problem in Italy and was initiated by President Eisenhower with respect to natural gas and other petroleum derivatives in the Po Valley. Once again President Gronchi stated that an unfavorable law promulgated by the previous government presently exists which is unfavorable to the companies inasmuch as lawful rate of profit between the companies and the government is more favorable to the government at a ratio of approximately 65% to approximately 35%. Following this, President Gronchi sparred about a bit with respect to finances required by the Italians for the exploitation of these natural resources in the Po Valley. Finally, he said that Italy does not want handouts, but he felt that Italy should be able to borrow money. President Eisenhower stated that in his opinion the Italian worker is very capable and that were this capability to be utilized in the Po Valley it would open up a new source of revenue which would assist in raising the economy of Italy. He went on to say that he felt that American companies could and would provide technical assistance and that if research in the Valley indicated a successful venture, private American capital would accordingly find its way to Italy. President Eisenhower went on to say that he was not interested in the making of money by American oil companies since the item of paramount importance was that it be beneficial to the economy of Italy. As a matter of fact, he would not oppose business intercourse on this matter between Italy and England, so long as it would be beneficial, once again, to the Italian economy. The President went on to say, however, that the Italians could not, of course, get foreign capital in large amounts from any foreign source unless they gave fair terms and treatment to the companies supplying it.<sup>2</sup>

At this point President Gronchi turned again to the political factor by stating that when he assumed the presidency an unfavorable label was placed on his forehead which he compared to labels that were placed on bottles of wine. He felt that just as some people abide by labels on wine bottles without considering the contents, so did some people believe in the unfavorable label placed on him without considering him for what he is. He is also accused of attempting to change the present Parliamentary Government to a Presidential Government by people who felt that he is being too "dynamic." He feels that is the way he should act since an offensive policy towards Russia is more preferable to him than one of a defensive nature. Following this, President Gronchi turned to a discussion of Western Germany and stated that inasmuch as the Western Powers had given Western Ger-

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<sup>2</sup> This last sentence was typed sideways in the margin.

many three things; specifically, admittance to NATO, independence, and arms, the only attractive offers that could be made to Western Germany could come only from the Soviet Union. As a result, he feels that the Western Powers should presently take the initiative in this respect to offset the present effective policy of the Soviet Union which has been thwarting the policies of Chancellor Adenauer. He felt that this counter-propaganda was necessary now, notwithstanding the fact that Western Germany is pro-Western, because presently it is affecting youths of Western Germany which would have an adverse effect within the next five or ten years.

At this point, the discussion was stopped by President Eisenhower as the time had arrived for lunch. However, during the withdrawal from the discussion room, President Gronchi desired to know whether President Eisenhower would attend his meeting with Secretary of State Dulles. President Eisenhower replied in the negative, but stated quite emphatically that he would meet with President Gronchi once again if it were deemed necessary, and that he desired that President Gronchi meet privately with Secretary of State Dulles.

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**102. Memorandum of a Conversation Between the Secretary of State and George Meany, President of AFL-CIO, Department of State, Washington, February 28, 1956<sup>1</sup>**

**SUBJECT**

Conversation with Mr. George Meany

The Secretary opened by outlining President Gronchi's constitutional position in the Italian Government and certain other matters relative to President Gronchi personally, and particularly to his present visit to the United States. The Secretary emphasized that these matters were for Mr. Meany's confidential information and background, inasmuch as Mr. Meany would be seeing President Gronchi. The Secretary also outlined our hopes as to certain positive results which we hoped would develop from this visit.

Mr. Meany said that the American labor movement felt it had a large stake in Italy. He said that the American labor leaders had created a balance wheel to Communism in Italy when they had been instrumental in getting Italian labor to stop organizing on a political or

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<sup>1</sup> Source: Department of State, Central Files, 765.00/2-2856. Confidential. Drafted by Hanes.

semi-religious basis after the war. He stated that it was largely A. F. of L. pressure which influenced Italian labor groups to break away from the old groupings of competitive Christian Democrat and fragmented Socialist labor organizations (such as those headed by Pari and Canini) and to combine in CISL under Pastore in 1948. Mr. Meany said that if Gronchi now plays with Nenni, it would weaken this new united and democratic trade union influence in Italy.

He pointed out that there is already some tendency to return to the old fragmented groupings, and mentioned both the UIL and some strong Catholic pressures to fragment the anti-Communist CISL grouping. He pointed out that Pastore comes from among the old right-wing Catholic leadership, and is constantly under pressure from some of his old associates, whose aims are entirely different, but whose plans, if carried out, would play into the Communist hands.

Mr. Meany emphasized the vital concern of American labor leaders in this whole problem, and also mentioned the problem of the possible corollary effect such a regression might have in Germany.

Mr. Meany wondered whether Gronchi was merely naive or whether he really saw the consequences of flirtation with the Nenni Socialists. He mentioned that he had read somewhere an article stating that we misunderstood Gronchi and that his intention was to invite Nenni into the government only on condition that he broke completely with the Communists. [1½ lines of source text not declassified]

Mr. Meany recalled that Gronchi himself had his background in the trade union movement, specifically in the old "white" union (as opposed to the "red" union) which antedated Mussolini.

Mr. Meany closed by re-emphasizing his and other labor leaders' deep concern in this matter and stating that he intended to make this concern clear to Gronchi.

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**103. Memorandum of a Conversation, Department of State,  
Washington, February 29, 1956, 7 p.m.<sup>1</sup>**

**PARTICIPANTS**

Secretary Dulles

Ambassador Brosio

President Gronchi

Ambassador Luce

Foreign Minister Martino

C. Burke Elbrick

Minister Luciolli

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Elbrick.

After referring in appreciative terms to his conversation with President Eisenhower on the previous day,<sup>2</sup> President Gronchi proceeded to emphasize and expand upon various points he had raised in that conversation. He said that in the present state of the East-West struggle it is vital to strengthen the solidarity of the Western World and he was happy to hear that President Eisenhower agreed with the broad lines of this policy. He would like to emphasize the fact that Europe cannot move rapidly toward the solution of its problems, and particularly toward integration, without United States support. It is a stubborn fact that European organizations such as EURATOM need direct support from the United States. He felt that Italy could speak frankly on this matter because it has fought for integration and believes in it. Present Soviet tactics throughout the world are more insidious now and seek to show that the Soviet Union advocates strengthening independence of newly established countries and improving the inferior situation of underdeveloped areas. In proposing policies to combat this new Soviet offensive Italy was not speaking for itself alone but for the interests of the entire Western world. President Gronchi said that he had raised two points with President Eisenhower on the previous day. The first was the role that Italy should play in the strengthening of the solidarity of the North Atlantic alliance. He said that Italy could act as an intermediary in matters concerning countries outside the alliance perhaps better than the United States, France or the United Kingdom in view of the fact that some countries might be suspicious of these great powers. The second point he had raised was the question of the means of carrying out economic cooperation. Italy is no longer seeking economic help as it has in the past but it desires public investment loans which would in turn provide the necessary inducement for private investors. He realized there may be certain difficulties in connection with U.S. public opinion, and possibly the Congress, but he felt that the United States Government could be instrumental in guiding public opinion and particularly if the Italian Government is willing to make certain "changes" to create a favorable opinion here.

The Secretary agreed that it is important for the Western powers to further the concept of unity in Europe and the United States would support such measures. We must be careful, however, that we support something the European countries want and that we do not impose something they do not want. The United States had supported the EDC and the Secretary himself had been criticized at times for too strong support of that concept. We also supported the Western European Union and contributed to the establishment of that substitute for the EDC. We have already indicated that we are willing to support the EURATOM project and this had been discussed with the British re-

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<sup>2</sup> See Document 101.

cently. While the British look on this in a different light, we will continue to support the idea irrespective of the British attitude if the European countries themselves want it. The Secretary felt that the Congress would authorize a liberal contribution to any plan for the utilization of atomic energy in Western Europe, but in matters relating principally to Europe the European nations should take the initiative themselves.

The Secretary then turned to the North Atlantic Treaty Organization. He said that it is possible to develop the North Atlantic Council into a broader body than the purely military one and remarked that Minister Martino had taken the initiative in the recent Ministerial meeting in Paris where a decision had been taken to explore ways and means of achieving this end. We are somewhat disappointed that this exploration has so far not been very productive. The Secretary shared President Gronchi's view that Italy could play a more important role in the solution of some of our Mediterranean problems. As President Gronchi knew, an Ambassadorial group had been established in Washington to discuss arms shipments to the Near East, and Italy, through the Secretary's own efforts, had been brought into this group. This was good evidence of the sentiment in this country regarding Italy's possible role in solving Mediterranean problems.

With respect to Italy's economic problems the Secretary pointed out that the normal procedure would be to get financial support from private sources. Government loans should be regarded as exceptional, particularly when ample private capital exists for participation on a reasonable basis. For example, in the past two years private American investors have invested over two billion dollars in Canada and a like amount in Venezuela. If conditions in Italy afforded reasonable opportunities without excessive risks American capital would be prepared to go into Italy. It is generally felt here that the emergency which existed at the time the Marshall Plan was formulated is over and Italy should now create the necessary conditions to attract private capital investment. As for public funds, the task would be easier if a wholehearted effort were first made to obtain private funds. We are appreciative of Italy's efforts and accomplishments over the past ten years. There has been no dramatic shift in the political situation, however, and the Communists seem to be as strong now as ever. The Secretary assured President Gronchi that there existed a great reservoir of good will and affection for Italy in the United States and to draw on that reservoir is Italy's choice and not our own. In this country we cannot order the expenditure of public funds as is the case in the Soviet Union—representative governments do not operate in this way. What is needed, in order to bring about a closer relationship, is something more dramatic on the part of the Italian Government which would stir the American people to press Congress for action and this cannot be

done unless the Italian Government's action encourages it. [5½ lines of source text not declassified] Here things are done because the American people want them and the President would see as he went about this country that the Americans are responsive to good will.

President Gronchi said he would speak very frankly even though his words might seem a little harsh. The Secretary's remarks reminded him of an Italian proverb, "The dog chases his own tail." As for action in the political field he wished to point out that Italy could not act more energetically than it has in the matter of European integration, and as for economic affairs Italy does not want foreign aid. Public opinion in this country apparently is not convinced regarding Italy's anti-Communist program and President Gronchi felt the U.S. Government should shape or lead public opinion in this respect. In Europe the only danger in the present situation is one which might be caused by inaction and the President thought there would be no real danger of Communism in Italy if present programs are continued. As he had said today in his speech before the Congress, there is need for greater faith and trust in his country.<sup>3</sup> He felt that if the first move to render assistance to Italy came from the American Government private investments would logically follow.

The Secretary said that there is abundant evidence here that the United States has trust and faith in Italy and we are willing to make every effort to facilitate Italy's task and to promote Italo-American cooperation.

President Gronchi said he would like to continue the discussion tomorrow.

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<sup>3</sup> For text of President Gronchi's address before a joint session of Congress, February 29, see Department of State *Bulletin*, March 12, 1956, p. 419.

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#### 104. Memorandum of a Conversation, White House, Washington, March 1, 1956, 9 a.m.<sup>1</sup>

##### PARTICIPANTS

President Eisenhower  
President Gronchi  
Secretary Dulles  
Foreign Minister Martino  
Minister Luciolli

Ambassador Brosio  
Ambassador Luce  
C. Burke Elbrick

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Elbrick.

President Gronchi opened the conversation by expressing his satisfaction over President Eisenhower's announcement the day before that he would be available to run again for the Presidency. He said that this is a most important announcement for the entire world. He said he would like to continue the talk which he had had with the President on Tuesday,<sup>2</sup> particularly in connection with the proposal that the NATO alliance be deepened and strengthened in the non-military fields. It is difficult to foresee now whether the Soviet economic offensive in the Middle East and elsewhere will develop along constructive lines or will result merely in an empty propaganda exercise. It would appear that the Soviet Union lacks the means to carry through such an ambitious program. In any event, we should give attention to the need to counteract it and it is important that the NATO countries coordinate their activities and bring their combined influence to bear. President Gronchi felt that the Middle East was one area in which Italy might act most effectively on behalf of the alliance since no "suspicion" attaches to Italy in that area at present. While Italy cannot solve all the problems in the area, it could, as in the case of the Johnston plan for the use of the Jordan waters, make the contacts necessary for a political settlement.

President Eisenhower said that the Middle East and South Asian countries had been presented by the Soviets with an "economic dream" and we must be prepared to shatter that dream. The U.S. is carrying on a very expensive economic assistance program in many parts of the world and it must be obvious to all that combating the Communist influence in these areas requires tremendous resources. He said it was not clear to him how any country could exercise influence in the areas unless it is prepared to provide a substitute for what the Soviet professes to offer. While, as he had emphasized in their previous conversation, the spiritual basis and values of the alliance were important, and a lot of missionary work would have to be done in the Arab and Asian countries, it remains true that in countries where living conditions are sub-standard, we must find a way to help the people materially if we are to expect them to side with us.

President Gronchi felt it was unfair to expect the U.S. to carry the entire burden in the economic field. He felt it was important to coordinate the efforts of all the NATO countries and he believed Italy could help. Coordination of our combined economic efforts would serve to make them more effective. He referred in this connection to possible coordination of strategic exports.

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<sup>2</sup> See Document 101.

The President, supported by Secretary Dulles, pointed out that we did not feel NATO should take over the tasks and responsibilities of the OEEC, although he agreed that it is good for NATO to take an interest in all matters affecting the security of the alliance. He felt that the North Atlantic Council might study such problems and advise the various governments of its conclusions but if President Gronchi had in mind enlarging the NATO charter he felt that we should proceed very cautiously and slowly. Secretary Dulles said that this underlined the importance of such problems to all member countries of NATO but he observed that the NATO members were not always anxious or eager to take on such difficult problems as North Africa, Cyprus, etc. He felt that the Council was not always able to deal with such complicated matters despite its interest. President Eisenhower said he would greatly appreciate it if President Gronchi could suggest a way of proceeding to arrive at a firm NATO position with respect to the Middle East and related problems, and that any practical suggestions for accomplishing this would receive our earnest and sympathetic attention.

President Gronchi then turned to the question of economic cooperation. He said that in the speech he had made before Congress he had emphasized the fact that Italy no longer requires American aid—that Italy no longer has to "dip its hand in the pockets of the American taxpayer". He said that he understood the attitude of Congress on such matters at this time but that no legislative action is necessary for what Italy now requires—namely, a series of long term loans under favorable conditions for public works programs in southern Italy which would in turn attract private investments in the area. If the U.S. Government would demonstrate its faith in the economic and political stability of Italy by taking the lead in making public works and investment funds available, it would encourage private investors to follow suit.

Secretary Dulles at this point said that, since he had to leave in a few minutes to appear before a Congressional committee at the Capitol, he would like to revert to a previous topic. He said we were not negative to Gronchi's approach, as he had outlined it to us, and that we all seemed to be groping for something to create a new solidarity which would strengthen the Western alliance. The Department of State is in sympathy with this approach and would welcome practical suggestions from the European countries themselves. He said Minister Martino's resolution at the December meeting of the North Atlantic Council called for consideration of concrete ways in which NATO could be revitalized but this has not yet produced the desired results. He felt it vitally important that the momentum which was characteristic of NATO at the time President Eisenhower occupied the post of

SACEUR should be maintained. He welcomed this "prodding" from Italy and he expressed the hope that President Gronchi's plea for greater solidarity can be realized.

President Gronchi said that yesterday he had stressed to the Secretary the usefulness of the demonstration by the U.S. of its faith and trust in the Italian nation. He said that if such a demonstration had to be predicated upon renewed assurances as to Italy's political stability, he felt that this would be a case of "dog chasing its tail". President Eisenhower interrupted at this point to say that he was at a loss to understand just what President Gronchi meant. We had been demonstrating our faith and trust in Italy for years and have shown by our sizeable help to that country that we consider Italy to be a great and valuable member of the North Atlantic alliance. He said that did not exclude the possibility of doing something further but he wondered in what way we had failed in the past and how we could possibly show more support of Italy than we already have. President Gronchi said he was not criticizing the American attitude toward Italy and that his country had always sincerely appreciated American assistance and the confidence shown in his country. Now, looking toward the future, his Government envisaged a policy which would encourage public works investments and such a policy could only be successful if the U.S. showed its sustained faith in Italy. Certain recent American decisions do not exactly reflect this faith and he cited the recent refusal of a contract of the Ansaldo Company on the grounds that labor in the Ansaldo plant was Communist-dominated. An official communication has been received in Italy which stated that this contract had been refused as a matter of U.S. Government policy.<sup>3</sup> President Eisenhower pointed out that MSA legislation forbids the letting of contracts under conditions such as those described by President Gronchi. In any event, he said he would have this matter looked into. President Gronchi said he had not raised this particular matter for action now but merely as an example of what he had meant by failure to demonstrate faith in Italy's political stability. He said that the fact that 60% of the workers of the plant in question are Communist-controlled was not public knowledge and he failed to understand why the U.S. Government chose to publicize it.

President Eisenhower said that this presented a dilemma and he did not know, frankly, what other action we could have taken. It seemed to him that it would be inconsistent for us on the one hand to

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<sup>3</sup> On February 1, 1954, the Director of the Foreign Operations Administration directed that offshore procurement contracts be denied to firms that were clearly Communist-dominated.

devote all our energies to combating Communism and on the other hand to support a Communist trade union. He asked what President Gronchi would have us do.

President Gronchi replied that the essence of the problem is whether the operation of these plants, of which Ansaldo is one, is contributing toward our common goal. He said in this particular case Ansaldo belongs to the Government. President Eisenhower said that when he was in command at SHAPE headquarters there were representatives of the two great American labor unions who kept a very careful watch on the plants involved in manufacturing defense equipment and they were very quick to complain if contracts for such equipment went to Communist-dominated plants. The President said that we must consider public opinion in the U.S. and that the people in this country are wholeheartedly opposed to supporting in any way Communist-dominated trade unions. President Gronchi said he understood the public opinion and political difficulties in the U.S. but as he had remarked yesterday he wanted to modify what he described as this negative attitude. He declared rather bluntly that the best judge of a political situation within a given country is the government and administration of that country. President Eisenhower replied that we must proceed in accordance with the terms of our legislation. It may be that the law is too rigid on this point and he promised to look into the matter.

President Gronchi said he was very grateful for this exchange of views with President Eisenhower and he asked, in concluding the interview, whether the latter thought it possible that the U.S. Government would encourage public investments within Italy and thus give evidence of our faith in that country. The President said that he would be in touch with financial circles on this matter and that the State Department would also consider sympathetically how we can help Italy. President Eisenhower said that the U.S. has financial dealings all around the free world. He particularly referred to the case of Korea, where we have been spending hundreds of millions of dollars in economic aid. He said that the American people feel that the people of Korea, in resisting Communist aggression, have done something worthwhile. We have only one aim in this country and that is to defeat Communism and if Italy takes action to stir the imagination of the American people, President Gronchi would find that the American pocketbook would be open.

President Gronchi said that he would like to agree with President Eisenhower to a joint statement to be made following their conversation. The President agreed in principle to the draft which President

Gronchi read and asked that the actual drafting be negotiated with the State Department.<sup>4</sup>

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<sup>4</sup> For text of the joint statement issued on March 1, see *Department of State Bulletin*, March 12, 1956, p. 418.

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**105. Memorandum of a Conversation, Italian Embassy,  
Washington, March 1, 1956<sup>1</sup>**

**SUBJECT**

Interview between President Gronchi and Secretary George Humphrey at the Italian Embassy before Ambassador Brosio's dinner for Vice President Nixon

**PARTICIPANTS**

President Gronchi  
Secretary Humphrey  
Mr. Randolph Burgess  
Foreign Minister Martino  
Ambassador Brosio

Minister Ortona  
Mr. Lucioli  
Ambassador Clare Boothe Luce

Secretary Humphrey opened the discussion by expressing his congratulations for the "excellent" speech given by President Gronchi before the Congress. All comments which he had received had been most appreciative and made him feel that the speech had made a deep impression on the members of the American Congress. President Gronchi thanked Secretary Humphrey and, following the line of thought expressed in his speech before the Congress, said that he had had an interview shortly before with Eugene Black of the World Bank; that he had urged Mr. Black to reexamine carefully the possibility of further, and more extensive, loans to finance the Enti di Riforma (Land Reform Agencies). He stated that he was urging this upon Mr. Black, not only because of the economic considerations, but also because of political convictions. The President seemed to feel that his conversation with Mr. Black had been encouraging. The President was of the opinion that if these loans could be consummated quickly, reforms could continue to be made quickly. He said that the essence of the matter was the swiftness of the aid from the Bank, since political

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<sup>1</sup> Source: Department of State, Italian Desk Files: Lot 58 D 357, 131 Gronchi Visit. Official Use Only. Drafted by Luce on March 6.

effects would become attenuated if the aid came in too small amounts over too extended a time, even though in the end it should be the same amount.

The President then said he wanted to discuss a few thoughts on the development of Italy's oil resources, in connection with present legislation pending before the Parliament. He said, "We feel the full responsibility of our role in this respect not only as it affects Italian internal economy, but also from the point of view of its implications abroad, namely the situation developing now in the Near East." The President said that he was convinced in principle that if Italy and the United States could collaborate on a large scale in Italy on the oil question, it would be an excellent thing. The President said he thought the draft of the pending legislation was "formulated in a certain direction." He said, "We can change this direction if we can manage to eliminate political overtones and talk of current problems, and make the whole thing a strictly business matter." For example, if one could succeed in obtaining a flow of investment (by which he said he meant public investment as well as private loans) the President could then use his influence, which he indicated was substantial, to change the law in a favorable direction. He said he was well aware that a large and rapid development of Italy's oil resources would put Italy in a favorable credit position, and a far more favorable position for the increase of private investment.

Secretary Humphrey replied that he agreed entirely that if Italy could develop its own oil resources with some rapidity it would be a wonderful thing for Italy and for all of Europe. He said if favorable legislation could be drawn up, this would increase the climate in Italy for economic investment, and it would be a splendid thing for all of Europe, since it would reduce Europe's almost complete dependence on oil from Middle East sources.

The President then replied that in his view there was another reason to accelerate oil development in Italy, and that this was the opening up of atomic energy as a fuel for industrial uses. At this point, the President said, "Oil will become a second grade fuel." Mr. Humphrey said that this was entirely a relative question. He said that the President was no doubt aware that atomic power is not cheap, and there is nothing at present to indicate it ever will be cheap. Certainly it will not, in the foreseeable future, be as cheap as cheap oil. He said that cheap oil development in Italy would provide excellent competition for a long time to atomic energy. He said he was well aware that cheap oil would help Italy's balance of payments rapidly, adding however, that he did not know, but assumed, that the oil was there.

The President replied that on the other hand this should not prevent going forward with agreement on atomic energy in Italy, since, when he spoke of rapid development of oil, he was well aware there would be a long lapse of time, say 12 to 15 years, before oil could become a cheap and favorable fuel in Italy.

Mr. Humphrey replied that while he did not know the time factor, it was his impression cheap industrial fuel oil could come far quicker than atomic fuel. He said he certainly believed it would be a long time before atomic energy could compete with oil in Europe.

The President said that while he realized that much of this was an academic discussion he simply wished to present to Mr. Humphrey the fact that he hoped to change the law in a proper direction if efforts could be made which would not make it impossible for him to do so.

Mr. Humphrey then said that he would like to make a few inquiries about the land reform program, in distinction to the program of the Cassa del Mezzogiorno; that he did not understand the land reform program very well. At this point, Mr. Burgess intervened to say he was sorry he had not briefed the Secretary fully on this matter, and as he had done a lot of work on this last summer he would brief the Secretary without delay.

The President said there were four land reform areas: (1) Rome to Pisa; (2) Calabria-Lucania; (3) Puglia; and (4) the Po Valley area. He said programs in these four areas were administered by independent State agencies, like the Cassa—though they were geared to one reform program, under the supervision of the Department of Agriculture, the conditions differed in the four regions.

For example, region 1, the Rome to Pisa area, was a pasture and cereals production problem, and so here the question was one of changing from an extensive to intensive type of agriculture reform. That the second region, Calabria-Lucania, presented difficulties of a more serious nature because of the poor soil and the tremendous disinterest of the owners in developing and improving the soil. Through a better economic base, which is now being provided by the Cassa—with aquaducts, roads, etc.—it can be hoped that it will become easier to put land reform into effect.

He said that the same problem existed in Puglia, as in the Calabria area. The problem in the Po was again a different one—there it was how to achieve the reclamation of submerged soil in this flood area, but all those areas had one common problem: in none of the four areas is there private initiative: the present land owners make no forward movement toward soil and land reform because of the risk to capital and their lack of any hope for profit. Therefore, reform in these areas requires State intervention. As things stand today, the State can pay the owner for the lands he has to give up, but the States does not have the means to provide the machinery, the animals, and equipment that

is necessary so that the new owners can make the soil profitable. The President wished to make the point that land reform in the South is particularly important because it is highly susceptible to communist penetration. In the South, there are many overgrown villages with 50/60,000 inhabitants, all of whom are dependent on the soil, who travel miles to get to the fields, and then return at night to their homes, where they express their discontent and dissatisfaction. This concentration of workers in the villages provides a focal point for the spreading of discontent and communism.

Mr. Humphrey then went on to ask what the procedure of land reform was—do you buy the land and reclaim it and give it to the farmers? The President said; "You buy it, reclaim it, provide it with machinery, etc." Mr. Humphrey asked, "Is this the problem you are working out with Mr. Black?" The President answered in the affirmative mentioning, as the recipient of possible loans, the Enti di Riforma. A favorable atmosphere has already been created by the Bank's satisfactory experience in its dealings with the Cassa. The President said that he wanted to mention other possibilities of American investments in Italy, such as bond issues, State loans, etc.

At this point it was announced that the Vice President was waiting in the other room, and Mr. Humphrey interrupted to say that we were all tremendously interested in the efforts Italy has made to redeem its own economy in the past ten years. He expounded momentarily on economic development in Italy in the past decade. He then said to the President, "You are a fine salesman; you seem to have the interest of your people at heart. We hope we have encouraged you on this visit and we will examine all the ways in which we can properly aid you." He said the President had made a very constructive statement.

The President then said he knew very well the important part that American private capital can play in the fortunes and destinies of countries, as well as peoples.

**106. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

Rome, March 23, 1956—10 p.m.

3278. 1. Radiation effects of Moscow's explosion of Stalin myth continue to be felt apparently with increasing intensity by Togliatti and PCI leaders. Reports on disorientation of communist base reaching PCI parliamentarians resulted in meeting of PCI chamber group March 22 which has not yet been completed. According to accounts in center press which find some confirmation in carefully edited account in communist *Unita* Togliatti found himself in uncustomary position of being "on the stand". Allegedly three basic questions came out in discussions: (1) why CPSU had decided so suddenly to destroy Stalin's memory without taking into account possible reactions in other communist parties; (2) why Soviet leaders who must be considered as co-responsible with Stalin for his errors should wait until now to destroy him; and (3) why Togliatti, as member communist international executive and as resident of Moscow, was not aware of Stalin's criminality. Point was made that if Togliatti was not aware, had he protested to Soviet leaders, and if he was aware, why did he keep it from PCI central committee?

2. Press reports indicate that although Giancarlo Pajetta (who is hard-headed, clever and sinister confidant of Togliatti) tried to brush matter aside by appealing to comrades to accept directives without questions, Togliatti replied to questions as follows, (1) while he and Thorez had told Soviet leaders after secret session that revelations would cause severe disorientation to communists in Italy and France, latter had replied that needs of CPSU required severe and sudden shock. Other communist parties might be temporarily hurt, but CPSU would receive immediate benefit; (2) Togliatti admitted co-responsibility of Soviet leaders, but pointed out that action against Stalin at time his greatest popularity would have destroyed CPSU. Stressed that Soviet leaders had been preparing Soviet citizens for this development during last three years and that this preparation had greater echo in USSR than in Italy; (3) Togliatti stated he was aware of certain "violations of revolutionary legality" and had discussed them with CPSU leaders, but pointed out that reasons guiding his actions were those guiding Soviet leaders (see 2 above) and that as "simple émigré" in Moscow he did not have close touch with Stalin. Added that while

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<sup>1</sup> Source: Department of State, Central Files, 761.00/3-2356. Confidential. Repeated to Paris, Belgrade, London, and Moscow.

Tito, who was in power, could take risks by defying Stalin, Communist parties not in power could not assume responsibility of action which might break up Communist movement.

3. Togliatti concluded yesterday's session by appealing for party unity.

4. Meanwhile Nenni and PSI are engaging in maneuver apparently designed to turn disorientation Communist base to advantage of PSI and to act as shock-absorber for extreme left in general, including PSI, which has felt shock of recent Soviet developments. Nenni's attitude since conclusion CPSU congress and in particular since revelations on desecration Stalin's memory (see *Avanti* editorial March 22 in *Tousi* 395, March 23)<sup>2</sup> has taken line that CPSU congress had most positive result in acceptance of multiplicity of ways toward socialism and that this point has regrettably been overshadowed by crude and sudden attack on Stalin which has been launched without proper historical discussion. Nenni has endeavored establish fact (through *Avanti* editorial signed by editor) that he does not agree with method this attack on Stalin and that it necessary salvage Stalin's "great historical personality" (this presumably aimed at those in PCI and PSI who are bewildered by adulation of Stalin one day, desecration of him next day). Stressing that debate on "cult of individual" and Stalin's errors were of interest to all workers movements and must be debated (this makes Nenni champion and leader of workers against those trying to choke off debate), Nenni stated important point to develop was "democratic way of Italian socialism which we have traveled courageously for long time" (i.e., Nenni has always been right on this and workers would do well to travel with him). Nenni concluded that he still considered "capitalist bourgeoisie" his main adversary as it had tried use democratic method to consolidate power (presumably this means that although other Western European socialist parties have no difficulty cooperating with other democratic forces, Nenni will still march side-by-side with PCI). Nenni's views will be further developed in *Avanti* article signed by him and appearing March 25.

5. In our opinion Nenni's tactics of distinguishing between PSI and PCI, which probably are concerted with Togliatti, will succeed in soaking up most of present discontent and confusion amongst Socialcommunist base and thus prevent possible defections to democratic camp. In all probability effects of this situation on PCI and PSI will be clearly visible in administrative elections. On other hand doubtful whether Togliatti will agree to Nenni taking any position or initiative in Parliament which PCI cannot match. While for time being Togliatti will probably be obliged lie low and accept (even at times with ill-grace) PSI reaping benefits of PCI discomfiture, PCI undoubt-

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<sup>2</sup> Not printed.

edly believes that Togliatti will gradually build up PCI's "new look" and enable him to take over from Nenni in playing game of "democratic way of Italian socialism" which, as will be recalled, Togliatti claimed at recent PCI central committee meeting as his invention.

Jernegan

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**107. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, April 5, 1956—9 p.m.*

3407. Re Deptel 3209.<sup>2</sup> Exploitation by Center leaders and press of impact Stalin denigration on Italian Communist Party and of resulting situation has been well conceived and skillfully executed and has included Nenni as major target.

General lines of attack by press, no doubt guided by parties concerned, have included: (1) Extensive reporting of Soviet Stalin denigration itself and connected satellite events (2) Even more extensive reporting of resulting situation in Italian Communist and Socialist parties on national level, never missing opportunity point out discreditable aspects current actions and statements Left leaders or to reproach them with their own past. Some Center papers, especially DC, have also undertaken build-up Saragat in attempt strengthen his hand vis-à-vis wavering elements in his own party and as possible beneficiary discontent in PSI should this spread considerably.

Segni in *Popolo di Milano* article, reported in today's press, made own contribution to campaign with discussion Stalin denigration doubting ability present Soviet leaders change essential elements Stalin regime. (Article, incidentally strengthens his hand vis-à-vis possible Soviet invitation for him visit Moscow whether or not he might choose accept such invitation.)

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<sup>1</sup> Source: Department of State, Central Files, 765.00/4-556. Confidential. Repeated to Paris, Moscow, London, Belgrade, and Bonn.

<sup>2</sup> In telegram 3209 to Rome, April 4, the Department expressed gratification with the press attacks on the PCI concerning the denigration of Stalin but requested clarification on the extent to which Nenni was included in the criticism. The Department expressed the hope that the Italian Center was taking full advantage of Nenni's political vulnerability. (*Ibid.*)

If national or international news of sort appropriate as basis current anti-Communist press campaign starts dry up, we hope ball can be kept rolling through reporting evidence of disaffection or confusion among Social Communists on local level. We are encouraged see two such stories in today's press.

In evaluating possibility that this exploitation campaign or situation itself may result in more than temporary deflation some possibilities of gain previously open to Left and in assessing possible significance this deflation, we should bear following adverse factors soberly in mind:

(1) For various reasons, prior to aggravation of situation in PCI as result Moscow Congress, Social Communist tactics of granting limited support to Segni government (nature and purpose of which outlined in Embdes 1499)<sup>3</sup> appeared have disturbingly large possibilities of at least partial success; damage to these possibilities may not prove more than temporary and even in short run may not entirely cancel them out;

(2) Owing nature Italian economic and social conditions there is large potential protest vote, most of which has been cast for PCI and PSI;

(3) Owing situation in which PSDI has more or less been forced to take part in government, and thus become at least partially discredited in eyes of protest voters, there is nowhere to which disgruntled elements of Social Communist bloc are apt to go outside of bloc;

(4) Current Soviet tactics may score successes outside of Italy which would have adverse reaction from our point of view on situation here; and

(5) There is no way of being sure at this stage that in long run Moscow tactics may not prove net asset rather than net liability (as they are at present) to Italian Social Communists.

Within this framework, however, we have every reason to be both pleased and relieved by current developments on Left here.

Summary and partial analysis recent developments follow in separate telegram.<sup>4</sup>

Luce

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<sup>3</sup> In despatch 1499 from Rome, February 28, the Embassy provided a detailed discussion of recent voting patterns of the Socialist and Communist Parties. (*Ibid.*, 765.00/2-2856)

<sup>4</sup> *Infra.*

**108. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, April 5, 1956—8 p.m.*

3408. Following summary and partial analysis of developments on Left here should be read in conjunction with Embtel 3407<sup>2</sup> which discusses factors limiting possible lasting effects of these developments and of campaign in which Center leaders and press are engaged to exploit them.

Recent developments in Italian Communist and Socialist Parties have continued revolve around impact of decisions Soviet Party Congress and denigration of Stalin on Italian Communist Party. Most of visible manifestations of developing situation fall into three categories: (1) measures taken by Communist Party leadership to bring situation in party under better control, (2) at least temporary abandonment by Nenni of tactics which, while they promised possible gains for him and Socialist Party, threatened to contribute—or were contributing—to disorganization within Communist Party, and (3) some dissatisfaction within Socialist Party, apparently at present primarily on higher levels, with Nenni for having thus passed up opportunities open to him.

Principal among measures taken by Togliatti to stabilize situation in PCI—which threatened get badly out of control at time Terracini and others criticized Togliatti and USSR in meeting PCI parliamentarians and many members these meetings broke discipline in relating proceedings to “bourgeois” press (Embtel 3332)<sup>3</sup>—has been convoking National Council of party (Embtel 3215),<sup>4</sup> opening session of which (apparently originally planned for second half of month) was set up to April 3.

Calling this meeting may, as stated in Embtel 3015,<sup>5</sup> have represented attempt postpone long overdue Party Congress in fear of convoking that body, which alone under party statutes has right make important changes in composition central committee, party organization, etc. Way meeting has been organized and in which it is being run show that it also represents attempt (1) make tightly-controlled but widely publicized demonstration of party “unity” and (2) take party’s

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<sup>1</sup> Source: Department of State, Central Files, 765.00/4-556. Confidential. Repeated to Paris, Moscow, London, Belgrade, and Bonn.

<sup>2</sup> *Supra.*

<sup>3</sup> In telegram 3332 from Rome, March 29, the Embassy reported that Italian reaction to the Moscow 20th Party Congress was characterized by reports of strong dissension between PSI and PCI politicians. (Department of State, Central Files, 965.61/3-2956)

<sup>4</sup> Not printed. (*Ibid.*, 765.00/3-2056)

<sup>5</sup> Not found in Department of State files.

mind off its (and especially Togliatti's) troubles by giving it purportedly "new" directive regarding campaign in preparation administrative elections.

Measures taken to ensure that meeting does not turn into type of free-for-all which resulted from Togliatti's abortive experiment with intra-party democracy at Senate group meeting included: (1) issuing advance statement March 31 of "judgment" of PCI *Direzione* regarding Soviet events and party's electoral campaign, in effect setting only permissible line on these subjects, (2) "packing" meeting itself by adding about one thousand (and no doubt hand-picked) delegates to approximately two hundred party officials whose attendance more or less obligatory under party statute, and (3) setting one-point agenda dealing with administrative election campaign only. Presumably hoped that any speaker raising issue of implications recent Soviet events and diverging in his comments from *Direzione* statement can be pulled up short on point of order.

Opening day of meeting almost entirely taken up by three-hour Togliatti speech almost entirely devoted to administrative elections, containing nothing this regard not heard at least twice before and, as *Messaggero* said, "perhaps most pallid speech made by Togliatti in all his long career."

Only new element in Togliatti's speech came after wishing Socialists success in coming elections when he stipulated: "but at same time we say openly this success should not come with shift within ranks of Left, that is, with passage of votes from Communists to Socialists. If this happened, it would be as though nothing had happened."

In general Togliatti brushed off events which are troubling his party as "usual attacks by bourgeois parties and press on eve any election." He did, however, in one passage stress difference between situation in USSR and that in Italy ("still not Socialist") and recommended comrades bear this in mind when considering "ridiculous things" being written by "bourgeois and fascist press." One such difference, incidentally, was visible to delegates sitting in hall who faced portrait of Stalin alongside those of Lenin, Gramsci and Togliatti.

To enhance "importance" of meeting, foreign delegates, mostly culled from concurrent Venice cultural meeting, were included. To ensure widest publicity and in hopes displace so far as possible more sensational news regarding party in Center press, "bourgeois" and foreign correspondents invited to attend. Second purpose, however, at least partly frustrated by Center papers which are devoting considerable space to discussion things not said at meeting and delegates' apparent lack of enthusiasm in proceedings. During introductory remarks by other speakers on first day, Togliatti carried on ostentatiously "friendly" conversation with Terracini.

While Togliatti has thus been trying weld lid back on PCI (and lid-welding itself may contribute to future dissatisfaction as it did at time Togliatti's high-handed tactics at 1955 National Party conference) Nenni has swung into line with PCI, an action which has raised some objections (witness March 27 PSI chamber group meeting—Embtel 3332) within Socialist Party to his leadership. Nenni had apparently told this group Socialist Party should not profit from difficulties of PCI, thing which he had been doing until short time before (Embdes 1540)<sup>6</sup> whether or not as by-product his attempt to score gains at Center's expense. Secondary Socialist officials probably also annoyed (1) he "cleared" draft his "lights and shadows of Moscow Congress" article with Commie leaders—he had reportedly not shown it in draft to other Socialists (Embtel 3286),<sup>7</sup> (2) fact that in this article he paid tribute to Togliatti and generally did his best to make over line he had adopted in Feb 26 *Avanti* article and *L'Espresso* interview to accord with explanations of Soviet Party Congress that PCI giving its followers, and above all (3) that in so doing he was missing golden opportunity further play on hopes of credulous that he might break with Commies, factor that has represented one of PSI's greatest political assets.

Nenni's current difficulties further complicated by fact that on March 31 Social Democratic Party published statement of its *Direzione* challenging him to break with Commies and subscribe to principles Socialist International. This forced him (in unsigned *Avanti* editorial April 3) into refusal, reaffirmation PSI's unity of action with Commies and into partial attack on PSDI (which according general Moscow policy he is supposed to be wooing). Along with his obligation come to Togliatti's aid even at expense own political possibilities, Nenni, in taking relatively clear negative line re possible break with Commies, fusion with PSDI and joining of Socialist International, may have wanted insofar as possible to block possible debate on these subjects in PSI Central Committee meeting scheduled for April 9 and 10.

Nenni in his articles and actions has, of course, done best to cover his tracks and leave door open to himself for resumption previous line when PCI situation permits. Happily Center press is doing its skillful best to make his coming to Togliatti's aid as costly to him as possible.

Luce

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<sup>6</sup> Despatch 1540 from Rome, March 6, transmitted a copy of Nenni's recent interview published in *L'Espresso*. (Department of State, Central Files, 765.00/3-656)

<sup>7</sup> Telegram 3286 from Rome, March 26, reported on an *Avanti* article by Nenni. (*Ibid.*, 765.00/3-2656)

**109. Letter From the Ambassador in Italy (Luce) to the Director of the Office of Western European Affairs (Jones)<sup>1</sup>**

*Rome, April 11, 1956.*

DEAR JOHNNY: Henry Tasca tells me that during his recent quick trip to Washington some doubts were expressed as to whether we should continue our current policy regarding Off Shore Procurement, letting of US Government contracts to Italian firms, and the like. As I understand it, not only President Gronchi, but also Cattani and Ambassador Brosio have been objecting to our application of labor criteria in such matters, and I gather the question has been raised whether the time has not come to stop.

I can understand these doubts, but I do not share them. It is true that with the decline of OSP we no longer have the same leverage to induce support for the free trade unions, and it is true that we have come in for a certain amount of criticism, both public and private, as a result of such instances as the Department of Interior press release on the Ansaldo San Giorgio bid. Nevertheless, I think the policy still has a beneficial effect on management and I do not think the criticism has any serious effect on our position. Furthermore, for us to abandon the standards we have set and publicized could have very unfortunate psychological repercussions on Italian management, the Italian Government, and the free trade unions. I am afraid it would be taken as a softening in the U.S. attitude toward Communism and as a tacit admission that we no longer felt it necessary to oppose the Commies on every front. There are, of course, only too many Italians anxious to seize upon the slightest excuse to promote *distensione*.

[1 paragraph (5 lines of source text) not declassified]

After all, we are only following the anti-communist line which the Italian Government itself proclaimed under Scelba and which the present Cabinet has never disavowed. I believe any further complaints by the Italian Government could be handled and stopped if I had a heart-to-heart talk with the Prime Minister, pointing out that our policy is entirely in line with the anti-communist policy of the center parties as we understand it. They have repeatedly told us that they are doing and will do everything feasible to reduce the strength of the Social Communists. We are supporting their efforts with a policy which they themselves apparently do not feel able to adopt, but which has certainly demonstrated its effectiveness and does not conflict in any way with their own efforts. [4½ lines of source text not declassified]

<sup>1</sup> Source: Department of State, Luce Files: Lot 64 F 26, Offshore Procurement. Confidential. Drafted by Jernegan.

I could ask Segni bluntly whether he has in fact changed his mind about opposing the left with every practicable weapon. [2½ lines of source text not declassified]

I neglected to mention earlier, but I am sure you are aware, that a significant weakening in our policy with respect to Communist unions would undoubtedly draw criticism in the United States.

I should like very much to have your thoughts on all this.

Sincerely,

Clare Boothe Luce<sup>2</sup>

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<sup>2</sup> Printed from a copy that bears this typed signature.

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#### 110. Editorial Note

The Italian administrative elections, held on May 27 and 28, were closely watched by the United States to ascertain present and future Italian political trends. In a memorandum to Deputy Assistant Secretary of State Elbrick, May 24, Deputy Director of the Office of Western European Affairs William R. Tyler pointed out that the importance of the elections revolved around the fact that the Nenni Socialists were seeking a popular endorsement that would force the Christian Democrats to cooperate with them in the formation of a new reformist, neutralist government. The Center was hoping to stress the subservience of Nenni and Togliatti to Moscow by exploiting the support of both for de-Stalinization. The memorandum speculated that the elections would result in no radical changes and in little shift in party alignment. (Department of State, EUR Files: Lot 59 D 252, Local Elections, 1956)

In telegram 4049 from Rome, May 31, the Embassy reported that early returns indicated little change in the status of the three major parties, with the center making small gains, and the left and right sustaining small losses. (*Ibid.*, Central Files, 765.00/5-3156) In a memorandum to Secretary Dulles, June 4, Jacob Beam stated that the two most significant results of the election were the increased popular support for the Center Coalition, and the shift within the left from the Communists to the Nenni Socialists. An attached analysis of the election results attributed the Center's success to the pro-Western policies followed by the Italian Government since 1953, the changing policy lines of the Soviet Union (de-Stalinization), and the U.S. policies of

supporting the Center and the free trade unions through OSP screening procedures [*less than 1 line of text not declassified*]. (*Ibid.*, 765.00/6-456)

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**111. Letter From the Chargé in Italy (Jernegan) to the Director of the Office of Western European Affairs (Jones)<sup>1</sup>**

*Rome, June 26, 1956.*

DEAR JOHNNY: In my letter of June 4,<sup>2</sup> I said that we were making a study of what had happened to the Left in the administrative elections and depending on what we found, might have some recommendations as to our policy regarding the Social Communists here.

The present letter includes our analysis of the election results as regards the Left and some recommendations based on this analysis. It was drafted prior to the beginning of the currently very confused situation which has resulted from the shock caused by the publication of the text of the Khrushchev report.<sup>3</sup> On the basis of the development of this situation we may have some additional recommendations, particularly in regard to possible ways of contributing to the PCI's difficulties.

We think that, if anything, the events of the last two weeks make the initiation of something along the lines we suggest additionally urgent. In the light of these it seems possible that current Soviet policy (see our telegram No. 4314)<sup>4</sup> and the pressures of PSI-PCI competition may, repeat may, result in the PSI trying to commit us to something in the nature of a "winner take all" battle in regard to "Socialist unification" on terms quite disadvantageous to us.

What we did by way of investigation was to make a case-by-case examination of the results in the eighty-eight provincial capitals in which elections were held. We tried to see, insofar as possible, to whom the PCI and the PSI had lost, from whom they had gained, and the exchange between the parties. We have also compared these results with those obtaining in the other communal council elections and

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<sup>1</sup> Source: Department of State, Central Files, 765.00/6-2656. Top Secret; Official-Informal.

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> On June 4, the Department of State issued a press release containing the text of a document purporting to be Khrushchev's February 25 speech before the 20th Party Congress denouncing Stalin.

<sup>4</sup> In telegram 4314 from Rome, June 19, the Embassy transmitted an account of a press interview given by Togliatti. (Department of State, Central Files, 765.00/6-1956)

in the provincial council elections to see whether the processes which we found in our study of the provincial capitals appeared also to have taken place in the other elections.

The overall totals in the provincial elections and in the communals outside the provincial capitals were somewhat different, especially where linking obtained, and perhaps also in the provincials as a result of the more political and less local character of the elections. It also seems to have been true that organization *per se* counted far more in the smaller towns and villages than it did in the larger centers (which tend to be more literate and more politically conscious). Despite these variations, however, certain general facts regarding the Left did emerge with considerable clarity.

1) Although the elections took place after one of the outstanding ideological *volta faces* of Communist history, the Moscow-controlled Left here as a whole maintained its position intact in most areas and improved them in many. The rather heavy loss of votes which the PCI sustained in many areas (in most cases fully or at least largely recovered by the PSI) seem to indicate, however, that the Twentieth Party Congress and "deStalinization" and the deeper seated processes in both the Communist and the free worlds which led to these events were not without their impact on the Italian Left. By and large, nevertheless, the Italian voters who in the past had voted for either the PCI or the PSI did not appear to see any acceptable alternative to voting again for one of the two parties.

2) With the exception of a very few places where other center, or, as in Naples, right elements scored gains at the expense of the SocialCommunists, the only party which took votes from them in individual communes was the PSDI. Far more important in the PSDI's performance, however, than the taking of these relatively few votes away from the SocialCommunists were the facts that: a) what appears to have been a majority of former UP and USI voters, whose votes Nenni had hoped to get for the PSI through his agreements with these splinter parties, bolted their parties' agreements and cast their votes for the PSDI not the PSI; and b) when votes were moving to the Left, in case after case the PSDI short-stopped a substantial number, often more than half, before they got to the PSI.

While not, generally, an acceptable substitute for the PCI or PSI in the eyes of Leftist voters, the PSDI is thus the nearest thing that there is to one. Even in its present state—somewhat lacking in consistency and deficient in organization—it plays a critical role in retarding the growth of the SocialCommunists, and, in particular, of the Socialists. The comparative success with which it played this role in the recent elections was perhaps enhanced by the ideological confusion recently caused by Moscow. This does not, however, diminish the need for the role to be played or imply that some other party can play it. The

attempts to do so, actually far more leftist in implication than recent PSDI policy, that the DC has made—witness La Pira in Florence and Dosetti in Bologna—have been unsuccessful.

3) The Center and the DC, in general, displayed commendable stability. One must give the Italian voter credit for not letting his natural irritation with a regime which had long been in power drive him to extremes. On the other hand, the fact that the Right as a whole emerged from the elections with about the same total vote that it had had before appears in large measure to have been due to the astonishing personal success of Lauro in Naples. We should thus not let the overall figures blind us to the fact that in a number of areas the right showed more or less unmistakable signs of incipient disintegration. The very process of the passage of time since the end of the war and the lack of a revolutionary type of situation, which are taking their toll on the PCI, also affect the Right.

This would be fine if we could have any assurance that votes moving away from the Right would, in their great majority, stick to the Center. Our investigation, however, turned up cases strongly, if unprovable, suggesting that former right votes (mostly MSI, but also in some instances PNM) moved all the way across the board to the PSI.

4) The Socialists' gain at Communist expense and their gains from other sources, which increased the PSI's relative size vis-à-vis the PCI, were really impressive. In sixty-two of the eighty-eight provincial capitals where elections were held (which are important both as examples and as the nerve centers of the two parties) the PSI's electorate is now more than fifty percent the size of the PCI's and in twenty-nine it is more than one hundred percent of the latter's size. The PSI registered percentage gains in its electorate vis-à-vis the PCI's of 23% and 19% in such major cities as Milan and Genoa and up to 107% and 73% in other cities such as Verona and Brindisi.

The importance of this process could, perhaps, be partially discounted if it had been restricted to traditional Socialist strongholds. It was, however, not confined to such areas. It extended nearly uniformly over the whole territory of the republic, including (in the bigger cities at least) the South and the islands where it had very generally been said that the people "did not distinguish" between the two parties. They made a choice on some basis, however.

The principal exceptions to Socialist success appear to have been in areas, such as Bologna and Perugia, which had been under SocialCommunist regimes in which the Communists had the upper hand. This is something else which may "far pensare" the Socialists a little.

When one considers that the previous relations between the PSI and the PCI were based on a 35-65 relationship, the relative increase in PSI strength seems certain to have its impact on Socialist thinking.

Along with the large share of UP-USI votes which were given to the PSDI and the substantial number of leftward moving votes which stopped with the PSDI rather than going to the PSI, another factor which seems likely to give the Socialists food for thought was the provincial elections. In these, as you know, the PSDI picked up a quarter of a million or more votes over what it got in the communal elections. Even Nenni, who can hardly be counted among the anti-Communists in his party, felt called on to admit that for the most part these appeared to have been votes cast for the PSDI (rather than the PSI) because the Socialists were running linked with the Communists in the provincials, but were votes which had gone to the PSI in those communal council elections in which the proportional system had been used.

There are three other factors, not directly connected with the election results, which I would like to discuss before I come to our recommendations:

1. The public controversy caused in both the PCI and the PSI by the initial impact of the Stalin affair was short lived and party discipline was soon restored. That the controversy came quickly to a halt appears, however, to have been a result of the pressure of the electoral campaign and of an agreed pre-election moratorium on the discussion of general policy or the relations between the two parties. It does not seem to be a sign that Italian leftists had lost interest in these subjects. Nenni, who has recently promised to republish his 1938 Paris articles on the Moscow trials and has recommenced his innuendo slurs on the PCI, shows his recognition of the continuing interest in and confusion about the Stalin affair and the relations between his and Togliatti's parties and is trying to turn this interest and confusion to his own advantage. Togliatti, for his part, has shown the pressure he is under by his pledge to convoke "soon after the elections" the long-delayed Party Congress, a trial which he is, no doubt, less anxious than ever to face. Although we may have no recurrence of public breaks in party discipline like those earlier in the year, the lid on questioning within the parties seems to be coming off. The pot, while not likely to boil over, seems destined to do some pretty brisk simmering.

Even on the top party levels, particularly in regard to PSI-PCI relations, the situation under the surface appears to be far from tranquil. In the Central Committee speech that he made shortly after his return from Moscow in February, Togliatti included a paragraph in which he accused an unnamed person or persons of wanting to work toward a "defacto break" of the unity of action pact "without proclaiming it openly". It by now seems clear that he was referring to Nenni. Togliatti's pre-election Turin and Florence speech pronouncements about the dangers of PSI participation on municipal juntas from which the Communists were excluded—the actual texts of which, as

against those published in *L'Unita*, we understand contained indirect but unmistakable warnings about the fate of Saragat might overtake Nenni if he did not watch out—may possibly be largely written off to electoral competition between the parties. Togliatti's Central Committee remarks, however, should, presumably, be given credence as a serious warning.

Angelo Rossi (Tasca), perhaps the most qualified observer of the Italian Left around, has stated his opinion that Nenni, whom he visualizes as a very ambitious politician firmly believing in Moscow as the "wave of the future," sees a great role for himself as a new type of loyal ally but relatively free adviser to Moscow (and not as an old-style Comintern functionary, in which slightly derogatory category Nenni may put Togliatti). Togliatti, for his part, according to Rossi, is faced with the exceedingly difficult job of converting the relatively inflexible PCI (many of whose activities are of militant partisan-period origin) into a highly flexible political instrument suited to the present fluid *distensione* and "parliamentary way to Socialism" period. Togliatti, still according to Rossi, can succeed in this job *only if he has no competition for the role of primary leader and principal authority on the Left here*. And that, if one believes either Rossi or the by now accumulated mass of evidence, is just the role in which Nenni visualizes himself.

Togliatti is naturally reluctant to see the PCI reduced to minor importance as a relatively small party on the extreme Left. Any tendencies in this direction are what he has been inveighing against for years in his fight against Secchia and "sectarianism". He may, moreover, fear that in seeing formerly Communist votes pass to the PSI (a much less tightly organized party than the PCI and one in which a single man plays an overwhelming role) he may be seeing them pass to what will eventually turn out to have been merely a half-way house to their complete loss.

2) The second general factor that I want to mention is the likelihood that, barring a recurrence of heightened and obvious East-West tension, there will be increasing pressure within the PSI and the PSDI for the two parties to merge. Their present negotiations regarding reunification were undertaken largely for tactical reasons and seem certain to break down without tangible result. It is also true that the leadership of neither side apparently wishes to run the risk to its control which a merger would present. As far as the base goes, however, more than anything else it was the cold war which caused the division of the old Socialist party and which has kept the two sections of it apart.

The PSDI is, we realize, a proletarian party pretty well without proletarians and includes a substantial share of the petty-bourgeois and more-or-less intellectual Marxist element of the old Socialist party while the PSI retained by far the greater number of the old party's working class elements.

One might think that this would render the two fragments incompatible. We are not sure, however, that this is so. For one thing, the party did not break cleanly on class lines, the PSI retaining a share of the intellectual Marxist types. It is, moreover, precisely the petty bourgeois element that the PSI (or, for that matter, the PCI) needs to capture if the Left is to reemerge from political isolation. Nenni, in his usually equivocal role and now spurred on by current Moscow policy, can play-act at "socialist unification" hoping thereby to take the PSDI apart from the base and swallow it up. This game, certainly, in the long run may have its potential since much of the PSDI base is, apparently, still quite conscious of being Socialist and feels uncomfortable about its party's present unproletarian, pro-government role.

A fair slice of the electorate, however, as I have pointed out above, showed that it made a distinction between Nenni's pretended autonomism and the real thing. As a result of the consciousness that a unified party would have a high potential for growth among the petty bourgeois as well as strength among the proletariat and could almost immediately play a great role in Italian politics, a relatively substantial element in the PSI may come to feel impatient at the slowness at which the party is moving toward unification. Nenni may have to prove his case for delay and many may wonder in whose interest the delay is being undertaken. It may thus, in the long run, prove easier for the two parties to have started (or continued, for it is not new) the reunification game, each party having done so for reasons of internal party politics and vaguely hoping to win the game on its own terms, than to stop the process short of completion.

(As I said in the beginning of this letter, events taking place since the above paragraphs were drafted make it seem possible that the PSI may decide to move toward "Socialist unification" sooner than we previously visualized. Togliatti would presumably be strongly opposed to such a development as highly dangerous to PCI interests. Present Moscow policy, however, is far from being tailor-made to suit PCI interests and it is not certain that he would be able to stop Nenni if the latter decided to attempt the maneuver.)

3) The last general factor that I want to mention, although implicit in much of what I have said above, is the nature of the Social Communists' current difficulties, and, consequently, of their vulnerabilities. Their difficulties are those of contradiction—contradiction between the interests of the PSI and the PCI, between the PCI's interests and those of Moscow, between the positions of the filo-Communists, the

Nenniani and the autonomists in the PSI, between Togliatti's need to keep his leftist militants satisfied and his need to cover Nenni's opportunistic tactics, between the authoritarian control exercised (in varying degrees) in both parties and their pretenses of democracy, between reformism and revolution, etc.

Now that *distensione* is the order of the day and Khrushchev has so blithely ripped the lid from Pandora's ideological box with his denunciation of Stalin, dealing thereby a fatal blow to Stalinist orthodoxy, everyone can now quote some authority in the support of almost any argument.

Whatever one may think of the Italians' refusal to adopt very clearcut measures against their SocialCommunists in the past, and while one may perhaps think that sweeping measures might, even today, succeed in reducing the problem almost to zero, it is by now apparent that the Italians are not going to do what they are not going to do. Under present conditions, moreover, it seems quite possible that hostile but half-way and largely vocal attack might give the SocialCommunists just the rallying point they need to prevent their present tensions from developing into serious lines of fissure. We are not suggesting, as you will see below, that we leave the problem entirely to the Italians. Just that we think the internal tensions of the Left are adequate to make Jujitsu a promising form of attack and that we should therefore leave any ideas of the battering ram for other occasions.

I am not suggesting that any more public blurring of the line between what is and what is not under Moscow control would be helpful. It would not. The maintenance of a fairly clear-cut line is to our mind essential in keeping the forces already at work going. One thing for which we can be thankful is that the Stalin affair and the recent electoral campaign produced, at least temporarily, a rather distinct definition of this line.

Our recommendations regarding our policy toward the SocialCommunists are as follows:

1) We should do everything we can to promote discussion within the Left of its contradictions and problems, hoping thereby to further their development.

2) We should make an attempt further to strengthen the PSDI, always with the purpose in mind of keeping it from merging with the PSI until such time as we are convinced such a merger would be in our interest. We should, however, be sure that we have done everything we can to have the PSDI in as good shape as possible prior to the day that Nenni dies or otherwise disappears from the scene politically, at which time we can expect some kind of crisis in regard to the control and orientation of the PSI to arise.

3) We should make a very careful study of the PSI to find out which federations, in the size of their electorate relative to the PCIs, in their organization and in their leadership, have what might be called the objective prerequisites for autonomism. We should then consider having less-than-first rank European (not Italian) Socialdemocrats develop informal and unpublicized but close personal relations with the leaders of those federations to establish a channel of communication and, if possible, gently to influence their thinking. [4 lines of source text not declassified]

We should, in our opinion, not visualize an operation designed to get part of the PSI to break, rather one intended merely to assist parts within the formal framework of the PSI to develop in an autonomous direction. We would thus be preparing for the day of Nenni's disappearance. Any progress we could make in helping to develop autonomism in the several parts of the PSI would in the interim tend to commit Nenni, in order to maintain control over his party, further in the direction of autonomism than his own inclinations or the needs of the PCI's situation might dictate.

We do not mean to imply that we should deliberately seek a reunification of the Socialist Party in the hopes of taking the reunited party away from the Communists. The steps we suggest would not, we believe, make such a reunification any more likely. What we have in mind is to do everything within our power to see that a reunification, if one proves inevitable, takes place at as opportune a moment as possible and under conditions as favorable as possible.

We think, moreover, that in our further contacts with the PSDI our purpose of preventing a merger from taking place on unfavorable terms would not be well served by an entirely negative attitude on our part. A disturbingly large number of members of the PSDI Directorate, just less than half, are apparently already so attracted by the idea of "Socialist unification" that their judgment regarding the conditions under which it could safely take place may be more than a little clouded. We think that the best way to help the Saragat-Paolo Rossi group prevent a further drift in this direction would be to put Saragat in a position to say to the leaders of the PSDI Left: The Western Socialist parties and our other friends agree that the PSDI may have a good chance of bringing the PSI into the democratic camp. They think that we have a lot to do in the way of improving our base organization before we can face a merger without disastrous results; and in this they are right. They are, however, enthusiastic about our prospects and are willing to help us. The consciousness of a purposeful strengthening of the party's base organizations, if we could help the PSDI to initiate one, might also influence the base to have a little patience.

In regard to point one of our recommendations, our idea is that while the highly polemic approach probably had its value prior to the elections, especially during the first shock of the Stalin affair, our

efforts now should be primarily directed toward defining and raising the really serious questions that face the SocialCommunists (revolution or reformism, dictatorship or democracy, Soviet interests or Italian interests, etc.). We believe that in our method of presenting these questions we should give full credence to the motives which made our target audience Leftists in the first place. A hostile and highly polemic approach is just what the Leftists here expect from the so-called property interests, and, if continued into the post-election period, might call into play all the Left's deep-seated defensive instincts of solidarity.

We do not, as a matter of fact, have any confidence that Italians of the Center or those ex-SocialCommunists available here are capable of overcoming their polemic habits to an extent that would permit them to put their fingers on exactly those problems most troubling the Left. [4½ lines of source text not declassified] Just how one could best handle the question of media and dissemination, we have no very clear ideas at the moment, but do not believe that these problems should prove insuperable. The quasi-philosophic questions would have, of course, to be translated into terms simple enough and familiar enough for the target audience to understand. The important thing to our mind, however, is that the approach be a serious one and eschew using sensationalism for its own sake.

[2 lines of source text not declassified] Possibly the encouragement of "sectarianism" and extreme leftism in the PCI might make Togliatti's job of keeping Nenni covered more complicated or further aggravate PCI-PSI relations. Any challenges to Togliatti's leadership also seem likely to come from the Left and its "Italian" (as against the "Soviet") group. The important thing, however, is that the people concerned should not be made to feel that they are under unusual attack from the outside and thus be impelled to rally once more around the flag of "working class unity".

In this letter I have discussed the Left and what we may be able to do about it more or less as a separate subject. The policies we are recommending should not, of course, be considered out [of] the general context of the Italian political scene as a whole, in which, obviously, the maintenance of a strong Center is of the utmost importance to us. The Right also, for that matter, is an integral part of the organism and, although one would be happy to see some center gains at its expense, appears to play a certain role by providing a non-Communist extreme to which people inclined toward the extremes can go. Moreover, as I have said, we have no way of being sure that anything in the

nature of a collapse on the Right might not benefit the Social-Communist Left more than it did the Center.<sup>5</sup>

Sincerely,

Jack

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<sup>5</sup> On July 9, Deputy Assistant Secretary Beam addressed a memorandum to Jones, which reads as follows:

"I found Jack Jernegan's letter most interesting and from my limited knowledge of the Italian political scene, I would endorse his recommendations, both as to substance and as to manner of application.

"It may be that in Italy we have a greater opportunity than in many other countries to bring about a split within the Moscow-controlled groups of a kind similar to the split within the old Second International. It would seem that the approaches to autonomist elements in the PSI would have to be very selective, in order to obviate the PSI from swallowing up the PSDI. It is discouraging that the majority of workers apparently still give their votes to the PSI and PCI." (*Ibid.*, 765.00/6-2656)

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## 112. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>

Rome, July 6, 1956—7 p.m.

84. Reference: Embtel 66.<sup>2</sup> Agreed Togliatti-Nenni plan to permit formal "dissolution" of PCI-PSI unity of action pact (alleged in report contained in reftel) would appear entirely possible as next step in development Social-Communist situation here since Togliatti 1) may think PCI situation now bad enough to prevent party from attempting broad front maneuver Moscow appears to want for considerable period; 2) may believe PCI needs cover and assistance PSI could provide it if it got into government. Togliatti might, moreover, feel that for reasons of Nenni's ambition, PSI situation and Moscow's wishes he would be unable in long run to hold Nenni within "unity of action" framework. He might thus prefer to agree on largely spurious break (which would avoid serious conflict between parties) while PCI's other means of control over PSI (money, press, filo-Communists inside PSI) were still intact.

In considering this possibility, however, Dept may wish to note following subsequent developments:

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<sup>1</sup> Source: Department of State, Central Files, 765.00/7-656. Secret. Repeated to London, Paris, Moscow, and Belgrade.

<sup>2</sup> In telegram 66 from Rome, July 5, the Embassy cited an unconfirmed report that Nenni and Togliatti had dissolved their unity of action pact and agreed to present separate lists of candidates in elections. (*Ibid.*, 765.00/7-556)

1. Statement of PSI directorate (published July 6) concerning "new internal and world situation" appears to have filo-Communist character which Embassy noted in Nenni July 1 and Fenoaltea July 4 *Avanti* editorials (Embtel 63).<sup>3</sup> Like them statement contains criticism of PSDI and European social democracy in general and sees no more than limited action which can be undertaken in common with them until they move substantially into PSI position.

On face of it, at least, PSI directorate statement would appear to reflect intervention of filo-Communist wing of PSI leadership and through it PCI reluctance to see PSI undertake major initiative at present time.

2. *Voce Repubblicana* July 6 reports PSI directorate circles say that Rome edition of *Avanti* will be discontinued. This hypothetical development was reported as unattributed rumor last week by several radical-party-connected publications. They alleged that financial reasons would be cited as motive but that in fact move was designed by Nenni as way of breaking hold of Vecchietti and other filo-Communist PSI apparat members over PSI press.

We cite these facts to show that clarification of PSI situation and of Nenni's intentions must await further developments or at least further information.

We believe, however, we should accept maneuver of sort described in ref tel as distinct possibility, should try now to think through its possible consequences and steps which we should undertake in this connection.

Jernegan

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<sup>3</sup> Not printed. (*Ibid.*, 765.00/7-556)

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### 113. Editorial Note

In telegram 203 to Rome, July 17, the Department of State informed the Embassy that the *Time* magazine issue of that day had carried a story indicating that Ambassador Luce had suffered from arsenic poisoning while serving in Italy. The telegram acknowledged that Luce had confirmed the story, but that the Department and the Embassy intended to emphasize that the incident had taken place 18 months ago, that the cause was accidental, and that Luce was recovering and would shortly return to Rome. (Department of State, Central Files, 123-Luce, Clare Booth)

The Ambassador's illness had actually been diagnosed in January 1955. Luce left Italy on December 27, 1954, to return to the United States for consultations and for tests to determine the nature of an

illness she had been suffering from since the beginning of her tour in Italy. In personal letters from Durbrow to Luce on January 15 and January 17, 1955, Durbrow stated that tests taken by Luce's doctors in Rome had detected the presence of arsenic in small but harmful quantities. The source of the arsenic was not known, but Luce was urged to seek treatment in the United States. In another letter, January 23, Durbrow stated his suspicion that the arsenic had come from peeling paint on the ceiling of the Ambassador's bedroom. (*Ibid.*, Luce Files: Lot 64 D 27, Correspondence 1955) The *Time* article later identified this as the source. Luce was treated and returned to Rome, but continued to suffer from weakened health. She left Italy on May 10, 1956, to return to the United States for additional treatment; in telegram 3700 to Rome, May 17, the Department informed Jernegan that Luce was suffering from gastroenteritis and required 8 weeks of rest and treatment. (*Ibid.*, Central Files, 123-Luce, Clare Booth) She was still in the United States when the poisoning story became public and did not return to Rome until August 17. In telegram 313 from Rome, July 20, Jernegan reported that the poisoning story had caused considerable comment in Italy, including denials from paint manufacturers and vague hints by the Italian press that a more sinister force was responsible for the incident. (*Ibid.*)

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#### 114. Editorial Note

On August 8, the Operations Coordinating Board approved a progress report of the same date on "United States Policy Toward Italy" (NSC 5411/2), for transmittal to the National Security Council. NSC 5411/2, April 15, 1954, is printed in *Foreign Relations*, 1952-1954, volume VI, Part 2, page 1677. The progress report, which covered the period from January 4 to August 8, stated that no modification in NSC 5411/2 was necessary. It indicated that the left was not in a position to be an immediate threat to the Italian Government, that the Segni government appeared to be in a strengthened position, and that the Italian economy showed increasing productive ability. (Department of State, OCB Files: Lot 62 D 430, Italy)

The NSC discussed the report at its meetings of September 27 and October 4. The memorandum of discussion at the 298th meeting, September 27, indicates that [1½ lines of text not declassified] the item of major interest concerning Italy was the possibility of the reunification of the two wings of the Italian Socialist movement, although the actual unification would not occur for some time. Such a development, [less than 1 line of text not declassified] might be dangerous in that

Nenni's larger party might absorb Saragat's smaller one, thus placing the united Socialist movement under Communist control. Nenni's intentions might even be part of a larger Communist design to create popular front governments in Western Europe. Action on the progress report was deferred until the next meeting. (Eisenhower Library, Whitman File, NSC Records)

The memorandum of discussion at the 299th meeting of the NSC, October 4, indicates that the discussion of the progress report focused on military aid for Italy and Italy's role in NATO. The NSC noted the progress report and the President approved it on October 8. The memorandum of discussion at the 299th meeting is in the Eisenhower Library, Whitman File, NSC Records.

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**115. Memorandum of a Conversation, White House,  
Washington, August 10, 1956<sup>1</sup>**

**PARTICIPANTS**

The President

Signor Amintore Fanfani, Secretary of the Italian Democratic Christian Party

Signor Gerolamo Messeri, Italian Foreign Office

Signor Egidio Ortona, Italian Chargé d'Affaires

Mr. Ellsworth Bunker, President, American Red Cross

Mr. C. Burke Elbrick, Acting Assistant Secretary, EUR

Colonel Vernon Walters, Interpreter

Signor Fanfani<sup>2</sup> began by expressing to the President his gratitude for the many actions taken by President Eisenhower and his predecessors in the White House to help the Italian nation in time of great need. He also expressed his appreciation for the help rendered by the United States Government and the American Red Cross in connection with the *Andrea Doria* disaster.<sup>3</sup> He said that the Italian Government yesterday had signed a contract to replace the *Andrea Doria*. In reply to the President's questions he said that the collision apparently had resulted in severe damage to the machinery of the *Andrea Doria* which would account for its sinking so rapidly. As for the possibility of raising the sunken ship, Fanfani said that this would prove too costly.

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<sup>1</sup> Source: Department of State, Central Files, 611.65/8-1056. Confidential. Drafted by Elbrick.

<sup>2</sup> Fanfani visited Washington, August 9-11, and again on August 27.

<sup>3</sup> The Italian liner *Andrea Doria* sank off Nantucket Island on July 25 following a collision with the S.S. *Stockholm*.

The President said that he had had occasion to observe advanced Italian techniques in raising sunken submarines and had thought it might be possible to raise the *Andrea Doria*.

The President spoke of the contribution that American citizens of Italian extraction had made to the growth and advancement of the United States. Fanfani said that Italians also were proud of these American citizens who, he noted, still took pride in the country from which they came. They had also been of inestimable assistance in helping to rebuild modern Italy. In this connection Fanfani spoke of the task of uniting Europe. The President spoke of his own continued interest in European integration which he had long considered essential not only for the future development of Europe but also for the peace of the world. He agreed with Signor Fanfani, who spoke of the forthcoming meeting at Strasbourg by youth groups to discuss European integration, that it is essential that young people take hold of this movement. The future of a European community lies in their hands. The chances of success in unifying Europe is enhanced by the fact that the youth of the countries in question have not had time to be poisoned by national antagonisms.

The President inquired concerning the prospects for developing the oil and gas resources of the Po Valley. Signor Fanfani said that the lower House of the Italian Parliament had examined the draft law on the exploitation of these resources and had amended the Government's draft liberally in order not to grant absolute priority to the Italian Government corporation AGIP. The Parliament also considered it important to change the rigid royalties system (60% for the state and 40% for the companies) to provide more liberal return for the companies. The President said while he held no brief for the American oil companies it is vitally important for Italy to develop this great new supply of energy and to obtain, at the same time, the greatest possible return for Italy. If the technical skill of the big oil companies is ignored, Italy would doubtless lose out in the long run. He said that Italy is most important to the North Atlantic Alliance and Italian prosperity is of great interest to all the members of the Alliance. The President had known various United States oil men whom he considered to be very public spirited men. While the oil companies are not in need of any greater profits, they can be of tremendous assistance to Italy. Fanfani agreed and said that the draft oil legislation is now being considered in the Senate. He said that the Democratic Christian Party is "drawing away" from the government draft law with a view to liberalizing it in order that it may serve the purposes suggested by the President.

**116. Editorial Note**

On August 25, Pietro Nenni and Giuseppe Saragat met to discuss the possibility of Socialist reunification. In 1947 the Italian Socialist Party had split into two segments, largely over the question of collaboration with the Communists. The PSI, led by Nenni, remained on the left; the PSDI, led by Saragat, joined the ruling government coalition. In telegram 857 from Rome, August 27, Luce reported press accounts of the meeting, which quoted Saragat as stating that there was some identity of views between the two leaders and that Nenni had agreed to Saragat's conditions that Italian foreign policy be conducted in harmony with the West and that a united Socialist Party would never join in a government with the Communists. (Department of State, Central Files, 765.00/8-2756) In telegram 878 from Rome, August 28, Luce reported that Carlo Russo, Secretary of the Council of Ministers, had confirmed press reports of the meeting, although he expressed doubt concerning Nenni's agreement with Saragat's conditions. Russo stated that Saragat had acted to maintain the unity of his party and to put the onus for failure of unification on Nenni. Nenni, Russo believed, sought unification because of the recent election returns which indicated that the PSI lost strength when teamed with the Communists. (*Ibid.*, 765.00/8-2856) In a memorandum to Secretary Dulles on September 25, Elbrick stated that the U.S. attitude toward Socialist unification revolved around the objective of the existence of an anti-Communist Italian Socialist Party committed to the exclusion of Communists from the government and the maintenance of a Saragat-style foreign policy. (*Ibid.*, S/P-NSC Files: Lot 62 D 1, NSC 5411, 5411/2)

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**117. Memorandum of a Conversation, Department of State,  
Washington, August 27, 1956<sup>1</sup>****SUBJECT**

Visit of Signor Fanfani with the Secretary of State

**PARTICIPANTS**

Signor Amintore Fanfani, General Secretary of the Italian Christian Democratic Party

Signor Egidio Ortona, Chargé d'Affaires, a.i., Italian Embassy

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<sup>1</sup> Source: Department of State, Central Files, 765.00/8-2756. Confidential. Drafted by Torbert on August 29.

Signor Raimondo Manzini, First Secretary, Italian Foreign Office

The Secretary

Mr. Robert Murphy, Deputy Under Secretary of State

EUR—Mr. Jacob D. Beam

WE—Mr. H. G. Torbert, Jr.

Mr. A. Jose deSeabra, Interpreter

*Fanfani's Role as a Political Organizer*

The Secretary opened the conversation by congratulating Signor Fanfani on his successful job in promoting the organization of the Christian Democratic Party which the latter acknowledged with a statement that he considered he had been working for the good of Italy in a manner which was compatible with the good of the United States. He felt, however, there was always room for improvement in such work. The Secretary observed that in the world in which we live, it was important not only that people should have the right ideas but that there should exist effective organizations through which these ideas could be carried out. Otherwise, small, highly-organized minorities such as the Communists could impose their will on the majority. Mr. Fanfani said that the experience in Italy proved that with hard work, the Communists could be beaten [*less than 1 line of source text not declassified*]. The Secretary agreed this has been proved.

*The Suez Conference<sup>2</sup>*

The Secretary then alluded to the most helpful role played by Foreign Minister Martino in London. He observed that is was no small task to have achieved agreement of such a substantial proportion of the countries represented at London. Fanfani expressed pleasure that the wishes of the Italian people to cooperate with the United States had been carried out. He said he was also glad to see Spain had come in to the majority group in the last analysis. He asked whether there were good omens for future progress. The Secretary said that with regard to Spain, they were apparently trying to go in two directions at once but had finally come into line. With regard to the general picture, the danger was less but had by no means passed and that a major part of the Suez problem still lay ahead.

In answer to an observation by Signor Fanfani that Shepilov and the Soviets generally had obviously tried to intimidate Nasser in the conference and prevent him from agreeing to anything, the Secretary concurred and mentioned that throughout the conference, the Soviet radio was constantly broadcasting on its Arabic service an exhortation not to accept anything which came out of the conference. India, Indo-

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<sup>2</sup> On August 14, Secretary Dulles flew to London to participate in a 22-nation conference on the Suez situation. For extensive documentation on the Suez crisis, including the London conference, see volume XVI.

nesia and Ceylon, he said, obviously wanted a settlement although they were not in agreement [as] to the nature of the settlement. The USSR on the other hand wanted to prevent a settlement.

#### *Soviet Cold War Tactics*

Mr. Fanfani spent a few minutes describing the present Soviet move as a carrying out of Lenin's quotation about the "road to Paris leading through Asia". He saw this as merely another step in a continuous cold war process since 1945 which at one time was aimed through the Balkans and Italy, then after being stopped in Greece, turned to Prague and now may be trying an end-run into Europe through the southern shore of the Mediterranean, thus beginning a new and serious phase of the cold war. He thought the French might have initially misjudged this situation and attempted to use it to create a diversion from their Algerian problem. With the British, they are handicapped by history in their relationship with the Arabs and it is fortunate that the United States can take advantage of its record in dealing with the situation. This Suez position is really the keystone of European policy. The Spaniards finally saw this and came into line. Mr. Fanfani agreed with the Secretary and mentioned also that they probably thought they saw an opportunity to bring the Gibraltar problem to the fore.

#### *The Situation in the Italian Socialist Movement*

The Secretary produced the clipping from this morning's *New York Times* describing the Saragat-Nenni meeting<sup>3</sup> and asked Mr. Fanfani what he thought of it. Fanfani stated that Saragat had told him of his intention to hold this meeting and had promised him to be cautious and limit his discussions to matters of foreign policy. Mr. Fanfani was awaiting with interest more detailed reports which he expected to have by telephone from Italy, particularly the editorial reaction of Saragat's own paper. He noted that Nenni originally had made statements relatively favorable to the West on the Suez question and then had switched back to support Nasser on the same day he met with Nenni. This was part of his zig-zag tactics.

Nenni had hoped that the Christian Democratic Party would have its Congress next spring and thus be forced to take a stand on the opening to the Left situation which might be right by that time. Fanfani had decided, therefore, to have the Christian Democratic Congress in October before the PCI and PSI conferences. Preparatory regional congresses of the Christian Democratic Party were starting September 2 and Nenni's present moves might be partly to create confusion at these meetings.

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<sup>3</sup> See *supra*.

Nenni, somewhat disappointed by the outcome of the administrative elections, is now out to make all the trouble he can and hopes to be able to promote national elections in the spring of 1957, first to take advantage of the crisis in the PCI, second to bolster prestige of the Socialist movement—either PSI or PSDI—and third, as a means of breaking up the Center coalition. He feels that early elections would be propitious for these ends. It is possible that the PSDI may withdraw from the government and thus force elections. Saragat has been completely loyal to date and there is no reason to think he personally will change his views but he may not be able to control the pressure from his own Left wing. Present Italian public opinion takes a very suspicious view of Nenni but if he were to announce his separation from the PCI, this might affect public opinion even though we know there are no effective guarantees that the separation is definitive.

In response to this statement and as a concluding remark, the Secretary noted that it was not appropriate for him to comment on personalities in Italian politics but as a general proposition, he would say that opposition to Communism in a political leader depends on belief. Leaders who were capable of being converted from Communism had ample opportunity and received ample encouragement during the past ten years and one must view new converts as of this late date with a certain degree of dubiety.

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#### **118. Letter From the Ambassador in Italy (Luce) to the Secretary of State<sup>1</sup>**

*Rome, August 31, 1956.*

DEAR MR. SECRETARY: As you know, in the course of the past three years the Italian Foreign Office has frequently, if gently, reminded us of its desire to be consulted before major decisions affecting Italy were taken by the so-called Big Three, and whenever we have failed to consult them, complained, if not in anger certainly in sorrow, to us.

The matter of the Suez Crisis has been a notable instance in which the Foreign Office feels that it ought properly to have been consulted.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers. Secret; Official-Informal; Personal and Private.

Italy, a major user of the Suez Canal, properly thinks of herself as a Mediterranean power, and has on several occasions offered to be a "bridge" to the Arab world. Since she has no colonies and her prestige in the Middle East, where she has many Italians living, is now high again, her claims are not without some value.

I know that Foreign Minister Martino mentioned this to you in your meeting on August 15 in London.<sup>2</sup> And I know you can appreciate that his position in Italy had been rendered unnecessarily difficult by the suddenness with which the London Suez Conference was summoned under what the Italians thought were final terms of reference without any prior consultation with them. This was especially hard for Martino, since one of the "Three Wise Men", even while he was supposed to be studying methods of making NATO's political and economic collaboration more effective, was left out in the cold at the hottest moment of the crisis.

To begin with, the Italians increasingly resent the idea of a "Big Three" with its wartime victor implications. [5 lines of source text not declassified]

Secondly, apart from any psychological or emotional reaction to being considered a bit of a spare wheel for the Big Three barrow, their wish to be consulted rests on practical political grounds. The Communists and the Nenni Socialists in Italy always attack the Government on the ground that it is a lackey or puppet of the Americans and British Imperialists, insisting that Italy's participation in NATO is a fraudulent "Big Three" scheme to put Italy in a position where she must take orders and accept decisions which have already been made in Washington or London without real consideration of Italian interests. The point is that any failure to consult Italy prior to "Big Three" decisions makes the Left's propaganda that much more effective on non-Left public opinion. Certainly, if Italy were consulted with some degree of regularity and rapidity in major "Big Three Questions", Italian public opinion would line up far more solidly behind the Italian Government's subsequent pro-West decisions and rob the pro-Communist Left of one of its best nationalistic arguments.

Thirdly, the Italians feel, with some justification, that their recovery has been sufficient and their influence in the world sufficiently restored so that they can really help in preparing policy for major European and Middle East decisions.

I am sure you have no idea how effective your visit to Rome before going to Geneva last fall was. That was the first time Italy had been consulted *openly* and *equally* before a major decision of European importance.

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<sup>2</sup> See vol. XVI, p. 210.

I hope that the forthcoming meeting of the "Three Wise Men" will produce procedures or mechanisms which can be used effectively in NATO to secure the consultation they feel to be both necessary and desirable. Even so, I wonder if there is not room also for a study in the Department to see whether administratively in the Department some machinery cannot be set up to establish some wider measure of consultation automatically. I am sure such a system would pay good dividends to us because it would definitely assist the present U.S.-oriented government of Italy in securing the maximum support of its own electorate.

Most sincerely,

Clare

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**119. Telegram From the Department of State to the Embassy in Italy<sup>1</sup>**

*Washington, September 7, 1956—8:03 p.m.*

1034. After reviewing current developments Italian socialist unification as being precipitated by Commin's intervention<sup>2</sup> feel points made Deptel Rome 948<sup>3</sup> (repeated Paris 824 London 157 being repeated other addressees today) still valid.

Additionally any US conversations with European socialists should guard against leaving impression we fear or oppose increased socialist strength per se. Should rather emphasize that it is in socialist interest as well as of entire West to insure that prospects of real conversion hitherto Communist dominated Italian socialist faction are not jeopardized by premature prodigal son treatment of Nenni.

Our objective is continued existence of a party of Italian socialists in control of leaders committed to free democratic principles, excluding Communists from influence over government and having Western European foreign policy similar that endorsed by Saragat and most

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<sup>1</sup> Source: Department of State, Central Files, 765.00/9-756. Secret. Drafted by Torbert and approved and signed for Dulles by Elbrick. Repeated to Belgrade, Bonn, Brussels, The Hague, London, Moscow, Paris, Stockholm and Vienna.

<sup>2</sup> M. Commin, leader of the French Socialist Party, was in Rome August 30-September 6, attempting to assist Nenni and Saragat in unifying the Italian Socialists.

<sup>3</sup> In telegram 948 to Rome, September 1, the Department advised that the Embassy should act with discretion and, while neither praising nor condemning recent developments, should [less than 1 line of text not declassified] emphasize that extensive reforms would be necessary before the Socialists could be considered democratic allies. (Department of State, Central Files, 765.00/8-2856)

COMISCO members. Nenni's reported statements to date do not inspire confidence he so committed when considered in context his record.

Above is for guidance as needed but at this stage we should avoid appearance anti-Nenni or anti-Communist offensive.

Specific individual operating suggestions will be sent certain addressee posts.

Report developments.

Dulles

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120. **Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, September 12, 1956—6 p.m.*

1125. Reference Socialist unity. Communist's departure from Rome last week signaled end of phase in process which looks to eventual reunification of Italy's two Socialist Parties, split since 1947. As expressed in series Embtels this subject and in Deptel 948,<sup>2</sup> there are grave doubts this process as presently developing will produce unified party genuinely committed to democratic ideals in either external or domestic field. It is of course impossible judge speed with which organic unification might come, but present events indicate there is imminent at least a degree of unity of action which might in itself be harmful to development democratic Italian institutions and simultaneously United States policy objectives.

If this is true, [4½ lines of source text not declassified] if only for tactical considerations United States cannot be in posture of flat opposition to concept Socialist unity. We must therefore strive avoid impression we regard achievement unified party on basis Democratic Socialist positions as inconsistent United States policy in Italy. [2 lines of source text not declassified]

[2½ lines of source text not declassified] Present PSDI thinking, [less than 1 line of source text not declassified] appears envisage (1) no insistence on PSI purge of its Commie-controlled elements, and (2) willingness proceed with unification bypassing essential trade union ques-

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<sup>1</sup> Source: Department of State, Central Files, 765.00/9-1256. Secret; Priority. Repeated to London, Paris, Bonn, Brussels, Stockholm, Oslo, Copenhagen, and The Hague.

<sup>2</sup> See footnote 3, *supra*.

tion. While we believe neither Saragat nor Matteotti nor their followers have any desire for future unified party under Communist influence or control, snowballing of pro-unification sentiment and consequent political inexpediency of placing oneself in any way in opposition to unification, makes them apparently disposed (1) to trust in doubtful hypothesis that unified party will of necessity be democratic in character, and (2) to proceed with at least initial steps of unification process without requiring as prerequisite any concrete steps on part of PSI to free itself from Communist influence in either political or union fields.

Whether or not Commin's mission authorized by COMISCO, fact is his actions have put COMISCO in picture here in major way. COMISCO has, at least theoretically, three alternatives: (1) Repudiate Commin's initiative; (2) accept Commin's report with or without approval and let nature take its course in unification process, and thus be half-committed to recognizing resulting unified party; (3) itself take initiative to influence process in desirable direction.

In long run unified party's chances of success depend on its acceptability to COMISCO to degree perhaps difficult for someone not familiar with Italian scene to understand. For similar reasons, Nenni now vitally needs at least appearance of COMISCO approval of steps he has taken or is purportedly preparing take. As result, we believe COMISCO has very high potential bargaining power in unification question.

[*3½ lines of source text not declassified*] We would like suggest in furtherance our objectives certain other considerations which might prove useful in approaches, particularly with regard London COMISCO meeting September 20 which will hear Commin report on situation and presumably report by Matteotti or other Italian PSDI. We fear PSDI delegates attitude will not be sufficiently realistic, and Commin's actions and statements up to now indicate rather serious lack of understanding of Nenni, PSI and Italian problems in general.

Some of above points might be useful in further approaches members of COMISCO executive, other influential figures. There are listed below additional specific points for such approaches:

1. Nenni control of PSI far from complete, and Filo-Communist elements appear have majority on directorate and central committee. (There is undoubtedly substantial slice of party membership and local party officials also under PCI influence or control.) This demonstrated by September 4 resolution of directorate which had typical Communist stamp and in no way reflected commitments Nenni apparently had made to Saragat and Commin, especially in reference to "banishing of discrimination" which of course refers to PCI and outrageous claim that CGIL "natural and democratic base" for trade union unity.

2. We would like point out Nenni is master of smokescreen technique, that his record resembles what has been described as dance of one step forward and two steps back, sometimes modified to two forward and one back. His two steps forward at Pralognan have been matched by equivocal statements since that time on both foreign policy and relations with PCI. Wish further to emphasize vast difference between occasional Nenni statements with that of party when it speaks as unit through directorate and news organ *Avanti*. It is thus entirely wrong take Nenni's individual forward steps out of context as unfortunately Commin and even Spaak have done in connection Nenni's editorial on Suez, which was gesture not maintained by *Avanti* which at present is carrying straight pro-Soviet line.

3. We cannot believe showing by COMISCO of any reserve regarding unification process as now proceeding would have effect of "driving Nenni back into Communist arms". Nenni in our view driven by ambitions for great political success; if he can achieve this without facing fundamental question his relations with Communists, he will continue avoid these questions. Conversely if faced with COMISCO reserve he will be under strong pressure from own ambition and pro-unification sentiment within PSI electorate to take serious forward steps.

4. COMISCO in our view should seek avoid posing "conditions" which could be met by basically meaningless gestures. It should instead clearly recognize dangers from its point of view of present course unification and force Nenni into attempts overcome them.

5. COMISCO should be aware that even when certain Nenni statements and acts appear anti-Communist in some aspects and effects, they may at same time fit into Moscow concept of developments it favors and prepared to further.

6. COMISCO might wish consider probable consequences of first congress of eventual unified party without prior purge of pro-Communist PSI elements. It should be remembered PSI is over twice size of PSDI, and delegates would undoubtedly be chosen on some sort proportional basis.

7. COMISCO should realize that even limited PSDI-PSI unity of action agreement which taken as step preliminary to reunification would probably be sufficient upset Italy's present quadripartite government. This would lead either to center-right formula (obviously repugnant to Social Democrats) or to center-left formula giving great power to PSI while still badly penetrated and influenced by Communists.

[1 paragraph (14½ lines of source text) not declassified]

Luce

**121. Outline Plan Prepared by the Operations Coordinating Board<sup>1</sup>**

*Washington, September 26, 1956.*

**OUTLINE PLAN OF OPERATIONS WITH RESPECT TO ITALY**

*I. Introduction*

*A. References:*

- (1) U.S. Policy Toward Italy (NSC 5411/2), Approved by the President April 15, 1954.<sup>2</sup>
- (2) NIE 24-56, published February 7, 1956, entitled "The Political Outlook in Italy".<sup>3</sup>
- (3) NSC 5602/1, "U.S. Basic National Security Policy".<sup>4</sup>

This Plan supersedes the Outline Plan of Operations for Italy dated March 2, 1955.<sup>5</sup>

*B. Special Operating Guidance:* The following factors are of particular importance in the present juncture of Italian-American relations:

1. The long-term objective of the U.S. is an Italy free from communist domination, having a democratic government and a healthy economy, and willing and able to make important contributions to the free world.

2. Italy is emerging from a status of financial and administrative dependence on the U.S. to one of relative independence, although still needing [less than one line of source text not declassified] much cooperation. [3 lines of source text not declassified]

3. Italy has achieved a considerable degree of governmental stability considering the multi-party system and the existence of a very large Social-Communist opposition. However, governmental stability still depends on the cooperative effort of a number of coalition parties, and governmental crises continue to be a major threat.

4. The growth of Italian productivity and prosperity will probably continue, and will contribute in overcoming the basic problems of underemployment, geographical economic imbalance and underdevelopment of natural resources. There are indications of practical efforts on the part of the Italian Government to develop policies and

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<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Top Secret. In a memorandum attached to the source text, Charles E. Johnson stated that the OCB concurred in the Outline Plan at its meeting on September 26. An attached "Purpose and Use Statement," not printed, indicates that the agencies involved agreed to implement the plan subject to later review and modification.

<sup>2</sup> *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1677.

<sup>3</sup> Document 97.

<sup>4</sup> Approved by the President on March 16, 1956; see vol. xix, p. 242.

<sup>5</sup> Document 67.

programs which will contribute to their solution. This situation should be considered in the light of what appears to be a new Soviet international economic policy based on government-to-government cooperation which, if offered and accepted, could open the way for gradual subversive infiltration in Italy or even imposition of a Communist-oriented economic philosophy by popular acceptance.

5. The two themes of autonomy for national Communist parties and discrediting of Stalin launched at the 20th Congress of the Communist Party of the Soviet Union have had strong repercussions in Italy. As evidenced by the May 27 local election results, the tide was already running in favor of Nenni and against the Communists before U.S. publication of the text of Khrushchev's report. The latter event posed a clear possibility of break-up of the hitherto monolithic left-wing bloc of Communists and Nenni Socialists (PSI) and gave the Center coalition Government a temporary breathing spell though it greatly increased the potential threat to the life of the coalition, which must automatically be realigned if the Social Democrats unify with the PSI. It provided an opportunity for Nenni to gain public favor as well as strength in relation to Togliatti through adopting a line somewhat more independent of both the Italian Communists and Moscow than previously. However, though hinting autonomy, Nenni's public statements are ambiguous. The published terms of the PSI for cooperation with non-Communist parties are not significantly different from those that the Communists themselves would offer. Nevertheless, with the Italian moderate Left electorate judging him more by their hopes for his genuine political regeneration than by concrete evidences of it and guarantees, he is now in a position to disclaim Communist control and seek acceptance into the ranks of the respectable parliamentary parties. Nenni's twenty year history of collaboration with Communism leaves the sincerity of his desire to break with them questionable in our minds. Even if the desire is sincere, however, there remain further grave reservations as to whether he has the political skill and [*less than 1 line of source text not declassified*] tenacity necessary to carry through such a break while still retaining his control over the PSI and his popular hold on the electorate. And even should he make the break, it is anticipated that his influence would be in the direction of a neutralism adverse to Italy's present support of U.S. foreign policies such as maintenance of a strong NATO.

It is true that there is an alternative possible interpretation of Nenni's position and future prospects, namely, that he has seriously and sincerely decided to break his party away from Communist domination, that he knows this can only be done gradually, that he is capable of carrying the break through and that a complete hands-off policy on our part would have net long-term benefits in the practical destruction of Communist power in Italy. This evaluation has been

rejected as a working hypothesis because, should one of the alternative evaluations in the paragraph above prove correct, a Communist-influenced but unified Socialist Party would present too great a likelihood for the [*less than 1 line of source text not declassified*] disruption of the Italian Government. Our attention [*less than 1 line of source text not declassified*] is rather concentrated on strengthening the PSDI to enable them to resist a stampede into premature unification on Nenni's terms.

6. It is believed that the most vital U.S. concern during the present stage of negotiation between Nenni and Saragat for Socialist reunification is to exercise the utmost discretion. Since the emergence of a large Socialist party which is neutralist and not anti-Communist would constitute a serious threat to Italy's hitherto close collaboration with the West and particularly the United States, our tactical objectives at present are: [*less than 1 line of source text not declassified*] and (b) the orientation of any new Socialist grouping along the lines of the present Social Democratic Party. However, in view of Nenni's rising popularity within the Left, the fact that his party is twice as big as the Social Democrats, and the difficulty that Saragat is having in restraining the enthusiasm of the Social Democratic rank-and-file for reunification even on conditions that may not be very exacting of Nenni, it would not seem very likely that Nenni's position as a Socialist leader will be significantly weakened during the next few months. In view of these circumstances we should on one hand do nothing publicly or privately to indicate that we favor admittance of Nenni into the ranks of moderate and respectable parties, but on the other we should for tactical reasons avoid giving the impression that he is unacceptable under absolutely all conditions. We should be careful not to lead European Socialists to think we oppose an increase in democratic Socialist strength. [*9½ lines of source text not declassified*] If, as is conceivable, Nenni should, [*1 line of source text not declassified*] achieve a Socialist reunification on something less than the terms indicated above as acceptable to the U.S., we should re-examine paragraph 15-b of NSC 5411/2. It may be necessary, as a practical matter, to accommodate ourselves to the new situation.

#### C. Major Commitments:

##### 7. PL 480 Program:

a. *Title I.* The first agreement signed May 23, 1955, projected sales of \$50 million, of which cotton for \$36.6 million constitutes the major item. A second agreement under Title I was concluded on July 6, 1956, providing for the sale of \$8.2 million worth of fats, oils, and tobacco. Contingent upon the availability of proceeds from these sales there is a commitment to make available up to \$35.6 million in local currencies for loans to Italy for economic development. An exchange of letters agreeing on the uses of \$30 million of these contingent local currency loans has already been concluded.

b. *Title II.* An agreement signed June 30, 1955 provides U.S. support in surplus agricultural commodities over three years to expand an Italian program of supplemental child feeding. While \$18 million were authorized for the first year and \$13.5 million for the second year, the U.S. support would be marked down even further in the third year and the Italian support proportionately increased, until in the fourth year the program would be entirely Italian supported.

c. *Title III.* Authorizations to voluntary agencies for shipments of Surplus Agricultural Food Commodities to Italy will continue. The Italian Government has agreed to meet freight costs up to 50 percent to a maximum of \$1.5 million, and ICA will match this.

8. Those implied by the general U.S. politico-military commitment to NATO.

9. The Italian Chief of Staff for Defense, during his Washington visit in April 1956, was informed that within Congressional funding limitations, the U.S. would provide Italy their spare parts requirements for FY 1957 on the understanding that Italy would assume progressively this responsibility between FY 1958 and FY 1960.

10. *German Assets.* U.S., U.K. and France have agreed with the Italians, and Inter Allied Reparations Agency countries have consented, that Italy will receive approximately 86 percent of the German assets in Italy.

11. *Atomic Energy.* Under a bilateral agreement signed in Washington July 28, 1955 (effective for five years) the U.S. agreed to exchange atomic information and to lease the Government of Italy 6 kilograms of uranium (20% enriched in isotope U-235) for use in research reactors.

12. *Offshore Procurement.* As of June 30, 1956, \$158 million in OSP contracts with Italy for FY 1956 and previous years remained obligated but unpaid since delivery had not yet been effected.

13. The annual budget for the Fulbright Program under PL 584 is \$1 million.

14. As of July 31, 1956, undisbursed commitments by the Export-Import Bank to Italy amounted to \$31.9 million. This represented \$19.4 million of a \$20 million credit established in April 1955, and all of a \$6.4 million credit established in November 1955 and of a \$6.2 million credit in July 1956. The latter two credits were given for aircraft and parts and the \$20 million credit was given for a number of firms in various industries.

[Here follow Part II, "Actions Agreed Upon," citing continuing OCB Courses of Action; Part III, "Actions Not Agreed Upon" (none); and Part IV, "Additional Proposals Under Consideration in the Working Group" (none).]

**122. Letter From the Ambassador in Italy (Luce) to the Secretary of State<sup>1</sup>**

*Rome, October 10, 1956.*

DEAR FOSTER: The receipt of the OCB Progress Report of August 8, 1956,<sup>2</sup> on United States policy toward Italy (NSC 5411/2) inspires me to write you a personal review of what I believe to be the accomplishments and disappointments of this Embassy in Italy from early 1953 to date, and of some of the Italian problems on this Embassy's agenda that we consider as unresolved.

I think few people at home realize how many American policy goals have been attained or were brought nearer to achievement since the early days of 1953. We ourselves have seldom the opportunity to take stock and view in retrospect the road we have travelled in the last 3 1/2 years.

You will recall that during 1952 and into the spring of 1953 the de Gasperi regime<sup>3</sup> was under the most severe attack from the Left that it had experienced since the days of 1946. I should like to remind you that at that time despite massive Marshall Plan Aid, Italy was still economically unstable, afflicted with mass unemployment, very low living standards, and labor relations difficulties. As you know Italy has always been relatively poor in basic raw materials. These adverse factors still remain in a large measure since the United States has neither the massive means nor the political justification to do more than to help the Italians to ameliorate the situation.

The collapse of de Gasperi's leadership in the general elections of June, 1953, set the stage for a long period of political confusions and alarms. The "cold war" loss of Italy to Socialist-Communist control was a recognized possibility. Ideologically, economically and militarily the effects of such a loss would have been calamitous throughout Europe and a serious impairment of our own national security.

Today the threat of a Communist take-over in Italy is all but forgotten. Though the elections of 1953 resulted in a numerically much weaker parliamentary support of the Center parties, the Center coalition has despite all rumored predictions weathered successfully all attacks of the Left and has remained in power under the successive premierships of Pella, Scelba, and Segni. Of course with so narrow a margin of parliamentary strength the coalition has been threatened from time to time. Because of the weakness of the coalition there have been exasperating delays in much important legislation aiming at

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<sup>1</sup> Source: Department of State, Luce Files: Lot 64 F 26, Letters, 1955-56. Top Secret; Official-Informal.

<sup>2</sup> See Document 114.

<sup>3</sup> Alcide de Gasperi was Prime Minister of Italy, 1945-1953.

much needed economic and social reforms. But the overall stability of this pro-Western democratic regime in the last four years has been under the circumstances indeed remarkable. Democratic government itself is supported by far more than half of the Italian public opinion and voters. The policies of the present coalition follow formally the lines of European solidarity and friendship with America. Italy's ties with NATO have been strengthened to the point where Italy is NATO's strongest support in Europe, morally, politically, and incredible as it may sound, militarily (with the commitment of so many French units in North Africa, the Italian forces committed in NATO are equal to, if not greater, than those of the French).

There still exists a threat from the pro-Kremlin Socialist Left, but the possibility that Italy would knowingly vote itself into the Soviet orbit is no longer the nightmare it was in 1953 and well into 1954. In fact the danger of what is commonly called here "the opening to the Left" after three years of threatening alliance has not yet taken place. Most of the leaders of the coalition beginning with Prime Minister Segni seem to be generally adamant that it shall not take place.

My own conclusion is that politically and ideologically Italy is more stable than many competent observers predicted three or four years ago it would be today.

I would now like to list some of our more concrete accomplishments, many of which seemed unlikely of early resolution in 1953.

(1) *The Trieste settlement.*<sup>4</sup> The settlement of this aggravating and dangerous issue ushered in a better relationship between Italy and Yugoslavia, which is still of a decided advantage to the West despite Yugoslavia's recent shift of position. Above all, it removed a factor which had for over a decade adversely affected our relations with Italy, and Italy's relations with the UK and NATO. Today it can be said that at no time in this century have Italo-American relations been more cordial.

(2) The Trieste settlement cleared the way for a much desired US objective, which otherwise was impossible of attainment: namely, *The Defense Facilities*<sup>5</sup> under which increasing numbers of US units are being stationed in Italy.

(3) Italian ratification of the long-postponed and much desired *Status of Forces Agreement*<sup>6</sup> came a year later.

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<sup>4</sup> The Trieste dispute was settled on October 5, 1954, when representatives of Italy, the United Kingdom, the United States, and Yugoslavia signed a memorandum of understanding and certain other agreements. Documentation is included in *Foreign Relations, 1952-1954*, volume VIII.

<sup>5</sup> See footnote 3, Document 72.

<sup>6</sup> See footnote 2, Document 72.

Reaction to the bringing of US troops from Austria to Italy and the establishment of SETAF [*less than 1 line of source text not declassified*] was and still is excellent. Indeed, our military relationship with Italy in Italy could hardly be better. I believe that the government today would be in favor of our stationing even more troops in Italy.

(4) The Trieste agreement also cleared the way for prompt and large-scale *Italian acceptance of WEU*, when EDC collapsed in France.<sup>7</sup>

(5) *Italian Support for European Integration*, participation and leadership in the European bodies (OEEC, CSC, WEU, etc.) has since 1953 become ever more wholehearted.

(6) *Italian admission to UN*, a long desired Italian goal, has been attained. There can be no doubt that Italy will support the US in the UN.

(7) Another accomplishment, general in nature but most important, is the fact that *Italy now feels herself to be a full partner in the Western World Alliance*.

(8) Last, but not least, we have succeeded in strengthening friendship between the United States and Italy to an extent where such friendship today is a cardinal principle of Italian foreign policy.

Your visit to Rome before last year's Geneva Conference, Mr. Martino's appointment as one of the "Three Wise Men" who will seek to give more meaning to the political, economic and cultural aspects of NATO (long an Italian hope) and such other steps as the Italian role in the London Suez Conferences, etc. have all helped to develop an increasing sense of responsibility and maturity in Italian foreign policy and to make Italo-American friendship a cornerstone of that policy. So long as we continue to treat Italy as a partner, such partnership will continue to be of the greatest mutual value. In my letter to you of August 31 I developed this idea of our partnership with Italy at some length, precisely because I believe we have so much to gain from it.

Many American programs and policies have helped to sustain the confidence of Italians in America's friendship and world leadership. Among them are MDAP aid, Offshore Procurement program, EX-IM Bank and International Bank loans, our surplus commodities agreements, School Lunch Programs, our gifts of goods in the moments of national disaster, floods, droughts, etc. And last, but not least, our Refugee Relief Act, which permitted the issuance of 62,000 visas in Italy.

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<sup>7</sup> Italy ratified the Paris Accords, which brought Germany and Italy into WEU, and Germany into NATO on March 11, 1955; the French failed to ratify the EDC on August 30, 1954.

These are all records of accomplishment and cooperation which the Italians are well aware of and for which they are undoubtedly more appreciative than most European nations who benefitted from our aid.

So much for some of our accomplishments. But while we can be justly proud of our record, we must also frankly recognize that in some respects progress was slow and the achievement of some of our goals are not yet in sight. We have not solved a number of problems primarily because (a) it was not our job to do so in the first instance, and (b) we did not have the tools and means. These unresolved problems are: the continuing existence of a strong Communist apparatus; unemployment and underemployment, especially in the South; the shockingly wide discrepancies in the standard of living (still low despite notable improvements in the last 4-5 years, compared to the rest of Western Europe); the slowness of fiscal and agricultural reforms; excessive government control of and participation in industry; lack of substantial modernization of employer-employee relationships—just to list the more important ones.

With regard to the Communist threat, it had been incomprehensible to US policy-makers that increasing prosperity among Italian workers had so little effect on wooing them from the pro-Kremlin parties. We could understand that two million unemployed, and more underemployed were potential or actual Communists. But we found it hard to understand why many prosperous workers in the North continued to vote for the Communist and Nenni Socialist tickets and gave allegiance to the Communist Trade Union (CGIL). I think we are at last beginning to understand this, and accordingly the situation is improving. Our OSP policy of withholding orders from companies where labor was Communist dominated was the first step. Though our OSP program was small compared to the vast sums of aid in one form or other spent in Italy before 1953, and could not influence per se many unions, the effect of the policy we put into effect beginning in 1954 was cumulative. The ratio of Communist to non-Communist votes in shop steward elections in all Italy has moved in the last year and a half from 65-35 to about 50-50; while the ratio in industries having OSP contracts is about 60-40 in favor of the free labor unions. The important element in this picture is not the loss of votes by the Communist unions and the numerical gain of the free unions, but the growth of prestige, power and self-confidence of the free unions. It was not merely the wage dollars and cents of the OSP withheld from Communist Union control that made the change. It was the encouragement this policy gave to management on the one hand and the free trade unions to fight on a shop level on the other hand that helped

turn the trick. Certainly this proved to our Embassy that prosperity alone will not defeat the Communists and their allies, and that US policy must always keep this fact in mind.

The success of free labor unions—beginning with the defeat in the spring of 1955 of CGIL in FIAT,<sup>8</sup> a traditional stronghold of the Communist apparatus—was a significant milestone in the course of events. Other policies [*1 line of source text not declassified*] also have had salutary effects. For example, in early 1955, certain privileges were withdrawn from the Communist press which resulted in a sharp decline both in circulation and advertising.

In my opinion the greatest threat we face in Italy now rises from the new Soviet policy, one of the aims of which is reanimation of the popular front and the use of socialist-democratic party apparatus as a red Trojan horse. The municipal and provincial elections of last May<sup>9</sup> prove that the new Soviet policy aiming at popular front governments in Italy and in France has definitely assisted the Socialist parties. Both Saragat and the Communist-Socialist-Democratic party (PSDI) and Nenni's pro-Communist Socialist party (PSI) got large increases in votes. This had the unfortunate effect of putting the leader of the anti-Communist Social-Democrat, Mr. Saragat, on the spot when the inevitable cry of Socialist unity rose in the rank and file.

In my view Socialist unity today without adequate safeguards would involve the more serious danger of Saragat being swallowed by Nenni. The Socialists would then be the second largest party in Italy and could and surely would demand an important role in the government. Even if the Communists were kept out of the government (which I doubt they could be then because of the heavy Communist infiltration in the Nenni Socialist organization) the result would probably be a rapid growth of neutralism in the political arena and strongly established policies in the economic field. We must, I am convinced, do everything in our power to prevent the premature Socialist unity on the present pro-Kremlin terms of Mr. Nenni. Saragat and his supporters are obviously a key factor in this process and we must—bearing unforeseen changes in the situation—do everything we can to strengthen and to guide their hand.

We have sent in a series of detailed reports and recommendations to the OCB<sup>10</sup> which I believe will assist it in lining up a policy to meet the Socialist unity question which remains a real threat. This Embassy must continue as it has done in the past to direct all the means and talents at its disposal toward helping Italian leadership in its struggle against the strongly organized forces of Communism and its allies.

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<sup>8</sup> See footnote 2, Document 74.

<sup>9</sup> See Document 110.

<sup>10</sup> See Document 94.

Every responsible Democratic leader in Italy recognizes that this struggle is fundamental to the survival of the Republic. They may disagree on how to fight this battle, but all agree that the objective of Communism is the overt goal [*overthrow?*] of Republican and free institutions and the downfall of Western civilization. It is equally recognized that the battle is far from being won. New strategems by the enemies of Western civilization present new perils which must be met by new plans. The important factor in this struggle is that the great majority of the Italian people have no desire to submit to Communist-Marxist domination. What the Italians may not fully realize and what we must bring home to them every day is that the price of liberty here as elsewhere is eternal vigilance and courage, always more courage.

In this connection I would like to bring up a matter which has been put by the Embassy before the Department several weeks ago. We consider it possible that the Soviet may in the foreseeable future seek to get a foothold in Italy through an offer of a massive assistance project in the form of loans and/or materials not only to help the Italian plan for the South which we have assisted in the past several years, but also the so-called Vanoni Ten Year Economic Development Plan or a version of it which is now in the process of elaboration and which may be called the Four Year Slice of that plan. The evidence that the Soviets are likely to make the Italians such an offer is so far small, but we feel that we should be ready to counter or even anticipate such an offer which, if made, would put the center coalition government in an exceedingly difficult situation. We also feel that the danger of Soviet penetration of Italy will probably increase, in view of the developing Near East crisis which, in turn, has increased Italy's importance as the southern flank of NATO in the Mediterranean and vis-à-vis North Africa.

I should like now to dwell briefly on the major phenomena of contemporary Italian life, namely economic progress. By 1953, with the help of massive American aid, Italy had largely recovered from the damages of war and defeat. Trains ran on time; fine ships flew the Italian flag on the seven seas; air traffic was expanding; the lire was stable—a notable achievement of Pella and other economic ministers and of the central bank. Nevertheless, poverty continued to dominate a large part of the Italian scene, both the idea of poverty and the fact. There was and still is the centuries-old poverty of the South and there was also in 1953 vast unemployment, and equally objectionable, underemployment throughout Italy.

Today the scene is very different. Italy is still a poor country in comparison to most Western European countries, but today the fact of prosperity is more imposing than that of poverty. During the last four years Italy has made the greatest economic strides in her entire history. The rate of progress has been equal to that of any Western European

country, and it is substantial even in the underdeveloped South. Our Embassy and USOM have taken a special interest in this area which includes the famous island of Sicily and the large but sadly neglected island of Sardinia. I am happy to report that American aid has concretely helped to change the pattern of centuries so that today the whole South, including the islands, looks forward to a new economic era.

I may add that in the center and north of Italy prosperity is visible not only in the higher standard of living of the rich and well-to-do; it is even more vividly apparent in the greater enjoyment of life among millions in the middle income group and factory workers. Concrete evidences of this better economic life for millions of Italians are the small cars and motorcycles that swarm the roads of Italy, taking their owners not only to work but also to the beaches, to the lakes, and the mountains and the hundreds of camping sites which have sprung up in the last two or three years. Among the many details in this over-all fact of prosperity, I may cite the continued building of houses and apartment buildings; bulging shipyards; surplus production of wheat and other agricultural commodities; and 8 million tourists this last year straining all facilities of the country. The tourists, together with the export trade expanded under a liberal trade policy, have served to provide a conservative Italian treasury with an imposing dollar reserve of slightly over 1 billion dollars.

What is wrong in this picture is that with all the increase in production and trade and financial stability, the Italian Government has made little progress in the fundamental reform of economic patterns which some wise Italian statesmen like Don Sturzo have persistently urged upon it. The State remains dominant and pervasive in many facets of the economic life of the nation. State monopolies, industries owned and operated wholly or partly by the State and private monopolies and cartels in close relation to the State—all these are aspects of Statism contrary to claims of the Government to be essentially in favor of free enterprise and of socially responsible capitalism rather than of Statist Socialism. In private business, restrictive business practices of past centuries persist and antiquated banking practices with high interest rates throttle the free flow of capital and credit in what is supposed to be a modern capitalistic society.

While all this may be regarded as "domestic affairs", recognizing today the interdependence of all free and democratic nations, the United States cannot but take a deep interest in the economic and social progress of our sister Republic of Italy.

This Embassy has, I believe, been helpful in assisting our Italian friends in working out some specific reforms.

I would particularly like to cite the recent laws governing foreign investments which have greatly improved the climate for foreign private capital; their petroleum law passed by the House and now pending before the Senate, which while not wholly satisfactory is much better than it was a year ago when it was introduced and which should at least result in bringing in foreign risk capital and enabling Italy to expand her production of badly needed oil. We have successfully urged the Italians to extend their liberal trade policy they adopted toward their OEEC partners to the dollar trading area and in turn we have reciprocated by steps which the United States has taken to improve conditions of trade between the two countries.

In passing, a matter of some personal satisfaction to me is that as a result of my consultation with you in Washington last year and my subsequent representation to Prime Minister Segni and Foreign Minister Martino, on March 14th, the Italian Government has issued a decree banning the production and export of heroin.

Besides our concern for fundamental policies designed to assist economic development and the creation of wealth through international trade and investment our Mission has been vigorous in implementing and assisting American activities to sustain the confidence of Italians of American friendship and of our leadership. To mention a few of these activities, I should like to refer to the loans granted to Italy during the last few years by the Export Import Bank \$32.6 million (1955/56); the IBRD \$90 million (with a \$75 million new loan to be signed shortly); surplus agricultural commodities agreement in the amount of \$58 million and another \$50 million agreement now under negotiation; the school lunch program at the cost of \$30 million, bringing home American generosity to about a million children throughout Italy; MDAP aid (total of \$1,576,689,000 since 1950); and the Offshore Procurement program which now exceeds a half billion dollars; our gift of food and other commodities in the moments of national disaster such as floods and droughts (approximately \$25 million); and last but not least our Refugee Relief program under which 62 thousand visas have been issued to Italians—migration is one of the important means to alleviate the important problem of unemployment.

If we have been less successful in reducing government ownership and operation of all kinds of industries and of archaic Statist patterns, the reason is that the Government operating with a very small majority in Parliament did not feel itself in the position to effect major reforms; and the major party in the coalition, the Christian-Democrats, finds itself hopelessly divided on fundamental concepts of economic policy.

Also we have not been successful in inducing the Italian Government to completely fulfill its NATO commitment for combat-effective forces. Nevertheless, there has been a gradual improvement in Italy's

defense posture. Italy's defense spending is rising each year and is now close to one billion dollars a year from a G and P [GNP] of \$21 billion. To put it in another way, 20% of the Italian budget is reserved for defense building. This record is indeed not too bad. However, I must confess that I am increasingly worried about the future of the Italian defense forces. As you know, we have been supporting the Italian defense build-up on a large scale for deliveries of equipment under MDAP, a program designed to help bring Italian forces to NATO agreed force goals. This program of assistance will be largely completed in fiscal year 1958 and will leave the Italian forces at a level which is apparently much too high for them to maintain on their own. In other words it will leave them high and dry. While the Italians intend to increase their defense budget in the same ratio as their economy develops, we do not think that it is politically or economically possible for them to close the gap between present defense outlays and total requirements in the near future. The Italians having been unsuccessful in their recent appeals to the Pentagon for continued long-term military assistance from the United States are now planning a downward revision of their force goals to a level which they believe they can support independently. I fear these cuts may be deep. We have been told that the General Staff is thinking in terms of a reduction of 50,000 men in the army during fiscal '58 and of larger cuts involving all three services in fiscal '59. At this stage it is difficult to predict the magnitude these cuts will assume, but I understand that in fiscal '58 and '59 the gap between total requirements and the anticipated budget ranges from 30-40% of the total. I think there can be no doubt that the weakening of the Italian armed forces at this stage will tend to make the Italian Government more timid in its assumption of defense commitments and therefore may produce a tendency towards a less active participation in collective security measures in general. It may also result in a lessening of the confidence of the Government as we now know it in dealing with the Left.

For the future, I think we must push ahead with the steps outlined in the series of reports and recommendations on OCB policy that I have mentioned. I also believe that in view of our many accomplishments on the one hand and the shift in Soviet tactics, the time has come to re-examine and to rewrite NSC 5411/2 of April 15, 1954. While the problems remain essentially the same, the threat has now taken different form and we must find a new, bold approach and technique.

In closing may I say that without your continued support and guidance, I do not think we would have been able to do what has been done in Italy since 1953.

Cordially,<sup>11</sup>

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<sup>11</sup> Printed from an unsigned copy.

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**123. Memorandum of a Conversation, Walter Reed Hospital,  
Washington, November 16, 1956<sup>1</sup>**

**PARTICIPANTS**

The Secretary

Foreign Minister Martino

Signor Manlio Brosio, Italian Ambassador

C. Burke Elbrick, EUR

Minister Martino said that he was glad to see the Secretary looking so well and that his illness, particularly at this critical time, had been a source of great anxiety to him and to the Italian Government. The Secretary thanked Martino and said he expected to leave Washington on Sunday<sup>2</sup> for a two-week stay in Key West. In reply to Martino's question, he said that he expected to attend the NATO Ministerial Meeting in December. He characterized the meeting as one of the most important in NATO's history where many vital matters would be discussed, including the Wise Men's report on which Martino had been working. Martino said that the report of the Three Wise Men had been finished and that the three Ministers had met day before yesterday in New York. Certain additions and changes were being made in the report to reflect recent developments in the Middle East and Hungary.

Martino expressed great concern over the Middle East crisis and asked what could be done if the British, French and Israeli forces are not removed promptly from Egypt and Soviet volunteers are introduced there. He felt that a clear declaration of the U.S. position should be made to avoid any misunderstanding or miscalculation on the part of the Soviets. The Secretary said that Acting Secretary Hoover is making a statement on this matter in his speech to the General Assembly this afternoon. The Secretary said that it is obvious that the Soviets

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Elbrick. Secretary Dulles was a patient at the hospital.

<sup>2</sup> November 18.

are interested in prolonging the present crisis which they have been instrumental in stirring up from the very beginning. For example, while the 22 nations were meeting in London on the Suez problem and were working on the 18 nation proposal, the Soviet radio was already denouncing it, in broadcasts in Arabic, as an attempt to maintain and extend "colonialism". These broadcasts were being made even before there had been an opportunity to discuss the proposal with Soviet Foreign Minister Shepilov. It is very clear that the Russians have been trying from the outset to prevent a settlement. As for the Western position, confidence has been shaken by recent events and it has become even more apparent that policies should be the subject of consultation among the Allies. We suspected that some action was being prepared by the British and French in the Middle East since for ten days or so before the action itself there had been a blackout of information from them. In London we had opposed the British and French desire to resort to military action, pointing out that this would only serve to open the area to Soviet penetration, would unite the Arab countries into a hostile bloc, and would result in the closure of the Canal. Unfortunately, the desire for military action prevailed and we are now facing a grave situation.

The Secretary asked about the oil situation in Italy. Martino said that Italy had about a two months' supply of oil and that this matter was of course of great concern to his Government. Italian refineries are receiving limited shipments of oil from the Milddle East through the Tapline but this is only a fraction of the amount required. He hoped that in any arrangement that may be made for supplementing European oil requirements from other areas, consideration might be given to funneling a larger supply of oil from the Tapline to Italy where products are refined for various Mediterranean countries. The Secretary suggested that this critical oil situation should serve to accelerate the passage of Italian oil legislation now pending. The Minister agreed that this was so. He said that this would not take care of the immediate needs as it would only provide for a long range program. The whole question of the supply of oil to Europe is being discussed in the OEEC but no decisions have been reached.

The Secretary said that for many years he has made a study of the questions of war and peace and he had long ago concluded that the task of winning, or maintaining, peace is just as hard as winning a victory in war. It requires hard work that is sometimes very disagreeable but if we do not undertake these tasks we may breed conditions which will lead to war. In the Middle East we must solve the two basic issues of the Suez Canal and the Palestine question. We have introduced into the General Assembly two resolutions containing proposals for the setting up of two committees. We hope that the free nations of the world are ready to face up to the present situation and will join

with us in supporting these two proposals. Mr. Martino remarked that French Foreign Minister Pineau has informed him that he is now in favor of the small committee approach to these problems, contrary to the views which he had previously expressed. Apparently he now thinks that the committees would be far more effective than a five-power conference (such as that suggested by Switzerland) which would include the Soviet Union and India.

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#### 124. Editorial Note

Clare Booth Luce resigned as Ambassador to Italy on November 19. On November 24, the President appointed James D. Zellerbach as the new Ambassador. (Department of State *Bulletin*, December 3, 1956, page 902) Zellerbach was President of the Crown Zellerbach Corporation, Chairman of the America-Italy Society of San Francisco, and former Chief of the Economic Cooperation Administration Special Mission to Italy, 1948-1950.

Ambassador Luce had raised the question of resignation repeatedly during her conversations with the President and Secretary of State in January, citing reasons of health. A memorandum from John W. Hanes, Jr., February 28, states that the President and Secretary Dulles had requested that she remain in Italy through 1956, and that she had agreed. (Eisenhower Library, Dulles Papers, Meetings with the President)

[1 paragraph (6½ lines of text) not declassified]

125. Report Prepared by the Operations Coordinating Board<sup>1</sup>

Washington, February 13, 1957.

PROGRESS REPORT ON "UNITED STATES POLICY TOWARD  
ITALY" (NSC 5411/2)<sup>2</sup>

(Policy Approved by the President April 15, 1954)

(Period covered: August 8, 1956 through February 13, 1957)

A. Summary of Operating Progress in Relation to Major NSC Objectives<sup>3</sup>

1. OCB Recommendation Regarding Policy Review. U.S. policy toward Italy as set forth in NSC 5411/2 has been reviewed from the standpoint of operating considerations and in the light of operating experience to date and of anticipated future developments. No review of policy is recommended.

2. Summary Evaluations. The U.S. continues to progress toward its major objectives in Italy. During the period under review, Italy was profoundly affected by external events in Central Europe and the Middle East. The Hungarian Revolt stirred Italy deeply. The Anglo-French intervention in Egypt and the closure of the Suez Canal caused preoccupation over the future of NATO and the increase of Soviet influence in the Eastern Mediterranean. The resulting oil and shipping shortages may temporarily slacken Italy's economic expansion. Despite continued rank and file enthusiasm in the two Socialist parties for reunification, the trend toward merger had been slowed down for some months prior to the Nenni Socialist Congress early in February 1957. Since the results of the Congress and the elections to the directing bodies are confused and contradictory, it is too early to judge what effect these developments will have on the prospects for unification.

a. The Situation with Respect to U.S. Policy Objectives.

(1) "To reduce the strength and effectiveness of the Italian Communist Party". The Italian Communist Party is experiencing its greatest difficulties since fascist times as a result of a switch in international communist tactics early in 1956, the mass murder of Hungarian patri-

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<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Secret. A Financial Annex detailing the amount of U.S. military aid to Italy from 1949 to February 1957 is not printed. According to an attached memorandum by Charles E. Johnson, the OCB concurred in this report for transmittal to the NSC at its meeting on February 13. The NSC noted the report at its meeting on March 14. (NSC Action No. 1684; *ibid.*, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

<sup>2</sup> For text, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1677.

<sup>3</sup> Latest National Intelligence Estimate (NIE 24-56) is dated 2/7/56. [Footnote in the source text. NIE 24-56 is printed as Document 97.]

ots by Soviet troops, and increasing disagreement with the Nenni Socialists. Faithful adherence by Italian Communist leaders to Soviet policy in Hungary and Soviet defiance of the UN have reduced popular support for the Italian Communist Party and increased Italian distrust of the Soviet Union. On the whole, the Italian Communist Party is somewhat weaker as evidenced by significant reductions in party membership and more divided than it was six months ago, and the strength of the organizations like the CGIL labor union which it dominates has declined; however, its basic strength and potential remain considerable. The party leadership, through deception, discipline and control of the party congress, and through appealing to the self-interest of each party member and official and to the real or imaginary need for domestic reform, has thus far managed to keep the party a strong cohesive political force. The Communist organizational machine and commercial enterprises remain strong and well financed, though probably less so than previously.

(2) "*An Italy . . . having constitutional, democratic government*".<sup>4</sup> Although the Segni Government is under no immediate pressure, it would probably be replaced by another government formation in the event of national elections (the legal term of Parliament expires in June 1958) or if Socialist reunification should become imminent.

At their party Congress early in February 1957 the Nenni Socialists (P.S.I.) approved almost unanimously a motion declaring their independence from, but not opposition to, the Communists and their desire to reunite with the Social Democrats. However, they did not specify the terms of reunification except to endorse neutralism and continued cooperation with the Communists in the labor and cooperative fields. The result of the elections to the directing bodies of the P.S.I. demonstrated deep-seated divisions which make it doubtful whether Nenni has sufficient control of his party to negotiate effectively toward the achievement of the goals set forth in the motion approved by the Congress.

(3) ". . . a healthy self-sustaining economy". Shortages resulting from the closure of the Suez canal will cause some slackening of the previously high rate of growth of Italian economy (6% average yearly real GNP gain since 1951) and adversely affect Italy's otherwise favorable balance of payments outlook. There will be adverse repercussions in particular sectors of the economy, such as the petroleum and shipping industries.

(4) "*Support of the free world coalition*". Wholehearted Italian cooperation with the free world continues, both in multilateral organizations (UN, NATO, CSC, WEU, OEEC, etc.) and bilaterally with the democratic countries. The Italian Government maintains its staunch support of U.S. international policies, including the U.S. course of action in the Middle East. Distrusting the effect of "détente" on its internal situation and on the firmness of its Western Allies, Italy maintains its relations with the Soviet Union on a cold war basis. While Italy accepts its NATO force goals, most of them are not being met because of insufficiencies of budget and trained manpower as well as failure to institute streamlined procedures and economies in the mili-

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<sup>4</sup> All ellipses are in the source text.

tary establishment. Over-all Italian military effectiveness remains low and military capability has been further reduced by fuel shortages. U.S. forces are welcome in Italy and their public relations position continues excellent. U.S. influence and prestige remain high.

### *3. Progress in Meeting Program Schedules*

#### *a. Military aid and offshore procurement (OSP).*

(1) A total of \$1,709.7 million is included in the revised FY 1950-1956 MDA Program for Italy. Of this amount \$1,507.2 million or 88% had been delivered as of November 30, 1956. Combat aircraft constitute a large part of the undelivered portion of the program. The current FY 1959 military program for Italy amounts to \$40.5 million (excluding modern weapons). This compares with \$35.9 million which was funded for Italy in 1956. In addition, a modern weapons program is under study.

(2) No MAP OSP (offshore procurement) contracts have been placed during FY 1957. As of November 30, 1956, actual contract placements amounted to \$459.1 million and expenditures were \$359.9 million or about 78% of contracts. The U.S. has obligated approximately \$6.7 million in past mutual weapons development programs and is contemplating \$1.4 million for FY 1957.

*b. Defense Support and Other Aid Program Activities.* No new defense support funds have been authorized since FY 1955. Technical assistance in the field of labor leadership is being carried out as a continuation of the FY 1956 bilateral Technical Exchange Program. Obligation of U.S.-owned local currency for procurement in Italy for the development of third countries is progressing.

### *B. Major Operating Problems or Difficulties Facing the United States*

*4. Effects of Suez Canal Closure.* Early reopening of the Canal is of prime importance to Italy. A prolonged closure of the Canal would halt the steady forward momentum of Italy's economic expansion, would seriously impair its dollar position, and may threaten its political stability. In this event, the United States may expect to be confronted with Italian requests for aid.

*5. Socialist Reunification.* There is a considerable possibility that Socialist reunification will occur within the next few years because of rank and file enthusiasm for union in both parties. The effect of Socialist unification, if achieved, on the implementation of U.S. policy toward Italy is unclear and would depend largely on the terms and circumstances. It very probably would cause a general political realignment within Italy and national elections.

*6. Combating the Communist Apparatus and Weakening its Base.* Due to the recent decline in U.S. procurement in Italy, the U.S. now has little opportunity to use its policy of screening the Italian beneficiaries of U.S. orders so as to aid the free trade unions. However, the success of U.S. screening policy has helped persuade some private Italian

industrialists and Government-owned plants to adopt a similar policy of supporting the free trade unions. It is unlikely that any significant official action aimed at weakening the Communist apparatus will be taken in the near future, because the Italian Government deems this would be counterproductive since it would tend to unify conflicting elements within the Communist Party, and alienate the non-Communist left. While an official and proclaimed anti-Communist program such as enunciated by Scelba on December 4, 1954 would probably be counterproductive at this time, the U.S. still believes that effective measures could be taken by the Italian Government through the use of normal legal and administrative procedures.

*7. Strengthening Italy's Collaboration with the U.S. and the West.*

a. *Political.* Italy requests, in return for following general U.S. leadership, increased consultation by the U.S. and support for specific Italian objectives. Italy desires forceful U.S. leadership of the free world, particularly in the Middle East. Increased Soviet prestige in the Middle East or an unsatisfactory Suez settlement will reduce Italian confidence in the U.S. and in Italian democratic leaders who are committed to the policy of relying on U.S. leadership.

b. *Military-Economic.* The Suez crisis makes it less likely that Italy will in the near future reduce the gap between the financial requirements of her force goals and of the Italian defense expenditure. As one example, it has been estimated that for spare parts and maintenance alone the Italian Armed Forces will fail to meet requirements by about \$80 million in FY 1957. It is present U.S. policy to program equipment to meet approved NATO force goals only if Italy can support such forces. Unless additional U.S. support is forthcoming, Italy may in the near future exert pressure to secure a reduction of its NATO force goals to a level more realistically within its willingness and/or capability to support.

The Italian defense picture is further complicated by Italy's desires, military and political, to shift from conventional to advanced weapons and to obtain U.S. technical plans and contracts for the manufacture of missiles. Italy is also pressing for an Atomic Energy Power bilateral agreement and further OSP contracts. The wind-up of OSP emphasizes the problem of maintaining the production base, mainly for aircraft and ammunition, built in Italy by the offshore procurement program.

8. *East-West Trade.* Italy generally cooperates with East-West trade controls except with respect to mercury, a highly strategic commodity, which Italy was shipping in substantial quantities to the Bloc before it became an embargoed item in 1954 and since that time has continued to do so within that pattern, probably as bait to obtain more advantageous trade agreements than otherwise. Italy's mercury shipments are the major International List I item now moving from the free world to

the Soviet Bloc totaling in excess of \$1.5 million for CY 1955 through the first quarter of CY 1956. The Italian mercury shipments represented the largest individual Battle Act exception item of those submitted to and approved by the President. The U.S. has been strongly pressing Italy to reduce these shipments, but thus far without positive result. However, Italy's trade with the Bloc (including Red China) is only 3% of total Italian trade.

9. *Foreign Investment in Italy.* The petroleum law enacted in December will not greatly improve foreign investment prospects in Italy unless further legislation covers such matters as depletion allowances.

10. *Immigration.* With the expiration of the Refugee Relief Act (under which 64,087 visas were issued between 1954 and 1956 to Italians), Italian emigration to the U.S. is limited to the nominal regular quota of 5,645. Because of Italy's serious population problem, she will continue to press for relief through U.S. legislation. If the President's immigration proposals of January 31, 1957 are enacted into law, Italy will probably benefit to a limited extent.

Currently, the more than 3,000 Hungarian refugees to whom Italy has given temporary asylum constitute a particular problem, especially since many of them are quite vocal in their demands to get to the U.S. About 4,600 of the older escapees from Eastern Europe also remain in Italy.

### C. Additional Major Developments During the Period

11. *On October 5, Nenni and Togliatti signed a "consultation pact"* superseding their previous "unity of action" pact. While this proclaimed the continuation of cooperation between the Communist and Nenni Socialist parties, it gave the impression of diluting this cooperation. On January 1 Nenni renounced the Stalin Peace Prize of 1952 and turned over the \$25,000 proceeds to Italian charity.

12. *PL 480 Agreement.* On October 30, 1956, a Title I PL 480 agreement with Italy for the sale of \$60.8 million of surplus agricultural commodities was signed. A further sale of \$1.6 million in tobacco has been negotiated.

13. *IBRD Loan.* On September 20, 1956 the International Bank lent Italy \$74.6 million for Southern Italian development.

14. *Aerial Inspection Exercise.* At the suggestion of USIS, Rome, the Italian Government conducted during October a demonstration of aerial inspection to show the feasibility of President Eisenhower's Open Skies Proposal.

15. *Regional and Local Elections of November 1956.* Elections in the Upper Adige Region and a few isolated provinces in November 1956 showed relatively stable support for the Center coalition parties, and moderate reductions in the vote for the Communist and extreme right-wing parties.

**126. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, March 19, 1957—1 p.m.*

3722. Vice President Nixon and party departed Rome 2 p.m. March 18 after three day unofficial visit which Embassy believes highly successful both from public relations standpoint and in giving leading Italian officials satisfying opportunity for exchange views.<sup>2</sup> This reflected in press as well as conversations with Italian officials during and after visit.

Occasion particularly valuable in connection long-standing Italian desire be considered one of major Western powers entitled to consultation on major international events. Point was not lost that this was only European stop in trip dedicated to African affairs, since feeling is strong that for geographic and historic reasons Italy has significant role to play in development of neighbor continent.

Despatch follows.<sup>3</sup>

**Zellerbach**

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/3-1957. Limited Official Use. Also sent to Tunis.

<sup>2</sup> Vice President Nixon visited Italy March 16-18 on his return from a trip to Africa. In telegram 3399 to Rome, February 20, the Department indicated that the visit was to be an informal courtesy call by Nixon on Italian officials. (*Ibid.*, 033.1100-NI/2-2257) In telegram 3447 to Rome, February 23, the Department instructed the Embassy that the Vice President did not expect to raise substantive issues with the Italians. (*Ibid.*) In telegram 3664 to Rome March 12, the Department stated that Nixon had been instructed to indicate to Saragat U.S. confidence in him and in his party. (*Ibid.*, 033.1100-NI/3-1257) In telegram 3691 from Rome, March 18, Zellerbach informed the Department that Nixon had spoken to Saragat along the suggested lines and that Saragat had seemed pleased by the attention. (*Ibid.*, 033.1100-NI/3-1857)

<sup>3</sup> *Infra.*

**127. Despatch From the Embassy in Italy to the Department of State<sup>1</sup>**

No. 1280

*Rome, March 28, 1957.*

REF

Embassy's despatch 1256 dated March 26, 1957<sup>2</sup>

SUBJECT

Conversations during Visit of Vice President Nixon

During the visit of Vice President Nixon to Rome it was not planned that he broach any substantive matters with the officials of the Italian Government with whom he talked. Inevitably, however, the Italian officials themselves brought up subjects on which they believed the Vice President either should be informed or could be helpful. Listed below are points of interest in this connection.

*1. Consultation*

President Gronchi, Prime Minister Segni and Foreign Minister Martino all brought up the long-standing Italian desire to be consulted promptly on matters affecting the Western alliance or any substantial part of it. They emphasized the necessity that Washington be convinced of the justice of the Italian claim, pointing out that United States prestige in Italy suffers when we neglect them in favor of prior or exclusive consultation with the British and French. The Vice President replied that he would take this up with President Eisenhower and with the National Security Council upon his return to Washington.

*2. African Economic Development*

President Gronchi spoke at some length on the need for European cooperation with the newly independent African states. He pointed out Italy's special position in this regard in the sense of cultural and geographic propinquity; furthermore, Italy's colonial period now being history, Italians enjoy the confidence of the African peoples.

Gronchi brought up the desirability of creating an international organization for financing economic development of the African states, in order to avoid the fear of domination which could be aroused by a single nation (i.e., U.S.) program. He thought that this organization could include the European nations, and that the USSR should be

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<sup>1</sup> Source: Department of State, Central Files, 033.1100-NI/3-2857. Confidential.

<sup>2</sup> In despatch 1256, the Embassy provided a full account of the Vice President's schedule and activities during his visit to Rome. (*Ibid.*, 033.1100-NI/3-2657)

invited to join. If the Soviet Union refused to participate, such refusal would be to its discredit; if it joined, the other nations would have a better opportunity to keep track of Russian activities in Africa. Gronchi did not mention the United Nations in connection with his idea.

### *3. Italian Political Situation*

Prime Minister Segni produced a few thoughts on the internal political situation including his doubt that socialist unification could be achieved before the next political elections. When these elections take place, it is Segni's belief that the PCI will suffer a loss of 10%, and that if the socialist parties run together they, too, will lose ground. If the PSI and the PSDI run separately, however, each should make a slight gain.

Senate President Merzagora, in discussing Italy's internal situation, said that he expects the social and economic development programs of the last 10 years to bear significant fruit during the course of the next 5 years. Once past the next political elections, the PCI will diminish rapidly as an effective force in Italian politics as people begin to appreciate the benefits of 10 years of Center government achievements. (It is, perhaps, of interest that none of the Italian leaders mentioned the Vanoni Plan.)

For the Ambassador:  
Niles W. Bond  
*Counselor of Embassy*

### **128. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, April 30, 1957—10 p.m.*

4357. Re Embtel 4340.<sup>2</sup> Motivations behind Gronchi's current maneuvers against Martino date back some time.<sup>3</sup> In Embassy view,

<sup>1</sup> Source: Department of State, Central Files, 765.00/4-3057. Secret; Noforn. Repeated to London, Paris, and Bonn.

<sup>2</sup> In telegram 4340 from Rome, April 30, Ambassador Zellerbach provided a summary of a discussion held by the Italian Council of Ministers on April 26 concerning the Middle East. (*Ibid.*)

<sup>3</sup> When Vice President Nixon visited Italy, he delivered a letter to President Gronchi from President Eisenhower, dated February 28, which conveyed Eisenhower's personal greetings. (*Ibid.*, Presidential Correspondence: Lot 64 D 174) In telegram 4057 to Rome, April 5, the Department informed the Embassy of a *New York Times* story of that same

*Continued*

President continues explore foreign policy variants and criticize government for "subservience" to US in foreign policy field because 1) he apparently sincerely believes some degree East-West *distensione* less dangerous than holding to rigid Cold War positions, and 2) he may hope capitalize on potential popular appeal pacifism and neutralism and also on Italian sensitivity on questions national prestige to further his own ambitions become leader non-Commie left force or coalition of forces in Italian politics (despite constitutional limitations on office of presidency).

As Department aware, Gronchi apparently desires see change in orientation of DC and Italian Govt toward left through some form of association of DC with PSI, whether through direct PSI-DC association or through Socialist unification and association of unified party with DC in government. His various attempts cause replacement or resignation of Martino may have been designed at least partly in hope of causing PLI to leave govt as way of putting end to center formula possibilities and thus to accelerate realization of "opening to left" of one sort or another. (He has long believed escape from what he considers "center *immobilismo*" and major reduction strength of Italian Communism can only be achieved through Demo Christian-Socialist cooperation.) Gronchi's continued operation in this field can only lead us conclude that recently demonstrated weakness Nenni and PSI automists has not changed his basic ideas in this regard.

In recent conversation with Gaitskell, we understand he referred to PSI as "more consistent" with PSDI and suggested that although prospects for Socialist unification through efforts of type made by two parties to date looked extremely dim, they might still be able to get together since "they might be both able associate themselves with some other political formation". While exact concept behind President's remarks not clear, they far from reassuring.

Present alignment of forces with DC and Center as whole, however, does not suggest Gronchi will be able reduce [produce?] either 1) change in basic orientation Italian foreign policy, or 2) change in orientation of DC, within which Fanfani's power appears to be increasing rather than decreasing. [4½ lines of source text not declassified]

While thus no major change in Italian foreign policy orientation as result Gronchi's efforts appears probable (and it is far from certain Gronchi would attempt execute ideas he now advocates were he to acquire major influence in formulation Italian policy), his maneuvers may 1) result in certain amount confusion in execution Italian foreign policy and minor modifications (on points over which anti-Gronchi

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day which indicated that Gronchi's reply, which the *Times* reported contained complaints concerning U.S. policies, was blocked from being sent by the Italian Foreign Office. (*Ibid.*, Central Files, 765.00/4-557)

forces do not consider battle necessary or worthwhile) and 2) possible cause some acceleration in gradual lessening open identification foreign policy of Italy with that of US (without change in its basic pro-Western, pro-US orientation), process which to one or another degree has already taken place in most other Western European countries.

Recent increase Gronchi-Martino antagonism to our mind fits into same general picture as recent mild intensification of other long-standing squabbles within government coalition and within Center parties themselves. (PRI departure from government's majority, De Nicola resignation, intransigent Pastore stand on *Parti Agrari*, Matteotti resignation, some sharpening church-state friction, etc.) These phenomena, we believe, should be seen against background 1) apparently decreasing degree to which Italians consider PCI menace to domestic security, 2) recent belief (now deflated) that Socialist unification would alter government formula in relatively near future, 3) gradual approach political elections and consequent intensification political rivalries, and 4) weakening of Center coalition as result preceding factors.

Although, as we said above in context Gronchi-Martino conflict, we see little likelihood that these trends by themselves will bring about major change in either domestic or foreign policy of Italy, they may result in period of some confusion and inefficiency.

Another danger inherent in them, however, is possibility that if they continue, they may become intensified beyond limits normal electoral competition, [1 line of source text not declassified] weakening those elements of moderation and restraint on which efficient functioning Ital Center govt, even after next political elections, may in large measure depend.

**Zellerbach**

**129. Memorandum of Conversation Between Secretary of State Dulles and Foreign Minister Martino, Bonn, May 1, 1957, 7:30 p.m.<sup>1</sup>**

The conversation followed very much along the lines of the talk which I had had with Ambassador Brosio.<sup>2</sup> He emphasized the role of the Four-Power Working Group in Italian politics and the fact that

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Dulles. He and Foreign Minister Martino were at Bonn for the Ministerial Meeting of the North Atlantic Council, May 2-4.

<sup>2</sup> No record of this conversation has been found.

President Gronchi was using this very actively to try to undermine the government and to build up the strength of the Left Wing. Martino said he had been wondering about what a solution might be. He recognized that the Four Powers on the Working Group did have a special responsibility as regards the reunification of Germany, but on the other hand that this problem tied into related problems such as European security and disarmament where others were equally concerned. It had occurred to him that the NATO Council might establish a series of working groups—one on German reunification, one on European security, one on disarmament, etc. He asked me to study this matter.

I said that the Working Group on German Reunification was not in the American view designed in any sense to be a "directorate" of European affairs as the Italians feared. It was designed merely to be sort of a "watch dog" over the situation during the election period when imprudent proposals might be made or dubious propositions perceived. I said I did not very much favor myself the idea of having special groups and that we had for the last year or so discontinued the so-called "Big Three" meetings which I thought had outlived their usefulness. They were a relic of the war and of a winning side which ought to be forgotten. I had brought the Italians into the Near Eastern arms group although that had been an ill-fated venture due to the French evasions.

I said that I would give serious consideration to Mr. Martino's proposal but I saw some difficulties in it. I asked whether some sort of declaration by the United States at the NATO Council Meeting with reference to the purpose and scope of the Four-Power Working Group would be helpful. He said that it would of course be helpful but perhaps would not fully meet their needs.

Mr. Martino apologized for troubling me about his internal affairs, and I said I felt honored that he had brought his troubles to me.

I asked him whether he would make the opening general statement at the Meeting tomorrow as the senior Foreign Minister, and he said he would.

**John Foster Dulles<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature.

**130. Editorial Note**

On May 8, the coalition government of Christian Democrat Antonio Segni resigned. On May 20, Adone Zoli formed a new government, with a cabinet composed of Christian Democrats and one independent. In a memorandum to Elbrick, May 20, the Office of Western European Affairs noted that [*less than 1 line of text not declassified*] the appointment of Giuseppe Pella as Vice Premier and Foreign Minister was noteworthy and was seen as a prelude to greater insistence by Italy on a larger role within the Western Alliance. (Department of State, Central Files, 765.00/5-2057) In telegram 4615 from Rome, May 21, Zellerbach stated that Pella's policies would depend on the nature and duration of the government, but that he appeared to support pro-Western policies. (*Ibid.*, 765.13/5-2057)

**131. Outline Plan Prepared by the Operations Coordinating Board<sup>1</sup>**

Washington, May 15, 1957.

**OUTLINE PLAN OF OPERATIONS WITH RESPECT TO ITALY***I. Introduction**A. References:*

- (1) U.S. Policy Toward Italy (NSC 5411/2), Approved by the President April 15, 1954.<sup>2</sup>
- (2) NIE 24-56, published February 7, 1956, entitled "The Political Outlook in Italy".<sup>3</sup>
- (3) NSC 5602/1, "U.S. Basic National Security Policy".<sup>4</sup>

This Plan supersedes the Outline Plan of Operations for Italy dated September 26, 1956.<sup>5</sup>

*B. Special Operating Guidance:* The following factors are of particular importance in the present juncture of Italian-American relations:

1. The long-term objective of the U.S. is an Italy free from Communist domination or serious threat of Communist subversion, having a constitutional, democratic government and a healthy self-sustaining economy, and able and willing to make important political, economic and military contributions in support of the free world coalition.
2. Because Italy is emerging from a status of financial and administrative dependence on the U.S. to one of relative independence, U.S. influence on Italy must increasingly be [1 line of source text not declassified] concentrated on essential issues.

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<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Top Secret. An attached "Purpose and Use Statement," not printed, indicates that the agencies involved had agreed to implement the plan subject to later review and modification. In a memorandum attached to the source text, Charles E. Johnson stated that the OCB concurred in the Outline Plan at its meeting on May 8, with the minutes being approved on May 15. The Board agreed, however, that if the Segni government were not replaced by a government similar to it in outlook, the Outline Plan would have to be revised.

On May 27, copies of the Outline Plan were sent to Ambassador Zellerbach by the Department of State. In the cover letter, signed by Acting Secretary of State Herter, Zellerbach was instructed that responsibility for carrying out the operations described in the plan rested with the Department and with the Embassy and that Zellerbach should personally supervise its application. Assistant Secretary Elbrick had been designated as overseer of the plan, and Zellerbach was instructed to report to him in 6 months regarding the actions taken under the plan and the measure of success achieved. (Department of State, Central Files, 611.65/5-2757)

<sup>2</sup> *Foreign Relations*, 1952-1954, vol. vi, Part 2, p. 1677.

<sup>3</sup> Document 97.

<sup>4</sup> Approved by the President on March 16, 1956; see vol. xix, p. 242.

<sup>5</sup> Document 121.

3. Since grant economic aid to Italy is no longer necessary or expected, the U.S. should concentrate on facilitating a more normal, sound and self-sustaining economic relationship with Italy, in which the emphasis is on increasing cooperation not involving U.S. outlays, improving the Italian atmosphere for private foreign investment, and encouraging Italian use of established international lending institutions.

4. In order to ensure continued Italian support for U.S. international policies, the U.S. should consult with Italy on international matters in which the two countries have important national interests.

5. In fulfillment of its military commitments to Italy within the NATO framework, the U.S. should continue to assist Italy to strengthen its defense capability.

[Numbered paragraph 6 (6 lines of source text) not declassified]

7. From the U.S. point of view it is important that the trend toward Nenni Socialist autonomy from the Communists and the Soviet Union should progress substantially further before the Social Democrats enter a reunified party, and that the Social Democratic viewpoint and leadership should have substantially more influence in a reunified party than would appear probable should unification occur in the immediate future. Unification would probably destroy the government by the Center and if carried out prematurely would not only weaken Italian democracy and stability but would also make it difficult to achieve a new governmental formula satisfactory to U.S. objectives.

[Numbered paragraph 8 (8½ lines of source text) not declassified]

9. During the present stage of Socialist unification negotiations it is of great importance for the U.S. to exercise the utmost discretion. We should on one hand do nothing publicly or privately to indicate that we favor the admission of the Nenni Socialists as presently oriented into the ranks of the democratic parties, but on the other hand we should avoid giving the impression that the Nenni Socialists would be unacceptable under absolutely all conditions. We should be careful not to lead European Socialists to think we oppose an increase in democratic Socialist strength.

10. The United States should also continue to support the other Italian democratic parties of the Center (Christian Democrats, Liberals and Republicans) emphasizing the Christian Democratic Party, which is the bulwark of Italy's democratic regime and its pro-Western orientation.

11. The United States should encourage elements of the moderate Right to remain moderate and responsible.

12. The U.S. should support the free unions in their effort to combat communist control over Italian labor. [3½ lines of source text not declassified]

C. Selected U.S. Arrangements with or Pertaining to Italy

1. U.S. Involvements Which May Imply Military Security Guarantees.

The North Atlantic Treaty.

2. U. S. Commitments for Funds, Goods or Services.

a. PL 480 Program:

(1) *Title I.* Five agreements have been signed (May 23, 1955, July 5, 1956, October 30, 1956, January 7, 1957 and March 26, 1957) providing for the sale of agricultural surplus commodities for local currency in the aggregate of \$127.9 million. Of this about \$88.0 million will be loaned to the Italian Government for economic development. Letters have been exchanged with the Italian Government defining the general types of development projects involved as well as the criteria to be applied in extending loans.

(2) *Title II.* An agreement signed June 30, 1955 provides U.S. support in surplus agricultural commodities over three years to expand an Italian program of supplemental child feeding. \$18 million were authorized for the first year and \$13.5 million for the second year. The agreement provides that U.S. support will be reduced further in the third year and the Italian support proportionately increased, until in the fourth year the program will be entirely Italian supported.

(3) *Title III.* Authorizations to voluntary agencies for shipments of surplus agricultural food commodities to Italy will continue. The Italian Government has agreed to meet freight costs up to 50 percent to a maximum of \$1.3 million, and the U.S. will match this.

b. *Commitments implied by the general U.S. politico-military undertaking with respect to NATO.* The FY 1957 MA program is approximately \$70 million, including advanced weapons. Planning figures for FY 1958 are approximately \$50 million, exclusive of modern weapons.

c. *Military spare parts.* The Italian Chief of Staff for Defense, during his Washington visit in April, 1956, was informed by the Department of Defense that within Congressional funding limitations, the U.S. would provide Italy their spare parts requirements for FY 1957 (which the U.S. did to the extent of \$9.2 million) on the understanding that Italy would assume progressively this responsibility between FY 1958 and FY 1960.

d. *Offshore procurement.* As of February 28, 1957, \$75 million in OSP contracts with Italy for FY 1957 and previous years remained obligated but unpaid since delivery had not yet been effected.

e. *Export-Import Bank loans.* As of July 31, 1956, undisbursed commitments by the Export-Import Bank to Italy amounted to \$31.9 million. This represented \$19.4 million of a \$20 million credit established in April, 1955, and all of a \$6.4 million credit established in November, 1955 and of a \$6.2 million credit in July, 1956. The latter two credits were given for aircraft and parts and the \$20 million credit was given for a number of firms in various industries.

### 3. Other Arrangements.

a. *German assets.* The U.S., U.K., and France have agreed with the Italians, and Inter Allied Reparations Agency countries have consented, that Italy will receive approximately 86 percent of the German assets in Italy.

b. *Atomic energy.* Under a bilateral agreement signed in Washington July 28, 1955 (effective for five years) the U.S. agreed to exchange atomic information and to lease the Government of Italy 6 kilograms of uranium (20% enriched in isotope U-235) for use in research reactors. Preliminary talks which will probably lead to negotiations for a power bilateral agreement were recently initiated in Washington.

c. *Fulbright Program.* The Fulbright Program for Italy under PL 584 for FY 1957 is \$1 million.

d. *Bilateral technical exchange.* As of January 31, 1957 obligated but unexpended Technical Exchange in Italy totaled \$689,000. The obligation of a further \$151,000 for Technical Exchange in the labor field is now under discussion in Rome.

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### 132. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>

Rome, May 29, 1957—10 p.m.

4757. During course 40-minute talk with Pella May 28 he assured me Ital foreign policy had been and would continue be based on close collaboration with US. He added however if Italy to continue collaborate with US, Ital Govt must be put in position where it not embarrassed before Parliament and Ital public opinion by unexpected developments concerning Italy on which she has not been consulted. I told him we agreed completely and went into some detail regarding assurances Vice Pres Nixon had given during course of his recent visit to Rome.<sup>2</sup>

Two points which seemed to concern Pella most were disarmament and German reunification. I again assured him that barring emergencies no action affecting Italy would be taken without prior consultation. I added it was my understanding that Ital Embassy in London was being kept informed of disarmament discussions which

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<sup>1</sup> Source: Department of State, Central Files, 765.00/5-2957. Confidential. Repeated to London, Paris, and Bonn.

<sup>2</sup> See Documents 126 and 127.

after all were UN rather than a US affair and that if Ambassador Zoppi<sup>3</sup> not being adequately informed I would like to know about it. Pella raised point that whole disarmament question should be thoroughly discussed in NATO calling attention to use reference and other statements of President and/or Secretary on this subject, I said I believed it would be. He told me "in confidence" that an illustration from a recent US paper or magazine including Ital territory in proposed aerial inspection zone was discussed at Ital Cabinet meeting May 27 with considerable fervor. I told Pella that so far as I knew no American proposal had involved any commitment with regard to aerial inspection of any European country.

In regard to German reunification I again called Pella's attention to statements of President and/or Secretary to effect no commitments would be made without NATO consultation. Pella said clarification of US position on this point was particularly important because criticism of Italy's non-participation in German reunification talks came not from left in Italy but from center and right and that these critics were ones urging more independent foreign policy which Pella does not want.

Throughout discussion Pella indicated strong feelings re strengthening NATO's position in dealing with such problems. During discussion I was able to make point, which had arisen in Western European Chiefs of Mission meeting,<sup>3</sup> that any neutral zone involving West Germany would probably result in withdrawal of all US forces from Europe for purely logistical and strategic reasons. Pella said that he appreciated this. I believe it would be most helpful if US position on disarmament, neutral zone and German reunification would be given me in form for presentation to Pella. Subsequent to above conversation I have called his attention to Adenauer-Eisenhower communiqué.<sup>4</sup>

Zellerbach

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<sup>3</sup> Count Vittorio Zoppi, Italian Ambassador in the United Kingdom.

<sup>3</sup> See vol. IV, pp. 571 ff.

<sup>4</sup> For text of the joint statement of May 28, 1957, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1957*, p. 420.

**133. Editorial Note**

On June 10, the government of Adone Zoli resigned. President Gronchi, in accepting Zoli's resignation, requested that he remain in office until a new cabinet could be formed. In telegram 4893 from Rome, June 11, Ambassador Zellerbach reported a conversation with Foreign Minister Pella who assured him that there would be no changes in Italian foreign policy and speculated that the new government would simply act as a caretaker until the 1958 elections. (Department of State, Central Files, 765.00/6-1157) On June 27, a new all-Christian Democratic cabinet headed by Zoli as Prime Minister and Pella as Vice Premier and Foreign Minister took office.

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**134. Memorandum of a Conversation, Department of State,  
Washington, July 17, 1957<sup>1</sup>**

**SUBJECT**

General Political Review

**PARTICIPANTS**

The Secretary

The Italian Ambassador

Sig. Perrone-Capano, Counselor, Italian Embassy

John Wesley Jones—EUR

The Italian Ambassador called on the Secretary to say goodbye before departing for Italy on his summer holidays. The Ambassador said that the new Italian Foreign Minister, Signor Pella, would be most interested to have the Secretary's views on a number of current problems. The Ambassador went on to say that Italy was now entering a pre-election phase since, constitutionally, elections must be held not later than June 1958. Depending upon the stability of the present Government they would probably be held next spring but there was always a possibility that national elections might be called this autumn. In these circumstances Signor Brosio wanted the Secretary to understand that from now on the entire Italian domestic political scene would be dominated by considerations of the national election.

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Jones.

Turning to Italo-American problems, the Ambassador said that there were three elements in the U.S. domestic political scene which were of particular interest to Italy and would have an effect upon our countries' relations. He said that without taking up the Secretary's time or going into detail he would refer to them in general terms only. Namely, they were: (1) the apparent trend in the U.S. toward greater protection of U.S. products to the detriment of Italian exports to the U.S.; (2) uncertainty regarding our immigration policy, and (3) the use of the Development Loan Fund, envisaged in the pending Mutual Security legislation. With respect to the latter the Ambassador wondered whether, in considering Italy, the U.S. policy would permit access to the Fund for long range economic projects in the underdeveloped south of Italy or whether it would consider using the highly developed technical skills of the industrialized north in projects outside Italy, principally in the Middle or Far East.

The Secretary replied that we did not consider Italy an underdeveloped country; that most countries had depressed areas within their frontiers. With respect to the Ambassador's query the Secretary was of the opinion that Italy fell more appropriately into the latter category of countries. The Ambassador expressed his gratification and understanding of this policy and pointed out that Italy not only had the skills but also was more welcome in certain areas of the world, particularly the Middle East, than certain of her European neighbors. He added that he would not fail to inform his Foreign Minister of the possibilities of Italo-American collaboration in this framework.

The Ambassador then put several questions to the Secretary for the purpose of obtaining an elaboration of the latter's press conference remarks the day before.<sup>2</sup>

The Ambassador complimented the Secretary on the soundness and perception of his remarks on the recent dramatic changes in Moscow.<sup>3</sup> He recalled that the Secretary had placed the greatest emphasis on their internal political significance. The Secretary replied that it was not wise to discuss publicly all of the implications of the Moscow shifts. It was too early to state categorically whether the elimination of the opposition group in the Presidium would have its effect on Soviet foreign policy. The Secretary did not rule out this possibility, given the volatile nature of Khrushchev. The "traditionalists", who have been ousted from the Presidium, were the cold, calculating, chess playing type. They had not made their moves in the international game without careful reflection. Khrushchev, on the contrary, seemed to act and

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<sup>2</sup> For the transcript of the Secretary's July 16 news conference, see Department of State *Bulletin*, August 5, 1957, p. 228.

<sup>3</sup> Reference is the announcement made by the Soviet Government on July 3 that Molotov, Malenkov, Kaganovich, and Shepilov had been expelled by the Central Committee of the Communist Party from their government and party positions.

react on impulse. It was possible that he might decide to take risks, such as the reunification of Germany might imply for the Kremlin, where Molotov and others like him would never do so. The Secretary recalled the sudden decision of the Soviet Government to accept an Austrian Treaty. For some reason, which was still obscure, the Kremlin had decided to agree to an Austrian settlement, although in retrospect it would seem that the balance of advantage lay with the West, for example: the Western orientation of independent Austria, the exposing of Hungary to a free and democratic neighbor. Consequently, we would have to wait and see whether the new balance of power in the Kremlin might ultimately be felt in the international field.

The Ambassador referred to the Secretary's remarks on the creation of a NATO stockpile of atomic weapons. He asked particularly for clarification of the phrase "within the next few weeks" which the Secretary had used in referring to a decision on this project. The Secretary reviewed the origins of the proposal, made by the French Foreign Minister at the last NATO Ministerial meeting in Bonn, and the subsequent study in Washington of this problem, involving as it does pertinent US legislation. He said that a special study had been undertaken by the U.S. Joint Chiefs of Staff and that it was hoped that their findings would be available within the next few weeks. It was obvious that the results of such a study would be essential in reaching a conclusion involving how best to handle this matter, either within the framework of the present legislation or in seeking new legislation.

The Ambassador referred to that portion of the Secretary's remarks yesterday dealing with the Arab-Israeli dispute. He wondered whether the Secretary could expand somewhat upon his reference to other nations playing a more useful role in terms of good offices than might be possible for this country. The Secretary replied that the two countries (except Jordan) most intimately involved in any settlement with Israel, because of their contiguous territories, were Egypt and Syria. As the Ambassador could well understand, our influence in those countries at the present time was of doubtful value. However, we would welcome any "volunteers" who might feel that they could be useful in such a situation. The Ambassador asked if the Secretary had in mind such a country as Pakistan to which the Secretary replied "possibly, or perhaps your country (meaning Italy)". The Secretary also suggested the possibility of using the good offices of the Secretary General of the United Nations in an effort at settlement of the problems between Israel and her Arab neighbors.

On parting the Secretary asked the Ambassador to convey his personal good wishes to Signor Pella, the new Foreign Minister at Rome, and added that he would look forward to seeing the Ambassador on his return to Washington in September.

135. Report Prepared by the Operations Coordinating Board<sup>1</sup>

Washington, September 3, 1957.

PROGRESS REPORT ON ITALY (NSC 5411/2, April 15, 1954)<sup>2</sup>

(Period Covered: From February 13, 1957 through September 3, 1957)

A. *Summary of Operating Progress in Relation to Major NSC Objectives*

1. *Summary Evaluations.* U.S. progress toward its objectives in Italy is presently proceeding at a slower pace than previously, except in the field of the military where progress is more marked. The generally slower pace is primarily due to the recent prolonged government crisis, the increase in the influence of President Gronchi (who has tended to favor Center collaboration with Leftist elements) over the Italian Government, and the gradual recovery of the Italian Communist Party from the initial shock of the Khrushchev Report and the Soviet repression in Hungary. Momentum toward further Italian economic expansion continues. Italian cooperation with the Western Alliance remains the cardinal principle of Italian foreign policy. [1½ lines of source text not declassified] A review of policy is not recommended.

2. "To reduce the strength and effectiveness of the Italian Communist Party." [1 line of source text not declassified] the Soviet repression in Hungary continued to have disruptive effects on the Communist Party in Italy. The Communist-dominated CGIL labor union continues gradually to decline in strength though it controls approximately half of organized labor.

3. "An Italy . . . <sup>3</sup> having constitutional, democratic government." Italian political stability was weakened by the government crisis in May and June 1957. Though the immediate cause of the crisis was the withdrawal of Social Democratic support from the Segni coalition, the basic cause was the inability of the Center parties to agree among themselves on domestic legislation in a pre-electoral period, factionalism within each of these parties and the increasingly apparent aim of the Christian Democrats to achieve an absolute majority in the next elections at the expense of the lay Center parties.

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<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Italy. Secret. A Financial Annex is not printed.

<sup>2</sup> *Foreign Relations*, 1952-1954, vol. vi, Part 2, p. 1677. According to an attached memorandum by Johnson, the OCB concurred in this report for transmittal to the NSC on September 4. The NSC noted the report at its meeting of September 23. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

<sup>3</sup> Ellipsis in the source text.

4. *"A healthy self-sustaining economy."* The Italian economy was not gravely affected by the Suez crisis although there was a temporary deterioration in the balance of payments and a \$71 million loss in gold and dollar reserves between the end of October 1956 and the end of January 1957. In February 1957, however, the upward trend in Italian reserves was restored, and in May 1957 Italy's gold and dollars totaled \$1,287 million or about \$100 million more than a year earlier. Industrial expansion continues at the rate of about 8% a year, and there is still a very high demand for long-term investment funds. The major regional economic problem continues to be in the South where, however, Italian Government and private development efforts have made encouraging progress. Although economic expansion has been largely absorbing the annual increment to the labor force, it, together with emigration, has not succeeded in reducing significantly the "hard core" of about 1 and 1/2 million unemployed.

5. *"Support of the free world coalition."* Italian cooperation with the free world continues, both in multilateral organizations and bilaterally with the democratic countries. The Italian Government to date has maintained its staunch support of U.S. international policies, including the U.S. courses in the Middle East. U.S. forces are welcome in Italy and their public relations position continues excellent.

#### B. Major Operating Problems or Difficulties Facing the United States

6. *Communism in Italy.* The basic strength and potential of the Communist Party remains substantial; hard core cadres appear to be intact; and the Communist organizational machine and commercial enterprises remain powerful and well financed. While there is still a good deal of confusion among rank and file Communists as a result of a switch in international Communist tactics early in 1956, the Soviet repression in Hungary and differences with its old ally, the Nenni Socialists, the Italian Communist Party appears to be regaining some of the ground it lost during the past year. Although the electoral position of the Left as a whole remains static, the Communists have consistently registered small gains in local by-elections this Spring except in the Sardinian regional elections of June 16. These gains have been mostly at the expense of the Nenni Socialists whose immediate prospects seem to have declined because of their indecisiveness with respect to their relations with the Communists and the Social Democrats. Communist Party membership remains at 1 and 1/2 million (down about 25% from 1954). It is unlikely that any significant official action aimed at weakening the Communist apparatus will be taken in the near future, because the Italian Government deems this to be counterproductive since it would tend to unify conflicting elements within the Left. However, the U.S. still believes that long range meas-

ures could be taken by the Italian Government after the elections through the use of normal legal and administrative procedures. [4 lines of source text not declassified]

7. *East-West Trade.* The U.S. has not been able to hold the line with respect to restrictions on trade in strategic items with the Communist bloc, and as a result, following the British move, Italy eliminated the "China differential" as of June 18, 1957, after endeavoring to avoid as long as possible a position in CHINCOM opposed to the United States. Italy may be expected to continue its cooperation in strategic controls in principle, but will probably press for as large quotas as possible for certain List II items. The United States continues strongly to urge the Italian Government to reduce mercury shipments to the East, this being the main specific commodity problem with Italy in the strategic trade controls field. Italian trade with the Soviet bloc in 1956 was 3% of its total foreign trade, approximately the same as for 1955.

8. *Italian Defenses.* While Italy accepts its NATO force goals, budgetary and manpower difficulties exist in meeting these goals. In addition, the attendant costs of modern weapons will increase these difficulties. The U.S. is exerting constant pressure on the Italian Government to increase efficiency and to improve its logistic organization. Overall Italian military effectiveness remains relatively low when compared to U.S. combat effectiveness standards.

[3 paragraphs (1½ pages of source text) not declassified]

*Note:* The latest National Intelligence Estimate (NIE 24-56) is dated February 7, 1956.<sup>4</sup>

## Annex A

### ADDITIONAL MAJOR DEVELOPMENTS NOT COVERED IN THE REPORT

1. *Disarmament.* The Italian Government and Italian opinion were shaken by the early phases of the current disarmament negotiations in London because it feared that the U.S. might make a deal with the Soviets without consulting its Allies. The Italian Government was anxious that the early stages of any disarmament agreement would impair present Italian and Western defenses and that the West would insist on classifying tactical atomic weapons as conventional armament. The Italian Government is under considerable pressure from Italian public opinion to support moves in the direction of banning nuclear bomb production and tests and in general reducing arma-

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<sup>4</sup> Document 97.

ments. Italian public opinion also expects that its Government will be fully consulted by Italy's Western allies with regard to present and future disarmament negotiations with the Soviet Union.

2. *The New Italian Government.* While the Zoli Government, which has recently assumed power, will undoubtedly continue close collaboration with the Western Alliance, and particularly the U.S., it will probably endeavor to achieve a greater voice in Western affairs and aim at greater autonomy within the alliance. Such an endeavor may spring in part from Zoli's need in view of the coming Italian elections (which must be held by June 1958) to compensate for the weak parliamentary position and dismal prospects for his government's domestic legislation program. While the Common Market, EURATOM and the government budget will probably be approved in early fall, it is likely that the period between now and the elections will be one of considerable confusion and little legislative progress.

3. *Dollar Liberalization.* In June 1957, the Italian Government increased the level of liberalization of dollar trade from 39% to 71% (based on 1953 imports). On the basis of this action, Italy is urging the U.S. to take specific actions in support of more liberal U.S. trade policies.

4. *Security Agreement.* The Italian Government has agreed to install security measures as specified and requested by the U.S. to safeguard missile research and production information.

5. *Socialist Reunification.* The trend toward unification of the Nenni Socialist and Social Democratic parties gradually stalemated when it became clear after the former's Venice Congress in February 1957 that the terms of the Nenni Socialists did not meet Social Democratic demands and that the leadership of the two parties would not make substantial concessions to each other. While Socialist reunification may occur within the next few years a merger before the national elections next year appears extremely unlikely.

6. *Mattei's Oil Agreement with Iran.* [less than 1 line of source text not declassified] concerning Enrico Mattei's oil agreement with the Iranian Government, the Iranian Parliament has approved the agreement and it is expected that the Shah, who negotiated it, will shortly sign it. As far as is known, this agreement (the final text of which has not yet become available to the United States Government), gives in effect to the Iranian Government 75% of the profits (50% directly to the Iranian Government and 25% indirectly through NIOC, the Iranian Government oil company). This may turn out to be a significant breach of the 50-50 principle of division of profits. It is reported that the Iranian Government will provide some aid to ENI through a reduc-

tion of rents (normally charged to the foreign company), which would reduce ENI's total outlay.<sup>5</sup>

7. *Progress in Carrying Out Commitments for Funds, Goods and Services.* U.S. commitments to Italy are being met on schedule. See Financial Annex attached.

8. *New Commitments for Funds, Goods or Services.*

(1) *PL 480.* A Title I supplemental agreement amounting to \$7.5 million was signed on March 26, 1957.

(2) *Atomic Energy Agreement Bilateral.* On July 3, 1957, the U.S. and Italy signed an agreement whereby the U.S. will sell to Italy 7,000 kilograms of enriched uranium.

(3) *Sample Weapons and Technical Information.* In response to the statement of Secretary of Defense Wilson in the North Atlantic Council in December 1956, the Italian Government has indicated an intense interest in obtaining sample missiles and technical information for the development and production of missiles. The Italian Government has agreed to adopt a security system to meet U.S. requirements for security as outlined by the State-Defense Military Information Control Committee.

In addition, Mr. Wilson stated that as a prior condition to turning over samples, an industrial capability study would also be required. This study is presently underway.

The financial commitment of the U.S. Government, in regard to this project, will not be known until after the industrial study has been accomplished. At that time we will know the type of missile to make available to the Italian Government for development and production and the amount of technical aid we will furnish.

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<sup>5</sup> The memorandum of discussion at the 337th meeting of the National Security Council, September 23, concerning this Progress Report on Italy reads as follows:

"Mr. Cutler presented a brief analysis of the OCB Progress Report on Italy, paying special attention to the head of the Italian Government oil monopoly, Signor Mattei, and the latter's maneuvers with the Iranians. These maneuvers endangered the prevailing 50-50 profit-sharing principle, and our own oil companies have expressed concern over the new formula of 25-75%.

"Secretary Dulles commented that he was not alarmed; there was nothing sacred about the 50-50 formula, and it was certainly not government policy.

"The President likewise did not appear concerned, and asked the question whether or not this country did not believe in competition.

*"The National Security Council:*

"Noted the reference Progress Report on the subject by the Operations Coordinating Board." (Eisenhower Library, Whitman File, NSC Records)

**136. Memorandum of a Conversation, Department of State,  
Washington, September 10, 1957<sup>1</sup>**

**SUBJECT**

Signor Giuseppe Saragat's call on the Secretary

**PARTICIPANTS**

The Secretary of State

Signor Giuseppe Saragat (leader of the Italian Social Democratic Party, four times  
Vice Premier of Italy)

Signor Egidio Ortona, the Italian Minister

Signor Mario Franci, Italian FSO, Saragat's escort officer

James B. Engle, Italian Desk, WE

The Secretary welcomed Signor Saragat and expressed pleasure that their acquaintance in Rome of October 1955<sup>2</sup> should be renewed here in Washington. The Secretary said he was familiar with the political position that Signor Saragat had taken over the course of years in support of democratic society in Italy. In these times of struggle against dangerous threats to freedom, courageous actions had to be taken by men of faith and ideals; he knew Signor Saragat was one such man.

In reply to a question from the Secretary concerning the effects of the Soviet repression in Hungary on the extreme Left in Italy, Saragat replied that although the "good" elements in the Italian Communist Party (notably Reale and Giolitti) were horrified, the remainder remained unmoved while the mass of the left-wing electorate was positively impressed by the unopposed demonstration of Soviet force. Though the Italian Communists were momentarily thrown off balance by the Hungarian insurrection, the Anglo-French intervention in Egypt not only permitted them to retrieve their psychological position in Italy in short order but even to strengthen it as a result of the increase in Russian prestige. While the West did not lift a finger to challenge the employment of Soviet force in Hungary, the British and French, after Soviet threats, were forced out of Egypt. As a consequence of the successful employment of Soviet power, the Italian Communists, whose position in Italy usually depends upon Soviet fortunes elsewhere, had a greater superiority complex than ever.

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199, Italy. Confidential. Drafted by Engle. In a memorandum of September 4, Elbrick informed Secretary Dulles that Giuseppe Saragat was visiting the United States in an unofficial capacity, September 4-13, as a guest of the America-Italy Society. Elbrick recommended that the Secretary see Saragat because of his support for U.S. policies and the U.S. presence in Italy and because of his work in preventing his party from being forced into a coalition with the Nenni Socialists. (*Ibid.*, Central Files, 765.00/9-457)

<sup>2</sup> See Document 89.

The Secretary inquired, whether Saragat would care to comment on the prospects for Socialist reunification in Italy. Saragat said that Nenni probably wants to achieve a break with the Communists for two reasons: (a) though Nenni obviously has not been converted to democracy at one stroke like St. Paul on the road to Damascus, he has nevertheless grasped the fact that parliamentary democracy can really do something useful for the Italian working class; and (b) Nenni, now 66, wants to be Premier before he dies; he sees that he cannot succeed unless he changes his tack; and he thinks President Gronchi may one day summon him to form a government provided he can demonstrate his independence from the Communists. In weighing Nenni's own objectives and endeavors, however, one has to realize that Nenni does not at present enjoy the support of a majority of his party. In fact, only one-third of those at the last party Congress (February 1957) backed him. No one in Italy now talks of Socialist unification and it is unlikely that this will become an issue again before the national elections next spring. If Nenni's followers in the party should gain ground in the elections at the expense of his critics, then maybe the question of unification would be reopened.

The Secretary said we had the impression that Gronchi was an active President. Saragat, reacting quickly, said that Gronchi's actions as President always had to be regarded in the light of two factors: (a) Gronchi owed his election to the Communists and Nenni Socialists, particularly to Nenni; every now and then he had to do something to "pay them off"; and (b) he feels he must compensate for the fact that, unlike De Gasperi, he was never able to gain the leadership of the Christian Democratic Party or the Government. This failure left him with a determination to secure the substantive power of the State by another means; through imposing an interpretation of the Constitution that favored the widening of the Presidential prerogative at the expense of the Government. Admittedly, the text of the Constitution is somewhat ambiguous. However, it was clearly the intent of the Constituent Assembly, of which Saragat was the President, to establish a parliamentary regime like France and not a Presidential Republic like the United States. Saragat, elaborating further, said that Gronchi's principal effort to force a trend in the direction of the Presidential form was his insistence on assuming the power of appointment, the power of checking the Government's actions and the right to take active part in the formation of Government policy. Saragat said that his Social Democratic Party and the other lay democratic parties opposed Gronchi in this matter unreservedly, while the Christian Democrats opposed him "with prudence." He thought Gronchi a sincere democrat but limited by his political education and his pride. The extent of Gronchi's threat to the Constitution should not be overestimated, however, as all the democratic parties oppose his pretensions [2½ lines]

*[of source text not declassified]. Saragat said that, if the Constituent Assembly had wanted a Presidential Republic, it would not have provided for the indirect election of and a seven-year term for the President.*

The Secretary said he was especially preoccupied with the Middle East. He knew Italy was concerned, too, as a Mediterranean power. We felt that the Soviet Union had made a dangerous decision in 1955 when it altered its Middle Eastern strategy by adopting a strong anti-Israel policy and supplying large quantities of arms to Arab countries. Curiously enough, that decision seems to have been taken exactly at the time of the Geneva Conferences.

In taking his leave, Saragat assured the Secretary that he and his party shared the Secretary's ideas on world policy. While his party's contribution did not loom up very large when compared with the total Western effort in the defense of freedom, it was nevertheless of significance. He felt that much depended upon the solidarity of the various constructive forces in the West; in this connection he realized he and his party enjoyed sympathy in the United States. The Secretary, in closing, said that, in his five years on the job, he had always been pleased to be associated with Italian leaders. Italy had followed constructive policies such as cooperation in NATO, support for European unity and the working out of a pacific Trieste settlement. Democratic Italy and the United States had very similar views, they got on well together, and the results were happy for both countries.<sup>3</sup>

<sup>3</sup> Saragat met with Deputy Assistant Secretary Jones on September 12 before leaving Washington. According to the memorandum of their conversation, Saragat stated that he and his party were opposed to the Zoli government because its support came from the votes of the Right and the tolerance of the Left. He also stated his doubts concerning the possibility of cooperation with the Nenni Socialists. (Department of State, Central Files, 033.6511/9-1257)

**137. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, September 11, 1957—8 p.m.*

989. I am gratified at assurance contained Deptel 1035 Sept 10<sup>2</sup> that Department plans consult Italy on ME problems whenever feasible. Prior to receipt of that tel I had drafted following message, which may be superfluous but might nevertheless still be helpful as background and indication of picture as seen from here:

Believe our recent telegrams and despatches have adequately reported increasing Italian interest in playing active role re ME. I am not sure however whether we have sufficiently brought out growing Italian insistence on being consulted re Middle East matters. My telegrams 894 and 926<sup>3</sup> report direct requests for information and consultation, but we also hear indirectly from various sources that Gronchi and FonOff are most unhappy at being, as they see it, left on sidelines when major matters such as Syrian crisis are being dealt with. FonOff undoubtedly is realistic enough to know Itals cannot expect be treated as complete equal, since she cannot make equal contribution. Difficulty is Gronchi like many others does not see things that way and FonOff is hard pressed argue against those who say Italy should formulate own policy if her allies unwilling cut her in on their plans. Furthermore we sense certain natural resurgence of Italian national pride and hence sympathy with people like Gronchi and Mattei who insist Italy must be taken into account at least in those fields of special interest to her. This is not new development (Dept will recall Martino also felt strongly in this regard), but it is becoming more important because of relative weakness present Prime and Foreign Ministers and increasing activity and influence of Gronchi. (See despatches 238 and 312.)<sup>4</sup>

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<sup>1</sup> Source: Department of State, Central Files, 665.88/9-1157. Secret.

<sup>2</sup> In telegram 1035, the Department of State informed Zellerbach: "We realize importance of our consulting Italians to give Foreign Office material to counter Gronchi initiative on foreign policy and will consult Italians whenever feasible." (*Ibid.*, 783.00/9-657)

<sup>3</sup> In telegram 894 from Rome, September 4, Jernegan presented an account of Pella's views concerning the Middle East and Africa. In telegram 926 from Rome, September 6, Jernegan reported concern by the Italians that they were not being kept informed of U.S. policy in the Middle East. (Both *ibid.*, Central Files, 783.00/9-657)

<sup>4</sup> Despatch 238 from Rome, August 21, reported on Italy's petroleum interests in the Middle East. (*Ibid.*, 880.2553/8-2157) Despatch 312 from Rome, September 6, contained analyses of leading Italian politicians' views on the Middle East. (*Ibid.*, 665.80/9-657)

All our information indicates, in fact, that while many people dislike Gronchi's ideas and his assertedly unconstitutional activities, no one is presently prepared check him effectively. Zoli and Pella seem too weak, personally and politically, and we understand Fanfani is unwilling risk intra-party fight until after elections.

These circumstances lead me to feel strongly that US, UK and France should make greater show of informing and consulting Italians on all matters affecting ME. If we do not do so, we risk serious weakening of excellent cooperation WE and NATO have hitherto received from Italy. We should also give encouragement to Italian activity in ME and make suggestions as to how it can be directed toward useful objectives and along safe channels. By informing, consulting, encouraging and suggesting we would appease national pride, remove pretext for uncoordinated actions and give FonOff and other realistic elements ammunition to defend themselves against free wheeling of Gronchi, et al. (We might also gain positive benefits in certain areas of ME.) I do not believe we are likely to convert Gronchi or Mattei to sweet reasonableness, but we should be able draw their teeth or at least strengthen opposition to their adventures.

Although I fully realize, from past experience, difficulties and disadvantages of handling ME questions in consultation with countries which have limited capacity assist but considerable capacity obstruct or cause delay, I consider in this case it would be lesser of evils take Italy at least partially into partnership.

French Minister<sup>5</sup> yesterday expressed very similar thoughts to me and said he is renewing efforts get Quai d'Orsay pay more attention Italians. I think British Embassy shares these views in general.

Jernegan

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<sup>5</sup> Gaston Palewski.

**138. Memorandum of a Conversation, Department of State,  
Washington, September 25, 1957<sup>1</sup>****SUBJECT**

Italy's relations with its NATO Allies

**PARTICIPANTS***Italian:*

Sig. Giuseppe Pella, Italian Foreign  
Minister  
Amb. Manlio Brosio, Italian  
Ambassador  
Sig. Massimo Magistrati, Director  
General, Political Affairs,  
Italian Foreign Office  
Sig. Attilio Cattani, Director General,  
Economic Affairs, Italian Foreign  
Office

*U.S.:*

The Secretary  
Ambassador Zellerbach  
Mr. C. Burke Elbrick, EUR  
Mr. H.G. Torbert, Jr., WE  
Mr. Jose A. DeSeabra, Interpreter

After opening amenities Foreign Minister Pella observed that he was very pleased with the outcome of the German elections. If Chancellor Adenauer had not won, it would have been a somber moment in Europe since his principal opponent showed definite leanings toward neutralism. He observed that European neutralism for the creation of a third force today would be a definite blow to the Free World, equivalent to giving additional troops to the Soviets.

Mr. Pella assured the Secretary that the Italian Government would consistently attempt to remain above any petty internal political disputes which might arise during the course of the forthcoming electoral campaign. Friendship between the U.S. and Italy is a basic fact of Italian political life and the foundation of its foreign policy. The second important basis of Italian foreign policy is the NATO alliance. It would be absurd to think of any Italian foreign policy that would not be sincerely and completely consistent with the principles upon which

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Torbert. Foreign Minister Pella was in the United States as head of the Italian Delegation to the Twelfth Session of the U.N. General Assembly. In telegram 991 from Rome, September 11, Jernegan reported that Pella wished to see Secretary Dulles while he was in the United States. The Italians considered the meeting essential to convince the Italian public that Italy's views on world issues were being given proper consideration by the United States. Jernegan agreed with this and suggested that a meeting with Dulles would be helpful to the Italian Government. (*Ibid.*, Central Files, 765.13/9-1157) In telegram 1086 to Rome, September 13, the Department of State replied that the Secretary could meet with Pella on September 25. (*Ibid.*)

Additional memoranda were prepared covering the discussion of disarmament, Tunis, the Italian-Iranian oil agreement, and the "Pella Plan" for Middle East development. (*Ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199, Italy)

that alliance rests. Italy desires to make the alliance even more efficient and significant through broader political consultations and closer economic cooperation. Italy maintains her faith in "the European idea".

As for Italy's internal political situation, the cordiality shown Italy by the United States, and particularly by this meeting with Secretary Dulles, will be a significant contribution to the favorable outcome of the elections. At this point the Foreign Minister paid tribute also to Ambassador Zellerbach who, he said, deals with Italian problems with great cordiality and understanding.

The Secretary, on his part, noted the usefulness to the United States of the fact that the United Nations headquarters was in New York thus making possible this kind of a frank talk with visiting world statesmen. The United States, he said, understands the role that Italy plays in Europe, the Middle East, and the Mediterranean. We wish to encourage this role because we feel that it is healthy and sane in its influence on the difficult problems of the area. He mentioned that although we used to discuss and settle a wide range of world problems at tripartite conversations with the British and the French, we have discontinued this practice since about three years ago. Although he would not wish to draw attention to this fact publicly, he wished to tell the Foreign Minister confidentially that this change was not accidental but a recognition of the right of many countries of the world to a full voice in international problems which were of concern to them. Rather than putting other important countries such as Italy and Germany in second place, our policy now is to have either bilateral talks or, in the case of matters of general concern, to use the NATO machinery. The Secretary appreciated Italy's consistent support in international matters, including the whole range of problems in the Middle East. As a result of our experience we have no fear of Italy subscribing to ideas such as the "third force" or neutralism. In closing this part of his remarks, the Secretary observed that it was a tragedy that Europe, with its great wealth of tradition, manpower, and resources should be so divided and, therefore, should not realize its potential as an equal power which could in itself offset the great strength of the Soviet-Communist menace.

**139. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

Rome, October 10, 1957—7 p.m.

1340. Re Embtel 1339.<sup>2</sup> When I presented message from President Eisenhower to Gronchi today he asked me to assure US President that foreign policy of Italy is unalterably anchored to Atlantic Alliance and European unity. Later, after repeating above, he said that US and Italy must work closely together to defeat Soviet efforts to encroach on free world.

In discussion of ME I told Gronchi that US recognized Italy's special interest this area and we would continue to work closely with them on mutual ME problems. Gronchi stressed importance of developing urgently some plan to help ME peoples before too late. He emphasized that such plan should envisage immediate, short-range projects such as buying crops which ME countries could not market other than to Soviet bloc.

Gronchi raised question of need for coordinating US-Ital policy in petroleum fields. After I explained USG position in relation to US oil companies Gronchi suggested that it would be helpful to have discussions between high US rep and Ital Govt re petroleum problems. He emphasized this personal suggestion but he assured me that Ital Govt would welcome such discussions. He proposed such discussions might take place when Nixon here but I said this not best occasion in view VP's time and nature of trip.<sup>3</sup> I suggested high US petroleum expert might visit Rome on some other occasion and possibly could then discuss with Ital Govt. (Believe Dept should consider this proposal.)

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<sup>1</sup> Source: Department of State, Central Files, 611.65/10-1057. Confidential. Zellerbach met with Dulles on September 25. After the meeting, Dulles spoke to the President concerning a possible message to Gronchi. [6½ lines of text not declassified]

Dulles sent a memorandum to Zellerbach, September 25, indicating the President's assent and enclosing a text of the message. (*Ibid.*, 711.11-EL/9-2557) Zellerbach returned to Italy on September 28.

<sup>2</sup> In telegram 1339 from Rome, October 10, Zellerbach reported that when he delivered Eisenhower's message to Gronchi, the Italian Foreign Office requested that a text of the message be made public. Zellerbach then transmitted the text he had approved, which reads as follows:

"The President asked that on my return to Italy I give you his warm personal greetings and say again how much he enjoyed seeing you in Washington last year. The President commented on the leading role which Italy is playing in contributing toward European unity and the forging of an effective Western foreign policy. He mentioned particularly Italy's leading part in the creation of the Common Market and EURATOM.

"The President expressed confidence that Italy will continue the same steadfast and successful foreign policy which has enabled our countries to cooperate so closely to our mutual advantage." (*Ibid.*, 711.11-EL/10-1957)

<sup>3</sup> On October 17, the Department of State announced that the Vice President's proposed trip to Europe was being postponed until the following year. (Department of State *Bulletin*, November 4, 1957, p. 713)

Conversation was friendly and I believe generally helpful.

Zellerbach

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**140. Memorandum of a Conversation, White House,  
Washington, October 23, 1957<sup>1</sup>**

**PARTICIPANTS**

President Eisenhower

Signor Giovanni Malagodi, Secretary of the Italian Liberal Party<sup>2</sup>

Signor Manlio Brosio, Italian Ambassador to the United States

Brig. General A.J. Goodpaster

Mr. Malagodi opened the discussion by saying he had been attending the International Industrial Development Conference in San Francisco, and was most grateful for the opportunity to meet with the President on his way back from San Francisco. He said he had known Mr. Henry Luce and Ambassador Luce well in Rome, and had had many excellent discussions with them there.

The President asked how things looked generally in Italy. He said he had been hearing good reports of developments there. Mr. Malagodi said that economic development had been making good progress in Italy, and that internal bitterness had abated to a considerable extent over the past several years. He told the President he would speak from the point of view of the Secretary General of the Liberal Party—one devoted to free enterprise, support of the alliance with the West, and deep faith in Western civilization. He said, however, that there continue in Italy a number of problems which cause him deep concern. He is worried over the international situation. He is concerned with the problem of "building Europe" and the necessity of moving by slow but well thought out steps. Communism within Italy remains a matter of concern. He is deeply worried over the possibility of recession within the United States, since the United States economy has such a critical impact upon the whole economy of the Western world. While he agrees strongly with the hard money efforts of the United States, he realizes that a recession which could be absorbed by the United States without undue impact could have the gravest reper-

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<sup>1</sup> Source: Department of State, Presidential Memoranda of Conversation: Lot 66 D 204. Confidential. Drafted by Goodpaster.

<sup>2</sup> Malagodi was in Washington, October 21-25, after attending a conference in San Francisco.

cussions throughout the free world. What he would like to see would be a stop to inflation, but with GNP continuing to rise say one or two percent a year. If there were any recession, and consequent effects in Europe, the Communists would make great efforts to exploit this situation. He was sure that all of Europe is hoping that our reciprocal trade program will be continued. As regards Europe, he hopes that it will be possible to go forward with the development of the common market, and to extend freer trade to the United Kingdom and Scandinavian areas. But much depends upon U.S. reciprocal trade efforts.

The President asked concerning unemployment in Italy, and Mr. Malagodi indicated that improvement is being made. He recalled that the Italian problem is more a matter of underemployment—of people not profitably employed on farms—than true unemployment. In the last two years a dent has been made in this problem; about 100,000 per year have been absorbed over and above the natural increase in the labor force. If this process could continue for five years, the problem would be well on the way to solution. He recalled that elections will be held in the spring, and said this is why he is so concerned with economic matters. He felt that it is essential to keep the Communists and associated Socialists isolated. The de Gasperi policy of economic progress, but with no "leaning toward" the leftist groups, was the sound one. His party holds the view that leaning toward the leftists is a mistake, and this is why they broke with the coalition.

The President, in commenting on the general problem, said he is doubtful of the philosophy of leaning toward the left because it is hard to stop a trend if a move to the left once begins. The President asked why the parties woo the left, and Mr. Malagodi recalled that nearly ten million Italians vote for the leftist group. There is a natural urge to try to attract votes from this group. The President spoke of the tendency that such actions have to encourage people to lean more heavily on central government and said we have the same problem here. He explained how hard it is to reverse the trend. Governors do not want to impose the taxes which would enable activities to be handled at a State level, and people in government, including Congressmen, try to build up federal activity in the localities as a means of influence. Mr. Malagodi said he is trying to do the same thing in Italy, but it is hard to do this with a very small party, and with ten million votes for the leftist philosophy. The President recalled that the Communists had at one time received more than 40% of the total Italian votes. Mr. Malagodi said that this proportion is down from the peak, which occurred in 1946. He added that although the Hungarian affair had had a heavy adverse impact on Communist intellectuals, the fact that the uprising had been crushed and that the Russians had been ruthless had had a great effect on Communist voters, many of whom tended to

admire the use of force and violence. He said that the Sputnik reinforces this attitude toward the Russians.<sup>3</sup>

The President spoke with regard to the prospects of the United States' economy. There had been something in the way of a jolt from cutbacks in Defense production. Also, we have had several years of expansion and savings had been absorbed, with money working at top speed, and funds are tight. We have some unemployment, although it is low, and there has been some rise in the cost of living, although recently this seems to have practically levelled off. All in all, there are signs of a sideways movement in our economy for at least a short period. In his opinion, we must expect this from time to time in an economy as dynamic as ours. It could only be prevented through imposition of controls, and this means loss of freedoms. He did not expect any decline in gross national production but it may stay relatively even for a period. He added that there is some possibility that the Federal Reserve might ease money conditions if the situation develops along these lines. He referred to an estimate from an outstanding financier he had spoken to last night who expected 1958 to be as good a year as 1957, and as the larger part of 1956, but without as rapid a rise as in 1955.

On the other hand, the President recognized that some things are not as favorable in the economic picture as in 1953. Europe is not booming as at that time. Also there is uneasiness and uncertainty over Sputnik and related activities. Many things are favorable, however. In particular, buying power is high.

The President stressed how hard it is to maintain and advance the policy of freer trade. He has special difficulties in some very small productive sectors involving production forces of perhaps 500, perhaps 2000. Sometimes he must make concessions on these items in order to advance the overall program. He is hoping to get the program extended for five years, and would like to get it extended for ten. Mr. Malagodi said he realized that the American economy could stand moderate fluctuations quite easily. In Europe the repercussions of even such fluctuations might be severe.

He went on to say that Europeans are thinking they must strengthen their "shield" of conventional and local forces for defense, in order to give a higher degree of confidence. This may involve added expenses, and will add to their burdens. He was referring to the time when the Strategic Air Command and Russian missile strength may neutralize each other.

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<sup>3</sup> On October 4, the Soviet Union launched the world's first artificial Earth satellite, "Sputnik I."

The President said he thought this was very much of an oversimplification. He recalled the theory when he went to Europe in 1951 was that the United States would put its forces there while Europe built up its own. Unfortunately, our forces have been held there—often in countries such as Germany where the gold reserves are already high and the need for the benefits from expenditures of our troops are not so great as elsewhere. He recognized that they had not yet built up their full forces, but felt that Adenauer is doing all in his power to do this.

The President ended the discussion with a statement as to the great possibilities open to Europe if it could come together in greater unity, with each helping the other and benefiting thereby.

Photographs were taken and the meeting ended with cordial expressions from the President and from Mr. Malagodi and Ambassador Brosio.<sup>4</sup>

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<sup>4</sup> Malagodi also met with Under Secretary of State Herter on October 24. According to the memorandum of conversation, the meeting dealt with a wide range of topics, but centered on Italian concerns about the world economy, the policies of the Soviet Union, and the Middle East. (Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199, Italy)

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#### 141. Editorial Note

In a memorandum to the Secretary, November 27, Assistant Secretary of State Elbrick had indicated that the Italian Embassy had informed the Department of State that Foreign Minister Giuseppe Pella wished to meet with Dulles as a form of preliminary consultation prior to the NATO Heads of Government Meeting in Paris (December 16-19). Dulles approved Elbrick's recommendation that he meet with Pella. (Department of State, Central Files, 765.13/11-2757)

The memoranda of conversation covering the meetings in Washington among Dulles, Pella, and their advisers on December 6 indicate that questions pertaining to NATO, the Middle East, and disarmament were discussed. (*Ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199)

**142. Telegram From the Embassy in Italy to the Department of State<sup>1</sup>**

*Rome, December 11, 1957—9 p.m.*

2030. Paris for Secretary.<sup>2</sup> Pella reported last night to Gronchi, Zoli and few of their closest confidants (not to Cabinet) on his Latin American and Washington trip. According one of Pella's associates present at briefing, Pella stated he and whole Ital Delegation highly pleased with atmosphere surrounding Washington meetings. Pella emphasized friendliness of Secy and associates, both at restricted and broader meetings, was greater than at any meeting he has had with USG officials. First time he felt Italy being considered equal partner. He particularly gratified by warmth with which Secy expressed appreciation of Italy's loyalty and her contributions of ideas which Pella said Secy expressed in "glowing terms almost making us blush" at Sec's private dinner Friday evening.

With regard US plans for HG meeting, Pella expressed view nine papers circulated by US in Paris go far beyond what had been hoped and represent radical change in US attitude toward alliance. It is his fear, however, they not presented in form to make clear how far US departed from previous relatively negative position and he would hope way could be found present US proposal more spectacularly or dramatically so as to earn credit which USG in his opinion deserves.

With regard Pella Plan Foreign Minister said reception his presentation was as good as could be expected. He emphasized that USG which has principal responsibility and principal burdens cannot on spur of moment make final decisions on difficult and complex problems involved in idea which Pella claimed was sympathetically received by all present, including Secy. He feels Italy's objective was accomplished by focusing Secy's and his collaborators' attention on basic objective, which is more important than mechanism thru which it can be implemented.

Pella recommended, and Gronchi and Zoli agreed, in view understanding shown by Secy for Italy's aims, Italy should not press Pella Plan without full concurrence US. It was also agreed that broader Middle East economic cooperation plan tentatively considered by Gronchi, covering also trade and technical assistance, will not be presented at Paris meeting.

**Zellerbach**

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<sup>1</sup> Source: Department of State, Central Files, 033.6511/12-1157. Secret. Repeated to Paris.

<sup>2</sup> Secretary Dulles was in Paris to attend the NATO Heads of Government Meeting, December 16-19.

**143. Editorial Note**

Prime Minister Zoli and Foreign Minister Pella met with President Eisenhower during the NATO Heads of Government Meeting in Paris. According to the memorandum of conversation of the meeting, which took place on December 17, the President spoke of the need for European integration, with the Italians stating that they too supported such a policy. The leaders also discussed the Italian economy and reviewed the events of the NATO meeting. For text of the memorandum of conversation, see volume IV, pages 242-244.

# PORUGAL

## NEGOTIATION OF THE AZORES BASE AGREEMENT SIGNED AT LISBON, NOVEMBER 15, 1957; THE STATE VISIT OF FOREIGN MINISTER CUNHA TO THE UNITED STATES, NOVEMBER 30-DECEMBER 2, 1955; DOMESTIC DEVELOPMENTS IN PORTUGAL<sup>1</sup>

### 144. Memorandum of a Conversation, Department of State, Washington, January 13, 1955<sup>2</sup>

#### SUBJECT

State-Defense Talks regarding Azores Negotiations

#### PARTICIPANTS

Mr. Hensel—Assistant Secretary of Defense  
Mr. Merchant—Assistant Secretary of State  
Ambassador Bonbright  
Mr. Elbrick—Deputy Assistant Secretary of State  
Admiral Davis  
Admiral Hughes  
General Smith—Commanding Officer, Lagens, Azores  
Mr. Sullivan—Department of Defense  
Mr. Xanthaky—Special Assistant, Lisbon

Secretary Merchant opened the meeting by explaining the origins of the present nadir in our relations with Portugal which was highlighted by the recent nonacceptance of the invitation extended to President Craveiro Lopes to visit this country.<sup>3</sup> He added that the Department would endeavor to do what it could to correct that situation but stated that this might not be easy since the Goa issue is complicated, as far as we are concerned, by our sensitive relations with India. He said it was the opinion therefore of the Department and our Embassy in Lisbon that in the circumstances it would be desirable to

<sup>1</sup> For previous documentation on U.S. relations with Portugal, see *Foreign Relations*, 1952-1954, vol. vi, Part 2, pp. 1723 ff. Documentation on the Goa question and on the situation in Angola and Mozambique is in volume XVIII.

<sup>2</sup> Source: Department of State, Central Files, 711.56353B/1-1455. Top Secret. Drafted by Theodore A. Xanthaky on January 14.

<sup>3</sup> Lopes had been invited to visit the United States on October 29, 1954, but declined the invitation due to the press of business.

avoid at this time any major negotiations on a political level with Portugal. Admiral Davis called attention to the urgency of the new defense requirements and Ambassador Bonbright suggested that consideration should be given to the possibility of obtaining these objectives on a purely military and technical level; in other words, through a direct approach by General Smith, backstopped by the Embassy, with the Minister of Defense, Santos Costa. The Ambassador felt it would be unwise at this time to talk to the Portuguese regarding the renewal of the Azores Agreement, which would mean bringing the Foreign Office into the picture, where we could expect obstacles. Mr. Hensel appeared to be in agreement with Ambassador Bonbright's suggestions.

The Ambassador pointed out that we still have almost two years to run under the Agreement and stated that along about the fall of this year the question of the renewal might then be officially broached. By that time he hoped that the climate would be more favorable. The Ambassador also expressed the hope that for our immediate objectives in the Azores, i.e., increase in personnel ceiling, stationing of three early warning squadrons, stationing of a Fighter Interceptor squadron and substantial additional land areas, we would be able to meet at least in part Santos Costa's equipment requirements (armored cars). The Ambassador felt that such a gesture on our part would contribute greatly to "sweetening" the atmosphere.

General Smith was entirely in accord with Mr. Bonbright and emphasized that if such action was taken it should not be done on an obvious "quid pro quo" basis; that the Defense Minister, who is a tried and proven friend, is not susceptible to that type of tactics and that in order to get maximum effect from such a gesture we should, if possible, give Santos Costa what we can in advance of his (General Smith's) initial approach. Mr. Hensel inquired whether this altered previous ideas concerning Santos Costa's visit. Mr. Bonbright expressed the view that if it were possible to tie in the visit with Santos Costa's matériel requirements, particularly the 175 armored cars which are apparently close to his heart, it would have more purpose than a purely good will visit which might not have much appeal at this stage of our relations. General Smith agreed with this as well as the Ambassador's suggestion that our Sal Island requirements should be kept separate from the Azores package and that in this case as well the approach should be on the technical level again with the support of the Embassy. Mr. Hensel raised no objections.

Mr. Hensel remarked that he had always thought that all the Azores question involved was a matter of exchange of our "hardware" (which, he said, might not be available) for their facilities but that he could see that the problem was not as simple as that. Mr. Xanthaky remarked that under Article VII of the present Agreement we were

obligated to get out of the Azores on December 31, 1956 and that it might be a good idea to reassess our investment in the Islands; he thought that our stake there amounted to over \$200,000,000, which General Smith confirmed, and that perhaps we ought to tackle the problem from the point of view of how much we have to spend in order to protect our investment. Mr. Hensel thought that this aspect should be considered and instructed Mr. Sullivan to gather all information on the subject and suggested that the matter be reviewed with the idea of seeing what Defense can do in the way of meeting Portuguese matériel requests. Mr. Hensel also instructed Mr. Sullivan to look into the phasing and volume of our new defense requirements in the Azores, in the light of the situation as outlined by Mr. Merchant and Ambassador Bonbright. It was agreed that a Working Group under the supervision of Admiral Davis would examine the matter further.

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**145. Telegram From the Embassy in Portugal to the Department of State<sup>1</sup>**

*Lisbon, March 17, 1955—7 p.m.*

274. Late yesterday afternoon I had my first meeting with Salazar.<sup>2</sup> His attitude friendly throughout and he did not refer directly or indirectly to Goa or any differences between our two countries. In addition to asking number of questions concerning our political situation at home, he spoke at some length concerning Communist threat in different parts of world. In this connection he expressed belief that major war was unlikely, but that we would be faced for many years with persistent Communist efforts to subvert various areas. For the long pull he seemed particularly concerned over African continent and stated with great conviction that if Africa were lost Europe could not be defended even with all assistance which we might provide. His observations on this score were undoubtedly influenced by the potential disastrous effects on Portugal of the loss of Mozambique and Angola.

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<sup>1</sup> Source: Department of State, Central Files, 753.00/3-1755. Confidential.

<sup>2</sup> Ambassador Bonbright presented his credentials on February 18.

Full memo of conversation pouches today.<sup>3</sup>

**Bonbright**

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<sup>3</sup> Transmitted to the Department of State as an enclosure to despatch 526 from Lisbon, March 17. (Department of State, Central Files, 753.13/3-1755)

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**146. Telegram From Delegation at the North Atlantic Council Ministerial Meeting to the Department of State<sup>1</sup>**

*Paris, May 11, 1955—2 a.m.*

Secto 29. Secretary met this afternoon<sup>2</sup> for half hour with Cunha. MacArthur and Merchant were present.

Cunha opened with laudatory remarks about Amb. Bonbright and stated that it was clear latter would greatly contribute to excellent relations.

Cunha then stated that the Goa problem was a capital one for Portugal. Goa is little spot on the map, and Portugal has no material interests there; in fact, Portugal's presence there is a financial drain on her. Position of Portugal vis-à-vis India, however, is one that has been developed over centuries and significance of Goa to Portuguese history is far greater, for example, than was that of Pondicherry to French.

Cunha commented that though India took theoretical position of pacifism and neutralism, her actions were sometimes of quite another order. He stressed in this connection that US position on Goa extremely important to Portugal. He acknowledged discreet efforts US has made with GOI urging prudence and restraint, but now he would like to learn firm US position on this problem, which "goes to the roots of his nation."

The Secretary acknowledged need for studying problem thoroughly and referred to remarks he made few hours before in Council to effect that not always easy to find solution simply by looking at map.

Cunha stated Portugal's position Goa dated back to beginning 16th century and that since then a culture entirely different from that of the rest of India had been built up, a fact, incidentally, publicly

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 448. Confidential. Repeated to Lisbon and New Delhi.

<sup>2</sup> May 10.

acknowledged by Nehru in utterances of his assuring preservation of this culture when Goa would be absorbed into Indian Union. Cunha said that he recognized US faced difficulties in taking position on this matter with Indian Union. He stressed, however, that there remained very few spots in Asia still under Western influence.

Merchant pointed out that US and Portuguese positions on Goa are not in conflict. Question is whether US intervention with India is more effective if made privately or publicly; Portugal has been asking for public intervention. Cunha confirmed this, stating that other countries would not take position because US had not found it possible openly to do so. The Secretary indicated that question public statement US view merits further study.

Cunha stated he feared that problem was approaching another acute phase. He added that the Portuguese were convinced that so far armed conflict had been prevented mainly through the influence of international public opinion. In reply to queries by Secretary, Merchant stated that British have taken public stand supporting Portugal, and Cunha pointed out that no specific reference to Goa had been made at Bandung.

Cunha then briefly turned to Macao, whose trade with China, he said, insignificant as it was but necessary for its survival, was encountering difficulties created for it by US policy. He remarked that problems Goa and Macao, though they appeared minor for US, loomed very large to Portugal. Secretary assured Cunha we would give these matters careful consideration.

Cunha then stated that with Asia largely lost to West, position of Africa will prove of increasing concern. Referring to the Secretary's statement earlier today to effect that Asia being lost piece-meal, he observed that beginnings of that process were already evident in Africa and that India and China were developing increasing interest in that continent, which is so essential for the maintenance of Europe. Secretary agreed with Cunha as to importance of this developing problem.

Dulles

**147. Telegram From the Embassy in Portugal to the Department of State<sup>1</sup>**

*Lisbon, September 1, 1955—6 p.m.*

100. Pass CNO; Chief Staff USAF; CINCLANT, Norfolk. This Joint Embassy-COMUSFORAZ message. Reference: Department telegram 23, July 26.<sup>2</sup> Subject: Azores negotiations.

Defense Minister approached today and presented with requirements as per Department Instruction CA 1021, August 5.<sup>3</sup> Although we are encouraged by Defense Minister's cooperative attitude, he said he could not resolve matter of such magnitude without authorization of Dr. Salazar. Defense Minister suggested minor changes in our covering letter which he believed would place matter in best light for Dr. Salazar.

As was expected, the main points of difficulty which came out in our discussion with Defense Minister were the following:

1. Greatly augmented personnel ceilings,
2. Large additional land areas desired, and
3. Stationing of a fighter squadron at Lages.

Concerning (1), Santos Costa said we may have to be content with less on paper than the ceilings we have requested, but that in actual practice our personnel requirements would be met.

On (2) he called attention to political problem involved in dislocating so many families.

*Comment:* Our initial reaction is that we will probably get major land areas desired, but that we will be faced with dislocation costs.

Concerning (3) he emphasized that the near defense of Azores is Portugal's responsibility, but he made it clear that for some time past he realized that United States would have to place fighter aircraft in Azores. In this connection, he made helpful suggestion which is being reported by despatch.<sup>4</sup>

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/9-155. Secret.

<sup>2</sup> Telegram 23 to Lisbon authorized Bonbright to begin negotiations and to request General Smith to make the initial approach. It also noted that no negotiating team would be sent from Washington, but that it might be possible to send military experts on spot assignments, if necessary. (*Ibid.*, 711.56353B/7-155)

<sup>3</sup> CA-1021 was a detailed breakdown of personnel and land requirements for naval and air force operations on, and outside of, the Lajes Field. It also contained the assurance that these requirements represented the full peacetime requirements of the United States. (*Ibid.*, 711.56353B/8-555)

<sup>4</sup> In despatch 137 from Lisbon, September 2, Bonbright reported more fully on the opening of the negotiations on September 1, and described a change in the U.S. draft with respect to the stationing of U.S. fighter planes at Lajes. Since Santos Costa suggested this change, it would be unnecessary for him to go into too much explanation on the subject. (*Ibid.*, 711.56353B/9-255)

Santos Costa said that he would pass matter on to new Undersecretary for Air, Major Arriaga and General Costa Macedo, Chief Staff Air Force. He said he wanted favorable technical report from them backing up our request before talking to Dr. Salazar. He will be away from Lisbon from September 8 to 19, but said he hoped give us position of his Government by early October.

**Bonbright**

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**148. Memorandum of a Conversation, Department of State,  
Washington, November 30, 1955, 3 p.m.<sup>1</sup>**

**SUBJECT**

Problems of Concern to Portugal

**PARTICIPANTS**

*Portuguese:*

His Excellency Dr. Paulo Cunha, Minister of Foreign Affairs of Portugal

His Excellency Genhor Luis Esteves Fernandes, Ambassador of Portugal

The Honorable Dr. Henrique Bacelar Caldeira Queiroz, Deputy Director General of Political Affairs of Portugal

*United States:*

The Honorable John Foster Dulles, Secretary of State

The Honorable James C. H. Bonbright, American Ambassador to Portugal<sup>2</sup>

The Honorable Livingston T. Merchant, Assistant Secretary of State for European Affairs

Mr. Ellwood M. Rabenold, Jr., Portuguese Desk

The Portuguese Foreign Minister met with the Secretary in the Department at 3:00 o'clock on November 30.<sup>3</sup> The meeting lasted for an hour and a half. Dr. Cunha said that he thought the problems of concern to Portugal could be laid on the table at this meeting and

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<sup>1</sup> Source: Department of State, EUR Files: Lot 57 D 108, Cunha Visit. Secret. Drafted by Rabenold on December 3.

<sup>2</sup> Bonbright returned to the United States on November 27 in connection with Foreign Minister Cunha's visit. He returned to Portugal on December 5, after 6 days of consultation and 1 day of personal leave.

<sup>3</sup> Cunha was invited to visit the United States on September 29, and accepted on October 21. In a memorandum to Secretary Dulles on November 21, Merchant expressed EUR's belief that the objectives of the Foreign Minister were to increase the international prestige of Portugal, make up for the refusal of President Salazar to visit the United States last year, and explain to American officials and the public the Portuguese position on Goa. Cunha's visit to Washington extended from November 30 to December 2. He departed on December 3 for California.

added smilingly that the solutions could be forthcoming on Friday. The Secretary replied that he welcomed the discussions today but couldn't guarantee solutions on Friday.

### *Goa*

Dr. Cunha opened the talks with the subject of Goa. He emphasized the position which Goa holds in the hearts of all Portuguese. Not only is it constitutionally inseparable from the homeland, but it is a part of the life-blood of the Portuguese people. He referred to the Portuguese presence in Goa for more than four centuries, to racial inter-marriage, and to the traditional bonds of culture and faith. The Indian Union, he said, is agitating to evict the Portuguese from India and has lent support to peace marches against Goa in 1954 and 1955. Dr. Cunha commented that the issue had quieted down recently and there were signs of reasonableness in Indian policy. However, the recent diatribes in India of Bulganin and Khrushchev, describing the Portuguese as "bloodsucking colonialists" have stirred up the matter again. This was unfortunate, he said, although it had the virtue of showing the world how the Soviet Union was joining forces with the Asiatics to throw out the Westerners. The device used by these forces was the issue of anti-colonialism and the Bandung conference demonstrated the nature of the conspiracy. More conferences would follow, with the Chinese, Indians, and other Asiatics joining with Africans to reduce the influence of the civilized Western world. The Foreign Minister asked the Secretary what he thought about this.

The Secretary replied that one could not generalize about colonialism. One had to study particular areas and individual cases on their own merits. In general, he stated, he had always felt that dependent peoples should have the right to self-determination, and if they really wanted independence and were prepared to assume the attendant responsibilities, they should have it. He emphasized the importance of preparation since, if independence were premature, it merely meant that these areas might be too weak to resist outside subversive forces and would become victims of small groups of Communist agitators. In this connection, the Secretary described the doctrine of Stalin and Lenin of making use of nationalism as a tool to detach dependent peoples from their sponsors and then to gobble them up.

Dr. Cunha pointed out that the case of Goa was not a case of colonialism. He said that colonialism implied the subjugation of subordinate peoples who desired to be free. The Goans did not want to be independent of Portugal. Nor did the Indian Government want Goa to be a separate country. It was Dr. Cunha's conviction that the Goan problem simply involved the desire of one sovereign power to annex the territory of another.

The Secretary agreed, stating that it was for this reason he had said each case must be studied on its own merits. He then asked whether the Portuguese Government had given any thought to a plebiscite in Goa. This would show the world that the Goans really wanted to remain Portuguese and would help Portugal's friends, such as the United States, to help her on this issue. Dr. Cunha replied that a plebiscite was politically impossible for his Government. He stated that every Portuguese constitution had contained a provision against the alienation of Portuguese territory. For the Portuguese to hold a plebiscite in Goa would be like the United States holding a plebiscite in Alaska, Massachusetts or Florida to decide whether American citizens there want to remain American. He also drew a parallel with a suppositious case of Spain exerting a claim to southern Portugal (which it once held) and the Portuguese Government consenting to a plebiscite in the southern part of the country in order to decide whether the area should become Spanish or remain Portuguese. The Foreign Minister assured the Secretary that the domestic political considerations involved were quite aside from the outcome of such a plebiscite which every Portuguese was convinced would be in favor of the status quo. On the other hand, Dr. Cunha added, there had been what might be called plebiscites in Goa. The 100,000 Goans who live in India have elected to remain Portuguese citizens. When the peace marches against Goa began in 1954, the people within Goa asserted themselves almost en masse against a movement for independence. And finally, the Indian Government found it almost impossible to recruit Goans for peace marches, which explains why the satyagrahis of 1954 fizzled so badly. All this, Dr. Cunha remarked, was evidence of the will of the Goan people to remain Portuguese.

The Secretary said that he was not recommending a plebiscite, only suggesting it. The decision was obviously one for the Portuguese Government. The Secretary merely wanted to indicate what effect a plebiscite might have on public opinion outside of Portugal and particularly public opinion within the United States, where there were many Americans who either had never heard of Goa or whose first reaction to the Portuguese-Indian dispute was that Portugal should give to India this tiny speck of territory on the sub-continent. The Secretary referred to United States policy with regard to Puerto Rico, where the people had been given every opportunity to be independent of the United States if they so wished. The Secretary remarked that he did not doubt the Foreign Minister's word in the slightest that the Goans wish to remain Portuguese, but that when you have a statement to that effect on one side, disputed by Mr. Nehru on the other, many people, particularly the uninformed, would like to see some tangible evidence that the one or the other was right.

Dr. Cunha stated that he understood the above but that a plebiscite in Goa was still out of the question. Ambassador Fernandes at this point remarked that Nehru recently said that even if a plebiscite were held in Goa and were favorable to Portugal, India would not accept the results. The Secretary expressed interest in this attitude of Nehru's and suggested that the Foreign Minister might mention it in his address which he stated he intended to give to the Press Club on Friday. Dr. Cunha said that he would do so and added that India would not, of course, agree to a plebiscite because of the Kashmir problem.

In the course of the conversation about Goa, the Secretary took occasion to refer to his statement of last August 2.<sup>4</sup> He stated that although it had been his intention to be as helpful as possible, he recognized that the Indian press had twisted his statement to favor the Indian cause. What he had tried to make clear on that occasion, he added, was that the United States was opposed to the assertion of geographic claims by force and violence. In his own mind, he said, there was no such thing as peaceful invasion.

#### *Africa*

Dr. Cunha then expanded his statement about Goa with a forceful and eloquent presentation of the concern of the Portuguese Government over the alarming developments in Asia and Africa against the continued presence of the Western powers. He said that the Asians, aided and abetted by the Soviets, were exploiting the issue of colonialism to push the Western Europeans out of their overseas possessions. If they should be successful in Africa, Dr. Cunha said it would mean the gradual eclipse of Western Europe since the latter's very existence depends upon the resources of Africa and the continued control exercised by the Western European powers over this continent on their flank. He was sure that once the Europeans were expelled the Russians and Asiatics would eventually fight among themselves, but it would then be too late for Europe. The U.S. because of its geographic position would not feel the full effects as soon as Europe, but they would in the long run. He asserted that the Western bloc cannot afford at this time to be unduly governed by ideological considerations or to give any encouragement to nationalistic forces anywhere in the world, since it would mean playing into the hands of those propagandists of anti-colonialism who so ably serve the communist cause. The Foreign Minister declared with some warmth that the Western European powers should be proud of their colonies and willing to defend them. Portugal was certainly proud of Goa and would fight to retain it. [At

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<sup>4</sup> For text of Dulles' remarks, see Department of State *Bulletin*, August 15, 1955, p. 263.

this point Dr. Cunha apologized for his lack of eloquence due to language, and asked whether he was clearly understood. The Secretary replied that not only was the Foreign Minister clearly understood, but he couldn't be more eloquent if he had gone to Oxford or Harvard or Princeton (Yale?).]<sup>5</sup> The Secretary expressed full agreement with Dr. Cunha's estimate of the dire effects on Western Europe of the loss of Africa, and agreed that in the next 25 years this would be a crucial area.

He conceded that there were dangers to premature independence of subject peoples but said that, depending upon the case, freedom might be the only way to combat the communist peril. He cited Indochina where independence was the only course of action owing to past errors in French policy. The Secretary was critical of the way the French had allowed matters to develop in North Africa and remarked that the Spanish in their zone of Morocco, although admittedly faced with a lesser problem, have seemed to handle themselves a little better with the natives. He agreed that very few, if any, problems had arisen as a result of Portugal's administration of her African possessions. The goal of European powers should be to so conduct themselves with the peoples of their overseas territories that the latter would wish to maintain their association.

#### *Macao*

Thereafter, Dr. Cunha brought up the subject of Macao. He said that this overseas territory was in economic straits, being dependent on trade with the neighboring areas of China. The population was a striking mixture of Portuguese and Chinese called Macanese. The Foreign Minister went on to refer to Pekin's warning in connection with the celebration of the 400th Anniversary of Macao. Subsequently, the Chinese Communists made it clear that the Portuguese could continue their occupation of what the Communists said was Chinese territory only if there were increased trade. Dr. Cunha stated that his Government has never been able to understand why the trade policy of the U.S. is different toward the Soviet Union than toward the Chinese Communists. He considered that all the Communist nations should be put into the same category and added that unless trade controls regarding China can be relaxed to some extent, as in the case of the Soviet Union, Portugal is in danger of losing Macao. He recognized the domestic political difficulties which U.S.-China trade presents for the U.S. Government but asked that the U.S. Government consider this problem.

Without giving the Secretary an opportunity to comment, Dr. Cunha went on to the subject of trade between the U.S. and Portugal.

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<sup>5</sup> Brackets in the source text.

*Trade Between the U.S. and Portugal*

The Foreign Minister noted that while Portugal recently relaxed restrictions on imports from the United States, it was still difficult for his country to export to the U.S. in spite of advertising campaigns for Portuguese port, sardines, etc. He said that the balance of trade had become more and more unfavorable and that while the Portuguese were reluctant to reestablish controls this situation could not continue. Finally, he asked whether an arrangement should be worked out for the lowering of U.S. tariffs on Portuguese goods. Ambassador Bonbright stated that one difficulty was the fact that Portugal is not a member of GATT. The Secretary asked the Ambassador why not, and the Ambassador referred the question to Dr. Cunha. Dr. Cunha replied that the Portuguese economists had concluded that membership in GATT would hurt rather than help the Portuguese economy. It would not boost high quality Portuguese exports like wine, lace and canned sardines while the lowering of Portuguese import restrictions would kill her fledgling industries. The Secretary then inquired about a bilateral agreement and most-favored-nation treatment. Ambassador Bonbright said that Portugal benefited from most-favored-nation treatment but that there was no bilateral trade agreement between the two countries. Nothing further was said on the subject but the impression was left that we would consider whether it would be possible to enter into bilateral tariff negotiations with Portugal, despite their non-membership in GATT.

*Azores*

Dr. Cunha's final subject was the U.S. requirements in the Azores. He stated that these requirements raised serious political questions and that therefore the negotiations could not be left strictly in military channels. He referred particularly to the requirements for the stationing of a U.S. fighter squadron in the Azores and to facilities for the "storage of certain munitions". He told the Secretary that the Portuguese people were very sensitive about their sovereignty and did not favor the presence of foreigners on their soil. Since the 1951 agreement would expire in 1956 and the facilities which the U.S. wanted to construct in the Azores would not be finished by the time the agreement expired, Dr. Cunha was convinced that the negotiations would have to be at the political level. In this connection he remarked that he personally negotiated the 1951 agreement with U.S. Ambassador MacVeagh and, as a jurist, liked that sort of work.

The Secretary mentioned the importance of NATO maintaining a strong defensive posture as a deterrent to war, especially after the Soviet Union made its intentions clear at Geneva. He also called attention to the technological developments in the nature of modern war-

fare. He said that the Azores would be one of the anchors for a screen to defend the industrial arsenal of the Allied community. Stressing the defensive rather than the offensive character of our new requirements in the Azores, the Secretary stated that he felt every one of the Western allies should make a contribution to the mutual defense effort and was confident Portugal would continue to make hers in the Azores.

Dr. Cunha countered by saying that there was no question about Portugal doing her part as the 1951 agreement provides. The facilities in the Azores would be available to the U.S. in wartime. Furthermore, they would be maintained and kept serviceable in peacetime after the expiration of the present agreement. However, the Foreign Minister stated, it has been contemplated all along, at least on the Portuguese side, that the job of maintenance and servicing would in a relatively short space of time be taken over by the Portuguese as they are trained and equipped to do the job and that U.S. personnel would not continue to be stationed in the Azores indefinitely. Dr. Cunha stated that he wanted to discuss the problem with Defense officials—did the State Department see any objection to that? The Secretary turned to Mr. Merchant who said he thought such conversations in the Defense Department might be helpful. It was subsequently arranged that the Minister would speak to Mr. Gordon Gray.

The meeting broke up at 4:30. It was agreed that further discussions could take place at 3:00 o'clock on Friday, December 2.

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**149. Memorandum of a Conversation, Department of State,  
Washington, December 2, 1955, 3 p.m.<sup>1</sup>**

**SUBJECT**

Problems of Concern to Portugal

**PARTICIPANTS**

*Portuguese:*

His Excellency Dr. Paulo Cunha, Minister of Foreign Affairs of Portugal

His Excellency Senhor Luis Esteves Fernandes, Ambassador of Portugal

The Honorable Dr. Henrique Bacelar Caldeira Queiroz, Deputy Director General of Political Affairs of Portugal

*United States:*

The Honorable John Foster Dulles, Secretary of State

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<sup>1</sup> Source: Department of State, EUR Files: Lot 57 D 108, Cunha Visit. Secret. Drafted by Rabenold on December 5.

The Honorable James C. H. Bonbright, American Ambassador to Portugal  
The Honorable Livingston T. Merchant, Assistant Secretary of State for European Affairs  
Mr. Ellwood M. Rabenold, Jr., Portuguese Desk

The Portuguese Foreign Minister, Dr. Cunha, met with the Secretary in the Department at 3:00 p.m. on December 2 in order to continue the discussions begun November 30. (See prior memo of Conversation dated November 30.)<sup>2</sup>

The Secretary told the Foreign Minister that, although he had not yet had an opportunity to read it, he understood that Dr. Cunha had made a very good speech at noon before the National Press Club. Dr. Cunha nodded with a smile and said yes, he thought he had made a good speech. He added that the speech included a statement about Mr. Nehru's remarks concerning Goa which the Secretary had suggested to him at their prior meeting. The Foreign Minister then asked the Secretary whether he had any further thoughts on the subjects which were taken up on November 30. The Secretary answered affirmatively, saying that there were a few comments he would like to make regarding both Macao and the additional U.S. military requirements in the Azores.

#### *Macao*

The Secretary stated that in the current talks in Geneva with the Chinese Communists, the U.S. was endeavoring to obtain a statement from the Chinese Communists that they would renounce the use of force to change the status quo in the Far East. The U.S. had in mind, among other places, the island of Formosa (a name taken from the Portuguese, meaning "beautiful") and Macao. In order to persuade the Chinese Communists to issue such a statement, the U.S. was offering on behalf of the Western allies a relaxation of trade controls involving China. The Secretary urged that the Portuguese Government be patient in its desire for a relaxation of trade controls with respect to Macao until the outcome of the present Geneva talks was determined. The Secretary remarked that he was rather encouraged by the latest report from Geneva as to how these discussions were proceeding. Dr. Cunha stated that he didn't realize the subject of trade controls in the Far East was being discussed in Geneva and that he understood the importance of what the U.S. Government was trying to do. He said that it was clear to him that the Portuguese Government should wait until the position of the Chinese Communists was more definitely known.

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<sup>2</sup> *Supra.*

*Azores*

The Secretary then informed Dr. Cunha that he had a few thoughts on the subject of additional military requirements in the Azores. He said that the U.S. Government would want to take up shortly with the Portuguese Government the question of the renewal of the 1951 Agreement. Dr. Cunha interrupted him to say that he had advised Mr. Gordon Gray in the Defense Department just the night before<sup>3</sup> that the U.S. Government should negotiate its new requirements at the political level since it was clear that what it wanted militarily involved serious political questions. The Secretary replied that in his estimation each Government would have to approach these negotiations in the manner which it deemed fitting and that on the U.S. side it might be considered appropriate for discussions to take place at two levels, the political and the military. He added that, of course, any agreement reached at the military level would be subject to the approval of the respective Foreign Ministers. Dr. Cunha agreed, but said that he had carefully reviewed all the military aspects of the new requirements, which were quite clear, and that now the talks between the two countries would have to be on a political level. He asked when, in the Secretary's opinion, these latter should begin. The Secretary replied that it was his thought that the negotiations would take place in Lisbon between the Foreign Minister and Ambassador Bonbright and that a draft agreement would be prepared as soon as possible and presented to Dr. Cunha for his review. There was general approval of this procedure.

The conversation then turned to the matter of a communiqué which the Secretary said he understood the Portuguese wanted. Drafts and redrafts were prepared and discarded until 4:30 when the Secretary excused himself for another appointment and the group repaired to Mr. Merchant's office where a joint communiqué was finally agreed upon. The text is attached.<sup>4</sup> The Portuguese Foreign Minister left Mr. Merchant's office about 6:00 p.m.

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<sup>3</sup> A memorandum of this December 8 conversation, prepared by Rabenold, is in Department of State, Central Files, 753.5-MSP/12-855.

<sup>4</sup> Not printed. For text of the communiqué, see Department of State *Bulletin*, December 12, 1955, pp. 966-967.

**150. Despatch from the Embassy in Portugal to the Department of State<sup>1</sup>**

No. 464

*Lisbon, March 6, 1956.*

REF

Embassy Telegram No. 378, March 6, 1956<sup>2</sup>

SUBJECT

Initiation of Formal Negotiations on the Azores

As reported in the Embassy's telegram No. 378 of today's date, formal negotiations looking toward the satisfaction of our new military requirements in the Azores and toward the conclusion of a new defense agreement to take the place of the Agreement of 1951 were initiated yesterday.

The approach was made through two channels. In the first place I wrote a covering letter to the Minister of Foreign Affairs, a copy of which is enclosed,<sup>3</sup> transmitting to him our draft of a new defense agreement.<sup>4</sup> At the same time I furnished him with copies of the drafts of a new technical agreement with appropriate technical schedules.<sup>3</sup> Originals of the latter documents were simultaneously delivered to the Minister of Defense by Brigadier General Harold Smith, "acting in behalf of the United States Secretary of Defense."

The purpose of this dual approach was to endeavor, as was done in the 1951 negotiations, to keep as many of the problems as possible on a strictly military level and try to limit the political discussions to the defense agreement itself. This will not please the Foreign Minister, who indicated to the Secretary of State last December<sup>5</sup> that he thought this whole matter should now be handled on the political level. We have never accepted this line of argument and will do our best to maintain our position to the fullest extent possible.

I wish to add one brief word of explanation of my decision to transmit the draft of the new agreement to the Foreign Minister in writing rather than to launch the negotiations with him in person. In 1951 Dr. Paulo Cunha took the leading part in rejecting our proposal that our peacetime rights in the Azores should be for a longer period than five years. I feel that he is certain again to favor only an extension for a fixed and minimum period of time. I did not wish to give him the opportunity on the first day to express his views on this point, since if he did so it would only make it more difficult for him to recede later

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/3-656. Secret.

<sup>2</sup> Not printed. (*Ibid.*)

<sup>3</sup> Not printed.

<sup>4</sup> Not found in Department of State files.

<sup>5</sup> See Document 148 and *supra*.

on. Since the Defense Minister has indicated to us privately that he is prepared to support an extension covering the life of the North Atlantic Treaty, it seemed prudent to make it possible for him to argue this point first with the Minister of Foreign Affairs and also with Dr. Salazar before the Embassy was exposed to a blast from Dr. Paulo Cunha. In other words I wanted this point to be fought out first within the bosom of the Portuguese Government rather than across the table with me. In this way when the Foreign Minister sends for me to discuss the drafts it is my hope that he will then be speaking from a concerted Portuguese Government position rather than expounding his own personal views and prejudices.

As reported in the reference telegram, the Defense Minister has indicated that he should be in a position to renew the discussions on a military level in about two weeks' time, and as soon as we get word I will again ask General Smith to return to Lisbon. At the moment there is no indication of when the Foreign Minister will be ready to proceed with the discussions on a political level.

James Bonbright

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**151. Letter From Secretary of State Dulles to Foreign Minister Cunha<sup>1</sup>**

*Washington, April 7, 1956.*

DEAR MR. MINISTER: I have just read the broadcast which you delivered April 4 on occasion of NATO's seventh anniversary. May I therefore begin by conveying to you personally the expression of my most sincere appreciation for the remarks which you made concerning role played by US in defense of our common civilization and for your support in face of certain criticisms which have recently been directed against US. As I indicated in my press conference few days ago<sup>2</sup> I regard it as sign of strength rather than weakness that countries bound together by ties of common interest can indulge in frank and open

<sup>1</sup> Source: Department of State, Central Files, 740.5/4-555. Secret. Transmitted in telegram 398 to Lisbon, April 7, with the instruction that the Embassy should stress to the Foreign Minister that it was a personal message, not for publication. Telegram 398 is the source text. On April 10, Bonbright reported that the letter had been delivered the previous day. (Telegram 435 from Lisbon; *ibid.*, 740.5/4-1056)

<sup>2</sup> For the transcript of Dulles' press conference on April 3, see Department of State Bulletin, April 16, 1956, pp. 438-443.

comment on each other's policies. It was most heartening to learn of your spontaneous and friendly words of support which will not go unnoticed in this country.

Your statement was particularly timely in view of recent action of Icelandic Parliament. I know that you will agree that this is a matter of the greatest importance to the Alliance not only because of the strategic importance of the Icelandic area, but also because of the necessity of maintaining our strength and unity in the face of the flexible and dangerous tactics of the Soviets. In so doing, we must be flexible ourselves, but we must never waver in our determination to assure our liberties.

It is too early as yet to tell how the situation will develop in Iceland. Elections will be held on June 24 and it is our hope that by that time there will be a fuller and wiser appreciation of the implications of the Althing resolution. Meanwhile, it is our desire to deal with the question calmly and without heat, allowing time for the second thoughts which usually follow actions whose implications are not fully understood at the time. You will perhaps have noted that the President's<sup>3</sup> and my public press statements were calculated to encourage such a period of calm and searching reflection.

Several of our other NATO allies have already expressed to us their concern over the Icelandic resolution. I do not doubt that in time these misgivings will become quietly known to the Icelanders and will have a salutary effect. The Icelanders have made known their continued attachment to NATO and I am sure that the common aims and purposes basic to that relationship will prevail over the specific issues that have recently arisen.

Permit me to add one final word concerning what I believe would be the beneficial effect on the above problem of early conclusion of a new Azores defense agreement. I do not wish to press you unduly since I realize that your government desires to give careful thought to a proposal of such importance. However, if we could achieve a meeting of minds and conclude a new agreement governing the peacetime use of the Azores facilities in the next few weeks I can think of nothing which would set a better example. Not only would it be of inestimable help to NATO supporters in Iceland but it would help to check the growth of the dangerous tendencies elsewhere which we both deplore.

Dulles<sup>4</sup>

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<sup>3</sup> For the transcript of President Eisenhower's press conference on April 4, in which he commented on the resolution of the Icelandic Parliament (Althing) in favor of moving U.S. forces out of Iceland, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1956*, pp. 368-381.

<sup>4</sup> Telegram 398 bears this typed signature.

152. **Telegram From the Embassy in Portugal to the Department of State<sup>1</sup>**

*Lisbon, September 1, 1956—1 p.m.*

132. Department pass USLO from Freeman; CINCLANT and COMUSFORAZ. Paris pass CINCEUR for Wallner and Knight. Foreign Minister sent for me late yesterday and expressed his personal regrets that press of other matters, including recent conference in London, had made it impossible for him to talk to me sooner about Azores. In view of fact that date of September 1 was mentioned in Article 2 (2) of 1951 defense agreement he wished to hand me communication which he hoped would set at rest any doubt my government might have concerning Portuguese interpretation of when under that agreement period specified for completion of facilities would end.

Communication reads as follows:

"With reference to the defense agreement between Portugal and the United States of America signed on September 6, 1951, the modification of which has been requested by the Government of the United States of America, I wish to inform Your Excellency that although it has as yet not been possible for the Minister of Foreign Affairs to undertake the negotiations looking towards that modification, it is however the intention of the Portuguese government to begin those negotiations at an early date.

Due to the period of grace assured in the final part of paragraph 2 of Article 2 of the agreement in question, the period stipulated in Article 7 of that agreement for the evacuation of American personnel and withdrawal of equipment and supplies will not begin before January 1, 1957. It is believed that before that date it will have been possible to take a position with respect to the alterations requested."

I told him frankly that this was most disappointing since there was implication that we might have to wait another four months before bringing this matter to conclusion. I pointed out that Azores were presently defenseless and that it was now a year since military authorities of our two countries had started discussions regarding new requirements which both regarded as important to our mutual defense. When I asked him what he meant by beginning negotiations "at an early date" he said he had every hope that he would be in position to talk to me by end of September or early October and that matter would be "clarified" before he left for meeting of UNGA in November.

[1 paragraph (7½ lines of source text) not declassified]

<sup>1</sup> Source: Department of State, Central Files, 711.56353B/9-156. Secret; Noform.  
Repeated to Paris.

Since Cunha had seen Salazar previous day it was certain that he was reflecting latter's views. Queiros confirmed to me subsequently that Azores was one issue on which Cunha powerless to move without green light from Salazar. [2 lines of source text not declassified]. I seriously doubt if there is anything which we could do to move Salazar at this stage. I shall try next week to see if we can get Santos Costa to carry torch but if this fails believe we must resign ourselves to Cunha's timetable.<sup>2</sup>

**Bonbright**

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<sup>2</sup> On September 7, Bonbright reported that Santos Costa confirmed that the Government of Portugal was delaying negotiations pending the outcome of the U.S. election and Nehru's visit. (Telegram 143 from Lisbon, September 7; Department of State, Central Files, 711.56353B/9-756)

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**153. Memorandum of a Conversation, Lisbon, November 7, 1956,  
5 p.m.<sup>1</sup>**

**PARTICIPANTS**

Dr. Paulo Cunha, Foreign Minister  
Dr. Caldeira Queiros, Political Director, Foreign Office  
Ambassador James C. H. Bonbright

**SUBJECT**

Azores Facilities

At Dr. Cunha's request I went to see him at 5 o'clock this afternoon. The interview lasted close to an hour and a half.

After the usual exchange of amenities, Dr. Cunha said that he had sent for me prior to his departure for New York in two days to attend the meeting of the UN General Assembly in order to inform me regarding the decision of his government on the subject of the Azores Agreements. He said that his government had given this matter very deep thought and that they had decided to offer us a provisional solution which they regarded as reasonable. He referred to our meeting at the end of August,<sup>2</sup> at which time he had indicated that, since his government had not yet reached a final decision in the matter, they had wanted to assure us that in their view the peacetime rights granted

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/11-856. Secret. Transmitted as an enclosure to despatch 255 from Lisbon, November 8.

<sup>2</sup> See *supra*.

us under the 1951 Agreement did not expire on the first of September, but continued in force until January 1, 1957. He went on to say that in the meantime and due to the extraordinary events which had been taking place in the world his government was still in the position of not being able to reach a more definite decision. Consequently, what they proposed was to offer us an extension of one year, during which we could proceed with some of our programs and have time to negotiate a more definitive arrangement. In the course of his remarks concerning uncertainties prevailing in the world it was quite apparent that he had in mind primarily uncertainties concerning the position of the United States on the colonial problem. He referred specifically to Mr. Dulles' remarks on the American attitude toward independence for dependent peoples at his press conference on October 2nd,<sup>3</sup> as well as statements (which he did not specify and which are unknown to me) allegedly made on this subject during the campaign by Mr. Nixon. It also came out in the discussion that the Portuguese were extremely unhappy regarding the split which had developed between the United States on one side and the British and French on the other with respect to the situation in the Near East.

I told him that while I naturally had to reserve the position of my government, I could say at once that the solution which he suggested was deeply disappointing and I was quite sure that my government would share my feeling on the subject. It seemed that the extension of the Agreement for only one year would be regarded not only as a blow to NATO but as a clear indication of lack of confidence in the United States on the part of the Portuguese. I pointed out that his solution left the basic problem unsolved, it left the Azores defenseless and involved the delay of a year in construction programs which were considered of the utmost importance by our military authorities. At this point the Minister interposed to say that the Portuguese solution specifically envisaged that we would be authorized to proceed with certain of these programs (he referred specifically to the extension and strengthening of runways and the installation of more up-to-date navigational aids). He had discussed these matters with the Minister of Defense and he saw no reason why our military authorities should not immediately get in touch with the Defense Minisry and iron out these details.

In reply I told him that perhaps he did not realize the seriousness of some of the problems which this would present from our point of view. I pointed that these things cost many millions of dollars and that these dollars all had to be approved and appropriated by our Congress. What could be our justification for asking the Congress for

<sup>3</sup> For the transcript of Dulles' press conference on October 2, see Department of State *Bulletin*, October 15, 1956, pp. 574-580.

further sums to be expended in Lajes when we had no certainty that we would be allowed to remain in the Azores after the end of 1957? I asked him to look at the situation in this light: if, at a moment when the peace of the world was more directly threatened than at any time since the war, the Portuguese Government was unwilling to commit itself to our presence in the Azores for more than a year, how could we imagine that they would take a less restrictive view one year hence? I added that frankly speaking our experience with this subject over the past year, and long before the present crisis in the Near East arose, did not reassure us on this score either. I pointed out again that the new military facilities which we had thought necessary for our mutual defense and that of NATO had been under discussion since a year ago September and substantial agreement had been reached on this insofar as the Portuguese military authorities were concerned. Moreover it was early last March when I furnished Dr. Cunha himself with a proposed text of a new Defense Agreement and indicated my readiness to enter into negotiations on the political level. Since that time absolutely nothing had happened and I had been put off time after time. With this background I did not see how my government could entertain anything but the gravest doubts about their future intentions.

Referring to what he had said concerning the colonial issue, I agreed that there was no use denying that differences did and would probably continue to exist between the points of view of the Portuguese and American Governments. With regard to Mr. Dulles' statement of October 2, I did not see why the Portuguese should be surprised at an expression of American belief in ultimate independence for dependent people. This was the basic philosophy of Americans based on a deep historical tradition and I could conceive of no government in my country which would renounce it. On the other hand my recollection of Mr. Dulles' remarks was that they had been carefully qualified to show that we only supported independence for those people who wanted it and who were able to maintain it. I thought this was exactly the position which Mr. Dulles had taken when this matter was discussed between him and Dr. Cunha in Washington last December, so that I was at a loss to understand why there was any new anxiety in the Portuguese minds on this score. Finally, while I knew that the Portuguese were reluctant to separate this issue in their minds from the Azores issue, I was sure my government would find it difficult to understand how the Portuguese could permit this problem to deter them from reaching a truly adequate solution of the Azores question which involved the defense of the whole West.

With respect to the difference of opinion between the United States and the French and British on the Near East question, I said that I did not wish to indulge in criticism of our Allies, but that if anyone wanted to talk about a split it seemed to me that by departing, without

prior consultation with us, from the line of peaceful negotiation which had been the tripartite policy up to that time, it was the French and British, rather than the United States, who had created the split. In addition, both the President and the Secretary of State had gone to great pains to emphasize in their public statements that while we might and did differ with the French and British concerning the wisdom of their action, this in no wise affected our fundamental friendship and solidarity with them. Dr. Queiros intervened to say that the point in their minds was that when a member of a family does something which other members do not approve of, family solidarity requires that the erring member be supported. Dr. Cunha added that of course in this matter the Portuguese were in sympathy with the French and British action since they felt that unless the line had been drawn somewhere our whole position vis-à-vis the Arab world, which was being systematically eroded, would be lost by default.

Referring to my earlier remarks, Dr. Cunha said that he could not accept the thought that their proposal would be regarded as a blow to NATO. He was equally insistent on assuring me that this in no way reflected a lack of confidence in the United States. He wished to make clear that what his government was proposing was not simply a one year extension, at the end of which time we would be automatically requested to leave the Azores. On the contrary the extension of one year was meant to give us breathing space, and at the same time to give the Portuguese Government an opportunity to resolve some of the problems in its mind. He assured me that it was not his intention to postpone negotiation of a more definitive agreement to toward the end of the new period. On the contrary he hoped that we could enter negotiations of a more definite nature in "two or three months". As I knew, he was leaving for New York where he would stay no more than two weeks and he hoped to be able to give more attention to the problem on his return.

With regard to my remarks concerning proceeding with certain construction work in the Azores, he could see that certain difficulties might be involved for us, but that fundamentally if our military authorities thought that certain things, such as the lengthening of runways, were now necessary and if the facilities were to be adequate in time of war, he really could not see why we should be unwilling to go ahead with them so that these facilities would be available in an emergency, even if the presence of American forces in the Azores was to end next month, which was not the case.<sup>4</sup>

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<sup>4</sup> Handwritten notation regarding this paragraph [(3½ lines of source text] not declassified.

In conclusion he wanted to stress once again, as he had before, that all they were trying to do was to make it possible to have more time to talk. They were not putting a terminal date on the presence of our forces.

After leaving the Minister, Dr. Queiros accompanied me down the hall. He said frankly he appreciated the fact that what the Minister had just told me would be a disappointment to me and to my government. While he naturally agreed with his government's decision, he wanted to add one or two things on his own. The first was that with regard to past delays in entering into the negotiations he wanted to give me his word of honor that these had not been intentional and that they had been due solely to the fact that the Foreign Ministry, which was desperately overworked (this is true), had simply been unable to give the problem the attention it deserved. Also, as I knew, the Foreign Minister had negotiated the 1951 Agreement himself and nothing could be done in the Ministry on this subject without Dr. Cunha. Next, he wanted me to know that the Portuguese Government's decision in the matter had been reached prior to the outbreak of hostilities in the Near East so that this development had not influenced their decision in the least. [15 lines of source text not declassified]

JCHB

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**154. Letter From Secretary of State Dulles to Foreign Minister Cunha<sup>1</sup>**

*Washington, December 7, 1956.*

MY DEAR FRIEND: In the most difficult days in which we find ourselves, I feel compelled to appeal to you personally to review again the position which I am informed your Government has taken with respect to the future of our relationship in the Azores. In doing so, I am not unmindful of the degree of accommodation which you have shown in offering to extend for one year the period specified in the Defense Agreement of 1951 for the completion of the agreed facilities, as well as the indication that there would be no objection on the part of your Government to our proceeding with certain construction works and improvements of urgent military importance. Finally, I understand that you regard this as a temporary solution and that it is

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 821. Delivered on December 12.

the intention of your Government to enter into further negotiations with us early in the New Year for the purpose of arriving at a more definitive arrangement between us on this subject.

The question of the peacetime use of facilities in the Azores seems to me one which we should look upon as a contribution which Portugal and the United States can make, not without real sacrifices on both sides, but in our mutual interest and that of the entire Atlantic Community.

It has always been our view that since the Azores Defense Agreement was negotiated under the aegis of NATO, it would be logical that the peacetime facilities granted by your Government should coincide with the period of the North Atlantic Treaty. Indeed, this has been widely accepted as a valid concept by other of our NATO partners in comparable agreements which we have entered into with them, and I commend it to your serious consideration. In any event, particularly since the imminent expiration of our peacetime arrangements in the Azores is public knowledge, I feel that any further postponement of the main issue or any extension of the 1951 Agreement for a period less than the term specified therein would inevitably be regarded by both our friends and our potential enemies as a further blow to NATO.

Recent events in Hungary and the Near East have reminded us all that, whatever hopes may have been entertained for "peaceful co-existence" in the same world with International Communism, the Soviet menace, even if it does not break upon us in the near future, will remain hanging over us for a considerable time. In the circumstances, it behooves all of us to do everything in our power to strengthen and support the Atlantic Community and its NATO shield, and it is in this spirit that I am now addressing this personal appeal to you.

With warmest personal regards.

Sincerely yours,

JFD

**155. Telegram From the Embassy in Portugal to the Department of State<sup>1</sup>**

*Lisbon, December 7, 1956—3 p.m.*

327. Department pass SACLANT Norfolk for Freeman, CINCLANT and COMUSFORAZ Noforn. Paris pass USCINCEUR for Wallner and Knight. Subject: Azores Negotiations. Reference: Deptel 290.<sup>2</sup> Am gratified that Secretary is sending message to Cunha about Azores since it is essential that our government go on record as being dissatisfied with Portuguese proposal.

I also hope that this message and subsequent conversation in Paris<sup>3</sup> will succeed in bringing about change in Portuguese position between now and end of December. However in addition to shortness of time now left to us for negotiations, it has been consistent view that best chance of bringing about speedy change in Portuguese proposal of November 7 lay in by-passing Cunha and appealing directly to Salazar as head of Portuguese Government and fundamental determiner of Portuguese policy.

[2½ lines of source text not declassified] Believe that observations on Embtel 302<sup>4</sup> (which I am now repeating to Paris as Topol 24) accurately reflect line which Cunha will probably take with Secretary. [2 lines of source text not declassified] To counteract this suggest that following Secretary's talk with Cunha we have one of our military representatives give account of position taken by Secretary to Portuguese Defense Minister Santos Costa who will also be in Paris. (I am letting latter know privately today that Secretary will be speaking to Cunha about Azores.)

**Bonbright**

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/12-756. Confidential; Priority. Repeated to Paris.

<sup>2</sup> Telegram 290 to Lisbon transmitted four changes in the letter from Dulles to Cunha, *supra*. (Department of State, Central Files, 711.56353B/12-156)

<sup>3</sup> Dulles was in Paris, December 11-14, for the North Atlantic Council Ministerial meeting, which Cunha also attended.

<sup>4</sup> Telegram 302 from Lisbon, November 18, reported Lisbon press stories that Cunha would visit Washington in the next few days. (*Ibid.*, 033.5311/11-1856) Cunha visited New York and Washington, December 3-10.

156. **Telegram From the Embassy in Portugal to the Delegation at the North Atlantic Council Ministerial Meeting, at Paris<sup>1</sup>**

*Lisbon, December 12, 1956—7 p.m.*

Tosec 1. Subject: Azores negotiations. Re Paris 24 repeated Department Secto 12.<sup>2</sup> Stakes are so high I feel compelled to make one further point.

Although Cunha is now in possession of copy of your message I think it essential that you at least mention subject to him personally. Frankly if you and Cunha spend 6 days in Paris without your mentioning subject to him I feel sure that he and Salazar will [*less than 1 line of source text not declassified*] conclude your letter was pro forma message which need not be taken too seriously.

I do not mean by this that special meeting with Cunha need be set up to go into subject in detail. It should be enough for our purpose if you were to stop him in the hall, [*less than 1 line of source text not declassified*] and tell him we take really serious view of situation and are counting on him and Salazar to reconsider their position in light of world events.<sup>3</sup>

**Bonbright**

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/12-1256. Secret; Priority. Repeated to Washington as telegram 334. The source text is the copy in Department of State files.

<sup>2</sup> Secto 12 reported that the December 7 letter from Dulles had been left at the office of the Portuguese Permanent Representative to the North Atlantic Council. (*Ibid.*, Conference Files: Lot 62 D 181, CF 821)

<sup>3</sup> Footnote [*3 lines of text*] not declassified.

**157. Despatch From the Embassy in Portugal to the Department of State<sup>1</sup>**

No. 350

*Lisbon, January 4, 1957.*

REF

Embtel 349, January 1, 1957<sup>2</sup>

SUBJECT

Azores Negotiations

There is transmitted herewith a memorandum covering my conversation with Prime Minister Salazar on New Year's Eve.

There follow a few random conclusions and observations:

1) The delays to which we have been subjected by the Portuguese over the past year have been partly unintentional and partly intentional: The first category was due to the overwork of the Foreign Minister, his tendency to try to do everything himself, and finally his illness. The intentional delays have been due to anxiety and annoyance over recent American foreign policy which the Portuguese have interpreted as being weighted against Europe and in favor of the Afro-Asian countries.

2) Despite anxiety over our policy, I believe we can count on conclusion of negotiations this spring even if Cunha's illness incapacitates him longer than is now anticipated.

3) The Portuguese are seriously embarrassed over the unintentional delays and particularly over Dr. Cunha's failure to answer Secretary Dulles' letter of April 9 [7], 1956.<sup>3</sup> [2 lines of source text not declassified]

4) In the negotiations [1 line of source text not declassified]. We anticipate that we will obtain practically everything we desire in the Technical Agreement and Technical Annexes.

5) Dr. Salazar believes that the Portuguese Defense establishment has been remiss in not taking sufficient advantage of the provisions of the 1951 Defense Agreement covering the training of Portuguese personnel. [6 lines of source text not declassified]

6) We will definitely not be given an extension of the peacetime facilities to coincide with the length of the North Atlantic Treaty. We will be offered a fixed period of years, probably not over five.

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/1-457. Secret.

<sup>2</sup> Telegram 349 contained a short summary of the conversation described in the enclosure printed below. (*Ibid.*, 711.56353B/1-157)

<sup>3</sup> Document 151.

7) For the reasons indicated in paragraph 5 above we will not be able to get an "open-ended" arrangement under which the extension of peacetime rights would not automatically come to an end at a stated time. [5½ lines of source text not declassified]

James Bonbright

**Enclosure**

**Memorandum of a Conversation Between Prime Minister Salazar and the Ambassador in Portugal (Bonbright), Sao Bento Palace, Lisbon, December 31, 1956, 6 p.m.<sup>4</sup>**

**SUBJECT**

Azores Negotiations

Accompanied by Mr. Xanthaky, I met with Prime Minister Salazar at the Sao Bento Palace at 6:00 p.m. on December 31, 1956. The conversation lasted close to two hours.

I began by suggesting that it might be useful if I went over chronologically the various steps in the Azores negotiations since this record was important in an assessment of the problem. Dr. Salazar agreed and I then went over much the same ground as I had covered with the Foreign Minister on November 7,<sup>5</sup> pointing out the following:

1) Informal conversations envisaging new defense facilities at Lajes were initiated on the military level in September of 1955.

2) During Dr. Cunha's visit to Washington in December 1955, the Azores matter was also discussed. At that time Dr. Cunha had expressed the view that negotiations should take place on the political level and Mr. Dulles therefore suggested that the U.S. should prepare a draft of a new Agreement to serve as a basis for negotiation.

3) This was done, and on March 5, 1956, our draft was conveyed to Dr. Cunha with an indication that I was ready to discuss it with him at any time.<sup>6</sup>

4) In April, Mr. Dulles sent a personal letter to Dr. Paulo Cunha<sup>7</sup> informing him of the difficulties in Iceland and suggesting that, in his view, it might be extremely beneficial [2½ lines of source text not declassified] if the Portuguese Government could conclude our new Azores agreement before the Iceland elections in June.

5) During the latter part of May I again endeavored to obtain from Dr. Cunha an indication as to when the negotiations at the political level for the Defense Agreement would start. The latter had indicated

<sup>4</sup> Secret. Drafted by Xanthaky.

<sup>5</sup> See Document 153.

<sup>6</sup> See Document 150.

<sup>7</sup> Document 151.

that he had not had time to come to grips with the problem, but that he hoped to be in a position to discuss the matter in July when both he and I returned from our holidays.

6) At the end of August, I was informed in writing by Dr. Cunha that the Portuguese Government did not consider the four-months period which we were entering (September-December) as part of the "evacuation" period. At the same time he expressed hope of concluding the new document before the end of the year.

7) On November 7, Dr. Cunha informed me that since the Portuguese Government would not be able to come to any decision about the new agreement before the end of the year, it proposed to prolong the 1951 Agreement for a year beginning January 1, 1957, during which period the new agreement would be negotiated. Dr. Cunha added that he hoped to be in a position to conclude the negotiations "within two or three months".

8) Under date of December 7, Mr. Dulles again addressed a personal message to Dr. Cunha appealing to the Portuguese Government to reconsider the position it had taken in November and conclude a new agreement before the end of 1956.<sup>8</sup>

I pointed out that in the light of this record my government had cause for concern and I had been informed that we were not prepared to go ahead now, on the basis of a one year prolongation, with the construction work which our military authorities considered desirable.

Dr. Salazar listened without interruption to my recital and when I concluded he agreed that the Americans had ample reason to be annoyed with what had taken place. He manifested particular embarrassment that no reply had been made to Mr. Dulles' letter of last April. He wanted to assure me, however, that prior to early autumn, the delays were purely fortuitous and in a large degree connected with the illnesses of Dr. Paulo Cunha. For example, he himself had been confident that after the Foreign Minister, who had been ailing, had done his cure in Vichy last July, Cunha would be fully able to complete the agreement during the summer. As a matter of fact, he, Dr. Salazar, had postponed his own vacation in order to be here at the time he supposed those negotiations would take place. Cunha, however, returned to Lisbon in worse shape than when he left and was not in a condition to carry on such an important negotiation. Hence, the Portuguese letter of late August.<sup>9</sup> Subsequently, however, a series of events caused the Portuguese Government to reflect on the desirability from their standpoint of postponing the conclusion of the new agreement. He said, "We are disturbed about the directions which American foreign policy is taking and frankly I do not understand where you are heading".

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<sup>8</sup> Document 154.

<sup>9</sup> See Document 152.

At this point I observed that my government had always felt that the Azores problem should be considered on its merits. The Azores was a matter involving our mutual defense and it was a contribution which both countries were able to make as members of the NATO alliance. Naturally amongst allies there would be differences of opinion on political questions, but we had hoped that these would be considered apart and not in the context of our mutual defense. To this Dr. Salazar observed that Portugal had interests scattered in Africa and Asia, and she wished to make sure that American policies were not prejudicial to those interests; he felt that we could not expect Portugal to make concessions to the U.S. in the Azores if our policies should result in harm to them elsewhere. He went on at considerable length about NATO. In his view the alliance was seriously shaken despite the optimistic words spoken in Paris and in the official communiqué. By our action against England and France, the two most powerful European components of the Alliance, we had completely undermined NATO and he wondered whether it would ever again have the same value. In reply I stressed our continued support for NATO and explained as best I could the American viewpoint on the Suez question, but it was clear that Dr. Salazar was unconvinced. He expressed complete distrust of Nasser and the Egyptians and pointed out that the moment the French and British attacked, all terrorist activities in French North Africa ceased immediately. When the attack was halted the terrorist activities were resumed. The Prime Minister repeated several times "We must see where the U.S. is heading; we are greatly disturbed at her Afro-Asian policies in prejudice of Europe". Dr. Salazar also mentioned his skepticism of the United Nations as an instrument for the carrying out of foreign policy; in addition, the UN is gradually being weighted against the Europeans and he has no confidence in it.

The Prime Minister said he found Mr. Dulles' statements of October 2 as well as those of Vice President Nixon made about the same period particularly disturbing. He understood that at times U.S. public men may make off the cuff declarations to newspaper reporters that do not represent considered policy. However, usually only with the passage of a certain period of time could it be fully ascertained whether statements of the nature made by Mr. Dulles and Mr. Nixon reflect the considered opinions of the Government or whether they were made under the pressure of circumstances of the moment. I reminded Dr. Salazar that Mr. Dulles had spoken to Dr. Cunha about the colonial issue when the latter visited Washington in December, 1955. The Secretary stated then that the traditions of the United States in favor of self-government, etc., for all peoples were well known. The Secretary, however, had carefully qualified this statement by adding that the evolution of dependent peoples to self government should take place

only after they had first manifested their desire for it and shown themselves in a sufficiently advanced state of civilization to govern themselves. To this, Dr. Salazar observed that while it was true that the Secretary had made such remarks to Dr. Cunha, he had not stated such qualifications in his October 2 press conference.

[1 paragraph (22 lines of source text) not declassified]

Turning again to the question of our negotiations I remarked that since the technical aspects had been agreed upon in principle by the U.S. and Portuguese military, it seemed to me that the only question of consequence as far as the Defense Agreement was concerned was the termination date. Dr. Salazar said that in general he agreed, although all the drafts were "ad referendum". However, he thought that when Dr. Cunha was in shape to begin the negotiations, they should go rapidly. He emphasized, in this connection, that Portugal did not intend to bargain with us or attempt to hold us up. He also added, "We cannot agree that the termination date should be that of the North Atlantic Treaty itself; it will have to be for a fixed period of years."

Dr. Salazar said that the physicians had assured him that Dr. Cunha would be completely restored to health by the latter part of February and that he was confident Cunha would be able to take up the negotiations shortly after reassuming his duties. (Note: In subsequent discussion of this point with Queiros, the latter said he had Salazar's personal assurance that if Cunha does not recover as rapidly as hoped, the Portuguese Government will proceed with the negotiations in March regardless.) He said he saw no reason why the urgent construction work of a military character could not be undertaken by us at Lajes immediately. He added that he had already given his consent to this. I explained again the budgetary and Congressional difficulties which confronted us in an agreement whereby we were getting an extension for only a year. Dr. Salazar said he wished to make it clear that what he was proposing was not a new agreement but simply the unilateral prolongation of the 1951 Agreement for another year. In other words, he said, just consider that the expiration of the 1951 Agreement was December 1957 instead of December 1956.

I concluded that if that was Dr. Salazar's final decision, we would of course have to accept it but that I wished to register my personal disappointment as well as that of my government. However, I was reassured by Dr. Salazar's statement that the agreement would be promptly resolved once Dr. Cunha was back in the Foreign Office, and that he anticipated this would take place in March or April. On departure Dr. Salazar was once more extremely apologetic for their past

delays and mentioned that "these were fortuitous up to the time of the Suez invasion and did not represent a policy of indefinite postponement on our part".

James Bonbright

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**158. Telegram From the Embassy in Portugal to the Department of State<sup>1</sup>**

*Lisbon, April 8, 1957—8 p.m.*

471. Department pass Defense: USLO, SACLANT Noform for Freeman, CINCLANT, COMUSFORAZ. Paris pass USCINCEUR for Wallner and Knight. Subject: Azores negotiations. Re Embtel 466.<sup>2</sup> Long awaited opening of negotiations on political level took place with Cunha this afternoon. Following is summary of Port position.<sup>3</sup>

(1) As Prime Minister informed me December 31 extension peace time facilities to coincide with duration North Atlantic Treaty not acceptable.

(2) They will enter into new agreement for similar period as 1951 agreement, i.e. five years running to end of 1961 plus one year for evacuation.

*Comment:* I pointed out that their 5 year computation included 1957 which for all practical purposes was lost to US. Am hopeful they will eventually agree to 5 year period beginning January 1, 1958, but doubt if we can do better than that.

[3 paragraphs (1/2 page of source text) not declassified]

(4) Finally Cunha reverted to problem caused by our encouragement of dependent peoples toward independence and stressed how harmful it would be if just after signing new Azores agreement with US, Portuguese were to be faced by some American statement or action which harmed their position in an overseas territory. He made it clear that he was not making this request a condition of signing new Azores agreement, said he would be grateful if we would consider what clarification or assurance we might be in position to give them.

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<sup>1</sup> Source: Department of State, Central Files, 711.56353B/4-857. Confidential. Repeated to Paris.

<sup>2</sup> Footnote [5 lines of text] not declassified.

<sup>3</sup> A detailed memorandum of this conversation was transmitted as an enclosure to despatch 537 from Lisbon, April 8. (Department of State, Central Files, 711.56353B/4-857)

*Comment:* After some discussion I got impression this subject was merely being thrown in for good measure and for the record. No public statement will be necessary and I believe Cunha will be satisfied with a few general words about our recognition of our allies problems and our continued desire to take those problems into consideration to fullest possible extent. [5½ lines of source text not declassified]

**Bonbright**

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#### **159. Editorial Note**

The period of July to November 1957 was marked by slow and sporadic progress in the Azores base negotiations. Although Ambassador Bonbright had informed Secretary Dulles on August 28 that Prime Minister Salazar instructed Dr. Cunha to conclude the negotiations as soon as possible, the proceedings were hampered by Dr. Cunha's ill health, his preparation for his daughter's impending wedding, and difficulties in obtaining U.S. clearance for agreed positions. (Telegram 88 from Lisbon, August 28; telegram 50 from Lisbon, August 8; and telegram 158 from Lisbon, October 8; Department of State, Central Files, 711.56353B/8-2857, 711.56353B/8-857, and 711.56353B/10-857)

Changes in the wording of the text were agreed upon on November 8. (Telegram 216 from Lisbon, November 8; *ibid.*, 711.56353B/11-857) The agreement, signed by representatives of both governments on November 15, extended until December 31, 1962. For text, see 8 UST (pt. 1) 409-412.

# SCANDINAVIA

## U.S. POLICY TOWARD SCANDINAVIA<sup>1</sup>

### 160. Letter From the Ambassador in Sweden (Cabot) to the Assistant Secretary of State for European Affairs (Merchant)<sup>2</sup>

Stockholm, March 14, 1955.

DEAR LIVIE:

[4 paragraphs (2 pages of source text) not declassified]

There are a number of other indications that something unusual is cooking. The way the Swedes have acted and have helped us in the Malmö diversion affair (Embtel 762 of March 10 and previous)<sup>3</sup> is, if I understand the matter correctly, unprecedented, and the favorable Swedish action was referred to by Brunnström [1 line of source text not declassified]. The act of the Foreign Office in handing us a list of the delegates to the WPC meeting in November is a rather unusually friendly gesture. The action of the Swedish police in springing the trap on the Communist spy ring as they just have (Embtel 771 of March 12)<sup>4</sup> may also be part of the picture. [10½ lines of source text not declassified]

There have been a number of other indications recently of quite unusual friendliness [less than 1 line of source text not declassified] on the part of the Swedish authorities. It is true that, on an over-the-table basis, Undén's speech was not helpful.<sup>5</sup> I increasingly suspect, however, that its tone was determined precisely by Undén's realization

<sup>1</sup> For previous documentation, see *Foreign Relations*, 1952-1954, vol. vi, Part 2, pp. 1758 ff.

<sup>2</sup> Source: Department of State, Central Files, 758.5/3-1455. Top Secret. According to handwritten notes on the source text, copies of this letter were sent to S/AE and BNA. Merchant wrote on the source text: "This is very interesting—pls keep me informed of your progress in considering it. L 3/18".

<sup>3</sup> Reference is to the Swedish Government's refusal to grant a license for the export of certain contraband items; documentation on this case is *ibid.*, 454.418.

<sup>4</sup> Not printed. (*Ibid.*, 749.5258/3-1355)

<sup>5</sup> In his speech of March 9, during the annual foreign policy debate in Parliament, Foreign Minister Östen Undén blamed the West for the tensions between East and West. A report of this speech is in telegram 756 from Stockholm, March 9. (*Ibid.*, 758.21/3-955)

that Sweden was about to take a number of actions unfavorable to Communist interests and that he wanted to give them no further cause for complaint on the basis of his speech. If that is the explanation, we have no reason to be dissatisfied. I doubt that many Swedes were swayed by Unden's speech to be less friendly towards or more critical of the United States, whereas the lurid publicity about the Commie spy ring which is filling every Swedish newspaper is bound to revivify anti-Communist and pro-Western feeling.

[5½ lines of source text not declassified] Speaking as civilian strategists, we believe that it continues to be in our national interest that Sweden be militarily strong even though it is not our ally (NSC 121 of January 8, 1952 "Position of United States with Respect to Scandinavia and Finland").<sup>6</sup> [11 lines of source text not declassified]

[1 paragraph (11 lines of source text) not declassified]

Finally, it might be pertinent to mention now my own vaguely formulated plans. I have been hoping for some months, if the situation permitted, to return to the United States about May 15 in order to see my daughter graduate from Radcliffe on June 15. I must return that very evening to Stockholm, if possible, in order to be here for the Philadelphia Symphony concert on June 16. It occurs to me that such a trip home would give me an opportunity to discuss this matter at length in Washington after the people there have had a chance to think it over in all its angles. I hasten to add that I am not suggesting that the Department pay my way there and back. I merely hope that the Department will permit me to return home at that time and will charge to consultation, rather than my annual leave, any time that I spend in Washington discussing this problem.

With every good wish,  
Very sincerely yours,

Jack

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<sup>6</sup> For text of NSC 121, see *Foreign Relations, 1952-1954*, vol vi, Part 2, p. 1758.

161. Letter From the Assistant Secretary of State for European Affairs (Merchant) to the Ambassador in Sweden (Cabot)<sup>1</sup>

Washington, April 1, 1955.

DEAR JACK: Your letter of March 14<sup>2</sup> [*less than 1 line of source text not declassified*] is very interesting indeed and has received the attention of several appropriate officers.

[*5 lines of source text not declassified*] We are, however, sufficiently interested in this Swedish line of thought to avoid an act or word which might bury the subject once for all.

[*1 paragraph (4 1/2 lines of source text) not declassified*]

It is probably best to say nothing at this time. If they revert to the subject in a way that requires you to make some comment it is probably unwise for you to go beyond saying that Brunnström's discussion with Marshall Green has been communicated to the State Department.

[*1 paragraph (5 1/2 lines of source text) not declassified*]

It is hard at this juncture to foresee the results of our conversations. [*2 lines of source text not declassified*] Perhaps the recent attack in one of the Moscow papers will serve to quiet public discussion of Swedish requirements without smothering interest in making proposals to us.

Let me know whether there are any other straws that indicate how this wind is blowing in Sweden. I shall endeavor to keep you posted as to developments here and advised as to whether we feel you can appropriately take any steps in pursuing the subject with your Swedish friends.

Sincerely yours,

Livingston T. Merchant<sup>3</sup>

<sup>1</sup> Source: Department of State, Central Files, 758.5/3-1455. Top Secret; Official-Informal. Drafted by Marselis C. Parsons, cleared by G. Hayden Raynor and Gerard C. Smith, and mailed on April 5.

<sup>2</sup> *Supra*.

<sup>3</sup> Printed from a copy that bears this typed signature.

**162. Telegram From the Embassy in Norway to the Department of State<sup>1</sup>**

*Oslo, April 27, 1955—6 p.m.*

701. Paris for NAMA and for information CINCEUR. Country team deeply concerned about impact 1955 OSP program on maintenance momentum Norwegian defense build-up. Country team considers US overall interests require 1955 directed procurement orders to Norway and strongly recommends assignment about \$9 million to such purpose. If such procurement is directed, it will be possible to use \$1.7 million in section 550 counterpart funds.<sup>2</sup>

Due to current Norwegian economic situation anything US can do to improve Norwegian foreign exchange prospects will find direct reflection in greater willingness and capabilities to sustain domestic defense expenditures. Further deterioration foreign exchange outlook would constitute direct threat to maintenance current defense levels and might preclude plan to adopt vitally needed additional air wing.

In connection current re-appraisal defense establishment, Norway urgently needs continued public indication US understanding and assistance. Proposed directed procurement could provide psychological stimulus which country team feels would be of great significance.

At considerable joint US-Norwegian expense, small but efficient defense production industry has been developed in Norway. As indicated in Embassy despatch 534, April 20,<sup>3</sup> production capacity exceeds requirements of indigenous military establishment. Current production levels cannot be maintained and production base will be endangered unless additional OSP orders obtained. Consider direct procurement should be in form of 105 shells, propellant charges, scabbards and blades. Believe Norwegian bids for these items within zone of competition and believe further reduction possible through negotiation.

Country team convinced recommendation for directed procurement merits most careful consideration in view of the possible consequence failure sustain Norwegian Government at current critical stage.

**Strong**

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<sup>1</sup> Source: Department of State, Central Files, 757.5-MSP/4-2755. Secret; Priority. Sent to Paris and repeated to Washington. The source text is the Department of State copy.

<sup>2</sup> Reference is to Section 550 of the Mutual Security Act of 1955; for text, see 69 Stat. 288.

<sup>3</sup> Not printed. (Department of State, Central Files, 757.5-MSP/4-2055)

**163. Letter From Colonel Jack A. Gibbs of the Office for Atomic Energy, Department of the Air Force, to the Secretary of State's Special Assistant for Atomic Energy Affairs (Smith)<sup>1</sup>**

*Washington, May 6, 1955.*

DEAR MR. SMITH: Reference is made to our letter of 13 December 1954 and your reply thereto dated 23 December 1954 with regard to the feasibility of conducting seismic surveys in Sweden and Norway.<sup>2</sup>

We have reached the decision that we must relocate our Thule, Greenland, seismic station. Our capability for detecting Atomic events in the USSR in the Northwest quadrant from the target area continues to be below the desired minimums. For our purposes a seismic station in Sweden would be better than one in Norway, however, we would desire to conduct surveys in both countries with the proviso of establishing a permanent station in that country which gave the best reading during the survey.

In the event we find it politically and technically feasible to establish a seismic station in either country we would also desire to install an electromagnetic station in the same country. If technically feasible the electromagnetic station would be consolidated with the seismic station.

In establishing a permanent station in either country we would, of course, desire to operate the station with our own personnel. In addition we would desire not to reveal results of station operation to the government concerned.

Our seismic survey team, currently operating in Europe, will be available to conduct the requisite seismic surveys in Sweden and Norway during the latter part of August, this year.

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<sup>1</sup> Source: Department of State, Central Files, 711.56357/5-655. Secret.

<sup>2</sup> Neither letter has been found in Department of State files.

In view of the above it is requested that you query our embassies in the two countries to get their reactions to the proposals. We will be prepared to send a member of our staff to brief the Ambassadors and to assist them in any way possible during the negotiating phase.<sup>3</sup>

Sincerely,

**Jack A. Gibbs**

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<sup>3</sup> Ambassador Strong reported in telegram 90 from Oslo, August 3, that the Norwegian Government agreed in principle to the establishment of an electromagnetic station in Norway, but only upon certain conditions. Negotiations on these conditions had still not been completed by the end of 1957. Documentation on the negotiations is in Department of State, Central File 711.56357. Department of State files do not reveal whether the Swedish Government was approached on the question of establishing seismic stations there. In telegram 512 from Copenhagen, February 16, 1956, Ambassador Coe reported that the Danish Government had agreed to permit surveys by U.S. personnel, but would not commit itself to approval of the establishment of a seismic station. Brigadier General D.E. Hooks, Chief of the Office for Atomic Energy, Department of the Air Force, advised Gerard C. Smith in a letter of September 28, 1956, that his office had no further interest in establishing a station in Denmark. Documentation on the negotiations with Denmark is *ibid.*, 711.56359.

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**164. Telegram From the Department of State to the Embassy in Sweden<sup>1</sup>**

*Washington, May 19, 1955—1:48 p.m.*

918. Letter February 22 from ASEA enclosed your despatch 1031<sup>2</sup> indicates Swedish technical circles interested obtaining reactor materials from US. Suggest you inform ASEA and Brynielsson<sup>3</sup> of A B Atomenergi delivery of enriched uranium requires Government to Government Agreement for Cooperation under Section 123 Atomic Energy Act.<sup>4</sup> Form agreement now worked out for small quantities U-235 up to 6 kg contained U-235 in enrichment up to 20% for use in research reactors. See CA-3814<sup>5</sup> and draft agreement sent by pouch. Agreement covers only unclassified information and does not require extensive commitments or elaborate safeguards. For larger quantities material or classified information, Agreement for Cooperation would

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<sup>1</sup> Source: Department of State, Central Files, 611.5897/5-1955. Confidential. Drafted on May 18 by Philip J. Farley and approved by Gerard C. Smith.

<sup>2</sup> Dated April 14. (*Ibid.*, 958.8137/4-1455)

<sup>3</sup> Harry Brynielsson, Executive Director of Aktiebolaget Atomenergi, the Swedish atomic energy company.

<sup>4</sup> Atomic Energy Act of 1954. (68 Stat. 919)

<sup>5</sup> Not printed. (Department of State, Central Files, 511.033/12-1054)

be somewhat more complex and require security undertakings by the other government. If ASEA and Brynielsson interest their Government in research reactor agreement, attention invited schedule in Circular 656<sup>6</sup> which makes urgent they authorize representatives in Washington discuss and initial agreement within next few weeks, if it is to come into effect during present session Congress.

Other materials mentioned—heavy water, natural uranium, zirconium and beryllium—all subject export control and problems supply. Goverment to Government agreement not necessary to obtain these materials but would facilitate export. No general statement availability possible. Swedish inquiry through diplomatic channels setting forth the amounts, specifications, and delivery time for materials desired and could be referred to Atomic Energy Commission for specific answer. Alternatively Swedes might send small group technical representatives to Washington to discuss their program and needs with Department and AEC and to explore possibilities obtaining desired materials and entering into broader Agreement for Cooperation adapted their special interests. Advance notice to permit arrangements with AEC would be necessary.

Re your para 6E, additional instructions US training programs sent out as ready [*already?*] including CA-7276.<sup>7</sup>

Other general recommendations your para 6 under study by Department and AEC.

Dulles

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<sup>6</sup> Circular telegram 656, May 12, advised Embassies that agreements for cooperation covering nuclear fuel for research reactors had to lie before Congress for 30 days before signature, and that agreements not initialed by early June might be held over until 1956. (*Ibid.*, 611.0097/5-1255)

<sup>7</sup> Paragraph 6E of despatch 1031 from Stockholm, recommended that details of U.S. training programs in the field of atomic energy be made available to friendly nations. CA-7276, April 22, is not printed. (*Ibid.*, 511.003/4-2255)

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## 165. Memorandum of a Conversation, Department of State, Washington, May 24, 1955<sup>1</sup>

### PARTICIPANTS

*Embassy of Sweden*

Ambassador Erik Boheman

Mr. Erik von Sydow, Counselor

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<sup>1</sup> Source: Department of State, Central Files, 611.5897/5-2455. Official Use Only. Drafted by Stein.

*Department of State*

S/IAE—Ambassador Morehead Patterson, Mr. Bernhard G. Bechhoefer, Mr. Eric Stein

S/AE—Mr. Philip J. Farley

BNA—Mr. Hayden Raynor, Mr. Edwin D. Crowley

**SUBJECT**

Agreement for Cooperation in Peaceful Uses of Atomic Energy

Ambassador Boheman called at the Department's invitation. Ambassador Patterson explained the U.S. research reactor program and handed Ambassador Boheman a form of an Agreement for Cooperation. He stressed that under this Agreement the U.S. would assist in the construction of research reactors which could be operated with six (6) kilograms of fissionable material to be leased by [from?] the U.S. He said that the Agreement was drawn in the simplest possible terms; one such Agreement was already initialed and we have given copies of the form Agreement to some 15 other countries. This Agreement for Cooperation is required under the U.S. Atomic Energy Act of 1954; it has to lie before the Joint Committee on Atomic Energy (JCAE) for 30 days while the Congress is in session. Since the Congress is expected to adjourn sometime in July, it would be necessary to have any such agreement initialed by June 15 if it is to be executed this year. Mr. Farley gave Ambassador Boheman a copy of the Atomic Energy Act of 1954, and called to his attention Section 123, which describes the procedure for approval of an agreement by the U.S.

Ambassador Boheman inquired whether a form of the Agreement was given to the Swedish Government through our Embassy in Stockholm. Mr. Farley said it was sent to our Embassy and he suggested that Ambassador Boheman might send a copy to the Swedish Foreign Office.

Ambassador Boheman inquired whether this limited Agreement could be replaced later on by a broader agreement covering power reactors. He said that the present plans of the Swedish Government were to have atomic power available in 1965-67 since the available resources in Sweden would have been exhausted at the present rate of the rising demand for power; there was already one research reactor in operation in Sweden and another one was in the process of construction.

Ambassador Patterson drew attention to Article IX of the draft Agreement for Cooperation as envisaging further cooperation in the power reactor field. He said that an agreement for cooperation in the power field would be somewhat more complicated because it would involve classified information, but that more information was expected to be declassified this summer; there will be no obligation under the

agreement for cooperation in the research field to build a reactor but if the signatory power decided to build one, then the U.S. would be obligated to supply fissionable material; the signatory party may decide to procure the research reactor either in the U.S. or anywhere else where it is available. Some Swedish university, for instance, might desire to start its own program and obtain a research reactor for that purpose.

Ambassador Boheman thought that while the scope of the draft Agreement was limited, it did provide an "entrance door" and could not do any harm. He inquired whether the U.S. program in the research reactor field covered the same area as the UN program.<sup>2</sup>

Ambassador Patterson said there was no connection at this time between the U.S. agreements and the UN; however, it was possible that when the International Atomic Energy Agency was formed it would take over these bilateral arrangements for training and research, assuming that both parties agreed to such transfer; in any event, these bilateral agreements would in no way prejudice the operations of the IAEA and in fact were intended as a first step toward the realization of President Eisenhower's program in this field.

Ambassador Boheman expressed his appreciation for the information and said he would send the form to his Government at once.<sup>3</sup>

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<sup>2</sup> Reference is to the "Atoms for Peace" plan proposed by President Eisenhower at the United Nations, December 8, 1953.

<sup>3</sup> The Swedish and U.S. Governments initialed an agreement for cooperation concerning the civil uses of atomic energy on July 1, 1955. The agreement was signed on January 18, 1956; for text, see TIAS 3477.

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**166. Memorandum of a Conversation, Department of State,  
Washington, June 29, 1955<sup>1</sup>**

**SUBJECT**

P.L. 480, GATT, Scandinavian Union

**PARTICIPANTS**

Mr. Arne Skaug, Minister of Commerce, Norway

Mr. Johan Cappelen, Economic Counselor, Embassy of Norway

Mr. Waugh—E

Mr. Frank—ITR

Mr. Stanford—BNA

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<sup>1</sup> Source: Department of State, Central Files, 411.5741/6-2955. Official Use Only. Drafted by Isaiah Frank on July 5.

Minister Skaug's visit was in the nature of a courtesy call. While the discussion touched upon a wide range of subjects, the principal points of interest were the following:

*P.L. 480*

Minister Skaug explained that Norway is dependent upon imports for 80 per cent of its bread grain requirements. Recently they were negotiating with the Russians for wheat, but the Russians were insisting on substantial amounts of aluminum in return. The negotiations became deadlocked when Norway indicated its inability to supply the aluminum because of a hydroelectric power shortage. At the same time Norway was considering importing 150,000 tons of wheat under P.L. 480 but found it politically impossible to do so because of the 50/50 shipping requirement.<sup>2</sup> When the Russians heard about this, they broke the deadlock on their own negotiation and agreed to provide a substantial tonnage of wheat to Norway in return for salt herring, which the Norwegians would have had great difficulty in disposing of elsewhere, and whale oil. Both the Minister and Mr. Waugh remarked at the alertness of the Russians to capitalize on tensions generated by restrictions such as the 50/50 shipping clause.

*GATT*

The Minister indicated that Norway would find it difficult to meet the deadline of August 1 for their request list from the U.S. for the fourth round of tariff negotiations. They will, however, make every effort to do so. The Minister explained how Norway obtains the views of interested business groups on tariff matters through official consultations with trade associations.

*Scandinavian Union*

In connection with a discussion of regionalism in Europe, the Minister made reference to the fact that there had been a Scandinavian Customs Union in the late 19th Century and that there still is talk from time to time of some kind of economic integration on the part of Norway, Sweden and Denmark. When inquiry was made as to whether Finland is considered in such planning, the Minister remarked that while they would welcome participation by Finland, it was recognized that Finland's delicate position vis-à-vis the Soviet Union would preclude formal overt cooperation of this kind.

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<sup>2</sup> Reference is to the requirement in P.L. 480, the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 454), that one-half of the U.S. agricultural surplus being sent to a particular country be carried in American bottoms. Details of U.S.-Norwegian negotiations on P.L. 480 are in Department of State, Central File 411.5741.

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**167. Telegram From the Embassy in Norway to the Department of State<sup>1</sup>**

*Oslo, July 12, 1955—6 p.m.*

27. Paris for USRO and EUCOM. Re Embtel 813, June 14, repeated USRO, Paris 63.<sup>2</sup> Foreign Minister Lange called me to his office today to convey Norwegian Government position on proposed additional air wing. He recalled history negotiation so-called "Nash Wing".<sup>3</sup> He said Norwegian Military Capabilities Committee had thoroughly reviewed entire defense structure including planned air expansion, and had concluded full wing could not be adopted without budgetary and manpower expansion or an alteration in existing force commitments to NATO. He said government concurred with committee view that addition of full wing would represent substantial increase in defensive capacity of country. However, government had concluded with great regret that it was not feasible to authorize required budgetary and manpower expansion.

Lange said committee with SHAPE concurrence had placed heavy emphasis on military importance expanding present AF force goals by addition of one tactical reconnaissance squadron. This squadron could be handled within present budgetary and manpower framework. He said committee also placed heavy emphasis desirability obtaining two IDF squadrons as replacements for two existing F-84 squadrons.

Norwegian Government, he stated, therefore wished to propose to US Government that it provide (1) one squadron tactical reconnaissance planes (18 UE), (2) and in due course, two IDF squadrons (25 UE) as replacements for existing fighter-bomber squadrons.

Norwegian Government proposals differ considerably from "Nash Plan" but would require US provide same number of planes. Country team views on proposal will follow.

Country team currently translating and processing full text of 71-page report of Norwegian Capabilities Committee.

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<sup>1</sup> Source: Department of State, Central Files, 757.5/7-1255. Secret. Repeated to Paris.

<sup>2</sup> Telegram 813 from Oslo reported that the Norwegian Military Capabilities Committee had agreed upon the future size and pattern of the defense establishment, but warned that implementation of the committee's recommendations would create political problems for the Norwegian Government. (*Ibid.*, 757.5/6-1455)

<sup>3</sup> Reference is to a plan for the expansion of the Royal Norwegian Air Force, proposed by Secretary of Defense Charles E. Wilson and Bradley D. Nash, Deputy Assistant Secretary of the Air Force, during the North Atlantic Council meeting in Paris, December 14-16, 1953.

Will pouch text and analysis soonest.<sup>4</sup>

Strong

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<sup>4</sup> The analysis of the Norwegian proposals is contained in telegrams 39 and 40 from Oslo, July 18. (Department of State, Central Files, 757.5/7-1755) In telegram 307 to Oslo, September 27, Ambassador Strong was informed that the United States was prepared to accept the Norwegian proposals and to provide the aircraft Norway requested. (*Ibid.*, 757.5/7-1855)

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**168. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, September 27, 1955—6 p.m.*

1234. From Elbrick. Two-day conference Northern European Chiefs of Mission held here produced imaginative constructive exchange of views highly beneficial to all concerned.<sup>2</sup> Principal conclusions follow:

1. Soviet policies, notably Porkkala cession,<sup>3</sup> have made deep impression on public opinion all Scandinavian countries which uncritically welcomes apparent lessening of war danger. Press and governmental leaders generally still skeptical of Soviet intentions and there is still no evidence they intend to support decreased scale of defense programs. However, there are strong neutralist currents in Denmark and potentially in Norway. Combination of Geneva atmosphere,<sup>4</sup> Soviet political and cultural offensive, economic pressures and reports of defense cuts in US and UK may eventually lead to irresistible pressures to reduce defense expenditures. Group felt best psychological counter in north to present Soviet campaign is to plug line real test Soviet intentions yet to come on important questions such as German reunification.

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<sup>1</sup> Source: Department of State, Central Files, 120.1441/9-2755. Confidential.

<sup>2</sup> For documentation on European Chiefs of Mission meetings in 1957, see vol. iv, pp. 571 ff.

<sup>3</sup> Reference is to the agreement signed by the Soviet Union and Finland, September 19, 1955, by which the Soviet Union agreed to return the Porkkala naval base to Finland.

<sup>4</sup> Reference is to the hopes for a reduction in East-West tensions following the Heads of Government Meeting at Geneva, July 18–23, 1955.

2. Public emphasis on basic Western strategy of main reliance on deterrent effect of nuclear weapons and capacity to deliver them makes domestic justification by these govts of their marginal military contributions increasingly difficult.
3. Pressures on Social Democratic govts to increase social-welfare expenditures are ever present and persuasive justification for maintenance of present level of ground forces and defense expenditures is required.
4. Swedish military strength is important and favorable factor in area [1½ lines of source text not declassified]. Since Sweden will maintain its alliance-free policy we should not try to change it and should not unnecessarily embarrass Swedish efforts to maintain it.
5. New Finnish-Soviet treaty<sup>5</sup> considered not likely in future to alter customary Finnish attitude of caution in dealing with Soviets or to be likely to dilute basic Finnish public sympathy for free world policies.
6. Norway has key position in relation to Iceland and Denmark, and latter are influenced by Norwegian advice or example. Any actions tending to weaken Norwegian support for NATO, such as pressure for Spanish membership or premature stationing German officers at Afne, would have adverse repercussions going beyond Norway.
7. Continued US defense aid and OSP are required in Norway on sufficient scale to prevent loss of defense production base so laboriously built up with substantial US investment. Despite Denmark's economic capacity to make larger defense expenditures, it should also be considered for defense aid on political grounds.
8. Development of non-military aspects of NATO, admittedly difficult, genuinely desired in Norway and Denmark and would contribute to offsetting adverse trends noted above.
9. UK has same objectives as US in Scandinavian area and we should work closely with UK representatives in area to achieve them.
10. Concern in Scandinavian countries over apparent protectionist trend in US trade policies led to recommendation by group that authoritative expositions of US policies and of actions which are in line with announced liberal trade policies would be useful in countering effects of recent isolated cases of apparent "back pedaling". Advance notice and explanation all such actions essential if Missions and USIA are to exploit effectively and rebut criticism.

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<sup>5</sup> The Soviet Union and Finland signed a protocol on September 19, 1955, extending their 1948 treaty of friendship and mutual assistance for 20 years, until 1975.

11. USIA should step up cultural activities with first-class US talent. USIA representation allowances are very low and make it impossible for its representatives to do their job effectively. Means should be found to continue Fulbright programs to Sweden and Denmark.

12. Application of fifty-fifty shipping clause to such programs as those under Title I of PL 480 works to serious detriment of immediate objectives of programs and of broader US interests in area.

Aldrich

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**169. Memorandum of a Conversation, Department of State,  
Washington, October 7, 1955<sup>1</sup>**

SUBJECT

Norwegian Interests in Atomic Energy Development

PARTICIPANTS

H.E. Mr. Halvard Lange,<sup>2</sup> Minister for Foreign Affairs, Norway  
Mr. Wilhelm Munthe de Morgenstierne, Norwegian Ambassador  
Mr. Torfinn Oftedal, Counselor, Norwegian Embassy  
Gunnar Randers—Norway, Director, Norwegian Atomic Energy Institute

*State Dept.*

EUR—Mr. Merchant  
BNA—Mr. Parsons  
S/AE—Mr. Farley

Mr. Lange said that Norway was well aware of its position as virtually the only country in Western Europe which did not have an Agreement for Cooperation in the field of peaceful uses of atomic energy with the United States. This situation was explained by the special position in which Norway found itself, as a country which had built and operated a research reactor and which thus did not feel a need for the standard agreement which the United States had negotiated with many countries. His Government did wish, however, to

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<sup>1</sup> Source: Department of State, EUR Files: Lot 59 D 233, Norway 1949–1955. Confidential. Drafted by Farley.

<sup>2</sup> Foreign Minister Lange was in the United States to attend the Tenth Regular Session of the U.N. General Assembly, September 20–December 20. A memorandum of his conversation with Merchant, also October 7, concerning European security arrangements, is *ibid.*

explore the possibility of an agreement to meet their special needs and he asked Mr. Randers to describe present Norwegian plans and interests in atomic energy development.

Mr. Randers described briefly the progress of the Norwegian atomic energy project to date and the success in building and operating a natural uranium, heavy water moderated research reactor. He said it was not clear from study of the standard United States unclassified agreement whether the assistance which Norway needed in the next stages of its program could be made available under such an agreement. He wished, therefore, to describe present Norwegian interests in order to inquire whether there were prospects for cooperation between Norway and the United States to meet Norwegian needs. If it did not appear that the United States was in a position to cooperate in the fields of interest, then initiation of formal negotiations might not be worthwhile.

Norway is now interested in proceeding with a demonstration power reactor, which would be heavy water moderated and would be fueled with natural uranium "spiked" with a small amount of enriched uranium. Mr. Randers had explored the availability of fuel from the United Kingdom and it appeared that it might be possible to obtain the necessary fuel from the UK with only a simple exchange of letters rather than a formal inter-governmental agreement. He was interested in knowing whether there was a possibility that the United States might be able to supply the necessary fuel for a small power reactor, and in particular whether the United States would make a long-term commitment covering the life of the reactor.

Mr. Randers said further that Norway is interested in atomic propulsion of merchant ships and has studied this problem for some time. The possibility of cooperation in this field has been proposed to the UK, which initially was not interested, presumably because of the competitive position of UK and Norwegian shipping. Since the Geneva Conference, however, there have been indications that the UK might be willing to cooperate in this field. In addition to the approaches to the UK, Norway has had talks with General Dynamics in the United States. An informal agreement between the Norwegian Institute for Atomic Energy and General Dynamics has been drawn up (see attached copy).<sup>3</sup> Mr. Randers emphasized that while this draft agreement represented the substance of his conversations with Gordon Dean<sup>4</sup> and others at General Dynamics, it had not been reviewed by the legal staffs of the two organizations and had no formal status. The question arose whether, under an Agreement for Cooper-

<sup>3</sup> Not printed.

<sup>4</sup> Senior Vice President and Director of General Dynamics Corporation; Chairman of the Atomic Energy Commission, 1950-1953.

tion between Norway and the United States, cooperation between a private firm, such as General Dynamics, and the Norwegian Institute would be possible.

Mr. Merchant inquired as to the nature of the Norwegian Institute for Atomic Energy. Mr. Randers explained that it was an independent organization, established jointly by private firms and the Norwegian Government as a device to permit flexibility and efficiency in operations.

Mr. Farley said that he was glad that these questions were now being raised by Mr. Randers directly with the United States Government. He said that it was useful to explore such particular problems and what the United States can do to help meet them within the framework of the United States Atomic Energy Act, since what the United States can do in the way of atomic energy cooperation is by no means limited to research reactor agreements, as the more extensive agreements with the UK, Canada, and Belgium illustrated. It is not possible, however, to answer questions such as those raised by Mr. Randers without careful study, since they contain novel elements. Some comments could be made at this time.

With regard to the inquiry concerning fuel for a small power reactor, it would depend very much on policy now being studied by the Atomic Energy Commission in the light of supply and other considerations, and on the precise amount which would be required for the proposed Norwegian reactor. While the uranium supply picture is gradually easing, as was apparent at the Geneva Conference, there is still an immediate problem in the United States. As for the question of the possibility of a long-term commitment, Mr. Farley suggested that this might not prove to be a separate problem, since the United States has required that used fuel be returned to this country for reprocessing, and the amount of fuel in question is thus not much more than the reactor charge at any one time.

With regard to cooperation on a propulsion reactor, Mr. Farley said that this was a special problem and would require careful examination of just what information was desired. There is a special statutory problem because specific ship propulsion reactor information in this country at present relates to naval reactors and would thus, under the Atomic Energy Act, be excluded from an agreement for cooperation in peaceful uses of atomic energy. With regard to general reactor information pertinent to ship reactor development, it is likely that some such information of interest to the Norwegian Government would be classified, which would raise the question of security undertakings and of assurances that Norway is able to give security information the same protection which the United States gives it. This matter would require thorough discussion with the Atomic Energy Commission.

With regard to the participation of private United States firms and other private institutions in either country, United States policy is clear. There is specific provision in the agreements already negotiated for participation of private firms and institutions within the framework of the intergovernmental agreement. Mr. Farley referred also to the Commission policy announced by AEC Chairman Strauss this week, authorizing United States firms to engage in unclassified activities abroad not otherwise barred by the Atomic Energy Act. In answer to a question, Mr. Farley said that we would, of course, be happy to negotiate a standard research reactor agreement if it proved that such an agreement would be useful to Norway.

Mr. Farley said that he would bring the Norwegian inquiries to the attention of the Atomic Energy Commission for study. At a subsequent time, after perhaps ten days or two weeks, a meeting between Mr. Randers and Norwegian Embassy representatives, and representatives of the Atomic Energy Commission and the State Department, would be arranged to discuss the Norwegian inquiries and the prospects for negotiation of an Agreement for Cooperation.<sup>5</sup>

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<sup>5</sup> A memorandum by Gunnar Randers of a conversation he, Oftedal, and Cappelen of the Norwegian Embassy had with Gerard C. Smith, Farley, and representatives of the AEC on October 28, is enclosed in despatch 302 from Oslo, November 29. (Department of State, Central Files, 611.5797/11-2955) In telegram 759 from Oslo, February 20, 1956, Ambassador Strong reported that the Norwegian Government wished to resume discussions with the object of negotiating a bilateral agreement with the United States on the peaceful uses of atomic energy. (*Ibid.*, 611.5797/2-2056) An agreement was signed on February 25, 1957; for text, see TIAS 3836.

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## 170. Memorandum of a Conversation, Pentagon, Washington, November 2, 1955<sup>1</sup>

### SUBJECT

Necessity for Maintaining an OSP Program in Norway

### PARTICIPANTS

Mr. Gordon Gray, Assistant Secretary of Defense

Mr. McGuire, Deputy Assistant Secretary of Defense, ISA/MDAP

Mr. Leffingwell, Defense

Dr. Bennett, Defense

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<sup>1</sup> Source: Department of State, Central Files, 757.5-MSP/11-255. Secret. Drafted by Parsons.

Ambassador L. Corrin Strong, U.S. Ambassador to Norway<sup>2</sup>  
Marselis C. Parsons, Jr., State, BNA

Ambassador Strong called on Secretary Gray to express his deep interest in the maintenance of existing ammunition and small arms manufacturing facilities in Norway developed under the OSP program. Ambassador Strong pointed out that [*less than 1 line of source text not declassified*] the Norwegians had constructed a new [*less than 1 line of source text not declassified*] arms plant in accordance with our desires and that [*less than 1 line of source text not declassified*] they were manufacturing Bofors guns and other small arms. He said that he feared the contracts which enabled these facilities to employ labor and keep the plants in operation would be completed during the next few months and that in view of the fact that these facilities were substantially expanded because of our interest it was desirable for us to keep the plants functioning. The Ambassador said that only a small amount of money was involved, probably not amounting to more than \$3 million.

Secretary Gray replied that the Defense Department fully understood the desirability of maintaining these facilities but that current appropriations provided only one-tenth the amount for OSP that was available as recently as two years ago which made it necessary drastically to cut allocations for this purpose. Secretary Gray instructed Dr. Bennett to investigate the possibility of using the equivalent of \$1.8 million (approximately 25 million kroner) generated by Section 550 Sales of Surplus Commodities to Norway for the purpose of OSP with a view to the consumption of end items in Norway or in third countries.

Ambassador Strong pointed out that in some European countries it was possible that similar products might be produced in plants receiving government subsidies and he asked Secretary Gray to bear this in mind when considering prices quoted by these two Norwegian facilities.

Ambassador Strong voiced his apprehension of the effect upon public opinion in Norway if we failed to provide work for the plants which had been constructed as the result of our desires. He pointed out the great pressure now being exerted by Russia on Norway to withdraw from or at least refrain from active participation in NATO.

In connection with the spare parts program Ambassador Strong pointed out that it was impossible to expect Norway to shoulder the full cost of replacement for matériel. He estimated that the necessity for U.S. assistance in this field would amount to at least \$15 million. He pointed out that this matter would be more clearly developed in the USEA study now in preparation.

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<sup>2</sup> The Ambassador was on leave from his post, September 21–November 17.

**171. Memorandum of a Conversation, Stockholm, November 27, 1955<sup>1</sup>****PARTICIPANTS**

Major General R. I. R. Akerman, Chief of the Defense Staff, Swedish Armed Forces

Major General Ridgely Gaither<sup>2</sup> (for part of time)

John M. Cabot, American Ambassador

At Colonel DeLoach's<sup>3</sup> stag dinner for General Gaither, I had several opportunities to talk with General Akerman, particularly after dinner. Our talks might be summarized as follows:

[1 paragraph (21 lines of source text) not declassified]

General Akerman asked Colonel DeLoach, at a time when the latter was present, if Kommendör Henning, Chief of Swedish Intelligence, had had an opportunity to talk with General Gaither. Colonel DeLoach replied that Kommendör Henning had entertained General Gaither at lunch today and that the two held a lengthy conversation of mutual interest.

I mentioned to General Akerman our interest in strong Swedish capabilities for defense. I said that Sweden's policy was one which had to be determined by Sweden exclusively, in the light of its national interests, and that since Sweden had decided that an alliance-free policy best suited the national interests, that was that as far as we were concerned. In any event, I was not certain that in the event of general war Sweden's neutrality might not be more valuable to us than active Swedish participation on our side, *provided* Sweden was prepared to defend her neutrality strongly. I mentioned that the Netherlands, where I had been stationed from 1936 to 1938, had tried to follow an alliance-free policy during both world wars. Shortly before the first, the Dutch got wind of the fact that the Germans planned to swing through the Low Countries in the event of general war, and they promptly launched a major effort to build up their defenses. They were so well prepared by 1914 that the Germans respected Dutch neutrality. The Dutch thought the same policy would serve their defenses, and catastrophe followed. I hoped that Sweden would never suffer in another war as Holland had in the second World War through failure to maintain a strong defense posture.

My comment seemed to strike home and General Akerman mentioned with some perturbation the heavy drain on the Swedish defense budget resulting from Swedish plans which called for stockpiling of all supplies needed to carry on a war for four months. The Swedes

<sup>1</sup> Source: Department of State, Central Files, 758.5/11-2755. Top Secret. Drafted by Cabot.

<sup>2</sup> Assistant Chief of Staff, G-2, Intelligence, Department of the Army.

<sup>3</sup> Colonel Wilbur V.M. DeLoach, Army Attaché in Sweden.

of course did not expect to give up fighting at the end of four months, but they did expect they could get supplies from outside in that time.  
[9½ lines of source text not declassified]

[1 paragraph (13 lines of source text) not declassified]

General Akerman then spoke of Sweden's hope to get technical help from us, particularly in the atomic field. He mentioned that Egypt and India are apparently now to get atomic help from Soviet Russia and it was, therefore, not as if we would be giving Sweden anything more than a number of other nations already had. Our policy of atomic secrecy seemed to be self-defeating. I mentioned the atomic library which I had just presented on behalf of my Government to Atomenergi AB and said that although this was a library regarding the peace-time use of atomic energy, it would certainly help the Swedish scientists and showed that we were loosening up on atomic information. I added that in other fields I had strongly urged when home last May<sup>4</sup> that we give Sweden such help as we properly could in her technical problems since I felt very strongly that a strong Swedish defense was in our interest. I hoped that some progress had been made along these lines and urged General Gaither to second them in Washington. General Gaither warmly agreed with me and said he would do what he could. [1½ lines of source text not declassified] General Akerman pointed out that even a few leads from the United States in regard to technical problems would be of immense benefit to the Swedes since it would enable them to avoid squandering their relatively slender resources on fruitless research.

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<sup>4</sup> Ambassador Cabot was on leave, May 12–June 17, and was in Washington, May 16–20.

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**172. Despatch From the Embassy in Denmark to the Department of State<sup>1</sup>**

No. 560

*Copenhagen, December 22, 1955.*

SUBJECT

Ratification of Treaty of Friendship, Commerce and Navigation

Mr. H.C. Hansen, the Prime and Foreign Minister of Denmark, this morning in reply to a direct question from me said that the bill to be presented to the Folketing for the ratification of the Treaty of

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<sup>1</sup> Source: Department of State, Central Files, 611.594/12–2255. Confidential.

Friendship, Commerce and Navigation between Denmark and the United States is "ready."<sup>2</sup> I gathered from further questions about the long delay in presenting this bill that the Danish Government has deliberately held it up until the matter of the Danish shipping claims against the United States has been settled.<sup>3</sup> The Prime Minister in effect but not directly gave me a firm impression that this is the case and I think that it is important that cognizance be taken of this fact by the Department and other Government agencies.

For too long a time the settlement of the Danish shipping claims has been held up and even delayed in Washington. Ever since the war the Danish Ambassador<sup>4</sup> there has struggled to get some sort of settlement. Of course, I am aware that the Department itself has pressed the matter vigorously, but it has not been possible to get agreement between the U.S. Government departments with the result that the matter is still in abeyance.

The Department will recall that about a year ago the late Mr. Hans Hedtoft, at that time Prime Minister of Denmark, requested me to use all my efforts to press the matter to a conclusion.

I cannot emphasize too strongly my feeling that this long-delayed settlement should now be effected as quickly as possible. Mr. Hansen said to me in so many words that in his opinion the long delay had damaged Danish-American relations and that further delays would do still more harm. He asked me to convey these words to my Government.

**Robert Coe**

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<sup>2</sup> This treaty was signed on October 1, 1951, but did not come into force until July 30, 1961. For text, see TIAS 4797.

<sup>3</sup> Reference is to claims against the United States for 40 Danish ships that were registered and used by the United States during World War II. Documentation on the claims is in Department of State, EUR Files: Lot 59 D 233, Denmark 1949-1955.

<sup>4</sup> Henrik L.H. Kauffmann.

173. **Telegram From the Department of State to the Embassy in Norway<sup>1</sup>**

Washington, March 21, 1956—1:42 p.m.

929. Dept and AEC considering recent Soviet offer to Norwegians of atomic energy cooperation. On March 7 [*less than 1 line of source text not declassified*] informed us of offer and stressed advantages he saw to such cooperation in developing useful information on Soviet atomic energy efforts. Meeting in question devoted to examination of manner in which US might be able help Norwegian nuclear program, nonetheless [*less than 1 line of source text not declassified*] in no way indicated that prospect US U-235 help would therefore lead to their turn-down Soviet overture.<sup>2</sup>

Dept's preliminary view is that any US objection likely to be unproductive and possibly worse. This is despite fact Norwegians must be aware difficulties arising from presence Soviet scientists in Norway. For instance, this would raise serious doubts about whether US could entertain Norwegian interest in negotiating classified agreement for cooperation. Nonetheless, and assuming Norwegians decide go ahead, feel that perhaps best tactic would be to work with Norwegians to extent feasible [*2 lines of source text not declassified*].

Advise your judgment earliest, including probable Norwegian action.

Re Embtel 897<sup>3</sup> Dept not informed British aide-mémoire. We have asked British Embassy for rationale their approach Norwegians.

**Hoover**

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<sup>1</sup> Source: Department of State, Central Files, 641.5797/3-1656. Secret. Drafted by J. Robert Schaetzl, Office of the Special Assistant for Atomic Energy Affairs, and approved and signed for Hoover by Gerard C. Smith.

<sup>2</sup> No other record of this conversation has been found in Department of State files.

<sup>3</sup> [*3½ lines of text not declassified*] Telegram 897 is in Department of State, Central Files, 641.5797/3-1656.

**174. Telegram From the Department of State to the Embassy in Norway<sup>1</sup>**

Washington, April 4, 1956—6:26 p.m.

993. Further discussion [*less than 1 line of source text not declassified*] April 2 of U.S.-Norwegian bilateral agreement in AEC and subsequent discussion in Department of Soviet offer Norwegians. Latter discussion along lines Deptel 983.<sup>2</sup> [*less than 1 line of source text not declassified*] gratified and pleased U.S. position re Soviet overtures. Memorandum of conversation to be pouches.

Re U.S.-Norway negotiations Randers will consider with his government whether to seek immediately unclassified materials agreement which could probably come into effect during this session of Congress or a classified power bilateral, which probably could not be brought into effect until February 1957. Randers' preliminary reaction was in favor classified agreement, which accords with Department's view, and in any event a draft [of] such agreement is being prepared for Randers' consideration upon his return from Oslo in about two weeks.

Re Embtel 953<sup>3</sup> Department would prefer to play down current negotiations lest they be construed as mere response to Soviet initiative. However, no objections here to indicating that there have been further negotiations between the two governments looking towards a bilateral agreement and that these negotiations are proceeding favorably. Fear it would be premature to make any specific reference to Norway receiving U-235 at this time.

**Dulles**

<sup>1</sup> Source: Department of State, Central Files, 611.5797/3-2856. Confidential. Drafted by Schaetzel and approved and signed for Dulles by Farley.

<sup>2</sup> Telegram 983, April 2, describes the U.S. attitude toward the Soviet offer to Norway. (*Ibid.*, 657.6197/4-256)

<sup>3</sup> In telegram 953, March 28, Ambassador Strong requested permission to mention the negotiations with Randers in his remarks when opening the U.S. exhibit on the peaceful uses of atomic energy in Oslo on April 5. (*Ibid.*, 611.5797/3-2856)

**175. Telegram From the Embassy in the Soviet Union to the Department of State<sup>1</sup>**

Moscow, April 4, 1956—7 p.m.

2264. Embtel 2253.<sup>2</sup> It presumed full text Swedish-Soviet communiqué available Department from press sources.<sup>3</sup>

It our view Swedes have come out well in communiqué; and we gather from conversations with Swedish officials that Soviets were in conversations friendly and respectful. For example, Soviets deferred rather promptly and without caviling to Swedish opposition to including in communiqué broad statements such as adherence to "Five Principles"<sup>4</sup> going beyond immediate context Swedish-Soviet relations. Where departure has occurred from bilateral relations it within framework obligations stemming from membership in United Nations.

Also perhaps significant of respect shown by Soviets to Swedish party is fact that Voroshilov,<sup>5</sup> contrary normal practice, was present at Kremlin reception for Erlander.

Good impression caused by Swedes was fortuitously enhanced by momentary Soviet censorship of that portion of Erlander's press conference yesterday concerned with Wallenberg case.<sup>6</sup> For hour or so yesterday censorship held up correspondents' stories on Erlander's remarks about this case but during hold-up correspondents reportedly were able to convey by telephone abroad fact that for first time press conference here of top official visitor had been censored. Moscow papers today reported only that Erlander held press conference.

Precedent which results of negotiations of Swedish claims in Baltic States may prove of interest to other countries with claims there, although from practical point view Sweden undoubtedly most interested nation in this issue.<sup>7</sup>

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<sup>1</sup> Source: Department of State, Central Files, 033.5861/4-456. Confidential. Also sent to Stockholm.

<sup>2</sup> Telegram 2253, April 3, reported that the Swedish-Soviet conversations had been "routine." (*Ibid.*, 033.5861/4-356)

<sup>3</sup> Reference is to the communiqué issued on April 3 during the official visit to the Soviet Union of Tage Erlander, Swedish Prime Minister, March 29–April 5.

<sup>4</sup> Reference is to the Five Principles of Peaceful Coexistence (*Panch Shila*) enunciated in the text of the India-China Agreement on Trade and Intercourse between Tibet Region of China and India, signed at Peking, April 29, 1954.

<sup>5</sup> Marshal Klimentiy Efremovich Voroshilov, Chairman, Supreme Council of the Presidium of the Soviet Union.

<sup>6</sup> Reference is to the attempt by the Swedish Government to ascertain the whereabouts of Raoul Wallenberg, a Swedish diplomat who had been missing since the Red Army entered Budapest in January 1945.

<sup>7</sup> Sweden and the Soviet Union announced that they had agreed to start negotiations to implement their agreement of 1941 concerning outstanding mutual claims in connection with the incorporation of the Baltic Republics in the Soviet Union.

Re Wallenberg case, Soviets in talks had not admitted he was in their jurisdiction but as Swedes stated they had evidence to contrary (evidence of released prisoners, etc.) Soviets asked (as face saving formula) that they be given this material to assist their "search".

Re other Swedes in Soviet Union, [*less than 1 line of source text not declassified*] technical citizenship status generally obscure since degree of coercion involved in renouncing Swedish citizenship cannot be established and status of non-Swedish spouses of Swedes and of children of mixed marriages complicates claims to allegiance. However, Swedes [*less than 1 line of source text not declassified*] gained important point at price of reciprocity which is established Swedish policy in any case by obtaining promise from Soviet authorities to examine "benevolently" requests of Swedish citizens to return.

[*1 paragraph (2½ lines of source text) not declassified*]

During visit Erlander has suffered from bad cold and Soviets reported relieved that on doctor's advice he is remaining in Moscow extra day beyond program before departure tomorrow on visit to interior cities (including Tbilisi, Erevan, etc.)

**Walmsley**

**176. Memorandum From the Secretary of State's Special Assistant for Atomic Energy Affairs (Smith) to the Under Secretary of State (Hoover)<sup>1</sup>**

*Washington, June 22, 1956.*

SUBJECT

Amendment of US/Danish Bilateral Agreement on Atomic Cooperation

*Discussion*

The US and Denmark concluded an agreement for cooperation in peaceful uses of atomic energy, a "standard" research reactor bilateral, which became effective July 25, 1955 (Tab B).<sup>2</sup> The Danish Embassy requested by note of June 12, 1956<sup>3</sup> that the quantity of U-235 (enriched up to 20%) available for lease to Denmark in accordance with

<sup>1</sup> Source: Department of State, BNA Files: Lot 58 D 399, DEN-Atomic. No classification marking.

<sup>2</sup> Not attached to the source text; for text of the Agreement, see TIAS 3309 or 6 UST 2629.

<sup>3</sup> Not printed. (Department of State, Central Files, 611.5997/6-1256)

Article II-B of the agreement be increased from six to *nine* kilograms. The Atomic Energy Commission agreed to increase the amount for Denmark, Germany, and possibly Sweden to a total of 12 kilograms each.

The AEC proposed to take advantage of this occasion to also insert amendments common to research bilaterals concluded in recent months, i.e.:

(a) A hold-harmless clause with respect to fissionable materials furnished by the US,

(b) A disclaimer of liability for the accuracy of information exchanged, and

(c) An offer by the US to furnish research quantities of special nuclear materials—namely, 100 grams of highly enriched U-235, 10 grams of plutonium and 10 grams of U-233.

#### *Recommendation*

That, in accordance with Departmental Circular 175,<sup>4</sup> you approve negotiation and conclusion of an amendment (as at Tab A)<sup>5</sup> to the US/Danish research reactor bilateral and, following Presidential approval, authorize Acting Assistant Secretary C. Burke Elbrick to sign, together with the Chairman of the Atomic Energy Commission or whomever he may designate, on behalf of the United States.<sup>6</sup>

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<sup>4</sup> A copy of this circular on the proper exercise of the treaty and executive agreement-making power of the United States, December 13, 1955, is in a file retained by the Records Management and Regulations Division of the Bureau of Personnel, Department of State.

<sup>5</sup> Not attached to the source text.

<sup>6</sup> Hoover approved this recommendation on June 26. For text of the Agreement as extended and amended, see TIAS 3758 or 8 UST 194.

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#### 177. Editorial Note

The closing of the Suez Canal after Egyptian President Nasser's nationalization of the Suez Canal Company on July 26, 1956, adversely affected Denmark, Norway, and Sweden; none had an indigenous oil supply and each was heavily dependent upon oil for industry, agriculture, and domestic heating. Each government requested the United States to cooperate in existing plans, put forward by the Organization for European Economic Cooperation, for the allocation of oil in Europe. Documentation on Scandinavian attitudes on this question is in Department of State, BNA Files: Lot 59 D 21 and Lot 58 D 399. Norwegian Foreign Minister Halvard Lange discussed the Middle East

situation and the oil problem with Acting Secretary Hoover on November 30. A memorandum of their conversation is *ibid.*, Central Files, 611.57/11-3056. Extensive documentation on the crisis, including the question of possible oil shortages in Western Europe, is in volume XVI.

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### 178. Editorial Note

Nikolay Aleksandrovich Bulganin, Chairman of the Soviet Council of Ministers, sent letters to Einar Gerhardsen, Norwegian Prime Minister, on March 21, 1957, and to Hans C. Hansen, Danish Prime Minister, on March 28, 1957, in which he warned against permitting the stationing of NATO troops equipped with atomic weapons in their countries. The English translation of Bulganin's letter to Gerhardsen is enclosed in despatch 665 from Oslo, March 27. (Department of State, Central Files, 657.61/3-2757) The letter to Hansen is enclosed in despatch 779 from Copenhagen, April 2. (*Ibid.*, 659.61/4-257)

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### 179. National Security Council Report<sup>1</sup>

NSC 5712/1

Washington, May 20, 1957.

#### STATEMENT OF U.S. POLICY ON ICELAND

##### General Considerations

###### *Importance of Iceland for U.S. National Security*

1. Iceland is of great strategic importance to the United States and its membership in NATO significantly enhances NATO offensive and defensive military capabilities in the North Atlantic. Iceland now provides the United States and NATO with (a) a key link in the Early Warning System for the defense of the United States and other NATO countries; (b) an important base for anti-submarine operations; (c)

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<sup>1</sup> Source: Department of State, S/S-NSC Files: Lot 63 D 351. Secret. A cover sheet, a note by the Executive Secretary of the Council saying that NSC 5712/1 had been approved by the President on May 20, a table of contents, Annexes A-E, and a financial appendix are not printed. The text of NSC 5712, May 6, is indicated in the footnotes below. (*Ibid.*)

forward logistic support for Striking Fleet operations; (d) a significant air base for NATO requirements; and (e) a key communications link between the United States, the United Kingdom, and other NATO countries. Denial of these advantages to the United States and NATO would result in a grave<sup>2</sup> weakening of the North Atlantic defense system; and the loss of Iceland to Soviet control would directly threaten the security of the United States.

#### *U.S.-Iceland Agreement for the Defense of Iceland*

2. NATO has delegated to the United States responsibility for the defense of Iceland, which has no armed forces of its own and a police force of only 180 men. In fulfillment of this responsibility, the United States, on May 5, 1951, signed a Defense Agreement under which the United States is stationing forces and is developing military facilities in Iceland. Additional U.S. rights and facilities were obtained by supplementary understandings concluded in May 1954. In March 1956, the Icelandic Parliament passed a resolution calling for discussions with the United States on revision of the Defense Agreement, aiming at withdrawal of U.S. forces and having Iceland assume responsibility on behalf of NATO for maintenance of the defense installations. However, U.S.-Icelandic negotiations completed in December 1956 permitted U.S. forces to remain in Iceland under substantially the same conditions provided for in the original agreement of 1951, and established a procedure (which neither party has yet taken steps to implement) for subsequent high-level consultations between the United States and Iceland on defense arrangements.

#### *Political Orientation*

3. Although its political orientation is basically toward the West, Iceland traditionally prefers isolation and neutrality. All Icelandic political parties must take into consideration, and perhaps solicit the support of, that part of the electorate which opposes the stationing of foreign military forces in Iceland in peacetime. Icelandic politicians are particularly sensitive to any feeling in Europe or elsewhere that there is any relaxation of world tensions. Defense activities have had a marked social and economic impact on a previously isolated country of 160,000 persons, and the presence of foreign forces in Iceland inevitably is a factor in Icelandic domestic politics.

4. Since Iceland's independence (1944), no political party has been able to elect a majority to the Icelandic Parliament. Consequently, all Icelandic Cabinets representing a majority of Parliament have been formed by a coalition between two or more parties. From 1950 until 1956 the Conservatives and the Progressives, the two larg-

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<sup>2</sup> In NSC 5712, the word "unacceptable" was used instead of the word "grave".

est parties, maintained an uneasy coalition in the Government. In the 1956 general election, the Progressive and Social Democratic Parties were unsuccessful in their effort jointly to elect a majority of the representatives to the Icelandic Parliament (see Annex A). Rather than be junior partners to the powerful Conservative (Independence) Party, the Progressive and Social Democratic Parties formed a coalition with the Communist-front Labor Alliance Party—each of the three parties being represented by two cabinet ministers. There are stresses within this coalition which may cause it to fall before the next regular election in 1961. Each of the three parties, including the Communist-front Labor Alliance, is using its position in the Cabinet in an attempt to strengthen its political future in Iceland.

5. The influence of the relatively small number of avowed Icelandic Communists is magnified (a) by their control of the Labor Alliance Party, which has a balance of power position in domestic Icelandic politics; (b) by their control of the Icelandic Federation of Labor; and (c) by Icelandic tolerance of Communist activities. There have been indications that (a) conflict between the Soviet-controlled Communists and left-wing Socialists in the Labor Alliance Party might result in a split in the Alliance, and (b) democratic elements will regain control of the Icelandic Federation of Labor at the next Federation election.

#### *Economic Problems and U.S. Aid*

6. Iceland's economic problems are twofold: (a) The continuing uncertainties of an economy based largely on the fishing industry and (b) the existing inflationary pressures. A high proportion of manufactured goods and raw materials must be imported, so that the country is unusually heavily dependent on foreign trade. Exports of fish and fish products constitute about 90 per cent of Iceland's commodity exports and provide over 70 per cent of the country's foreign exchange income (roughly 20 per cent being derived from the operations of the U.S. base and less than 10 per cent from all other exports). Consequently, dependable markets for fish and fish products are in the short run the prime essential for Iceland's economic health and economic orientation. In the longer run, Iceland can achieve economic stability only through diversification of its industry.

7. In recent years Iceland's difficulties in marketing its fish in Free World countries have increased:

a. Traditionally, Britain was the largest single importer of Icelandic fish, but from 1952 until late 1956 British fish interests maintained an embargo on Icelandic fresh fish in retaliation against a unilateral promulgation by Iceland of fishing conservation regulations which had the effect of closing off areas of the high seas around Iceland to foreign fishing. Although the embargo has now been lifted

and Britain is again importing Icelandic fish, it does not seem likely that the market will be fully restored to the pre-1952 level. Furthermore, the dispute over fishing rights has not been settled and any precipitous action by the Icelandic Government may result in reimposition of the British ban. The Icelandic position on territorial waters, traditionally identified with exclusive fishing rights, conflicts also with the U.S. position on this issue.

b. After imposition of the British embargo, the United States became the largest Free World importer of Icelandic fish. The U.S. domestic fishing industry has pressed repeatedly, although thus far unsuccessfully, for additional governmental restrictions on fish imports.

c. Future Icelandic trade with the Free World might be further adversely affected if Iceland failed to join a free trade area formed in Europe.

8. The Soviet bloc has taken advantage of Iceland's marketing difficulties in the Free World by accepting Iceland's over-priced fish in exchange for Soviet goods. As a result, the percentage of Iceland's exports going to the Soviet bloc has increased from a level of five to seven per cent in 1949-1952 to 30 per cent in 1956. Iceland's imports from Eastern Europe have, of course, grown at a corresponding rate, and the Soviet bloc is now supplying Iceland with most of its requirements of petroleum and cement plus substantial quantities of grain, iron, steel, and automobiles and other consumer products. In addition to its trade with Iceland, the Soviet bloc is (a) extending offers of substantial loans for various economic development projects, and (b) strengthening its political and cultural relations through diplomatic contacts, trade missions, and artistic and other delegations.

9. Iceland is experiencing a period of inflation which has been mitigated to only a minor extent by recent governmental actions controlling prices and wages. This inflation derives from labor shortages, excessive bank credit, a very high rate of investment, and relatively weak governments. With domestic price levels rising under such inflationary pressures, Icelandic exporters have had difficulty competing in commercial markets of the Free World. The official exchange rate has become unrealistic. The Icelandic Government has repeatedly resorted to special measures, and at the same time attempted to avoid outright devaluation of the currency, in efforts to maintain exports. While these steps have mitigated the situation somewhat, no effective solution has been adopted.

10. From FY 1949 to 1953 the United States made available \$34.6 million in economic aid for Iceland. No additional economic aid for Iceland was made available until FY 1956, when \$2.4 million in Danish kroner was loaned Denmark for reloaning to Iceland for construction of a cement plant (see Annex B). Subsequently, with a view to improving the climate for the base negotiations, \$4 million was loaned to Iceland in December 1956 to generate local currency to finance

economic development projects. In addition, negotiations have been completed on a \$2.8 million P.L. 480 sales agreement, and arrangements have been completed for<sup>3</sup> a loan of \$5 million to cover the foreign exchange costs of constructing a power-generating station on the Sog River and tie-in facilities with the Keflavik base. Some of the local currency costs of these projects are being met from loans to Iceland of funds generated under the P. L. 480 program. Although the foregoing assistance program helped to some extent in achieving our objectives during the negotiations, its implementation may, unfortunately, help to consolidate the position of the present, Communist-influenced Government. On the other hand, failure to carry out the program would jeopardize the continuation of our political and defense relations. From 1954 through 1956 the Icelandic economy received about \$15 million yearly from U.S. defense expenditures (see Annex C).

### Objectives

11. To assure that U.S. forces are permitted to remain in Iceland, that facilities there continue to be available for the use of these and allied forces, and that Iceland is denied to unfriendly or potentially hostile forces.
12. To maintain in Iceland a stable government friendly to the United States and actively cooperating in NATO.
13. To check and reduce Communist economic and political influence in Iceland.

### Major Policy Guidance

14. In carrying out U.S. military and other activities in Iceland under the Defense Agreement, keep in mind the nationalist, anti-militarist sensibilities of the Icelandic people, endeavor to promote harmonious relations with them, and encourage their participation—consistent with military readiness—in performing defense functions.
15. Encourage as appropriate more active Icelandic understanding of and participation in NATO defense activities relating to Iceland.
16. Attempt to assist democratic elements, both within and outside the Government, in strengthening their position against the Communists and weakening Communist influence on Icelandic policy, particularly in foreign affairs.
17. As appropriate, use economic and political pressures in order to eliminate Communist participation in the Icelandic Government.

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<sup>3</sup> This phrase reads "and arrangements have been completed for" in NSC 5712.

18. Encourage the collaboration of all democratic parties in the development of a vigorous anti-Communist labor movement in Iceland, and thereby assist them to regain from the Communists, and to maintain, control of the national labor movement.

19. Take all feasible actions with respect to Iceland's economy required to achieve U.S. objectives, particularly to prevent Iceland's dependence on Soviet bloc markets:

a. Attempt to increase Iceland's export market in the United States and use influence with our allies to increase Iceland's export markets in Free World and other countries.

b. If necessary, afford economic assistance to counteract economic deterioration in Iceland adverse to U.S. interests.

c. If necessary, provide loan assistance for specific Icelandic development projects.

d. Encourage and, as feasible, assist the full exploration and exploitation of Iceland's natural resources and the diversification of the Icelandic economy.

e. Encourage Iceland to follow sound economic policies.

f. Provide technical assistance to increase the skills needed for defense activities and to increase the efficiency of industry.

20. In maintaining the U.S. position on territorial waters and fisheries jurisdiction in the UN or in other world forums, take all feasible steps to mitigate possible adverse effects on U.S.-Icelandic relations and also to forestall any precipitate further extension by Iceland of offshore fishery controls.

21. To prepare for the possibility that the foregoing actions might fail to maintain Icelandic cooperation requisite for Free World defense facilities in Iceland, study the feasibility and desirability of special political and economic arrangements with Iceland; for example, whether Icelandic products might be exempted<sup>4</sup> from U.S. customs duties and other import restrictions in return for the granting to the United States of a freer hand in defense.

[2 paragraphs (8½ lines of source text) not declassified]

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<sup>4</sup> This phrase reads "whereby Icelandic products would be exempted" in NSC 5712.

**180. Despatch From the Embassy in Denmark to the Department of State<sup>1</sup>**

No. 934

*Copenhagen, May 28, 1957.*

SUBJECT

United States Relations with Denmark

Before my departure from this post, after almost four years here, I am submitting below a few comments on our relations with Denmark, with the thought that they may be of some use in the Department and perhaps of some assistance to my successor.

**I. Background***Certain Characteristics of the Danish People*

In various ways the Danes are much like Americans. They are generally as informal as our Westerners in the United States, and members of the Royal family are often seen in public places, even unaccompanied sometimes, while many high Government officials—including the polished Director General of the Foreign Office—go to and from their offices on bicycles. Although the Danes frequently put on white ties or special uniforms for audiences with the King, 50th birthdays and other special functions, and while they seldom go on a first-name basis among themselves (but sometimes seem to like doing so with Americans), they take keen delight in ridiculing the formality of the Swedes. In fact, a considerable proportion of Danish jokes center around alleged Swedish stuffiness, such as the Swedish form of skaaling. Foreigners sometimes find it difficult to appreciate the jokes about the Swedish skaal because the Danes' own skaaling is formal enough and is one of the principal exceptions to their general rule of informality.

Also the Danes are generally democratic, and there is a high degree of both political and social democracy in the country. The socialist movement is strong, although it is a moderate form of socialism, and social welfare is highly developed. At the top of the social scale there are comparatively few wealthy people in the country, while at the bottom, there is little poverty; it is a country in which almost all people live in at least a comparative degree of comfort but with limited luxury. Household servants are becoming almost as difficult to find in Denmark as in the United States.

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<sup>1</sup> Source: Department of State, Central Files, 611.59/5-2857. Confidential. Drafted by James W. Gantenbein.

Another point of resemblance to the United States are the Danish sense of humor and spirit of cheerfulness and gaiety. Despite the rather sunless climate and long dark winters, and despite the fact that the suicide rate in Denmark is one of the highest in the world, the proverbial "gloomy Dane" is seldom seen in this country.

A still more important similarity is the Danish love of freedom, which has deep-rooted foundations in the national history.

Since the Napoleonic period, Denmark's foreign policy has been one of peace and avoidance of wars. This has been especially true since the defeat inflicted by Bismarck in the middle of the 19th century, when Denmark, disillusioned with its ability to wage war, decided to disarm almost entirely and to concentrate its energies on internal programs, including social welfare. From then until they joined NATO in 1949, the Danish armed forces were more nominal than real (although there were a few small naval units available for scuttling during the latter part of World War II). Also, individually the Danes are today an essentially peace-loving and friendly people.

It would be a mistake, however, to infer from these characteristics that the Danish people are lacking in strength of character or personal courage. American military observers of Danish winter maneuvers have been impressed with the toughness shown by the individual soldiers in the face of severe winter conditions. It is not uncommon for Danish office workers, as well as laborers, men and women alike, to ride bicycles many miles daily to and from their work, frequently in stormy weather. Despite their fondness for good food, beer and schnapps, and an average daily consumption of about 3,300 calories, one of the highest in the world, the Danes are far from soft.

Also it would be a mistake to infer from their informality and seeming simplicity or from their very good manners a greater sympathy or agreement with a point of view than might be the case. These qualities can be unduly disarming, because the Danes tend in reality to be a shrewd people, and they are never to be taken for granted.

[3½ lines of source text not declassified] In negotiations with Government officials, it has been a common experience that the Danes are relatively open-minded and amenable to reason until reaching a decision but that it is difficult to persuade them to reconsider. Foreign residents are struck by the long delays of landlords in coming to terms in leasing living quarters even though the quarters are left vacant for long periods with considerable loss to the owners. However, this quality of stubbornness has various favorable manifestations, and one is that once a Dane makes an agreement or gives a promise he is usually scrupulous to abide by it.

Another national characteristic which is conspicuous to foreign visitors is that the Danes constantly convey the impression of viewing their nation as a small country. One can safely predict that almost any

public address to a foreign group will contain the statement "We are a little country". It is, however, difficult to say whether this is an indication of an inferiority complex or excess of modesty, or rather a disavowal of any pretense of power and an explanation of conservatism and caution in international matters. However, unlike many small countries that tend to have a large-country complex, Denmark has few illusions of grandeur today, despite the fact that Danish representatives at international conferences are as a rule far from restrained and in fact tend to be among the most active participants.

Also the Danes tend to be materialists. Notwithstanding their pride in their many old churches, mostly Lutheran, and their numerous religious holidays (including a five-day stretch at Easter) they are by no means a religious people to judge from church attendance. However, they have much deep sentiment, including a profound love of their families and a genuine and far-reaching love of their country which can in its extreme form attain an exaggerated patriotic pride.

In their productive capacity, the Danes are at the same time progressive and conservative. One is impressed with the advanced methods employed in their agriculture, where the productivity, despite not too favorable native soil conditions, is one of the highest in the world. Also in parts of industry, there are to be found outstanding examples of progressiveness, ingenuity and inventiveness. On the other hand, the Danes as a whole are not disposed to take business chances to the extent that Americans do, and there is an inclination among the people to consume rather than save and invest. Few Danes put savings aside for the rainy day, partly because of their extensive social-welfare system, which usually takes care of them in cases of adversity. As a result, Danish industrial productivity, which is increasing at a rate of only about 1% annually is not rising as fast as in most of the other progressive countries of the world. However, there is a growing realization that greater energies have to be directed to this field if Denmark is to compete in foreign markets. Moreover, the outlook for increased savings and investments, partly to increase productivity and industrial exports and partly to improve the balance of payments by decreasing consumption, seems somewhat encouraging.

#### *Limitations of Danish Political Leadership*

Like France and various other countries of Europe, Danish political leadership has long been adversely affected by the fact that there are a number of political parties (four major ones and two minor ones) and that no single party has a majority of votes or of seats in the legislative body. Thus, the Government has to function as a coalition or as a minority government, relying on the support of at least one other party. As a consequence, the party principles of a government must usually be subjected to force of compromise. While this tends to

avoid extremes of legislation and make for a certain continuity and stability of government policy, it dampens initiative and discourages progress. It both limits the possibilities of implementing policy and furnishes a convenient way for a government to shrug its shoulders to demands for more vigorous action. Under such conditions, strong leadership cannot usually assert itself; if it tries, it is all too likely to be thwarted. Also, there are but few Danish politicians today with outstanding personalities or "box office" appeal.

[1 paragraph (7½ lines of source text) not declassified]

### *Danish Relations with Certain Other Countries*

#### *(a) Great Britain*

Danish relations with Great Britain have long been close and generally cordial. This has been at least partly due to the importance of Great Britain as a trading partner, which in recent years has been taking about 40% of all the Danish exports and furnishing roughly 30% of the imports. These special trade relations have largely accounted for the close financial affinities, and while in these days of the EPU it can no longer be accurately said that Denmark is a member of the "sterling bloc", the financial ties are close and devaluations of the Danish krone in recent years have accompanied those of the pound.

The UNISCAN meetings every few months of Great Britain and the Scandinavian countries to discuss economic and financial matters of common interest and particularly to attempt to agree upon common positions before important international meetings serve to coordinate and unify economic and financial policies among these countries.

Yet Denmark is frequently suspicious of British trade policy, and Foreign Office officials have commented to Embassy officers from time to time on the alleged selfish aims or positions of Great Britain in international conferences and in trade policy in general; for example, in keeping agriculture out of the projected Free-Trade Area, creating export subsidies on eggs, and adopting or encouraging measures to assist British competition with Western Germany.

On the other hand, in the political field Denmark has deep respect for British leadership in world politics and as a rule considers it more stable, mature and reliable than American leadership.

Culturally the ties have been close. A large proportion of Danes speak English fluently; in fact, one can give telephone numbers, order taxicabs or write checks in English. This is due rather to the country's relations with Great Britain than those with the United States, although it is also undoubtedly attributable to recognition of the increasing importance of English as a world language.

When Great Britain put on an ambitious trade exposition in Copenhagen in 1955 with various sideshows (including a spectacular Tatoo and the presence of the Duke of Edinburgh), the Danes demon-

strated much genuine affection for the British, and for a few days the affair relegated all other interest in Copenhagen life to a back seat. The same interest and sentiment have been shown during the highly successful recent visit of Queen Elizabeth and Prince Philip. Undoubtedly the relationship between the royal families of the two countries, as well as the similarity of the form of the two constitutional monarchies, plays an important part in this feeling of sentiment and affinity.

Of course, such evidences of cordial relations between the two countries are also the result of plans carefully designed by Great Britain itself to promote maximum good relations between the two countries. It is obvious that the British have been making strenuous efforts in the last several years to increase their influence in Denmark. However, it is uncertain whether these efforts are related to the increase of American influence since World War II.

(b) *Western Germany*

Although the Danes were not generally subjected to the rigors of the Nazi occupations of other countries during World War II, as Germany wished to make Denmark a model occupied country and to maximize Denmark's agricultural contribution to the German war effort, the Danes continue to be bitter about the occupation. There even remains a reluctance to speak German to foreigners. However, this anti-German feeling appears to be slowly diminishing. Denmark continues to be apprehensive of Germany and has mixed reactions to the rearming of that country but it is becoming reconciled to NATO cooperation with Germany, including the maintenance of German naval units in the Baltic.

Western Germany is Denmark's second most important trading partner. The trade is large in both directions, although Denmark traditionally has a considerable negative balance. In the last several years the Danes have had much feeling about the high German tariff restrictions on Danish agricultural products; in fact, this has been the principal reason advanced by Denmark why it has not increased its liberalization of imports from the OEEC countries (now about 83%).

(c) *The Curtain Countries*

The Danish Government and the great majority of the people are definitely and strenuously opposed to Communism and Soviet ideology, and real antipathy toward the Soviet Government has developed as a result of the events in Hungary last fall. Nevertheless, Denmark still believes, at least to some extent, in the myth of great potential trade with the Eastern countries, and there is always pressure on the Government from the agricultural export interests and ship-building companies to take steps to facilitate East-West trade. Also there prevails in Denmark a general feeling that sooner or later the Soviet Union will see the light and become a better member of the family of nations. Denmark maintains diplomatic relations with Communist

China as well as most of the Curtain countries in Europe but not with Eastern Germany; it has not recognized Soviet incorporation of the Baltic States.

(d) *The Nordic Countries*

Denmark is an active member and supporter of the Nordic Union (Denmark, Sweden, Norway, Iceland and Finland) and of the periodic meetings of the Prime Ministers of the five countries.<sup>2</sup> It cooperates closely with Norway and Sweden at international conferences, as well as in the routine adoption of positions in international matters. Telephone consultation among the three governments is understood to be almost continuous, and it reportedly replaces much of the work that would normally be done by the respective Embassies.

Other examples of Nordic cooperation include the elimination of passport requirements among the Scandinavian countries for travel by their nationals, the creation of a common Scandinavian labor market, and much progress in the project of a Nordic Customs Union (although this will necessarily be adversely affected if one or more of the party countries, which include Finland, should join the new European Common Market). The remarkable success of the Scandinavian Airlines (SAS), over half of which is owned by the Governments of Sweden, Denmark, and Norway, is another striking evidence of Scandinavian cooperative efforts. There are to be mentioned also the extensive uniformity of legislation in the Scandinavian countries; the close cooperation between the Social Democratic Parties in these countries; and the close cooperation among agricultural groups, cooperatives, etc.

Danish relations with Norway are extremely close and cordial; the peoples of the two countries are much alike and there is a strong bond of kinship and friendliness between them. As to Sweden, the relationship is somewhat different; in general, the Danes like the Swedes, but the fondness has limitations due perhaps in part to the loss of considerable areas of Danish territory to Sweden three centuries ago and again in the early 19th century, and in part to Sweden's neutrality during World War II. Also, the temperaments of the two people are somewhat different, the Danes being gayer and less formal and restrained, as already noted, and probably in Danish eyes, the Swedes appear more pretentious and less sincere.

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<sup>2</sup> Documentation on meetings of the Nordic Council is in Department of State, Central File 757A.00.

## II. Relations in General With the U.S.

In general, Danish relations with the United States are excellent. As will be noted later, there are on each side certain irritants, but on the whole there is a high spirit of good feeling and of cooperation between the two countries.

There is no better testimony of this spirit than the annual observance of the American Independence Day. A unique festival is held on July 4 in a park in the Rebild hills in Jutland, which was presented as a national park to Denmark by a group of Danish-Americans in 1912. The programs are customarily attended not only by high Danish officials, frequently the King and Queen, and the American Ambassador, but also by large numbers of Danish-Americans who make the event an occasion for visits to their mother country. Recent guest speakers at the event have included Chief Justice Warren and Mr. Paul G. Hoffman.

As stated earlier, there are many similarities in national traits of the American and Danish people, and this is particularly true of their ideals and principles in international matters. It is therefore easier for Americans and Danes to understand each other and to do business together than is the case with American relations with various other countries.

United States prestige and influence in Denmark have increased materially in general and in the last few years as American leadership in world affairs has developed. Despite the various irritants in the relations between the two countries, there continues much of the goodwill that accompanied the generous economic aid given to Denmark in 1948-1953, and there is extensive evidence that the country is truly grateful for this assistance.

However, the Danes believe that the force and success of our leadership are prejudiced by a certain lack of maturity in world affairs; by a tendency to be over-hasty and sometimes unrealistic in our decisions; and occasionally a lack of consistency as to what we expect of others as compared with our own country. Our prestige in Denmark did not rise during the Suez Canal developments. Danish sentiment was rather on the side of Great Britain, France and Israel, although the Government consistently supported the United States position in the United Nations regarding these developments.

## III. Political Relations

### *NATO and Danish Defense*

The most important subject in American relations with Denmark in the last few years has been cooperation in the common defense of Europe.

When Denmark came into NATO in 1949, it was touch and go whether it would follow Norway in entering the Western alliance or whether it would join Sweden in staying out. The decision was a particularly difficult one for several reasons. In the first place, there was a neutralist spirit that had developed in the country for nearly a century. Denmark's military exploits since the middle of the 17th century, when under Christian IV the country lost southern Sweden, had not been generally successful. At the end of the Napoleonic period Denmark was obliged to cede Norway to Sweden, and the country shrank further when Bismarck took Schleswig-Holstein. It was then that Denmark felt disillusioned with its ability to engage in foreign wars and decided to disarm and concentrate its energies on domestic problems. When the Germans occupied the country in 1940 it had only a token army and navy. Thus, with the joining of NATO it was necessary for the armed forces to start almost from scratch and in a climate that had been neutralist for 90 years.

Added to this was the country's vulnerability in the case of a war with the Soviet Union. Owing to its proximity to Eastern Germany (only a few minutes away by plane), to Poland and to the Soviet Union itself, many Danes felt that Danish territory would almost inevitably be occupied in a matter of days, if not hours, and its cities quickly destroyed by air raids. Therefore, the question was asked whether it would not be better to stick to a neutralist policy, preserve the country from war devastation and leave the fighting to the Great Powers. Finally, Denmark had not, as already noted, suffered greatly under the Nazi occupation as had Norway and the Low Countries, for example, and as a result there was not the same horror of a possible Soviet occupation as in the countries that had experienced Nazi injustices and cruelties at their worst. To many this was another good reason for not trying to ward off foreign armies in the future.

Given these adverse forces, it might seem strange that Denmark decided to come into NATO at all. Among the decisive influences were the Communist take-over of Czechoslovakia, the example of Norway in joining NATO, the U.S. Economic Aid Program which had started a year earlier, and perhaps the fact that neutrality had failed to save Denmark from occupation in World War II. A further element may have been the fact that many leading Danes felt somewhat embarrassed by their country's desultory role in World War II, as compared, for example, with Norway.

Since the decision was made, pro-NATO sentiment in Denmark has been developing, and the most recent Gallup Poll indicates that in February 1957, 56% of the population were in favor of Danish membership in NATO and only 19% opposed, as compared with 47% in favor and 24% opposed in December 1955, and 47% for and 26% against in March 1949. A particular boost was given by the Soviet

intervention in Hungary. Among other factors has been the USIS Program in Denmark, which has been instrumental in bringing home to hundreds of thousands of Danes in effective ways the nature, purposes and strength of NATO as well as the need for it.

However, the quantum of the defense effort of Denmark is not satisfactory in comparison with the effort being made by other NATO countries. Annual defense expenditures amount to only a little over 3% of the gross national product as compared with more than twice that as the NATO average (about 11% for the United States and, until now, about 9% for Great Britain). With the exception of Iceland, which has virtually no defense of its own, the Danish percentage is the lowest of the 15 NATO countries. It was regrettable that, on the request of the Prime Minister, admittedly with reluctance, the already-deficient defense budget was cut (i.e., authorized to be cut) by 60 million kroner in April 1957, or over 6% on the grounds of foreign exchange difficulties.<sup>3</sup> The defense budget has been in the neighborhood of one billion kroner (about \$145 million) for the last several years until a special 50 million kroner cut in the summer of 1956 for purposes of supporting the National People's Pension legislation enacted then; this cut, plus an additional 10 million kroner, was in effect retained in the current budget as a result of the action of the Prime Minister in April 1957. However, actual defense expenditures the last few years have been below the budget amounts and they have shown an upward trend. The estimate (subject to slight change) for the fiscal year ended March 31, 1957 was 962 million kroner, compared with 894 million for the fiscal year 1956, 926 million for 1955, 891 million for 1954, 699 million for 1953, 371 million for 1951, and only 161 million in 1946.

While Denmark is going through an unquestionably difficult period with respect to its balance of payments and thus foreign-exchange reserves, it has the economic capacity to devote far more of its productive income to defense. The recent 60 million kroner cut, as already indicated, was political rather than economic; there were more prudent ways of correcting the foreign-exchange problem. The real reasons for the Government's and the Folketing's unwillingness to make greater economic contributions to the common defense are (a) the indisposition of the country as a whole (like the populations of most countries) to make greater sacrifices unless moved to do so by strong leadership; (b) the lack of strong leadership as already noted; and (c) the unique position of the neutralist Radical Liberal Party, whose support the Social Democratic Party has needed and has been willing to pay for by

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<sup>3</sup> Documentation on the Danish defense cuts is *ibid.*, 759.5.

compromises in defense expenditures. Whether this situation will become worse as a result of the new Government remains to be seen.<sup>4</sup>

The Embassy has been making every appropriate effort to influence the maximizing of the development of the Danish defense and cooperation with NATO through the day-by-day work of the USIS here and the various speeches that I have made in different parts of the country (as for example, in Frederikshavn last month; Embassy's despatch no. 841 of April 26, 1957).<sup>5</sup> Energetic attempts are being made to stimulate among the Danish public a better knowledge of NATO, especially its needs and objectives in order to develop a better popular support in Denmark. At the same time, the Embassy has been using every opportunity to impress upon members of the Danish Government the need for maximum support of NATO. [3½ lines of source text not declassified] There is to be mentioned also the work of the Military Assistance Advisory Group (MAAG), which has continuously been using its influence in armed forces circles, including the Ministry of Defense, not simply to assure the best use of military aid equipment supplied to Denmark and to increase the efficiency of the armed forces but also to foster sentiment for larger defense expenditures. Although the recent 60 million kroner cut in the defense budget was discouraging, the Government would quite likely have given in still more to the demands of the neutralist Radical Liberal Party if these different co-ordinated efforts had not been made.

#### *MDA Program*

Much of the Embassy's activities are concerned with the assistance to NATO rendered by the Military Aid Program (including the MAAG) both by developing greater popular support in Denmark and by also helping in the build-up of the Danish armed forces.<sup>6</sup> This program, begun in 1950, has already resulted in deliveries of equipment to Denmark of about \$353 million (as of December 31, 1956), which has included aircraft, escort vessels, motor torpedo boats, tanks, artillery and various other kinds of equipment. The amount programmed but not yet delivered totals about 58 million dollars (as of December 31), not including an offer recently accepted in principle of missile equipment for one "Nike" battalion and one "Honest John" battalion, and also not including three projected squadrons of aircraft for delivery in the near future.

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<sup>4</sup> As a result of the general election held on May 14, 1957, the Social Democrats lost four seats. Hansen formed a new government on May 27; documentation is *ibid.*, 759.13.

<sup>5</sup> Despatch 841 describes the Ambassador's visit to Frederikshavn and Randers. (*Ibid.*, 123-Coe, Robert D.)

<sup>6</sup> Documentation on this subject is *ibid.*, 759.5-MSP.

The work of MAAG (an integral part of the Embassy) requires a continuous coordination with other elements of the Embassy and represents a large proportion of the total activities of the mission.

There can be no doubt that the development of the Danish defense, whatever may be its shortcomings, is attributable in great measure to the equipment received through the Aid Program and the day-to-day guidance and encouragement offered by members of the MAAG.

#### Greenland

Closely connected with the importance of NATO itself in U.S.-Danish relations are the United States air bases and supplementary installations on Greenland (which under the 1953 Constitution is now an integral part of Denmark). The maintenance of an attitude favorable for the continued use of the bases and for continued cooperation with respect to their use is one of the principal objectives of our diplomacy in Denmark. Also various details connected with the bases require almost continuous negotiation with the Danish government.

There are three United States bases on Greenland—namely, the base at Thule, on the northwest coast, which is the most important; Søndrestromfjord, further south on the west coast, where there are facilities for refueling and an emergency hotel for SAS planes; and Narsarssuak in the extreme south, which is being deactivated by the United States Forces, although retained on a reduced scale as an emergency field by the Danish authorities. The bases are completely isolated from the indigenous population, and, in conformity with the wishes of the Danish authorities, the American personnel at the bases have no contact whatever with the local inhabitants. All supplies, as well as labor, are imported.

The United States bases and other rights on Greenland are made available by virtue of an agreement signed April 27, 1951.<sup>7</sup> This document makes clear that the facilities are extended within the framework of NATO, and the agreement remains in effect for the duration of the North Atlantic Pact.

No rent is payable for the use of Greenland territory for these highly-valuable rights, and in appraising Denmark's contribution to NATO, there must be added to the relatively-small defense expenditures the great importance of the Greenland bases and other facilities.  
[1½ lines of source text not declassified]

Apart from the Communists, there is no perceptible element in Denmark agitating against the bases in Greenland or in general criticizing them or the American forces there. However, as the Embassy has pointed out on different occasions (e.g., Despatch no. 700 of

<sup>7</sup> For text of the Agreement, see 2 UST 1485 or TIAS 2292.

March 8, 1957),<sup>8</sup> there is a certain sensitivity among the Danes with respect to the sovereignty of this almost last-remaining Danish territory beyond metropolitan Denmark, and this occasionally shows itself, as when the United States operations on Greenland from time to time go beyond expressly-granted rights, even though these deviations are only slight and are accidental. [4 lines of source text not declassified]

Day-by-day negotiations with the Danish Government regarding Greenland have included in recent months such subjects as radio frequencies, flight permits both for United States planes in the base area and for Danish planes visiting the bases, surveys of different kinds beyond the base areas, the sale of surplus property in Greenland, the landing and hotel facilities at the Søndrestrømfjord base, the use of Danish contractors, labor and material at the bases, the maintenance of the Danish weather stations on Greenland, the radar network, and the withdrawal of the American forces from the Narsarsuak base. In all of these matters, which have sometimes presented minor difficulties, the Danish Government has shown a consistently cooperative spirit.

#### IV. Economic Relations

##### *Cooperation with the United States in International Economic Activities*

Denmark usually gives full support to the major principles in United States foreign economic policy. As a country which has a very low customs tariff and which has been increasing its liberalization of quantitative restrictions, Denmark generally favors, as does the United States, measures designed to break down trade barriers, although opposition to this policy is occasionally voiced by some industrial elements and labor groups, which tend to favor increased protection and oppose further trade liberalization. In the GATT organization and OEEC Denmark has consistently been a leading supporter of proposals for multilateral tariff reduction, and at the GATT Conference in Geneva in early 1956, Denmark was disappointed that greater progress was not made in reducing trade barriers. As already noted, the country's export interests view with concern and resentment the fact that Western Germany has not reduced more extensively its tariffs on agricultural products.

At GATT meetings, Denmark frequently criticizes the United States restrictions on imports of dairy products and opposes the waivers granted to the United States for agricultural import restrictions.

In East-West trade controls, the country has in the last several years faithfully administered the controls agreed upon, and the Embassy has found a high degree of cooperation from the Danish authori-

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<sup>8</sup> Not printed.

ties in deviation cases. [2½ lines of source text not declassified] Pressures of agricultural export groups and of shipyards have unquestionably played an important part in determining the Danish positions.

Also Denmark's views with respect to the U.N.'s Economic Commission of Europe (ECE) are somewhat different from those of the United States. While we see little promise in this organization and oppose an extension of its trade functions, Denmark sees in it useful possibilities as an economic bridge between the East and West which could both serve to reduce world tensions and to promote East-West trade of an innocent nature.

#### *Treatment of U.S. Trade*

The present treatment of imports from the dollar area, with 55% liberalization (on the basis of 1953 imports), as compared with 83% (on the basis of 1948 imports) from the OEEC countries, cannot be considered as satisfactory, particularly since in recent months dollar earnings in the balance of payments have been applied to EPU deficits.

During the past three years the Embassy has more or less continuously been endeavoring to improve the treatment of dollar imports. After there was adopted in February 1955 a 38% liberalization of dollar imports, which was raised to 55% in November of that year, it appeared in September and October 1956 (following conversations with the Foreign Office and an exchange of notes)<sup>9</sup> that the 55% figure was about to be increased. However, the pressures on the balance of payments as a result of the Suez Canal situation and the more recent recurrence of a serious foreign-exchange problem have caused this action to be postponed. It does not seem that any useful purpose would be served by bringing up the matter again until the foreign-exchange situation improves. The Danish authorities are continuing to grant licenses more or less freely for many imports from the dollar area not covered by the 55% liberalization, and relatively few complaints, apart from those of American exporters of citrus and canned fruits, are coming to the Embassy's notice.

Meanwhile, Danish imports from the United States are increasing substantially and at a more rapid pace than the exports to the United States. The imports amounted to 905 million kroner in 1956, compared with 635 million in 1955, 396 million in 1954, and 309 million in 1953; while exports (including those to the United States Armed Forces in Germany) were 562 million kroner in 1956, as compared with 531 million in 1955, 490 million in 1954 and 409 million in 1953.

<sup>9</sup> Documentation on the negotiations on this question in September-October 1956 is in Department of State, Central File 459.116.

*Danish Criticism of Certain United States Measures*(a) *Section 22 Dairy Restrictions*

By virtue of Section 22 of the Agricultural Adjustment Act,<sup>10</sup> the United States placed restrictions on various dairy products, including blue cheese and butter, in the summer of 1951, and these have been retained. For several years these restrictions, which have served to limit the amount of Danish blue cheese to more or less the amounts which had been previously imported into the United States and which have virtually prohibited imports of Danish butter, created a widespread bitter feeling in Denmark. It is true that the restrictions damaged certain blue cheese producers, who had been preparing to increase materially their exports to the United States and had been making new investments for this purpose, but total cheese exports to the United States have actually been rising. Including the exports to the United States Armed Forces in Germany, they amounted to 19.8 million kroner in 1956, compared with 13.8 million in 1951, the year that the restrictions were imposed, and 10.4 million the year before (1950).

In the case of butter, the criticism is completely unwarranted, because Denmark has exported almost no butter to the United States except for several years immediately after World War I. What has tempted Danish butter exporters in recent years have been the artificial subsidized prices in the United States market. The Danish butter producers would like to share in these subsidies; i.e., they would like to have the American taxpayers subsidize butter production in Denmark. Actually, Denmark has profited by the subsidized butter production in the United States, because the artificially higher butter prices there have tended to increase world-market prices.

In any event, the Danish criticism of the blue cheese and butter restrictions has subsided somewhat in the last two or three years. I cannot help believing that an important factor in this has been the efforts of the Embassy, notably those of the Agricultural Attaché and the USIS, in presenting to the Danish public and agricultural interests—by speeches, informal conversations and newspaper articles—the true facts regarding the measures. However, the subject still crops up occasionally.

(b) *Disposal of Agricultural Surplus Abroad*

During the past two years there have from time to time been flurries of severe criticism in the press and elsewhere of the United States agricultural disposal programs, especially with respect to butter, and the Embassy received two notes of protest from the Foreign Office

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<sup>10</sup> 49 Stat. 773.

in 1956.<sup>11</sup> The programs have been considered out-and-out dumping—to which the United States had in the past been so opposed when practised by other countries—and injurious to prices. The criticism had maintained that, despite the United States assurances that normal channels of trade would not be interfered with, the furnishing of the amounts of butter in question to habitual Danish customers or to traditional Danish markets could not avoid having detrimental effects. (In its limited amounts, the sale of surplus butter in Europe did not lower prices at the time, but it may have prevented prices of Danish butter exports from going higher.) In recent months the criticism has been much less than last year—partly because the United States has not engaged in disposal of butter surpluses in Europe, and partly because the attention of Danish farmers has turned to British dumping of eggs abroad and the deterioration of prices for Danish agricultural products in Great Britain. Nevertheless, the United States surplus program continues to be viewed with suspicion and distrust, and is considered a kind of sword of Damocles over much of Danish agriculture.

(c) *The 50% Shipping Clause*

The continued requirement that 50% of trade financed by United States aid or facilities must be carried on United States ships is another measure that frequently comes under fire in the press and elsewhere in Denmark. Danish shipping is not subsidized (except to a certain extent through liberal depreciation rules for tax purposes), and Denmark is strongly opposed to shipping subsidies in general. It is particularly opposed to the 50% clause on the grounds of discrimination. The Danish attitude is unquestionably influenced also by the positions of Norway and Great Britain, whose opposition rests largely on fears that the 50% principle will spread to other countries.

The 50% clause is the reason why Denmark has declined on two occasions in the last two years to accept mutually-profitable offers under our Public Law 480.

(d) *The Danish Shipping Claims*

For some years after World War II Washington agencies were unable to agree upon a settlement of the unpaid balance of the Danish claims aggregating a few million dollars for compensation for the taking over of a number of Danish vessels during the war. Here again, there has been a definite sore spot in relations between the two countries;<sup>12</sup> the more so as Ambassador Kauffmann in Washington, who arranged with Washington officials for the use of the ships during the war and apparently feels a certain responsibility for an equitable settlement, has considered the matter to be of a personal nature. Because of

<sup>11</sup> Documentation on U.S. discussions with Denmark on this subject are in Department of State, Central File 411.5941.

<sup>12</sup> Documentation on this question is *ibid.*, EUR Files: Lot 59 D 233, Denmark 1949-1955, and, *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199.

the delay, the Danish Government has withheld submitting to the Folketing for ratification the Treaty of Friendship, Commerce and Navigation with the United States, signed in 1951 and ratified by the United States Senate in 1953.<sup>13</sup>

The final agreement within the United States Government, calling for approximately 5.3 million dollars, the expressed willingness of the Danish Government, however reluctantly, to accept this amount in settlement, and the introduction of the bill in the Congress<sup>14</sup> on April 4 last, augured well for a disposition at long last. However, the situation has again become clouded by Ambassador Kauffmann's reminder to State Department officials on May 9 that the Danish willingness to accept the formula had been conditioned by Congressional enactment of the bill by June 30.<sup>15</sup> The present prospects of passage by that time are understood to be not very encouraging.

#### V. Recommendations

##### *Continued Military Assistance*

As long as the Soviet threat to the free nations persists, United States diplomacy in Denmark should be concentrated primarily on doing everything possible to preserve and to increase Danish cooperation with the common defense. The United States must continue to furnish the country considerable amounts of military assistance. Whether Denmark, which is devoting so little of its income to defense, deserves further assistance is irrelevant; the issue is whether it is in our own self-interest to do so, and the Embassy believes that there is little doubt that this is the case. In the first place, cessation of aid could contribute materially to an effective movement for withdrawal from NATO and for a return to a neutralist policy in world affairs. Those anti-NATO forces already existing in the country could be counted upon to exploit the discontinuance of aid to the maximum degree and to advertise that Denmark has been abandoned by the United States. This movement would not develop over night, but it could easily evolve and get out of hand over a period of time.

A departure of Denmark from NATO would be most unfortunate for various reasons. It would likely cause serious difficulties with respect to the use of Greenland because, as already noted, the base and other defense facilities there are tied to Danish membership in NATO. It would mean also that Denmark's valuable role of corking up the

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<sup>13</sup> See Document 172.

<sup>14</sup> S. 2448 did not pass in 1957. In 1958, a bill authorizing payment to Denmark did pass; for text of Public Law 85-450, see 72 Stat. 182.

<sup>15</sup> A memorandum of Ambassador Kauffmann's conversation with Acting Secretary Herter, May 9, is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

Baltic in a possible war with the Soviet Union would have to be removed from the NATO defense plans. Moreover, it could start off a chain reaction for withdrawals or reduced contributions by other NATO partners. Finally, however weak the Danish defense forces are, they have at least some defense value even apart from blocking the Baltic; this is particularly true of the developing air force. But, irrespective of the effect that the discontinuance of aid might have upon Danish membership in NATO or Danish support for NATO, including the use of Greenland, it would undoubtedly have a dampening effect upon the further development of Danish defense forces. The MDA Program represents both a prop and a prodding of this development, and its withdrawal could not avoid being a weakening influence.

#### *Increased Efforts To Develop Pro-NATO and Pro-Defense Attitude*

Like all peoples, the Danes are moved in at least some measure by emotional influences, but they are probably more amenable to reason than the majority of countries. Therefore, the opportunities of carefully directed media of influence are great, and they should be fully, but in a discriminating manner, exploited.

USIS in Denmark should be strengthened. Its staff should be expanded to allow its senior officers more time away from their desks and in the field. While USIS now enjoys excellent cooperation from the Copenhagen press and leading provincial papers on NATO and defense publicity, it must strengthen its influence in the smaller rural areas. This is particularly important now, with the recent election showing surprising strength for the Agrarian Party.

Secondly, USIS should be provided with adequate representation funds. At present it has practically no such funds (\$300.00 per annum for four officers).

It is the one agency within the Government which works more closely than any other with a wide cross-section of the local population. Personal contact and official representation are a necessary part of its program. This is particularly true in the Scandinavian countries where representation plays a particularly large role in the country's contact and social activities.

#### *Continuation of the Long-Range Program To Intensify U.S.-Danish Relations*

While there is a tendency for us all to be absorbed during this crucial period in world history in matters which, however decisive, are transitory rather than permanent, and while it is hoped that the present defense requirements of the free world will in the years to come diminish, the need to maintain a solid base for American-Danish friendship, for American influence and prestige in Denmark, and for

Danish support of various American policies is a continuing need. There must be a long-range program to meet this need, and it should not be disturbed by the ups and downs of the cold war.

This program is a responsibility that rests upon all activities of the Embassy. Among these is the exchange-of-persons activities. The Fulbright grants, the Smith-Mundt scholarships,<sup>16</sup> the scholarships of the Danish-American Foundation here in Denmark and of the American-Scandinavian Foundation in the United States, the various grants and facilities made available by American colleges and universities and other organizations, the visits of businessmen, professional people and artists in both directions—all these inevitably result in better understanding, greater mutual respect and admiration and closer friendship.

Responsibilities for these exchange activities rest primarily with USIS. This phase of the mission's activities is one that is mutually understood and sympathized with in Denmark and finds a great acceptability among the Danes, who admire the United States efforts to achieve mutual understanding through these activities. Smith-Mundt grants, particularly in the secondary teacher and student category, should be increased. Returns on these types of grants will pay off in the long-term objective.

Similarly, there should be no relaxation of our general cultural relations program in Denmark. There is a tendency in this country, as in other parts of Europe, to view the United States as a country teeming with business activity but having somewhat primitive cultural tastes and accomplishments. A better appreciation of American cultural life would serve to increase our prestige here and thus make for greater sympathy with and support of our leadership.

#### *Removal of Economic Irritations*

There have been mentioned above certain economic irritations that have prejudiced the good relations between the United States and Denmark. Three of these relate to United States measures affecting many countries, and it is appreciated that broad programs of this kind cannot be shaped to serve the interests of a single small foreign country. Assuming, however, that analogous situations exist in our relations with other countries affected by these measures, it would seem that the experience in our relations with Denmark could perhaps be added to those of the other countries to establish a strong case for greater consideration of the impact of these measures upon our international relations and the efficacy of American leadership.

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<sup>16</sup> Reference is to the educational exchange program instituted under the U.S. Information and Educational Exchange Act of 1948; 62 Stat. 6.

In this whole matter the fact stands out that the United States has assumed, voluntarily or otherwise, the leadership of the world. In its economic leadership it has been vigorously pushing ahead for the removal of trade restrictions and of unfair and injurious measures in world trade and commerce. In a country like Denmark, with very low import tariffs, with almost no trade or shipping subsidies and with no dumping practices, and where quantitative restrictions are being reduced, it seems incongruous that the world leader engages in some of the very practices from which it is attempting to have other countries desist. While it is perhaps unrealistic to expect a leader country to have all the virtues of Caesar's wife, countries like Denmark nevertheless look to it for greater adherence to principle and self-discipline than they expect from other nations. Quite apart from the morals involved, the effectiveness of American economic leadership is diminished by its vulnerability to attacks upon certain American practices.

The Embassy has endeavored on different occasions to impress upon the Danish public that the complaints in Europe of such measures as the Section 22 restrictions on dairy products, the 50% shipping clause, the agricultural surplus disposal program and the escape-clause<sup>17</sup> cases not only exaggerate the significance of these measures per se but also fail to consider how insignificant they are in comparison with the important measures which the United States has adopted in recent years to break down trade barriers. These efforts should continue.

However, the economic irritants, regardless of their importance, may be expected to go on prejudicing the good relations between the United States and Denmark as long as the irritants remain and to continue limiting the effectiveness of United States leadership. They will continue to undermine the good will that has been generated by years of effort—not least by the \$280 million of economic aid program here.

As to the shipping claims, which involve Denmark alone and do not involve such far-reaching matters as the protection of American agriculture and the American Merchant Marine, every effort should be made to expedite passage of the Congressional bill before adjournment of the Congress. As the Embassy has commented previously, it is deplorable that settlement of this matter has been delayed from year to year for so long a time and that this delay has created enough bitterness to prevent Danish ratification of the 1951 Treaty of Friendship, Commerce and Navigation. I fully appreciate, however, that officers of the Department have worked hard for years in efforts to find a solu-

<sup>17</sup> Section 6 of the Trade Agreements Extension Act of 1951, known as the "escape clause," provided that whenever an imported product threatened to cause serious injury to domestic manufacturers, all tariff concessions on that product would be withdrawn. (65 Stat. 74)

tion vis-à-vis the Washington agencies, and I am particularly mindful of the excellent statement on the subject which Under Secretary Herter made to the House Committee on Foreign Affairs on May 21.<sup>18</sup>

#### *Maintenance of a Strong Embassy Staff*

The Department of State and other Washington agencies involved should continue to maintain a strong staff at this post. Denmark has a reputation of being a pleasant and even a glamorous post (it is pleasant although hardly glamorous), but there is a tendency to minimize its importance. I have attempted to describe above the unique value in relation to its size and population that Denmark has in the Western defense structure because of its strategic location at the mouth of the Baltic and because of Greenland. For this reason alone, our stakes of diplomacy here are high. A single blunder or a reduction of influence through personnel cuts—e.g., in the USIS—could be seriously detrimental to our national interests. I recommend therefore that, in determining personnel requirements at this post in staffing and in providing allowances for promoting contacts, these stakes be kept always in mind.

#### *Maximizing Contacts in the Provinces*

During my nearly four years in Denmark, I have tried to meet as many people as possible outside of Copenhagen, including persons in various walks of life, and other members of the mission have done this also. Over three-fourths of the population of the country lives outside of the capital area, and many of these people feel that foreign diplomatic representatives do not see enough of the rest of the country. I have found that the Danes in the provinces are very receptive of official visits from foreign diplomats in Copenhagen (although few representatives of other countries have made extensive trips of this kind), and there is no doubt that such trips, with well drafted and effectively publicized addresses, go far to extend United States influence and good will in Denmark. Evidence that they are appreciated by the Danes was offered in remarks made by the Prime Minister at a dinner which he gave in my honor last night. After saying that I would be remembered here as the "traveling Ambassador" and that "very few of your former and present colleagues among the heads of missions have seen so much of Denmark as you have", the Prime Minister stated that "with great pleasure we have ascertained the interest you have shown Denmark and the Danish community by your many visits to our provincial towns". Apart from the good will factor, these visits

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<sup>18</sup> For text of Herter's remarks, see *Department of State Bulletin*, June 24, 1957, pp. 1020–1025.

have taught me and members of my staff accompanying me a great deal about Denmark, the Danes and Danish thinking that could not be learned in Copenhagen alone.

#### *Cooperation with the British in Denmark*

[4 lines of source text not declassified] This was one of the subjects discussed at the 1954 meeting of American Ambassadors in these countries,<sup>19</sup> where there appeared to be a consensus of opinion that the British activities in this direction presented no problems of consequence for American foreign policy but that greater efforts should be made to coordinate American and British policies in Scandinavia.

It would, in my opinion, be most imprudent for the United States to enter into a contest with Great Britain for supremacy of influence in this country. Despite its small size, there is plenty of room in Denmark for activities of leadership by both the United States and Great Britain. Rather than viewing the efforts of our two countries for added influence as competitive, it is far more productive to consider them as mutually profitable and therefore as calling for a maximum of coordination and cooperation.

At the above-mentioned 1954 meeting, there was a feeling that active attempts should be made to reach agreement between the United States and Great Britain on policies to which the Scandinavian countries are urged to adhere and that consultation between our two countries on such matters was essential. During my period in Copenhagen, the Embassy has been more or less continuously in consultation with the British Embassy on subjects of common interest pertaining to Denmark. [4 lines of source text not declassified]

I feel strongly that the force of our diplomacy in Denmark can be well served if we work as closely as possible with the British and if we consider them as partners whose major objectives are almost identical with ours. By pulling together with them we strengthen the force of our own effort.

**Robert Coe**

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<sup>19</sup> Minutes of the meeting of U.S. Chiefs of Mission to Scandinavia in Copenhagen, April 26-27, 1954, are in Department of State, EUR Files: Lot 59 D 233, Ambassadors Meeting Copenhagen—April 1954.

**181. Letter From the Deputy Assistant Secretary of State for European Affairs (Jones) to the Deputy Assistant Secretary of Defense (Irwin)<sup>1</sup>**

*Washington, October 8, 1957.*

DEAR JACK: I have just returned from an interesting conference at London<sup>2</sup> at which our Chiefs of Mission in the Scandinavian countries reported on developments in their respective areas.

I think you will be interested to know that both Miss Willis, our Ambassador to Norway and Mr. Peterson, our Ambassador to Denmark stressed the need for continued American military assistance if these countries are to maintain modern defense forces at the present level.

Miss Willis observed that Norwegian foreign policy is based on strong support for the United Nations and for NATO. She was inclined to believe that with a weaker government it might be difficult for Norway to maintain the current level of expenditures on defense in competition with the demands of the welfare state. Although the Defense Committee of the Parliament supports the idea that defense should continue to receive a constant share of the increasing gross national product, Miss Willis said the full Storting had not indicated its accord. "Norway", she said, "must continue to look to the United States for military assistance if it is to maintain modern armed forces".

As regards Denmark, Ambassador Peterson pointed out that the five democratic parties are pledged to support NATO although there is some neutralism still in the Radical Liberal Party. He foresaw that Danish defense expenditures would be about the same next year as last but feared that reductions must be anticipated in the future. He echoed Ambassador Willis' belief that American military assistance is necessary to Denmark if that country is to maintain modern defense forces at the present level.

I know you have this problem very much in mind at all times but I felt that you would be interested in knowing that our Ambassadors to these two countries specifically mentioned this problem as one of the important issues with which we have to contend.

Sincerely yours,

John Wesley Jones<sup>3</sup>

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<sup>1</sup> Source: Department of State, Central Files, 120.1440/10-857. Secret. Drafted by Parsons on October 3. Copies were sent to Ambassadors Willis and Peterson.

<sup>2</sup> Regarding the meeting of the Northern European Chiefs of Mission in London, September 19-21, see vol. IV, pp. 608 ff.

<sup>3</sup> Printed from a copy that bears this typed signature.

182. Memorandum From Edwin G. Moline of the Office of British Commonwealth and Northern European Affairs to the Deputy Assistant Secretary of State for European Affairs (Jones)<sup>1</sup>

Washington, November 8, 1957.

SUBJECT

U.S. Position on Current Scandinavian Civil Air Negotiations<sup>2</sup>

1. The Scandinavian Delegation is interested not only in making permanent SAS's right to the polar route terminating at Los Angeles, but will undoubtedly also seek to have San Francisco as a second point of origin and destination on this route. SAS's desire to have such rights in San Francisco is supported by the Scandinavian delegation on the grounds that within a number of years SAS will be severely handicapped in competing with domestic carriers who have begun to operate another polar route (to Paris) and with access to several points of origin and destination. SAS will probably ask for the designation of San Francisco as a substitute for Chicago. (SAS had landing rights in Chicago under the existing air agreement but has not used this privilege.)

2. The domestic airlines, most notably Pan American Airlines, oppose granting SAS the use of San Francisco. The real reason, of course, is that the airlines, as commercial enterprises, do not wish to see competitive enterprises achieve a stronger position. The reasoning offered by the domestic airlines for opposing the anticipated Scandinavian request for the use of San Francisco is that the Air Agreement with the Scandinavian States<sup>3</sup> was intended to secure roughly equal advantages for the Scandinavian and U.S. carriers. But in fact the Scandinavian carriers have secured great advantages and the American carriers have gained very little from the existence of the Air Agreement. The domestic airlines contend that granting SAS rights in San Francisco would further unbalance an already unbalanced situation.

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<sup>1</sup> Source: Department of State, Central Files, 611.57A94/11-857. Confidential. Drafted by Alexander C. Johnpoll of BNA.

<sup>2</sup> The Ambassadors of Denmark, Norway, and Sweden informed the Department of State on January 22, 1957, that their governments wished to revise existing air transport agreements. The memorandum of their conversation with representatives of the U.S. Government is *ibid.*, 611.5894/1-1557. Documentation on the negotiations, which began on November 6, 1957, and culminated in an agreement signed on July 8, 1958, is *ibid.*, 611.57A94. For text of the 1958 Agreement, see 9 UST 1005, 1009, and 1012.

<sup>3</sup> Reference is to the agreement relating to the establishment of an air route between Scandinavia and the United States by way of Greenland, signed August 6, 1954. (TIAS 3013-3015 and 5 UST 1411, 1422, 1433)

3. The domestic airlines have no desires in connection with rights in Scandinavia that might serve as a counter-concession against the Scandinavian request for the use of San Francisco. In fact, it has only been under the prodding of the State Department that Pan American has made any significant use at all of U.S. rights under the existing Air Agreement.

4. The BNA representative on the U.S. delegation has informed the other members on the delegation that, aside from aviation-economic and technical considerations, his office would favor granting landing rights at San Francisco to SAS because of political and psychological considerations. These considerations derive from the necessity for the United States to practice the economic liberalism and the willingness to sacrifice in the interest of free world cooperation, that we have constantly urged upon the European powers; and our retreat from these principles whenever a domestic commercial interest may suffer would seriously endanger the American position of moral leadership among the free nations of the world.<sup>4</sup>

5. At the moment it appears that most members of the delegation are impressed by the domestic airlines argumentation, and by the potential Congressional and political support available to the domestic airlines. It is believed that strong intercession by the highest levels in EUR may be required before the negotiations have been completed.

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<sup>4</sup> The attached text of a speech to be delivered by Mr. Dillon on Nov. 9 raises this issue, in the marked passages. [Handwritten footnote in the source text. The attachment is not printed. For text of Dillon's speech before the Western States Council at San Francisco, November 9, see Department of State *Bulletin*, December 2, 1957, pp. 877–881.]

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**183. Telegram From the Embassy in Denmark to the Department of State<sup>1</sup>**

*Copenhagen, November 25, 1957—5 p.m.*

437. Paris for USRO. While there may be no disposition to do so, Embassy feels strongly it would be counter-productive at this time to attempt pressure Danes to a decision to accept atomic weapons in Denmark.<sup>2</sup> Danish people tend to reason things out slowly and al-

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<sup>1</sup> Source: Department of State, Central Files, 759.5611/11-2557. Secret. Repeated to Paris and Oslo.

<sup>2</sup> Footnote [2 lines of text] not declassified.

though there is evidence of favorable reaction within armed forces, public opinion here is not yet prepared for this step. We believe that as other NATO countries accept, favorable public attitude will develop in Denmark but at this point most we can do to hasten this development is to continue education. Current publicity on subject is helpful.

**Peterson**

## SPAIN

### **U.S. EFFORTS TO CONTINUE THE PROGRAM OF MILITARY, ECONOMIC, AND TECHNICAL COOPERATION WITH EMPHASIS ON THE DEVELOPMENT AND SECURITY OF U.S. BASES IN SPAIN; SECRETARY DULLES' VISIT TO MADRID, DECEMBER 20, 1957<sup>1</sup>**

- 184. Memorandum From Robert B. Black to the Deputy Director  
of the Office for Program and Planning of the Foreign  
Operations Administration (Ohly)<sup>2</sup>**

*Washington, February 23, 1955.*

**SUBJECT**

Notes on the Spanish MDAP Program

You will recall that the terms of reference of the recent Evaluation Team for Spain did *not* include a review of the operations of JUSMAG. It was also General Ingles' wish that the Team while in Spain refrain from concerning itself with specific military matters. Our report, therefore, only refers to MDAP tangentially except in one major policy issue, the impact of the present program on Spanish defense expenditures and the need for U.S. policy clarification on the role, if any, for Spanish forces in Western defense. (Most of the discussion on this point is found on page 6-8 of the Report.)<sup>3</sup> The Team, however, did have an opportunity to receive a standard briefing by General Kissner, talk with General Barnes and his MAAG staff and peruse on an individual basis the purpose, effectiveness and import of the MDA Program. The following notes are my own personal observations:

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<sup>1</sup> For previous documentation on U.S. relations with Spain, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, pp. 1777 ff.

<sup>2</sup> Source: Department of State, Military Assistance Program Files: Lot 59 D 448, MAP—Spain (FY 1955). Secret. Robert B. Black was the Officer for Europe in the Office for Program and Planning, FOA.

<sup>3</sup> Not found in Department of State files. Despatch 78 from Barcelona, January 28, describes the January 25 visit of an FOA evaluation team which arrived to investigate the effects of FOA's program in northeastern Spain. In Barcelona, the team went to factories, the American Chamber of Commerce, and the Spanish Regional Productivity Commission. The team then went on to Madrid for a 2-day program. (*Ibid.*, Central Files, 752.5-MSP/1-2855)

1. *Program Objectives.* Both JUSMAG and Embassy are quite frank in indicating the prime purpose of the \$350 million MDA Program, a simple payment for base rights. Beyond this, however, I found a variety of views as to what the Spanish should do with their forces. The official MAAG statement of objectives calls for the forces supported with U.S. aid to help defend the bases, which means defending the Iberian peninsula in the judgment of General Barnes. The three jet air wings scheduled can "augment" but not substitute for U.S. Air Force capability. Naval units will patrol coasts and help protect harbors, but the U.S. Navy will be standing by. For the MDAP equipped land forces, base defense, aside from minor security forces, means a defense line on the Pyrenees. This makes sense only with NATO forces contributing to that defense, and there is no immediate possibility of Spanish participation in NATO.

Embassy and USOM staff feel there is probably no specific role for Spanish forces to play, or at least one which should result in a major defense buildup. The present U.S. program, however, has already resulted in a buildup, presumably sparked from the Spanish military side. The Evaluation Team was impressed with the adverse effect of the added costs to an economy barely able to keep stable and lacking adequate capital development. An annex to the Report prepared by USOM/Madrid gives a summary of the 50% expansion in the Spanish defense budget (\$150 million, perhaps one half in foreign exchange requirements) which can be largely traced to the Military Assistance Agreement. Already then, without a serious mission defined in terms of U.S. interests for the Spanish forces, there is developing a major impact on the economy not generally realized by the Spanish themselves. The NSC policy statement<sup>4</sup> regarding adverse impacts on the economy seems to give a basis for aid programs to offset the buildup underway. In addition, some members of the JUSMAG probably favor an expanded Spanish military system with an idea that the Iberian peninsula may be the real bastion of Europe.

Lacking a precise guideline on U.S. interests in the role of Spanish forces, the MAAG can hardly be blamed for the rather haphazard way in which end items are apparently presently being programmed. I personally saw little evidence of gross misuse of aid funds, but there is an obvious tendency to permit the \$350 million to meet Spanish whims and generally to be dissipated over a wide area of forces and activities. General Kissner himself would like to see JCS define the military mission, but I think he is confident in a definition favorable to a major buildup when he requests visiting officials to plead the case for high level consideration of the problem. In addition to this pressure

<sup>4</sup> Reference is to NSC 5418/1, June 10, 1954; see *Foreign Relations, 1952-1954*, vol. vi, Part 2, pp. 1980-1985.

from some of the military for full buildup of the Spanish military (in my opinion costing hundreds of millions in additional MDAP beginning in FY 1958 and \$50—\$100 million per year of defense support or defense forces support beginning in FY 1957), I can see three other elements leading us in this direction:

a. The interest of the Spanish generals, including Franco himself, in larger forces.

b. The interest in some Congressmen in using the "latent strength" of Spain (c.c. Brownson Subcommittee Report, which stresses the buildup as a reason for economic aid).

c. A tendency within the Executive Branch sometimes to seize upon the factor of increased defense costs as a justification for assistance, the pressure for which really results from political or economic factors.

2. *Recutting the \$465 Million Pie.* The Team, looking upon the MDA Program as a necessary "boondoggle", considered the possibility of resplitting the \$465 million committed to Spain in a note to the agreements. The 350-115 division apparently is the result of some collusion between U.S. and Spanish military personalities. On several occasions the USOM has heard complaints from the Minister of Commerce that he did not consider the split satisfactory to him. The Team recommends that when the matter is again raised by the Spanish in connection with a request for further aid.<sup>5</sup> This is a good tactic, but my personal view is that the coalition which originated the division is still a potent force. Until a policy decision is made here as to the role of Spanish forces, there is little basis for initiating a review of the dollar commitment.

3. *OSP.* The Team did not investigate the ramifications of this program in Spain but held the opinion that as for defense budget support and projects aiding the munitions industry, the U.S. interest did not lie in the direction of strengthening the Spanish military machine, at least until a mission is defined. Spain has had \$10 million in OSP contracts for delivery of ammo to the Spanish forces and has received some economic aid to improve production facilities in connection with those contracts. It now develops that the Spanish shipyards will probably get the \$25 million contract for modernizing naval vessels. This directed contract probably makes sense, but I agree with my colleagues that there is little point in compounding the \$350 million error, if it is one, with further directed contracts or economic assistance to munitions industries at this time.

[1 paragraph (7 lines of source text) not declassified]

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<sup>5</sup> the GOS be asked to reduce the MDA portion. [Handwritten footnote in the source text.]

**185. Report Prepared by the Operations Coordinating Board<sup>1</sup>**

*Washington, April 27, 1955.*

**PROGRESS REPORT ON NSC 5418/1 " UNITED STATES POLICY  
TOWARD SPAIN"<sup>2</sup>**

**(Policy Approved by the President, June 9, 1954)**

**(Period of Report: June 9, 1954 through April 27, 1955)**

**A. Summary of Major Actions**

1. The U.S. base development program in Spain is being executed in a careful and deliberate manner in order to avoid criticisms which have arisen in connection with construction programs elsewhere. Contracts were awarded for pavement work at Torrejon (Madrid) and Zaragoza in September 1954, and work is in progress. A contract has been awarded for the initial increment of construction for the Navy facility at Rota (Cadiz). A contract was awarded in January 1955 for the pipe to be laid from Rota (Cadiz) to Zaragoza. A contract was awarded in February 1955 for the construction of aviation fuel storage at the civil airports of Barajas (Madrid), Muntadas (Barcelona), and San Pablo, and work is presently underway. Preparatory work accomplished will enable a progressively increasing number of projects to be placed under contract in the coming months. A contract for construction of the POL pipeline is scheduled for award in April 1955. Contracts for initial construction at air bases at Moron and San Pablo are scheduled for award in May and June 1955, respectively.

*[Numbered paragraph 2 (5 1/2 lines of source text) not declassified]*

3. The U.S. Embassy made official representations at Madrid to obtain a moderation of the hostile anti-French tone of the broadcasts to French Morocco of Radio Tetuan but these were only temporarily successful.

4. For the first time U.S. naval vessels will make a Spanish port their home port in accordance with plans to station two Navy tankers at Barcelona in May and June.

<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Spain 1954-55. Top Secret. A cover sheet; a May 17 memorandum by Elmer B. Staats, Executive Officer of the Operations Coordinating Board, transmitting the Report to the OCB; and a second memorandum by Staats, May 3, transmitting the Report to the National Security Council, are not printed.

<sup>2</sup> For text of NSC 5418/1, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, pp. 1980-1985.

5. The Department of State and FOA established procedures for Spanish participation in selected European Productivity Agency (EPA) projects as a step in the direction of closer Spanish cooperation with the Organization for European Economic Cooperation (OEEC) countries.

This problem is complicated by EPA's need for the active support of the free trade union movement and the hostility of the free trade union movement to Spain.

6. Spanish association with the OEEC Agricultural Ministers' Council was approved in January 1955 with U.S. support.

7. The Department of State supported the Spanish Government in obtaining UN observer status. Observer status was granted January 26, 1955 and the observer has now been appointed by the Spanish Government.

8. With U.S. support, Spain was granted observer status in the International Labor Organization in March 1955.

9. Of the \$85 million Defense Support programmed for Spain for FY 54, \$24.7 million has been disbursed through April 1, 1955, and an agreed program with the Spaniards for the use of the 30% of counterpart funds has been developed. Of the \$30 million for Defense Support allotted for FY 55 (P.L. 665), \$10 million in procurement authorizations have been issued.

10. Under an amendment to the MSA for FY 55 proposed by the late Senator McCarran, \$55 million worth of surplus agricultural commodities was authorized for Spain. Procurement authorizations for the full amount of \$55 million have been now issued: \$49 million in cotton, and \$6 million in cottonseed oil; and the loan agreement is expected to be signed in the near future.

11. An agreement for the sale of \$21 million surplus agricultural commodities under Title I of P.L. 480 was signed April 20, 1955.

12. Generally speaking MDA material and training programs have proceeded satisfactorily. As of December 31, 1954, \$38.3 million in end items had been shipped to the Spanish out of FY 50-54 programmed total of \$142.4 million. The major items shipped were 80 training aircraft, 76 tanks, 895 trucks, 121 artillery pieces, and 2 mine sweepers. On the above date, 500 Spanish nationals had completed training in U.S. military schools and 425 were in training as of that date. Modernization of the 24 Spanish vessels which constitute the bulk of the Navy MDA program has not progressed as rapidly as desired by the U.S. Navy. U.S. Navy personnel have repeatedly urged the Spanish Government to expedite the selection of a shipbuilding technical advisor and to submit their proposed plans and specification for the modernization.

13. USIA expanded its operations in Spain. Emphasis was placed on local radio programs, book translations, films, and exhibits and lectures explaining U.S. aid. One information center was opened in Zaragoza, and two more are planned for Moron and Cadiz.

14. Visits of high-level American officials to Spain and by senior Spanish officials to the U.S. created opportunities for mutual understanding. General Franco visited a Sixth Fleet carrier in October.

15. The Department of State provided 16 Exchanges of Persons grants for Spain in FY 1954.

16. Over \$600,000 of FY 54 Defense Support funds were set aside for a technical exchange program which will send 23 American technicians to Spain and bring nearly 160 Spaniards to the United States. As of April 1, 1955, 2 Americans had been sent to Spain and 39 Spaniards had arrived in the United States. Arrangements for remaining persons to be exchanged are proceeding slowly but no important problems exist.

17. Under the FY 54 Facilities Assistance Program, authorizations have been let to the Spanish Government authorizing them to procure equipment at U.S. expense to the extent of \$3.6 million for two plants manufacturing TNT and propellants. The FY 55 Facilities Assistance Program totals \$5.6 million for five projects for the manufacture of propellants and explosives. Money has been funded for the FY 55 projects and the engineering surveys are now being conducted. In addition, the Department of the Air Force has been directed to complete a facilities assistance survey of the Spanish aircraft industry as soon as possible.

#### *B. Evaluation of Progress in Implementing NSC Policies*

18. Over-all U.S. operations in Spain have developed satisfactorily within the framework of U.S. policy and U.S.-Spanish relations have remained cordial.

19. Official Spanish inquiries regarding membership in NATO indicate some evolution in the Spanish attitude toward this organization. Notwithstanding Spain's association with several international organizations, there has been no marked improvement in relations between Spain and the principal European NATO nations. Spanish policies, particularly vis-à-vis France and Great Britain, do not evidence awareness that such improvement is desirable in connection with NATO membership for Spain.

20. Base construction has progressed slower than forecast. There has been an estimated slippage of four months. This has been due principally to unexpected difficulties encountered by the Spanish Government in the procurement of land, slippages in preparation of con-

struction designs, and one site change. Delays in acquiring land in Spain have been no greater than delays experienced in acquiring land for the military in the U.S.

21. Substantial disagreement developed with Spain over the amount of loan and the exchange rate under the \$55 million (Sec. 109, P.L. 778). Of the 80% of sales proceeds for the Spanish civilian economy, a \$20 million loan-\$24 million grant ratio, and an exchange rate, now have been agreed to.

### C. Emerging Problems and Future Actions

[Numbered paragraph 22 (4½ lines of source text) not declassified]

23. The recent U.S. agreement, signed on February 18, 1955, with Germany for the disposal of \$5 million of surplus U.S. feed grain included assurances that German currency from the sale would be used for purchase of materials in Germany for the base construction program in Spain. This amount of German materials can no doubt be absorbed into the Spanish program at competitive prices but if agreements of this type were to become general, they would tend to impair flexibility in procurement and could result in a breach of the understanding concerning Spanish contractors.

24. Economic aid and air-base construction programs, and the growing number of Americans in Spain have increased the demands from Spaniards for information on the U.S. If this trend continues, it will be necessary to consider the possibility of increasing all USIA facilities.

25. The problem with respect to religious welfare and marriage of U.S. armed forces personnel has not been resolved. Embassy Madrid is now under instructions to seek a unilateral declaration from the Spanish Government which would constitute a guide for the activities of U.S. military chaplains and other U.S. officials in Spain.

26. Land acquisition in Spain will be a continuous and difficult problem, although it is believed that the Spanish will eventually provide all land as required by the agreement. Some members of Congress were critical of the progress made. Hearings before the Special Investigation Subcommittee of the House Armed Services Committee on February 1-2 and March 15, 1955 appeared to satisfy the Committee that proper action was being taken.

27. There is a potential problem of renewed inflation in Spain. During the past year the cost of living rose about 3 percent and the currency in circulation increased about 11 percent. Expenditures for the Spanish Armed Forces are expected to rise from 8.2 billion pesetas in 1952 to 12.5 billion pesetas in 1955; expenditures for economic development are expected to rise from 9.6 billion pesetas in 1952 to 14.6 billion in 1955. Crop conditions for the past four years have been generally above the long-term average except for the 1953-1954 crop

year. Unfavorable crop conditions would aggravate inflationary dangers. If inflation threatens accomplishment of our objectives in Spain it will be necessary to take remedial steps such as urging appropriate adjustments in Spanish Government programs and policies, possibly revising the uses and amounts of U.S. assistance.

28. Press comment and public and private statements of responsible Spanish officials indicate that the Spanish government will seek economic assistance, beyond the now-fulfilled economic portion of the over-all \$465 million aid commitment to Spain, not only for supporting the military programs but for improving her economy generally. It should be noted that the U.S. has already committed itself to about \$550 million aid to Spain, although this total is not entirely obligated in the technical sense, if the McCarran amendment aid, the P.L. 480 aid, and the wheat sale aid is added to the original commitment. The Spanish government may be expected to seek additional assistance in the form of grants rather than loans.

29. There are no agreed force goals or missions for the Spanish Armed Forces for use in U.S. policy and program planning, aside from limited MDA programming guidance developed unilaterally by the U.S. after taking into account the known views of the Spaniards.

30. The NSC is requested to review U.S. policy toward Spain (NSC 5418/1) particularly with respect to paragraphs 22, 27, 28 and 29 of this report which raise problems regarding the implications of Spain's association with NATO, potential problem of serious inflation, force goals and missions for Spanish armed forces, and the extent and purposes of U.S. aid to Spain.

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**186. Memorandum of Discussion at the 248th Meeting of the National Security Council, Washington, May 12, 1955<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and items 1 and 2.]

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason on May 13.

3. U.S. Policy Toward Spain (NSC 5418/1; Progress Report, dated May 3, 1955, by the OCB on NSC 5418/1)<sup>2</sup>

Mr. Anderson commenced to brief the Council on the contents of the OCB Progress Report on Spain and the OCB proposal that the NSC undertake to review NSC 5418/1. [22 lines of source text not declassified] Despite the strong feeling against Spain which was still so obvious in Europe, there had been some progress in the right direction. For example, said the President, we have succeeded in reassuring our NATO allies that the military and other assistance we have given to Spain will not be subtracted from the assistance which we are going to give to them.

Secretary Wilson expressed the opinion that we had actually gained by our bilateral relationship with Spain. Secretary Humphrey inquired skeptically what concrete advantages the United States would derive if Spain became a member of NATO. The President replied that it would be more efficient and simpler if we could deal with Spain in NATO in terms of military planning and outlay. Ideally, this would be preferable to two separate systems, one for our NATO allies and one for Spain. Governor Stassen added that the possibility of combined planning would be advantageous. Also, Spanish membership in NATO would provide a better system from the point of view of logistics and supply.

[1 paragraph (12 lines of source text) not declassified]

Mr. Anderson then proceeded with his briefing, and outlined the second problem emphasized by the OCB Progress Report—namely, the extent and purpose of U.S. aid to Spain with particular respect to the possibility that heavy U.S. expenditures in Spain would produce serious inflation.

With some asperity the President reminded the Council that at the time that the Council adopted NSC 5418/1 there had been very considerable discussion of the possibility of an inflation in Spain as a result of our program for building bases there. Secretary Humphrey said that the Council at that time had been aware that inflation was bound to occur when such large expenditures of U.S. funds were made in Spain. Secretary Wilson added that this was the typical American way of doing things. We try so hard to get things done so fast.

Mr. Anderson then pointed out with respect to this problem that the United States had three possible attitudes to take toward Spanish requests for further aid: It could refuse any further aid on grounds that the \$465 million package deal was full consideration for the base rights granted to the United States. This was one extreme. On the other extreme, the United States could grant sufficient additional eco-

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<sup>2</sup> For text of 5418/1, see *Foreign Relations, 1952–1954*, vol. vi, Part 2, pp. 1980–1985. The Progress Report is printed *supra*.

nomic aid to pull Spain to the economic level of the other more prosperous NATO powers. In between these two extremes, said Mr. Anderson, there was a third possibility—namely, to grant Spain that minimum amount of additional economic aid necessary to insure internal stability in Spain so that the use of our bases there would not be jeopardized by civil disorders in Spain.

The President said that he felt that what Spain needed most to combat potential inflation was a much larger supply of consumers goods. He wondered whether in this connection the capital food program of the Department of Agriculture could not be used. Governor Stassen replied that some use had already been made of this program; and as far as the three courses suggested by Mr. Anderson's remarks were concerned, he strongly believed in the middle course.

Secretary Hoover pointed out that our original \$465 million package deal had already been exceeded by over \$100 million. He predicted that the end was not yet in sight, and we would probably be asked for additional assistance. All this, moreover, was exclusive for the most part of the actual cost of constructing the U.S. bases in Spain.

Governor Stassen said that of course the reason that we had already spent more than the \$465 million on Spain could be laid at the door of the appropriation sponsored by the late Senator McCarran.

After further discussion of the character and level of U.S. expenditures, present and contemplated, in Spain, Secretary Humphrey expressed the same opinion earlier stated by Secretary Wilson, that the trouble was that we were doing too much too fast in Spain. Secretary Hoover agreed with Secretary Humphrey, and said that this essentially was the reason why the OCB thought that the issue should be presented to the National Security Council.

Again with a show of impatience, the President said that what impressed him was that all the warnings sounded in the present discussion had plainly been made when the Spanish policy paper had first been discussed by the National Security Council.

The Director of the Bureau of the Budget said he felt very great concern about the phrase in the middle course of action described by Mr. Dillon Anderson, to the effect that we should "insure internal stability in Spain". This, felt Mr. Hughes, was a very large order for the United States. Mr. Anderson reassured Mr. Hughes by reading the precise course of action in NSC 5418/1, which called for "implementing the economic aid, military aid and base development programs in such a manner as best to support U.S. objectives in Spain while, in so far as practicable, avoiding adversely affecting Spain's economy."

Governor Stassen said that the real problem we faced in Spain was how to get the right kind and amount of consumers goods into that country. He believed that we could not meet this problem without some additional economic aid to Spain. At least it was encouraging, he added, that there was no runaway inflation in Spain today.

The President inquired whether some kind of a reduction in the rate of U.S. expenditures in Spain might not help to curb these inflationary tendencies. He then looked at Mr. Dodge and asked him if he had been in on this problem and had any comments to make. Mr. Dodge replied that as in the case of Turkey recently, there was just too much capital expenditure in Spain. The President said that he wanted at any rate the best possible look at this emerging problem in order to discover ways by which we could use our influence to meet it. Governor Stassen then suggested that Mr. Dodge and the Council on Foreign Economic Policy be asked to review what the United States had been doing in Spain to carry out its assistance programs. Mr. Dodge said that he would be glad to undertake this task, and would review both what the United States was doing and what the Spanish Government itself was doing. Secretary Hoover added that of course the moral of this tale was that in all these countries like Spain, Turkey, Pakistan, any large expansion in the military field was bound to have a terrific impact on the economies in question. Governor Stassen said that he could not help agreeing with Secretary Hoover, but that perhaps, when all was said and done, it was better for the United States to have a firm military ally, as in the case of Turkey, even though that country had serious economic problems.

The President then turned to Governor Stassen and suggested that he lay out his programs to Mr. Dodge and see whether it might not be possible to slacken off some of the inflationary pressures in Spain. The President agreed that no actual revision of the policy on Spain was required, but he strongly recommended the study by the CFEP of the manner in which our programs in Spain are being carried out.

*The National Security Council:*

a. Noted the reference Progress Report by the Operations Coordinating Board on the subject, and discussed the request contained in paragraph 30 thereof.

b. Noted the President's statement:

(1) Reaffirming that "The primary interests of the United States with respect to Spain lie in . . .<sup>3</sup> the improvement of relations between Spain and the NAT nations in order to tie Spain

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<sup>3</sup> Ellipsis in the source text.

as closely as possible to Western plans for regional defense and to obtain Spanish participation in NATO at an appropriate time" (paragraph 10-(b) of NSC 5418/1).

(2) Authorizing the Secretary of State to explore the problem of a propitious time for obtaining Spanish membership in NATO.

c. Noted the President's request that the Council on Foreign Economic Policy review the implementation of U.S. aid programs for Spain under NSC 5418/1, in order to determine the means by which the potential problem of serious inflation in Spain might be most effectively solved.

d. Agreed that a review of the existing policy toward Spain (NSC 5418/1) is not required at this time in view of the actions in b and c above.

*Note:* The action in b above, as approved by the President, subsequently transmitted to the Secretary of State. The action in c above, as approved by the President, subsequently transmitted to the Chairman, CFEP.

[Here follow items 4 and 5.]

S. Everett Gleason

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**187. Instruction From the Department of State to Certain  
Diplomatic Missions<sup>1</sup>**

CA-9310

*Washington, June 29, 1955.*

SUBJECT

Spanish Membership in NATO

Paris for Embassy, USRO and Knight for Gruenthal. USLO Norfolk for SACLANT. The purposes of this circular instruction are (1) to acquaint the recipient posts with recent developments on the question of Spanish membership in NATO, (2) to communicate the Department's current position on this issue, and (3) to elicit comments.

[2½ lines of source text not declassified] On February 10 at an Embassy dinner, the Spanish Ambassador in Washington, Sr. Areilza, indicated to Ambassador John Davis Lodge that Spain wished to enter

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<sup>1</sup> Source: Department of State, Central Files, 740.5/6-2955. Secret. Drafted in WE on June 7; cleared with RA, H, GTI, G, P, EUR, and OEE; and approved by Merchant. Sent to Madrid, London, The Hague, Brussels, Oslo, Rome, Ankara, Athens, Lisbon, Bonn, Copenhagen, Luxembourg, Reykjavik, Ottawa, and Paris.

NATO. Subsequently on February 15, the Spanish Ambassador called at the Department and brought up the same matter [*4½ lines of source text not declassified*].

On March 4 General Vigon, Chief of the Spanish High General Staff, asked General Kissner, head of the Joint United States Military Group in Madrid, to determine the possibilities of obtaining authorization at a military rather than a political level for a Spanish military observer on the staff of SHAPE. It was explained to General Vigon that such a proposal would require the sanction of each NATO nation at the political level.

About the same time, the representatives of various NATO powers approached the Department for its views regarding Spanish membership in NATO. [*11 lines of source text not declassified*]

[*1 paragraph (3½ lines of source text) not declassified*]

Congressional interest has also been noticeable, the Department having been specifically asked by several Congressmen whether there is a possibility of Spain becoming a member of NATO.

In order to clarify U.S. policy on the subject, the Operations Coordinating Board included Spanish membership in NATO as an emerging problem in its Progress Report on NSC 5418/1<sup>2</sup> covering the period June 9, 1954, through April 27, 1955. The OCB requested the National Security Council to review U.S. policy toward Spain with regard to the latter's association with NATO. The NSC met on May 12, 1955, and recorded the following action taken:

[Here follows the text of paragraphs b (1) and (2) of the action taken at the May 12 NSC meeting; see *supra*.]

In the meantime, fourteen resolutions have been introduced in the House of Representatives and one in the Senate (Senate Con. Resolution No. 34, dated May 24, in which 14 Senators joined) all of which stated:

"That it is the sense of the Congress of the United States that the Department of State should take all proper and necessary steps to bring about an invitation to Spain to become a party to the North Atlantic Treaty and a member of the North Atlantic Treaty Organization."

Pursuant to the guidance furnished by the NSC, the Department is taking the following position which will constitute the substance of the Department's comments to the House and Senate Foreign Relations Committees with respect to the resolutions referred to above:

*Begin Unclassified.*

'It is United States policy to maintain and develop its friendly relations with Spain. The United States also seeks to encourage the improvement of relations between Spain and other nations of Western

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<sup>2</sup> Document 185.

Europe, in order to tie Spain as closely as possible into plans for the regional defense of Western Europe and to create a climate favorable to eventual Spanish participation in NATO.

"The United States favors Spanish membership in NATO. It must be recognized, however, that the effectiveness of the NATO alliance depends in large measure upon the sincere willingness of all member nations to cooperate with one another. Not only does the admittance of a new member to NATO require the unanimous consent of all NATO governments, but the intimate working relationship that has evolved within NATO can be successful only if all members are prepared to work together on the basis of mutual confidence. While Western European attitudes toward Spain appear much more friendly and conciliatory than a few years ago, it is apparent that several nations are not prepared at this time to agree to Spanish membership in NATO.

"In the present situation it is believed that a strong United States initiative in behalf of Spanish membership in NATO would not be profitable. On the contrary, it might adversely affect the solidarity now existing within NATO itself without accomplishing any concrete results.

"The prospects of attaining the ultimate objective of Spanish membership in NATO will be enhanced as relations between Spain and the other NATO powers continue to improve. The primary responsibility for such an improvement in relations lies, of course, with Spain and the other countries concerned. However, the Department of State is constantly following the situation and will continue to take all appropriate steps to encourage the improvement of relationships, in the hope that full Spanish membership in NATO will finally become practical. In the meantime, it is believed that the concurrent resolution under reference would not serve the purpose for which it is designed and might, for the reasons set forth above, prove counter-productive."

*End Unclassified.*

If approached regarding Spanish membership in NATO, the recipient posts are authorized to communicate to appropriate government officials the above position outlined to Congress. Without raising the matter specifically with foreign ministries, the Embassies are requested to submit their comments with respect to local attitudes on this subject, particularly with regard to timing.

Dulles

**188. Memorandum From the Acting Secretary of State to the President's Special Assistant (Dodge)<sup>1</sup>**

*Washington, October 7, 1955.*

**SUBJECT**

United States Policy Toward Spain

Your memorandum of July 14, 1955<sup>2</sup> notes that one of the principal concerns about the NSC policy toward Spain is that it "can be or will be interpreted as an open end commitment for continuing United States economic assistance".

At the time when the agreements were signed with Spain in September 1953, our Ambassador gave the Spanish Foreign Minister a letter<sup>3</sup> containing the figure \$465 million for economic and military assistance. Of the \$465 million, \$350 million has been considered by the Spanish and the U.S. to be in the form of military assistance, with a balance of \$115 million thereby taking the form of economic assistance. The Department of State considers the foregoing to be the extent of our commitment. However, this does not mean that the economic aid portion of that figure is considered a ceiling on economic aid to Spain. Rather, it means that this Department would agree to additional economic aid to Spain only if fully justified as serving U.S. interests.

Including FY 1956 funds appropriated by the Congress, the total amount of defense support assistance provided to Spain amounts to \$165 million exclusive of the McCarran Amendment provided in FY 1955 (\$55 million). This exceeds the commitment of \$115 million by \$50 million. It should be pointed out, however, that 70 percent of the counterpart of the \$165 million defense support funds is returned to the U.S. for its peseta expenses in Spain. Even the 30 percent for Spanish use is limited to agreed defense support projects in such fields as transportation and munitions and military matériel production. It is expected that substantially the same arrangement will apply to FY 1956 defense support assistance to Spain (except for the small technical exchange component). The other programs which you mentioned—the McCarran Amendment, PL480, and the \$20 million wheat sale—are not defense support assistance. These programs, for the most part of Congressional rather than Administration origin, seem to serve U.S. interests not limited to the field of foreign policy by providing for the disposal of U.S. surplus agricultural commodities. In

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<sup>1</sup> Source: Eisenhower Library, Records of the Council on Foreign Economic Policy, Office of the Chairman. Secret. Drafted by Herbert B. Thompson on September 26.

<sup>2</sup> Not printed. (*Ibid.*)

<sup>3</sup> Dated September 24, 1953; for text, see *Foreign Relations, 1952-1954*, vol. vi, Part 2, p. 1957.

the case of the wheat sale, the entire peseta sales proceeds accrue to the United States for its use. A substantial proportion of the PL480 and the McCarran Amendment programs is on a loan basis.

[1 paragraph (11½ lines of source text) not declassified]

These considerations, together with the United States Operations Mission (Spain) recommendation of a \$30 million defense support program, are among those which prompted this Department to support the Administration request for a \$28 million FY 1956 defense support program for Spain as the minimum program required for the accomplishment of our foreign policy objectives. As you know, the Congress subsequently increased the amount to \$50 million. However, the President took the occasion, in signing the Act, to raise a legal question concerning those provisions of the Act in which particular countries (including Spain) are named as eligible recipients of assistance in specified amounts. He stated that these amounts are regarded by the Executive as authorizations and limitations rather than as directives, adding that "to construe them otherwise would raise substantial constitutional questions". Nevertheless the full \$50 million authorized by Congress for Spain is now being programmed.

A further consideration bearing on U.S. economic assistance to Spain is related to your reference to the Progress Report of the Operations Coordinating Board on NSC 5418/1, dated April 27, 1955,<sup>4</sup> which anticipated that Spanish Government expenditures for defense and for economic development would be approximately 50 percent higher in 1955 than in 1952. The type, magnitude and duration of economic assistance to Spain which would best serve U.S. interests would seem to depend, in part, on the extent to which these increased Spanish defense expenditures are the result of the activation, maintenance and support of U.S.-supplied MDAP equipment and on the extent to which these defense efforts or others might serve U.S. security interests. In this connection, and in accordance with your recommendation to the National Security Council, the Department of Defense is studying the subject of force goals for Spain and the projection of the role of Spain in Western defense. Following the conclusion of this study, we should consider again the level and duration of our defense support assistance to Spain.

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<sup>4</sup> Document 185.

189. **Telegram From the Department of State to the Embassy in Spain<sup>1</sup>**

Washington, October 5, 1955—9:58 a.m.

340. Paris pass Knight and Bacon, USCINCEUR, Embtel 160.<sup>2</sup> State-Defense Message. Agree with USCINCEUR and Amb Perkins that for reasons stated USCINCEUR's EC 9-4406 to CSUSA of 26 August emphasized USCINCEUR's EC 9-4504 of 1 September<sup>3</sup> it is undesirable for question Spanish observer at NATO exercise to be raised in NATO at this time. Kissner should inform Spanish High Gen Staff as follows:

Spanish Govt aware U.S. attitude Spanish association with NATO. Question Spanish observer at NATO maneuvers is one however which U.S. could not decide itself but which, in accord established NATO procedure re attendance non-NATO observers at NATO maneuvers, would have to be considered by all NATO nations. Decision, which would be made in light of known Spanish interest in NATO membership, would presumably be based on political considerations. Little doubt exists that certain NATO members would be strongly opposed Spanish attendance at this time. In these circumstances, we believe objective of eventual Spanish membership NATO would receive setback if we now pushed for Spanish observer NATO maneuvers.

Should Spaniards raise question whether observers of other non-NATO nations have attended NATO exercises, may be explained to them that present NATO policy is that as general rule only representatives from NATO nations are invited to attend as observers. In limited number recent cases where exceptions were made, controlling negative factor stated in Para 2 above was not present. [3½ lines of source text not declassified]

While we believe Spanish attendance NATO maneuvers is precluded for near future, it is both possible and desirable that Spaniards attend purely U.S. exercises in Europe whenever appropriate, in addition to Spanish attendance maneuvers in Continental U.S.

Dulles

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<sup>1</sup> Source: Department of State, Central Files, 740.5/8-3155. Confidential. Drafted in EUR/RA on September 13 and cleared with WE, EE, and the Department of Defense. Repeated to Paris.

<sup>2</sup> Telegram 160 from Madrid, August 31, reported that it would be desirable to have a Spanish observer at the NATO maneuvers in October provided that broader political objectives were not jeopardized. (*Ibid.*)

<sup>3</sup> Neither found in Department of State files.

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**190. Memorandum of a Conversation, General Franco's Residence, Madrid, November 5, 1955<sup>1</sup>**

USDel/MC/22

**PARTICIPANTS**

General Franco  
Sr. Martin Artajo, Foreign Minister of Spain  
Interpreter for General Franco

The Secretary of State  
Ambassador Lodge  
Mr. Merchant

Driving directly from the airport the Secretary, with the Ambassador and Mr. Merchant, was received at about 12:30 by General Franco at his residence. General Franco was attended by his Foreign Minister and an interpreter. General Franco greeted the Secretary warmly in his office and, seating his guests on chairs arranged in one corner of the room, he expressed his pleasure at receiving the American Secretary of State on what he understood to be the latter's first visit to Spain.

The Secretary responded by expressing his pleasure at finding it possible to come to Madrid even for so short a period during the course of the Geneva Conference.<sup>2</sup> He said that while it was true that this was his first visit to Spain since becoming Secretary of State he had visited it a number of times since boyhood including an extended stay with a Spanish family in Madrid for the purpose of studying the language.

The Secretary then said that he brought with him the cordial greetings of the President of the United States and he recalled the pleasure that the President had had in entertaining General Franco's daughter in Washington.

The General responded with animation and obvious appreciation.

The Secretary then said that he thought the General might be interested in his reporting a little by-play with Molotov when he had seen him the previous evening. The Secretary had informed Molotov that he was to see General Franco the next day and inquired if Mr. Molotov had a message for him to carry. Mr. Molotov had replied that he had no message but would be interested in whatever message the

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 627, CF 572. Secret. Drafted by Merchant. On October 25, the Spanish Ambassador had raised the possibility of Secretary Dulles visiting Madrid while he was at Geneva for the Conference of Foreign Ministers. On November 1, Dulles took advantage of a break in the conference to pay a 6½-hour visit to Spain.

<sup>2</sup> For documentation on the Conference of Foreign Ministers at Geneva, October 26–November 16, see vol. v, pp. 537 ff.

Secretary might bring back with him from Madrid. He had then added something to the effect that it was extraordinary that General Franco had stayed on in power so long.

General Franco laughed heartily and then asked the Secretary to tell Mr. Molotov that he felt a great friendship for the Russian people but none whatsoever for Communism.

The Secretary then referred briefly to the conference at Geneva and made the point that Mr. Macmillan and M. Pinay were stout partners. He said he felt that there was better coordination and team work between the three Western delegations than at any previous conference which he had attended. He went on to pay tribute to M. Pinay's character. He was a man of little subtlety but of complete honesty and personal integrity. He was moreover a real figure in French politics, being the leader of the Right of Center group. He had broad public appeal and whatever the fate of the present Cabinet, the Secretary felt sure he would remain a political power in France. He expressed the hope that General Franco would find it possible to work with him in the sense of supporting his policies wherever this was possible.

General Franco indicated appreciation of the Secretary's estimate of Pinay. He said that for two years the French have been following a disastrous 19th century policy in Morocco. In some ways it seems that the French are unable to adapt themselves to the modern world. Now however French policy in Morocco had evolved satisfactorily. He recognized that Pinay had had a personal part in this development.

The Secretary went on to say that the Soviets had opened a new theater in the Middle East and that it was obviously the result of long preparation. General Franco nodded vigorous agreement. The Secretary said that it was on the oil of the Middle East that the British foreign exchange position, the entire economy of Western Europe and the mobility of the NATO forces all depended. He was deeply disturbed by developments and in particular by the Czech sale of arms to Egypt. The situation between Israel and its Arab neighbors was explosive. We did not despair, however, and we did not see any need yet for adopting an anti-Arab policy. We were watching the situation closely and he had talked several times to Mr. Molotov concerning it. If the first threat of the new Soviet initiative in the Middle East was directed against the oil in the area, the second was directed along the North African shore and indeed against the entire continent of Africa.

General Franco agreed that it was an extremely disturbing development. In Morocco, he said, the Communists had not created the situation which existed but they were capitalizing on it. French slowness in correctly diagnosing the situation now had them in deep trouble. A similar political failure had cost them Indochina. Twenty years ago the international Communists had sought to obtain control

of Spain not only because of its geographical position with respect to the Arab world but also because of the influence that could thereby be exerted on Latin America. This attempt had decisively failed but their activity in the Middle East and Africa was designed to serve their long-term and unchanged objectives. He reiterated that the French were now following an enlightened policy in Morocco but commented that if Morocco obtained its independence the Berbers in the mountains would come under Communist control and the urban areas would be in the hands of the "luckiest warriors." Spain, he said, understood the Arabs better than the French. (In passing down the line of Moorish guards in Franco's residence on the way to the interview, Santa Cruz said to Merchant, "These Moors who are General Franco's personal bodyguard are the same Moors that the French are fighting in Morocco.")

The Secretary then said that he would like to discuss United States policy with respect to Tito, not necessarily expecting the General to agree with him but in the interest of promoting a better understanding of our purposes. The Secretary said in effect that Tito was the first to lead a satellite out of the monolithic Soviet empire. This had been a most significant development. Since his defection we had given him substantial aid both military and economic. We did this not only to enable him to defend and support his newly achieved national independence but equally for the purpose of showing by example to other satellites that if they escaped from the control of the Kremlin they could expect benefits from the West.<sup>3</sup>

The Secretary then described at some length the situation as he estimated it within the Soviet Union. The Soviets were making vast expenditures for armaments and for capital goods with a productive base only a third that of the United States. They were not in a crisis or necessarily facing one in the foreseeable future. There seemed, however, little doubt that there were internal strains which made it convenient for them to seek a relaxation of external tensions and some general reduction in armaments.

General Franco interjected that they also had internal political problems since the death of Stalin and the Secretary agreed.

The Secretary said that he felt it essential that the West should not let down its guard and that, by maintaining its strength and holding to its policies which rested on principle, continue to keep the Soviets under pressure.

General Franco agreed. He said that one of the great problems of Europe and causes of world tension was the hold of the Soviets on the European satellites. This was unnatural and unjust. All of those countries had had long histories of national independence.

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<sup>3</sup> For another record of the discussion of Yugoslavia, see the editorial note, *infra*.

General Franco said that he felt one consequence of the Summit Conference was sharply to lower the hopes for ultimate liberation in the satellites.

The Secretary interjected that we were well aware of this fact and had accepted this disadvantage in proposing the conference of Heads of Government. It had been necessary for other reasons. One of the difficulties in the West, he said jocularly, was that we have elections too frequently. The election campaign in Britain was one of the most important factors leading to the Summit Conference. In this general connection, however, the Secretary said that we must not overlook the forces which were invisible to us but which he was satisfied had been set in motion behind the Iron Curtain as a consequence of the various actions taken by the Soviets in order to produce a general relaxation of tensions. We could readily see our own weaknesses but comparable weaknesses could not be as easily detected in the Soviet empire. The Secretary said that we were trying to keep the situation in perspective and said that General Franco was no doubt familiar with the President's Philadelphia speech<sup>4</sup> which was his last major public utterance before his illness. General Franco said he was familiar with it and indicated that he thought it had been extremely helpful.

General Franco went on to say that we must all do whatever was possible to keep alive the hope for freedom and the spirit of resistance in the captive peoples. If for no other reason this would force on the Soviets the realization that if they went to war substantial forces would be required to maintain the security of their lines of communications and to keep the local populations under control. He said he had no doubt that messages were going to Moscow from all the Soviet commanders in the satellites to the effect that in case of war their forces would be occupied in preventing trouble.

The Secretary agreed and then went on to say that the tactics of the Russians at the current Geneva conference impressed him as always with their skill in long-term planning.

He was convinced that there was a master group of anonymous planners deep in the Kremlin who planned Soviet political strategy on a long-term basis and who provided a continuity of policy which survived the passage of the leaders and Soviet spokesmen. Long-term policy of this character was difficult in the West and in America where the tendency was to expect quick results from month to month and rarely to look beyond the next biennial election. General Franco agreed.

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<sup>4</sup> For text of President Eisenhower's address to the annual convention of the American Bar Association at Philadelphia, August 24, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1955*, pp. 802-809.

The Secretary said, however, that he was not discouraged; that as against the mechanistic, chess playing type of calculation that the Soviet Communists indulged in, there was a quality in freedom which in the long run always enabled it to survive as against atheistic materialism. It was sometimes hard to understand just why it happened, but perhaps God had intended it to be that way.

General Franco then inquired of the Secretary what the position was in the United Nations. He recalled that on our urging Spain had submitted its application for membership.

The Secretary said that the situation was still unclear and that we did not know surely what the position would be. A so-called package deal which would involve the admission of a number of Soviet-sponsored candidates would be difficult for us to accept. The repercussions within the satellites, because of the prestige and recognition which admission to the United Nations would connote, would nourish the very trends which General Franco feared were encouraged by the Summit Conference. The General's reply was that the presence in the UN of such vigorous anti-Communist Christian countries as Spain, Italy, Portugal and Ireland would more than offset the damage which would result from the admission of the satellites.

General Franco made it quite clear that Spain was deeply interested in admission to the United Nations and that a rebuff in the form of a rejection of its application would be extremely serious. He then dropped almost casually the remark that since the Chinese Communists now had firm control of the mainland of China and the chances of Chiang Kai-shek returning had so greatly diminished, the Chinese Communists should be admitted to the United Nations. It was not reasonable to refuse to recognize the facts, he said, particularly when so large a country was concerned.

The Secretary pleasantly but with a detectable bite in his voice said that he sincerely trusted that if Spain were admitted to the United Nations, its first act would not be to vote for the admission of Communist China. General Franco said there was no such intention.

The Secretary then turned to the subject of Spanish-American relations. He said he was happy that they were steadily improving and that the United States was particularly appreciative of the extraordinary degree of cooperation which the Spanish government had afforded us in connection with our military base program. He said that he realized that a program of this magnitude and character brought in its train many difficulties. On the economic side there were the inflationary aspects of the expenditures for construction; on the human side there were the always difficult problems of the relations of soldiers to civilians. General Franco responded that it was natural that they should cooperate with us for we were working for common aims. As for our military personnel who had come to Spain in connection

with the program, "All the people love them." General Franco then raised the question of economic aid and briefly cited its importance to Spain. He referred particularly to the need to improve all sorts of communications as a direct consequence of the military program.

The Secretary replied that we fully understood the problems which the construction program had produced. It was our hope to continue a modest but nevertheless substantial economic aid program for Spain. In this connection it might well be possible to continue what we have been doing with surplus commodity products under PL 480.

General Franco expressed his appreciation for the Secretary's sympathetic interest in this matter and indicated his familiarity with PL 480. The aid given under that legislation had been extremely helpful.

[1 paragraph (6 lines of source text) not declassified]

[7½ lines of source text not declassified] The Secretary [less than 1 line of source text not declassified] expressed once more his gratification at the fact that relations between Spain and the United States were steadily growing more cordial and more close.

The Secretary then turned to the Foreign Minister and said that he feared they would be overdue at the luncheon which the Foreign Minister was giving. He rose to go and General Franco escorted him to the door with cordial expressions of appreciation for the opportunity of talking at length with the Secretary.

The interview ended at about 2:20 p.m.

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## 191. Editorial Note

A separate memorandum of the conversation recorded *supra* covered discussion by Dulles and Franco of Yugoslavia. This memorandum reads as follows:

"The Secretary raised the question of United States policy toward Yugoslavia. He said that he did not expect General Franco necessarily to agree with our policy, but that he would like to make sure that he understood it. He said that since Yugoslavia broke away from the Soviet orbit, the United States had granted it very substantial military and economic aid. This was not because we had any sympathy for Communism or the Communist Government which Tito headed in Yugoslavia. The Secretary said, however, that he felt it was important that if any satellite detached itself from Moscow, it should find benefits available from the West. He said that it was classic Communist doctrine with respect to the colonial or dependent areas to follow what

might be described as a two-stage operation. The first phase was to detach the colonial or dependent areas from the Western powers by an appeal to nationalism. The second phase was time to absorb or, as Stalin termed it, 'amalgamate' the detached areas into the Communist community. The Secretary said that he believed that in the process of disintegrating the monolithic structure of the present Communist empire, it might well be necessary for us to follow a somewhat similar two-stage program. The first stage would be to encourage nationalistic forces within a satellite with a view to promoting its separation from the control of Moscow. This would result, if successful, in the establishment of a nationalist Communist state, such as Yugoslavia, which was attached neither to the East nor the West. To do so required the offer of inducements and in effect setting up of an intermediate situation, in which such a state which had broken away from Moscow would be able to maintain its independence and procure economic and other benefits from the West, as well as from the East. The second stage, which might require a considerable period of time, would be the gradual modification of the Communist structure of the detached state.

"The Secretary concluded by saying that he was anxious that General Franco should understand that the economic and other benefits which we had accorded Yugoslavia were due neither to an approval of Tito's regime nor an indiscriminate showering of benefits on any European state but fundamentally based on a long-term strategic plan of the United States.

"General Franco replied that he could understand this reasoning and that there was great merit in it. He expressed the fear, however, that the pursuit of this policy would set up dangerous forces in certain Western European countries. Specifically, he said, however, that he feared it would give prestige to the Communist Parties in certain Western European countries who could orchestrate the appeal to patriotism or nationalism with the appeal to social reform. In other words, he feared that the acceptance and, in fact, the economic support of national Communism in a detached satellite would improve the position of the Communist Parties in Italy and France, for example, even though it might encourage a separatist movement in other satellites.

"The Secretary acknowledged this risk [5½ lines of source text not declassified].

"General Franco gave the appearance of being genuinely impressed with this line of argument." (Department of State, Conference Files: Lot 60 D 627, CF 572)

**192. Memorandum of a Conversation Between Secretary of State Dulles and Foreign Minister Martin Artajo, Madrid, November 1, 1955<sup>1</sup>**

USDel/MC/16

Following the luncheon,<sup>2</sup> I joined a group consisting of the Foreign Minister, the Ministers of Commerce, Agriculture, War and Air. In the course of the talk reference was made to the fact that these other Ministers had all been to the United States. I turned, laughingly to the Foreign Minister and said, "Well, you must arrange to come to visit us sometime," and he said he would be very happy to do so, particularly now since I had made a visit to Spain.

(This remark of mine was not as casual as, I hope, it seemed. Ambassador Lodge had urged me most strongly to invite formally the Foreign Minister to come to Washington and to do so in the presence of General Franco. I had not thought it wise to do so in advance of studying more carefully the practicality of such a visit as I did not want to arouse hopes which might be disappointed. However, in the light of what Ambassador Lodge had said, I felt that it would be permissible to drop the remark very casually in the course of jocular conversation, where it need not be regarded as a serious invitation if, on reflection, we did not desire to give it that interpretation.)

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 572. Confidential. Drafted by Dulles on November 3.

<sup>2</sup> A memorandum of the conversation during luncheon between Dulles and Martin Artajo regarding economic matters is *ibid.*

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**193. Memorandum of a Conversation, Ambassador Lodge's Residence, Madrid, November 1, 1955<sup>1</sup>**

USDel/MC/27

**PARTICIPANTS**

Minister of Foreign Affairs, Martin Artajo  
Under Secretary of Foreign Affairs, Marques de Santa Cruz  
Minister Rolland, Chief of the Diplomatic Cabinet  
Aurelio Valls, Interpreter

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 609. Top Secret. Drafted by Byington on November 9.

Secretary of State, John Foster Dulles  
Ambassador Lodge  
Assistant Secretary Merchant  
Assistant Secretary McCordle  
Homer M. Byington, Deputy Chief of Mission

### *Spanish-French Relations*

The Minister of Foreign Affairs referred to this morning's conversation between the Secretary of State and General Franco with regard to Morocco. The Secretary replied that he wished to emphasize what he said this morning to General Franco. He felt that Foreign Minister Pinay represented a sound element in France, that he was reliable, strongly anti-Communist, and that he was sincere. The present French program for Morocco was in the best interest of both France and Spain. He appreciated recent difficulties between the two countries and, in fact, had been told that the Communists in France were behind stories alleging Spain's intervention through the furnishing of arms to the Nationalists. He said he wanted to compliment the Minister upon his effort towards ameliorating relations between France and Spain and he urged that both countries should take up again the work that they had previously successfully embarked upon towards friendship and understanding between them. He mentioned his conversation with Mr. Pinay the other evening and the possibility of a visit to Spain on the part of the French Foreign Minister. The Secretary said he believed Mr. Pinay offered Spain its best opportunity for a real understanding.

Mr. Martin Artajo said that when he had talked to Mr. Pinay, the question of a visit by the latter had come up but nothing definite was settled. He said the Spaniards were offended by the unjustified attacks and charges against Spain during the recent Moroccan crisis. He agreed that these stories may have been to a considerable extent Communist inspired but to achieve real friendship there had to be constructive moves on the part of the French as well as the Spaniards. He mentioned the 300,000 Spanish refugees from Spain now in France, presumably financed by the Soviet Union, who continue by means of their own radio daily attacks against Spain and who constantly connive politically against the Spanish Government. The Secretary pointed out that this was hardly surprising since both in France and in Italy the Governments permitted French and Italian Communist Parties to do the same thing against the French and Italian Governments. The Spanish Foreign Minister said that it was all very well for the French to put up with their own Communist Party but to harbor the Communist Party of a supposedly friendly nation was not the same

thing at all. There was some further discussion and an apparent reaching of the minds on the desirability of closer relations between France and Spain, and the similarity of their interests in North Africa.

*Spanish Application for Membership in United Nations*

Minister Martin Artajo then mentioned the conversation he had had with the Secretary in the automobile en route from the Pardo (which was the continuation of a similar discussion in which General Franco raised the question of UN membership for Spain). He said that the Spanish Government was very sensitive on this point. It had withheld any action towards applying for membership until we had encouraged them to do so. (As instructed by the Department, Ambassador Lodge suggested at San Sebastian last summer Spanish apply for membership.) They had found that regardless of the support which they expected to receive from the Arab nations they had the strongest kind of practically unanimous support from the Latin American countries. Even with encouragement from Latin American countries they would not have put in their application if they had not believed and been told that the great and friendly power, the United States, was behind them. He urged that the Secretary consider the value of such States as Italy, Ireland, Portugal and Spain in the United Nations as compared to the admission of satellite nations whom no one would take seriously as independent nations. In the UN Spain could help the United States.

The Secretary said that we should consider the effect in those satellite states of their being admitted into the United Nations. He had had reports from some quarters that the people of such States as Hungary and Roumania were so dejected at the present time that the sight of the United States voting for the admission into the United Nations of the very regimes that oppressed them would be the final blow. He said that we were concerned, just as Spain was, in opposing Communism, and that an act of approval such as the United States endorsing membership of these satellites in the United Nations might have very bad results.

The Minister pointed out that in the beginning we had approved the admission of Poland and Czechoslovakia and Yugoslavia. The Secretary replied that it was not known at the time that these countries would be Communist satellites. Mr. Martin Artajo reiterated his plea that the United States should not now abandon Spain in a package arrangement. He said the reaction among Spanish people to the United States opposing an arrangement whereby Spain's application for membership could be approved, would be widespread and very strong indeed. The Spanish people had very little use of the world's wealth but they did have their pride and a rebuff of this kind would create an enormous resentment. He repeated again that if they had not

felt sure of the United States support the Spanish Government would not at our suggestion have initiated its application. He apologized for speaking heatedly but this was a fundamental and important matter between our two countries. The Secretary said he was glad that the Minister had spoken frankly and he had come to Madrid and made this trip in order to hear his views. The United States was doing and would continue to do all they could to support Spain's application. This was not the matter in point. We also had to consider, however, all of the other factors involved.

Ambassador Lodge pointed out that the United States still supported Spanish application for membership, as it did at the time we had suggested that they apply. There had been no change. The Secretary agreed with this remark and said that our friendly support for the Spanish application is not in question. The meeting broke up rather hurriedly because of the need for the Secretary to meet the scheduled departure at the airport.

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#### 194. Letter From Secretary of State Dulles to General Franco<sup>1</sup>

*Geneva, November 11, 1955.*

DEAR GENERAL FRANCO: Since my return from Madrid I have found my thoughts recurring to our talk, particularly in light of developments at this conference.

Three days ago Mr. Molotov, in a speech as brutally frank and cynical as any I have ever heard, told the conference in effect that the Soviet Union would continue to support the East German regime and that there was no hope for the reunification of Germany until the ground had been adequately laid for the Bolshevization of the Federal Republic.<sup>2</sup> I am satisfied myself that this is a lead from weakness and not from strength. I believe that the internal cost to the Soviets of the "spirit of Geneva" had become intolerably high in terms of the hopes it created within Russia and the doubts which it produced within the satellites. There is a growing demand for greater tolerance and more independence which frightens the present rulers. This cost had to be

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 582. Personal and Confidential. Drafted by Merchant and transmitted to Ambassador Lodge on November 13 for delivery to General Franco.

<sup>2</sup> Regarding Molotov's speech on November 8, see vol. v, p. 703.

balanced by the Soviets against the benefits gained by relaxation within the Free World, but it seems that they are willing to risk those benefits.

This would explain the vehemence with which Molotov, speaking for the Soviet Government, lauded the "social gains" of the GDR and assured that regime of full and lasting support.

I can find no other reason which would account for the willingness of the Soviets to jeopardize the "spirit of Geneva" by repudiating at this conference the German unification agreement reached at the Summit. A contributing factor may be the existence of what they consider to be opportunities in the Middle East which they could not exploit and still maintain the pretense of relaxing tensions. I found various items of confirmatory evidence for this hypothesis.

I send you this word in the thought that it may be of interest to you. Again let me thank you for all your courtesies while I was in Spain.

Sincerely yours,

**John Foster Dulles<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature.

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**195. Memorandum of a Conversation Between the Secretary of State and the Spanish Ambassador (Areilza), Department of State, Washington, December 5, 1955<sup>1</sup>**

**SUBJECT**

Letter from Gen. Franco

The Spanish Ambassador called this afternoon at his request to deliver a personal and confidential letter from the Spanish Chief of State. The Secretary greeted the Ambassador by telling him how much he had enjoyed his visit in Madrid and how greatly he had been impressed by the cordiality of the reception given him by General Franco and the Foreign Minister and by the Spanish people.

The Secretary opened and read General Franco's letter in the Ambassador's presence and then handed it to him to read also. Mr. Dulles said that he was not quite sure he understood the General's reference to the joining of resources of the United States and the West.

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<sup>1</sup> Source: Department of State, Central Files, 396.1-GE/11-2555. Confidential. Drafted by John Wesley Jones.

The Ambassador replied that he had heard the Generalissimo express himself on this point on other occasions and he believed that he had reference to the gap in Western European defenses which was created by the absence of Spain from NATO. He continued that it seemed a paradox to the Spaniards that the one nation in NATO which most violently opposed the admission of Spain to NATO was also the nation which denied the United States access to bases on its national territory (apparently this was a reference to Norway). The Secretary expressed his appreciation of General Franco's letter and thanked the Ambassador for its delivery.

The conversation then turned to UN membership and the Secretary explained the United States position and our decision to abstain on a package proposal which included Outer Mongolia and the European satellites of the USSR. He reviewed briefly the history of Outer Mongolia, emphasizing the bad faith of the Soviet Union in the implementation of its 1945 treaty with Nationalist China for which it had been subsequently formally censured in the UN. The Ambassador replied that the Spanish Government was extremely grateful to the United States for its efforts on Spain's behalf and that, regardless of the outcome of the UN vote on admission, Spanish attitude would not change. (He forcefully reiterated this view to Mr. Jones following his call on the Secretary.) The Secretary expressed appreciation of Spanish comprehension of our proposals and went on to say that the primary consideration in the success of the present proposal was the position of the Chinese Nationalist Government. He said that we could not and would not use our power and authority to coerce the Government of Taipei to vote on this issue as we wished; that while we would make known our views and the various considerations affecting our own position, our policy toward our friends and allies required that they have freedom of decision on foreign policy matters.

As the Ambassador left, the Secretary again expressed his pleasure and satisfaction with his visit to Madrid last month.

An English translation, which accompanied General Franco's letter of November 25, is attached.

**Attachment**

**Letter From General Franco to Secretary of State Dulles<sup>2</sup>**

*Madrid, November 25, 1955.*

MY DEAR MR. DULLES: In due course I received your confidential letter<sup>3</sup> on the recent attitude of the Soviets in Geneva, and I am very grateful for it. Once more, we find confirmation of their lack of fair play and of the unchanging nature of their objectives.

The so-called "spirit of Geneva" was, naturally, incompatible with everything Communism has ever meant, and also with the action which the Communists are undertaking in so many parts of the world. This proves once again that they can only be contained through strength and through their own fear. No policy is possible with the Soviets if it has not such a backing of strength.

Once we admit the bad faith of Communism and its invariable purpose, no means, opportunity or sacrifice can or should be overlooked in order to gain strength and to weaken the obvious adversary. Everything necessary should be sacrificed for such an end.

To the minds that direct Soviet policy, it must be quite evident that if the United States and the West should resolutely join their resources, these would prove superior in every possible aspect. By creating zones of friction between the Western nations in various parts of the Universe, the Soviets intend to break up the unity of the West.

It would be highly convenient if this new lesson were not wasted, but should help to stimulate and fortify the spirit of unity and defense of the threatened nations.

With very pleasant memories of your visit and our conversation, please receive my very sincere and cordial good wishes.

**F. Franco<sup>4</sup>**

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<sup>2</sup> Personal and Confidential. A Spanish language text of this letter is *ibid.*

<sup>3</sup> *Supra.*

<sup>4</sup> Printed from a copy that bears this typed signature.

**196. Letter From General Franco to President Eisenhower<sup>1</sup>**

*Madrid, April 6, 1956.*

MY DEAR GENERAL AND PRESIDENT: I am taking the opportunity of the visit of my Foreign Minister, Sr. Martin Artajo, to tell you how glad I am that you have recovered your health, which is so important for the great task of defending the peace of the world, in such a bad state when you took office. I would also like you to know what I think about the situation in North Africa, especially Morocco, which in these moments must undoubtedly cause you some anxiety.

I consider that the problem of North Africa over-reaches the specific interests of each nation and that, through its great importance, it involves all the West.

North Africa is the back of Europe, and it is therefore vital for Europe that the peace, order, and security of that region should not be upset and that at no moment should it be allowed to fall under the domination or influence of the adversary.

Just as the fate of Europe is intimately linked with the fate of these territories, the future of the latter is equally bound up with events in Europe. It is therefore extremely important to awaken and strengthen in them the sentiment of this common interest.

Spain understands that everything that might contribute to increase the authority of the Sultan and the achievement of the lawful wishes of his subjects, will consolidate peace, security and internal order. And, although independence may seem a little premature in certain aspects, because of the backwardness and unpreparedness of the Moroccan people, and the antiquity of their basic code of laws, nevertheless this sentiment of independence is undeniable and common to all of them and would be very dangerous to contradict.

Although the population of North Africa is very small compared to that of Europe—twenty million Muslim inhabitants, from Tunis to the Atlantic, as against more than two hundred millions—we have to consider certain special characteristics, so very different from those of Europe, and which force us to multiply in our minds the value of a possible resistance. These characteristics are: a predominantly mountainous terrain, the deep-set Muslim faith (of a xenophobic tendency), a wild and warlike spirit, love of independence, and almost incredible sobriety and toughness, and a knowledge of the ground for defensive purposes, as against the unpreparedness of modern European armies for guerrilla warfare with small units.

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<sup>1</sup> Source: Eisenhower Library, Whitman File. Confidential.

All this points to the advantage of helping the North African peoples, to enable them, in an atmosphere of order and peace, to reach their aspirations and elevate considerably their standard of living, which is really miserable in some regions, and in which they should not and must not be disappointed.

Another characteristic feature is the difference to be found in North African communities, especially in Morocco, between the people of the cities (and adjoining plains or downlands), who are always ready to obey the authority of the Sultans and their Governments, and the people of the mountains, who are independent, sober and warlike, mostly pastoral, lovers of freedom and usually eager to join in any rebellion. Although these two social groups may appear now to be united in a common feeling of independence, fundamentally, they despise and suspect each other.

The social level of the rural population of Morocco and other North African States is so low that there is a constant exodus from the country to the cities, which increases unemployment and creates a host of discontented men, naturally very good soil for the sowers of disturbance and disorder.

In Morocco, the state of confusion provoked these past years by contradictory French policies is very great. Underneath the general sentiment of independence, to which all Moroccans feel bound through their race and religion, there is the natural suspicion between the victors and the vanquished, as a result of the specific attitudes and situation of so many greater and lesser personalities, khais, khadis, and adulis, who joined in the adventure of the dethronement of the Sultan, and upon whom, during many years, the French based their attempt at pacification.

In view of all this, I consider it necessary to act very loyally towards the Moroccan and North African peoples, in order not to lose their confidence; helping them to solve their problems, thus enabling them to fulfill their dreams and really improve their standard of living on their own (which is very important when nationalism awakes), so through progress and efficiency to reach the well-being which best guarantees order, interior satisfaction, and the security in which we are all interested.

I would like to emphasize my opinion that the problem transcends the specific frame of the nations directly interested, and that it affects the principal nations of the West, who with similar rights and equal duties should help in this task of improvement of the peoples of North Africa, so that their progress may be more speedy and efficient.

The unknown factor of the situation is the French nation, with its markedly 19th Century type of mentality. Is France really interested in these aspirations? That is the great problem, and a source of considerable suspicion. The lack of stability and continuity in French politics

creates a bad impression for the solution of these problems of foreign policy, in which the French make the mistakes which others have to pay for.

The very problem of Algeria has taken a bad turning for a proper solution. If France momentarily quells the rebellion, she will, no doubt, want to take her opportunity and exploit her victory, forgetting that violent repressions do not suppress the spirit of independence, once this has taken root in a people, which also, in this case, can always count on the support and sympathy of its neighbours.

All the foregoing can give you an idea of our policy with respect to Morocco and our conversation with the Sultan. He will have to face many problems and many necessities. I therefore consider that the more help we can give him to solve his problems and those of the Moroccan people, the more we will be helping the strength and solidarity of the Western world, which is in such need of unity.

You must forgive the length of this letter. The importance of the problem justifies it. I felt the need of conveying its gravity to you, as your political action carries such weight in the world.

Please receive the cordial greetings, and best wishes for yourself and your family, of your good friend and comrade

Francisco Franco<sup>2</sup>

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<sup>2</sup> Printed from a copy that bears this typed signature.

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### 197. Memorandum of a Conversation, Department of State, Washington, April 10, 1956<sup>1</sup>

#### SUBJECT

1953 Base Facilities Agreement and Related Economic and Military Aid Programs

#### PARTICIPANTS

*Americans*

The Secretary

The Hon. John Davis Lodge, U.S.

Ambassador to Spain

Mr. Robert D. Murphy, G

Mr. Livingston T. Merchant, EUR

Mr. John Wesley Jones, WE

*Spanish*

Don Alberto Martin Artajo, Minister of

Foreign Affairs

Don José M de Areilza, Spanish

Ambassador

D. Juan de las Barcenas, Director

General of Foreign Policy

D. Aurelio Valls, Press Section, Foreign

Ministry (acted as Interpreter)

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<sup>1</sup> Source: Department of State, Central Files, 711.56352/4-1456. Confidential.  
Drafted by Jones.

The Minister of Foreign Affairs called on the Secretary this morning accompanied by his Director General of Foreign Policy, Juan de las Barcenas, and by the Spanish Ambassador. Señor Valls, another Foreign Ministry Official accompanying the Minister, acted as interpreter for the meeting. Following an exchange of greetings the Foreign Minister, in referring to the Secretary's conversation with him and General Franco in Madrid last November, recalled that several of the political prognostications which had been made at that time had since been confirmed. One of these was Spanish entry into the United Nations which the Minister acknowledged was largely due to the efforts of the United States.

In response to the Secretary's request the Minister said that he would like to open the conversations this morning with the subject of the base facilities agreement of 1953 and related accords. He said that the Agreements had been carried out loyally on both sides but within a period of three years the framework in which they were drafted had been somewhat altered. For example, the danger to Spanish cities, through the two-fold development of nearby air bases and the improvement of nuclear weapons by the Russians had been increased. While some willingness to minimize the continued threat of the Soviet Union was apparent in Europe, and even in certain portions of America, the unflinching anti-Communist position of Spain had not changed.

The base agreement signed with the United States in 1953 might be considered in two distinct phases: one: the acquiring of military facilities for the use of the United States air and naval forces. This phase had proceeded to the satisfaction of both sides. A second phase might be envisaged as the strengthening of the Spanish military forces. The United States should know that it can count on the Spanish armed forces in an emergency. The Minister recalled that the Nationalist Government had mobilized 1,200,000 men in the Spanish civil war and almost as large a number was enrolled by the opposing force. The morale in the present Spanish army is excellent and there is practically no Communist infiltration therein. The Minister regretted that this splendid human quality of the Spanish armed forces was not matched by technical facilities and maintenance equipment. The entire Spanish defense establishment cost 37 percent of the present national budget. This was already too much for a poor country and for obvious political reasons it could not be increased. If it were desirable to strengthen the Spanish military forces on the technical and equipment side, the increased cost would have to be borne by other than Spanish shoulders. Spanish military experts were of the opinion that an increased military program could be adopted within the framework of the present agreements "on the Italian model".

The Minister concluded his remarks on this subject by saying that there was a great deal of speculation in the press about Spanish membership in NATO. He added, laughingly, that the press seemed to be more interested in the prospect than the Spaniards. Spain would, of course, be willing to join NATO if and when this seemed feasible. However, the Spanish Government believed that the present agreements with the U.S. provided a satisfactory arrangement for the common defense if Spain could enjoy equal treatment with NATO in U.S. military aid programs and in receiving classified information. The Secretary replied, and Mr. Merchant confirmed, that our relationship with Spain in the military field compared favorably with that of many of our various NATO allies.

Turning to the economic aid program the Minister said that this had been designed to strengthen the economic base of the country and that a great deal had been done in this respect. The Spaniards were extremely grateful for the economic assistance which they had already received from the United States Government which had, in fact, greatly aided and improved the Spanish economy. However, without seeming to be ungrateful the Minister felt that more needed to be done in this field and went on to say that the Spanish Ministers of Agriculture and Industry had developed specific plans for the further development of areas of the Spanish economy such as agriculture (irrigation and fertilizers) and industry.

With respect to current U.S. economic aid programs the Minister ventured, without seeming to be ungrateful, the suggestion that the Spaniards would like to see a greater portion devoted to capital goods and less to surplus agriculture commodities. He referred to a peseta balance of 2,200,000,000 pesetas which had been built up in the Spanish bank from counterpart and from the sale of surplus agriculture commodities. The second suggestion was that this huge accumulation might well be used for investment in Spanish economic development projects. (Sr. Barcenas later explained to Mr. Jones that what the Minister meant to propose at this point was that a greater proportion of the counterpart than the present 30 percent proceeds from the defense support program be made available, from the accumulation of pesetas in the banks, for Spanish economic development projects.) At this point Ambassador Lodge interrupted to say that just before he left, the director of USOM, Madrid, had drawn a large check on these funds for agreed U.S.-Spanish projects. The Minister in reiterating his belief that the present agreements are being implemented in a satisfactory manner again emphasized the desirability of strengthening the Spanish military and economic potential. He added that General Longoria, representing all three of the Spanish Defense Ministries and Chiefs of staff, and Señor Rovira, directly responsible for the coordination of the

U.S. economic aid program in Spain, are both here in Washington and available for conversations in more detail with appropriate officials of the United States Government.

The Secretary, in replying to various points raised by the Foreign Minister, agreed that the dangers of military aggression were a constant threat to Spain and the rest of the free world. However, he went on to say that those countries which build up their military forces and military facilities as a deterrent to Soviet aggression are in fact protecting themselves and contributing to international peace. The United States appreciates the high character of statesmanship in those countries which develop a deterrent power as a prevention to the outbreak of war. The Secretary recalled the Minister's reference to the role of the Spanish armed forces in the event of an emergency and in this regard informed the Minister that the United States would be happy, if the Spanish Government so desired, to send a small U.S. military mission to Madrid to discuss this problem. This subject, he added might be more appropriately discussed between the representative of the Spanish Defense Ministries, General Longoria, and Admiral Radford when they meet.

Regarding our military aid program the Secretary reported that while substantial amounts of U.S. funds had already been authorized by the Congress for this purpose a considerable percentage of them had not yet been disbursed. For example, for fiscal years 1954, 1955, and 1956 a total of somewhat more than \$300 million had been authorized but that less than \$100 million had actually been disbursed. Consequently there was a sizeable portion of the present military aid program which was yet to be delivered. Furthermore, it would appear that any increased military program for Spain would demand as much on the ability of the Spanish economy to carry this increased burden as on U.S. ability to furnish the end items. With respect to our economic aid program the Secretary noted that \$220 million worth of funds had already been authorized exclusive of the PL 480 program which amounted to something over \$100 million. Of these two programs a total of only \$146 million approximately had thus far been disbursed leaving a total of approximately \$174 million worth of goods yet to be delivered. With reference to the economic aid program for fiscal year 1957, which was still before Congress and concerning which no specific commitment could be made, it was the Secretary's understanding that the major portion of the funds earmarked for Spain were non-agriculture. However, he suggested that the Minister seek an appointment with Mr. Hollister, the director of ICA, and in that conversation he could emphasize Spanish need for capital goods. The Minister agreed to this suggestion and asked that the Secretary inform Mr. Hollister, before their meeting, of the substance of this conversation this morning on the economic aid program.

The Minister expressed his gratitude and that of the Spanish people to the President and to the American Government for its initiative in coming to the relief of Spain following the prolonged frost this past winter which had damaged so severely the traditionally large olive and orange crops. The Minister estimated a loss of \$100 million in foreign exchange to Spain as a result thereof. The Secretary recalled that Spain had responded generously to the floods in New England last year and told the Minister he wished to reciprocate the thanks and appreciation of the American people for this Spanish gesture of friendship and cooperation.

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**198. Memorandum of Discussion at the 283d Meeting of the National Security Council, Washington, May 3, 1956<sup>1</sup>**

[Here follow a paragraph listing the participants at the meeting and items 1-4.]

**5. U.S. Policy Toward Spain (NSC 5418/1; Progress Report, dated March 28, 1956, by OCB on NSC 5418/1)<sup>2</sup>**

Mr. Anderson briefed the Council on the contents of the reference Progress Report, noting among other things that the view of the Treasury Department, expressed in the OCB, that the United States should not proceed with the forthcoming military discussions with Spain until we were sure, in the light of the economic implications of the contemplated force goals for Spain, that we were not going to commit ourselves for anything that had not been previously fully authorized. In concluding his briefing, Mr. Anderson pointed out that the Bureau of the Budget believed that it would be desirable to apply universally, in all negotiations with foreign nations regarding U.S. assistance programs, the principle that the Treasury Department was making in the case of Spain—namely, that the United States make no commitments for additional military or economic assistance to foreign nations unless we knew what the economies of those nations could stand and until we knew that funds were available or would be authorized to cover

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<sup>1</sup> Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Gleason on May 4.

<sup>2</sup> The Progress Report is not printed. (Department of State, OCB Files: Lot 62 D 430, Spain 1956-1957)

commitments of additional assistance. (Copy of Mr. Anderson's brief-ing note filed in the minutes of the meeting.)<sup>3</sup>

The President agreed that the suggestion made by the Bureau of the Budget was a wise one. [*less than 1 line of source text not declassified*]

Secretary Hoover informed the Council that the Departments of State and Defense had just concluded extensive discussions regarding the forthcoming military conversations between the United States and Spain. The discussions between State and Defense had eventuated in a mutually satisfactory agreement as to the character of these conversations with the Spanish. The agreement was set down in a memorandum, portions of which Secretary Hoover said he would read to the members of the Council. Accordingly, Secretary Hoover pointed out some six agreed statements with respect to the limits of the conversations, as follows:

1. The discussions will be limited to broad strategic questions.
2. With respect to Portuguese participation, discussion of Portuguese problems will be limited to those areas of necessary Portuguese-Spanish mutual defense concern.
3. Discussions on any economic aid questions are to be avoided until the study on Spanish ability to support forces, now under way by the Prochnow Committee, is completed.
4. NATO defense planning concepts will apply in the talks, although specific NATO plans will not be divulged.
5. Discussion of any U.S. political commitments to Spain will be avoided.
6. There will be no discussion at this time of any U.S. military commitments.

When Secretary Hoover had concluded, the President inquired how the plans for these military conversations with the Spanish had initially arisen. Admiral Radford replied that he could not quite remember, but that he believed that the conversations were called for by an NSC paper and initially they had been requested by the Department of State. Secretary Hoover added that the Spanish had been anxious to discuss with us how Spain fitted into our general European plans and strategy, in view of the fact that Spain remained outside NATO.

Admiral Radford warned that he was not absolutely sure that our U.S. military representatives in the forthcoming conversations could succeed in confining themselves strictly within the limits which had been set forth in the portions of the memorandum just read by Secretary Hoover. While he, Admiral Radford, approved of the plan for

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<sup>3</sup> The minutes of all National Security Council meetings during the Eisenhower administration are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

holding these conversations, he must point out that our military representatives could not simply refuse to listen to anything that their Spanish opposite numbers might want to bring up. Secretary Wilson added that it was important who "master-minded" these conversations.

[1 paragraph (8 lines of source text) not declassified]

The President stated that as of now there was apparently no severe inflation in Spain, though there was always a fear that inflation would develop. Certainly we could ruin the Spanish through an inflation caused by our spending in Spain or, alternatively, by our trying to build up a larger military establishment than the Spanish economy was in a position to support. We must proceed, therefore, with very great caution.

At this point Secretary Humphrey said that he had a few words to say. Holding up a piece of paper, Secretary Humphrey provided statistics for the National Security Council on Spain's budgetary situation in recent years. The figures included the balance of income and expenditure. There had been continual deficits over these years now amounting to over \$400 million. Accordingly, there was no doubt in the mind of Secretary Humphrey that Spain was headed for real trouble. Moreover, said Secretary Humphrey, he wanted to think aloud about the situation of our assistance programs more broadly than as they affected Spain alone. We have gone into all these assistance programs, quite naturally, thinking only of what would be nice from our own point of view and what our allies thought would be good for them. If we persisted in approaching problems such as Spain without any thought for other things that we wanted to do in the interests of our national defense, we would presently find our budget completely out of balance, with terrific costs for ourselves, not to mention serious damage to the economy of Spain or some other nation in which we were interested. Accordingly, it seemed crystal clear to Secretary Humphrey that we have got to get ourselves better organized and placed on a much more businesslike basis than we currently had. It was essential that we place firm priorities on the funds that we are going to spend around the world for military and economic assistance. If we begin to do this, then we will not just sit around talking about what it would be nice to do and to obtain. Instead, we would have a clear idea of the total cost of these programs to ourselves. Furthermore, we will thus avoid getting our Government involved in commitments to foreign nations before we really know what we are doing. There is a desperate need for a more accurate budget basis, with dollar limitations built in, as the foundation for our assistance programs. Speaking with great warmth, Secretary Humphrey indicated his very grave concern about the course along which the Administration had been drifting. The previous Administration had been very bad in this respect,

but the present Administration had a lot to answer for too. We had just had an example of what he meant in the discussion of the earth satellite program, and worse still, this kind of sloppy thinking and planning was going on all over the Government. Secretary Humphrey referred to the awful difficulties which we had been going through in order to get a decent B-52 program. We were certainly not going to have an adequate B-52 program if we had to keep spending vast sums of money on a lot of other programs. Finally, Secretary Humphrey certainly doubted whether our military representatives could be expected to listen sympathetically to their Spanish opposite numbers if they knew that they could not make additional commitments and could not respond to Spanish requests for such commitments. In any case, our representatives must clearly know the limits to which they were authorized to go in these discussions.

Secretary Wilson observed that he looked on the problem a little differently than Secretary Humphrey. It seemed clear to Secretary Wilson that it does not always strengthen an alliance to keep taking on more nations who cannot really help us. The United States must avoid taking on "losers" as allies. By that, Secretary Wilson said he meant economic deficit allies. How, asked Secretary Wilson, were we to unlatch ourselves from South Korea? We state that we are committed to assist the South Koreans and that we are likewise committed to Chiang Kai-shek and Formosa. Actually we are getting to a point where we can no longer afford "what I call colonialism in reverse". By this phrase Secretary Wilson explained that he meant we were actually exploiting the people of the United States in order to bestow benefits on other nations, especially the underdeveloped countries.

Secretary Humphrey said that in any case our present system of administering foreign assistance simply wasn't any good. It must be improved. In point of fact, at the present time this Government does not even know for certain what its foreign aid commitments really are. Gordon Gray was working like hell to try to unravel the facts. Secretary Wilson agreed that the Government must be more selective in its approach to assisting its allies, and the President countered with the view that it might be wise to encourage the development of more neutral nations as opposed to the policy of developing committed allies of the United States. Secretary Humphrey interrupted to say, on the subject of allies, that he would much prefer to have the United States possessed of two or three good strong allies than 45 weak ones, as at present. The President elaborated his argument in favor of neutrals by pointing out that if the Soviets attacked a declared neutral nation, public opinion throughout the world would be against the Soviets and sympathetic to the United States. Moreover, in the event of an attack on a neutral nation, as opposed to an ally of the United States, the prestige of the United States would not be engaged.

The President then asked if the United States was at present firmly committed to engaging in these forthcoming military conversations with Spain. Admiral Radford replied that in a general way we were so committed, but that we had not committed ourselves to the detailed subjects which we would discuss. [5 lines of source text not declassified]

The President stated that in the last analysis all we were really interested in with respect to Spain was to secure the use of the Spanish bases. Accordingly, he could see no good reason why the United States should have to commit itself to assisting in the buildup of very high force levels and a great military establishment in Spain. All that Spain really needed was a good little army to keep the country stable.

[1 paragraph (13 lines of source text) not declassified]

The President said that all this "philosophizing" was well and good, but the heart of the matter was that our military people have engaged themselves to meet the military representatives of Spain, and the National Security Council had got to decide what to do about it. The President said he agreed with Admiral Radford that our representatives could not refuse to listen in these conversations to what the Spanish had to say. But the President also agreed with Secretary Humphrey that we should get all our ducks in a row before we make deals and commitments with any specific country such as Spain. The President went on to point out that the Spanish now claim that by virtue of permitting us to use bases in their country, they have now become a Soviet target, which they had not previously been. Accordingly, they claimed to need larger military forces. In this situation, and in the coming meeting with the Spanish, our representatives would simply have to say that they cannot talk about matters beyond the limits set forth in the memorandum earlier read by Secretary Hoover.

Admiral Radford said he felt constrained to point out that it was the United States which had taken the initiative in concluding military assistance programs and similar commitments, both with respect to Spain and to Turkey. Now, of course, the situation is changing, and we apparently don't seem to feel the same urgency about Spain and Turkey. Nevertheless, they have a valid claim that we asked them for bases and for military agreements. Whatever the current situation, Admiral Radford stated that if there was any one country in the world which had failed to take a long hard look into the future, it was the United States.

After Secretary Wilson had reminded the Council of the role played by the Congress in the matter of U.S. assistance to Spain, the President inquired whether the Spanish bases could properly be looked on as a substitute for the U.S. bases in Morocco. Could we now say that we are going to get out of some, at least, of these Moroccan bases? Or, alternatively, should the Spanish bases properly be consid-

ered as having been added to the bases in Morocco rather than as substitutes for these bases? General Twining replied to the President that, as agreed at the time by the National Security Council, the Spanish bases were additional to rather than substitutes for the Moroccan bases. Secretary Wilson commented that it was always an "add-on" program.

Secretary Humphrey expressed the view that all this money being spent on bases throughout the world would be much better spent on producing B-52 aircraft in the United States. Think of all the money that the United States had poured into Formosa. Think of what it would have brought us in terms of B-52 aircraft. In the last analysis, said Secretary Humphrey, the United States will stand or fall on how strong we are. We must begin to be selective in our assistance to our allies, in a way we have never even approached before.

The President replied that the matter of bases was nowhere near as simple as Secretary Humphrey indicated. We could do a lot more damage to the enemy with a small or medium bomber from the ring of nearby U.S. bases than we could inflict with much larger bombers based in the continental United States. It was unthinkable that we should abandon our bases around the periphery of the Soviet Union. Perhaps, speculated the President, what this Government should do is to set down and agree on the total amount of money to be allocated to the defense of the United States, and agree thereafter on the rational division of this total amount among the various competing claims.

Secretary Humphrey expressed absolute agreement with the President's last thought. In his opinion we should decide precisely how much we can afford to spend for defense purposes, and then divide up the total on a carefully selected basis.

The President said that the heart of the foreign assistance problem was the question of the eventual cost to the United States of any given ally, and how much that ally was worth to us. This was something which we ought to be able to calculate and thus reach a conclusion on how many allies we can afford to have. But after all, said the President, we must still deal with the imminent problem of what our military representatives are going to say to the Spanish when these conversations occur. We cannot leave our representatives to fend for themselves without guidance.

Secretary Hoover observed that the Council seemed to be involved in discussions of rather discouraging facts. While on the subject, he had one other discouraging fact to report. We are finding that in several instances we are being obliged to buy back again bases which we have already paid for. Apparently the price for our retention of our bases in Morocco after that country gained its sovereignty, would be a fat economic assistance program. We had already been obliged to buy back our base in Libya. The President commented that

the time will come when we will have to say, in this context, "OK, boys, we're through." Secretary Humphrey added the question: What about Iceland? All of these discouraging situations proved that we were trying to carry on an assistance program that simply would not work.

Admiral Strauss asked the President if he would not like to have the meeting close on a lighter note. He then said that in his recent visit to Rome he had been much entertained by one anti-Communist Italian election poster. This consisted of a group of pigs around a table, obviously depicting the members of the Soviet Politburo. One of the pigs, obviously a likeness of Khrushchev, was saying to the other pigs: "Comrades, I have discovered that Stalin was a pig."

*The National Security Council:*

a. Noted and discussed the reference Progress Report on the subject by the Operations Coordinating Board.

b. Noted the President's authorization for U.S.-Spanish military planning talks as proposed by the Departments of State and Defense, subject to the understanding that no new commitments for military or economic assistance will be made or implied during these talks, and that U.S. representatives will limit discussion to broad strategic concepts and that, if Spanish representatives insist on discussing force goals, make it clear that such discussions cannot imply or involve agreement on U.S. support.

*Note:* The action in b above, as approved by the President, subsequently transmitted to the Secretaries of State and Defense and referred to the Operations Coordinating Board as the coordinating agency for NSC 5418/1.

[Here follows item 6.]

**S. Everett Gleason**

**199. Letter From Foreign Minister Martín Artajo to the Ambassador in Spain (Lodge)<sup>1</sup>**

*Madrid, June 21, 1956.*

YOUR EXCELLENCY:

MY DEAR SIR: I refer to the program of economic aid to Spain which is presently under study in the House of Representatives and the Senate of the United States for the fiscal year 1956–57.

As Your Excellency is aware, the American Economic Mission in Madrid proposed for the past year a distribution of aid which was not in accord with the wishes of the Spanish Administration, but which had to be accepted in order not to delay the utilization of the funds. Notably, it was necessary to omit the inclusion of raw materials for the nation's industries and to accept a significant proportion in agricultural surpluses under Section 402 of the Mutual Security Act.

In order to prevent as far as possible that the same criteria be applied to the economic aid for fiscal year 1956–57, I must make Your Excellency aware of the desire of the Spanish Government in the first instance that in the coming fiscal year the larger part of the aid which is granted to Spain by the Congress of the United States be devoted to the procurement of raw materials because of the following reasons:

(a) In accordance with Article II of the Economic Aid Agreement, the Spanish Government is obligated to create or maintain internal financial stability and generally restore or maintain confidence in its monetary system. One of the most effective means which is available to do this is quite evidently the importation of raw materials which, by making possible production increases, has an immediate and intense effect on the country's economy and indirectly on its financial stability and the strength of the peseta.

(b) In present circumstances the importation of raw materials has a much more direct effect on the economy of the country than the importation of other commodities, since it is ineffectual to make investments in capital goods for industry if a sufficient supply of raw materials is not available to insure normal returns.

(c) The inflationary pressures are already perceptible in the Spanish economy as a consequence of the recent freezes and of the increasing use of pesetas in the construction of the joint military bases [which?] could be effectively arrested by the importation of raw materials which would make possible an almost immediate increase in production.

In the second place, it is also the desire of the Spanish Government that in the program of aid to Spain in the coming fiscal year there be eliminated the portion for agricultural surpluses which, in accord-

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<sup>1</sup> Source: Department of State, Madrid Embassy Files: Lot 64 F 64, 500, ICA 1956–1958. Official Use Only. The source text is a translation of the original letter.

ance with the terms of Section 402 of the Mutual Security Act, has been included in previous programs. The reasons supporting this are the following:

(a) Since the signature of the Agreements of September 26, 1953, the Congress of the United States has voted in favor of Spain economic aid amounting to a total of \$220 million, of which \$97 million, or 44.09 percent, has been used for the purchase of agricultural surpluses. If to this is added the purchases made under Public Law 480, the result is that of the \$337 million that Spain has purchased or is going to purchase under the aid program and said Public Law 480, \$214 million, or 63.501 percent is assigned to agricultural surpluses, a proportion which is excessive by any yardstick.

(b) The Spanish Government has clearly demonstrated its spirit of cooperation with the Government of the United States by its participation in an outstanding manner in the programs of sales of agricultural surpluses under Public Law 480. In line with this same spirit, the Spanish Government wishes to continue acquiring agricultural surpluses under the referenced Act, while in turn excluding said surpluses under the programs precisely defined as aid with the objective of allowing a wider margin within these programs for the procurement of raw materials and capital goods.

I would appreciate Your Excellency's transmitting the foregoing to your Government and advising me in due course of its reaction in this regard.

I take occasion, Mr. Ambassador, to repeat to Your Excellency the assurances of my highest consideration.<sup>2</sup>

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<sup>2</sup> Printed from an unsigned copy.

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**200. Letter From the Ambassador in Spain (Lodge) to Foreign Minister Martín Artajo<sup>1</sup>**

*Madrid, October 5, 1956.*

MY DEAR MR. MINISTER: I have the honor to refer to your letter of June 21, 1956,<sup>2</sup> in which you request modification of the existing percentages for the distribution of counterpart funds deriving from the economic aid programs.

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<sup>1</sup> Source: Department of State, Madrid Embassy Files: Lot 64 F 64, 500, ICA 1956-1958.

<sup>2</sup> *Supra.*

Your request was made known to my Government, which has advised me that it would be extremely reluctant to consider any change in the counterpart formula at this time. The completion and utilization of the joint military bases, which are in our mutual interest, will continue to require expenditures of 60 percent counterpart for some time to come.

I am delighted, however, to inform you that, in response to the representations you have made through me, the Washington authorities have agreed to increase to 70 percent the portion of the proceeds from Public Law 480 sales which will be loaned to Spain under the program now under discussion for Fiscal Year 1957. As compared with the present arrangement, the change will mean an increase of about 16 percent in peseta resources available for strengthening the Spanish economy. I am sure that the excellent Spanish cooperation in the financial arrangements relating to our joint programs has contributed to this increase in the loan component.

The concern over inflationary pressures in the Spanish civilian economy expressed in your letter is shared by us. I suggest, however, that the amount of expenditures on base construction to date makes it difficult to conclude that it has been of major importance in the creation of these inflationary pressures. My staff informs me that the amount of resources imported into Spain under the various economic programs, including Public Law 480, are six or seven times greater than the amount of resources which have been consumed in construction of the bases.

As Your Excellency may well surmise, I am in daily touch with Mr. Richard S. Aldrich, Director of the United States Operations Mission in Spain, on this critical problem. Mr. Aldrich in turn is constantly in contact with the Minister of Commerce, and I am sure Your Excellency will be pleased to know that negotiations which we are now about to undertake will, we confidently believe, play an important alleviating role in helping to counteract inflationary potential.

I take occasion, Mr. Minister, to repeat to Your Excellency the assurances of my highest consideration.

Sincerely yours,

**John Davis Lodge<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature.

**201. Memorandum of Conversation, Department of State,  
Washington, November 20, 1956<sup>1</sup>**

**SUBJECT**

International Problems of Mutual Interest to Spain and the United States

**PARTICIPANTS**

The Acting Secretary

Senor Don Alberto Martin Artajo, Spanish Foreign Minister

Senor Don José M. de Areilza, Spanish Ambassador to the U.S.

Senor Don Pedro Cortina, Spanish Consul General at Paris

Mr. John Wesley Jones, WE

Mr. Barnes, Interpreter

The Spanish Foreign Minister called on the Acting Secretary this afternoon to discuss general problems of mutual interest to Spain and the United States. The Minister is in the United States in connection with the opening of the Eleventh General Assembly of the United Nations and made a one-day visit to Washington to confer with high officials of this Government. Senor Artajo opened his visit with an expression of best wishes for the recovery of the Secretary. He went on to congratulate Mr. Hoover on his recent speech before the General Assembly of the United Nations and expressed his complete agreement with the Acting Secretary's comments therein on the Middle East. He recalled that four years ago he had made a tour of all of the Arab countries and had the following observations to make with respect to their position:

The Arab nations look to Spain as their best hope for support in Europe. They mistrust France and Great Britain because of their past colonial policies. There is a vacuum in the Middle East which the Soviet Union is trying to fill. (The Minister injected here the remark that he was glad to hear Mr. Hoover say in his U.N. speech that the U.S. would try to fill that vacuum.) The Arab nations are looking to the Soviet Union not because of any liking for Communism, but because of their resentment at the alleged ill-treatment they have suffered at the hands of the Western countries. Spain is trying to keep the Arab nations on the Western side, and has taken a concrete step in this regard through its generous policy toward Morocco. The Middle East is still not lost to the West.

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Jones.

At the London Conference on the Suez Canal Spain initially adopted a somewhat different position than the majority. This was intended to maintain the confidence of the Arab nations and to prevent them from looking toward the Soviet Union, Senor Martin Artajo continued. After the mistake committed by France and Great Britain through their intervention in Egypt, Spain, while thoroughly disapproving, has held her counsel in order not to cause any greater rift in Western unity. The Minister felt that the U.S. and Spain had gone to the London Conference in good faith, to seek a solution to the Suez problem but Great Britain and France had as their primary objective the elimination of Nasser. France believed that this would solve her problems in Algeria. Great Britain had more complicated reasons. Eden was worried that the Labor Party's opposition might be aggravated by Conservative criticism of his earlier action in withdrawing British troops from the Canal.

The Foreign Minister said that the Middle East situation breaks down into two problems: first there is an emergency problem, and secondly there is a substantive and long range one. In approving the U.N. action in bringing about a cease-fire he expressed the belief that the U.N. would solve the emergency problem. A solution for the long range problem of the Canal could be the one proposed by Spain in London: namely, participation of the Users of the Canal with Egypt in its operation. The Foreign Minister did not believe that it was too late to have negotiations between Egypt and the Users based on a proposal similar to the Spanish one. These negotiations could be held either in or outside the U.N.

Senor Martin Artajo turned to Western Europe and to NATO. He expressed the view that the recent action of the British and French had not only damaged their relations with the United States but had also damaged the North Atlantic Treaty Organization. Although Spain was outside NATO, its contribution to the defense of Western Europe was provided for under its agreements with Portugal and with the United States. Now there seemed to be less reason than ever to keep Spain out of NATO, given the independent and damaging course recently followed by the British and French in the Middle East. Should the United States feel that NATO had been damaged beyond repair the Foreign Minister suggested that we give consideration to the establishment of a Mediterranean Pact which would include the countries on the shores of the Southern Mediterranean as well as on the North. Such a pact should stress economic development rather than military establishments since what was needed to prevent Communist infiltration and influence was a serious effort to raise the very low standard of living in the Arab countries.

The Acting Secretary said that he was unable to agree with the Foreign Minister's estimate of the present status of NATO. He felt that recent events in Hungary had unquestionably strengthened NATO and had proved conclusively to the Europeans the essential value of a strong defensive military force west of the Iron Curtain. As the Minister knew the United States had for some time favored the entry of Spain into NATO and made no secret of its position. It recognized, however, that a problem existed with some of the other NATO members and that much depended upon an improvement of relations between Spain and those NATO countries. The Acting Secretary asked what progress the Spanish Government might have made in this regard recently. Senor Martin Artajo replied that in fact France and Great Britain no longer opposed Spanish membership in NATO. The serious opposition rather comes from some of the smaller European states having Socialist Governments such as Norway and Belgium. The Minister went on to say that during his recent visit to Ankara, the Turkish Government had suggested proposing Spanish membership at the next NATO Ministerial meeting. The Greeks and the Italians have also expressed themselves in favor of Spanish membership. The Spanish Government has asked that no formal step be taken by any of its friends until the appropriate soundings have been taken in advance to ascertain that Spain would not be "blackballed" in a plenary session.

The Foreign Minister replied that it was now essential that Germany rearm in order to contribute her share to the defense of Western Europe. If Germany were already strong and rearmed the Hungarian question would not have the same perils for Western Europe. He foresaw a similar uprising in Eastern Germany in which case, he said, West Germany must be given a free hand to intervene. While agreeing that a strong Germany was important the Acting Secretary expressed the view that the seeds of disintegration were beginning to sprout in Central Europe; that the U.S.S.R. could not continue to occupy Hungary militarily and that there were other pressures against Russia in the other satellites. Mr. Hoover recalled that some 60 Soviet divisions are presently tied down in the various satellite states. The most serious danger at the moment appears to be the irresponsibility of some of the Kremlin leaders. We are inclined to doubt that there is a permanent split or a rigid lineup of Stalinists versus anti-Stalinists in the Kremlin. Rather, we believe that there are serious differences of views on various subjects and that violent arguments occur on each of them before decisions are taken. There would appear to be no other way to explain the unpredictability of the decisions and the apparent lack of continuity of policy reflected in them. However, we continue to believe that, with a calm attitude on our part and with a continuance of present pressures, the disintegration of the Soviet Empire will continue

to its inevitable conclusion. The Foreign Minister agreed and recalled General Franco's view that the principal weakness of the U.S.S.R. is in her present over-extension.

The conversation turned again to the Middle East and the Acting Secretary expressed his confidence in the Secretary General of the United Nations who he felt could do, through that organization, what no one country could hope to achieve individually. Mr. Hammerskjold will prove most useful in solving the problem of the Suez Canal since he will be able to deal with Nasser on the one hand and with the Canal Users on the other. However, the first step is to have foreign troops withdrawn from Egypt and the Canal cleared. At this point the Foreign Minister drew from his pocket a telegram which he had received from Madrid reporting that, according to information of the Spanish Government from its Embassy in Cairo, Nasser is in a precarious position since he is surrounded by radicals and extreme nationalists which make him look like a moderate in comparison. Senor Martin Artajo said that contrary to the British and French belief, it now appeared that, should Nasser be overthrown, he would be succeeded not by elements more friendly to the West but rather by extremists with whom it would be impossible to deal. The Acting Secretary reverted to the Foreign Minister's suggestion of a Mediterranean Pact (with particular emphasis on economic aid) and said that while we had given no thought to a Pact of this nature, he did not believe that a Marshall Plan for the Middle East could succeed in any effective degree. The Marshall Plan in Europe for example had found a highly advanced civilization with a relatively high standard of living and a skilled labor force whose industrial plant had been impaired and whose capacity to produce had been temporarily suspended by a war. Consequently the Marshall Plan had had a relatively quick success in Europe but the elements for a similar performance in the Arab States did not exist. Senor Martin Artajo replied that perhaps capital investment such as projects like the Aswan Dam, for example, might prove to be the best means of helping in the Middle East. Mr. Hoover replied that this also had its dangers since the Egyptians had considered the Aswan Dam more in the nature of a monument to the present regime than as an economic benefit to Egypt. The U.S. Government has since learned that just as effective but cheaper and smaller dams might have been built along the upper Nile to achieve the same purposes, but they would have been outside of Egyptian territory.

**202. Telegram From the Embassy in Spain to the Department of State<sup>1</sup>**

*Madrid, May 15, 1957.*

During course yesterday's visit to bases, Embtel 1234,<sup>2</sup> FonMin took particular pains to clarify for me his views desirability Spain's joining NATO.

He first emphasized that in General Franco's and his opinion Spain did not have a great deal to gain by joining NATO and that they were not anxious. He pointed out they had never raised subject formally with me nor had they sought to exercise pressure on other countries such as Norway where Spanish curtailment of fish imports and use of Norwegian freighters could bring that country around very quickly.

Spain had made it clear in the past and it continues to be Spanish policy that if unanimously asked to join, Spain would accept. He pointed out that with French divisions in North Africa, slow German progress in furnishing troops, reduction of English forces, three Spanish divisions, for instance, could represent a substantial contribution under the circumstances. Moreover, mingling of Spanish soldiers with units other nationalities would tend to bring Spain more into Europe which is what he, Castiella, desires.

FonMin stressed Spain's loyalty to its agreements with us and that we could count on their firm adherence to anti-Communist position with no possibility of drift to neutrality.

Castiella mentioned his personal disappointment that at Bonn NATO meeting U.S. had not raised question of Spanish membership. In light of many congressional resolutions and public statements Spain had hoped we would at least bring subject up. He mentioned previous impressions his Government had received that U.S. Congress was more favorably disposed toward Spain than was Executive branch.<sup>3</sup> My impression was that he and General Franco are apparently upset not so much because they hope to be in NATO but because their Spanish pride is hurt that U.S. did not consider them worth mentioning. We pointed out reasons why it would have been inadvisable for U.S. to raise Spanish membership at this meeting. He said if U.S.

<sup>1</sup> Source: Department of State, Madrid Embassy Files: Lot 64 F 64, 320, NATO 1956-1958. Confidential. Drafted by Byington on May 14. Repeated to Paris for Perkins.

<sup>2</sup> Telegram 1234 described a tour of American bases in Spain that Ambassador Lodge conducted on May 14 for the new Spanish Foreign Minister, Fernando Castiella, to familiarize him with the joint base program. (*Ibid.*, Central Files, 711.56352/5-1457)

<sup>3</sup> The House, on March 20, and the Senate, on April 11, unanimously passed resolutions for the Department of State to use its good offices to achieve Spanish membership in NATO.

really wanted Spain in, we could have led the way, as in case of Turkey, and others would have followed. Conversation was entirely friendly.

Lodge

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203. Memorandum of a Telephone Conversation Between the Director of the Bureau of the Budget (Brundage) and the Secretary of State, Washington, June 25, 1957, 9:08 a.m.<sup>1</sup>

TELEPHONE CALL TO MR BRUNDAGE

The Sec referred to the 25 million for Spain—he has been studying it carefully and is not sure it can be fully justified on economic grounds but he thinks it can be on political grounds and he would hope B could concur in that. B said we questioned 25 last year and he understood they made commitments to put their financial house in order and B sees no evidence of it—like Turkey. The Sec said they have done something. Our political people feel it important irrespective of that. The Sec said he would cut it to 20. B said 5 on agriculture would not be enough and the Sec said no. The Sec thinks it has to be done right away and B will look at it in terms of 20. B said you think they will take themselves in hand—B is worried re propping up the regime if they are not willing to tackle their financial problems. The Sec said you are taking a chance—he would not want to be their guarantors.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, Telephone Conversations. No classification marking. A handwritten notation on the source text reads: "Reported by Sec at Tues. staff meeting, Dillon & Elbrick present."

204. Letter From the Ambassador in Spain (Lodge) to the Under Secretary of State (Herter)<sup>1</sup>

Madrid, August 8, 1957.

DEAR CHRIS: I am taking advantage of Homer Byington's return to the United States to ask him to deliver this letter to you in person in order that he might have an opportunity to discuss with you for a few moments the question of Spain's entry into NATO.

As, of course, you know, not only the President and the Secretary of State, but the Congress, by resolution, have expressed themselves as favoring Spain's entry into NATO. To date, however, the State Department has thought it wiser not to press this matter in the light of the opposition of certain NATO nations. Moreover, there is, as perhaps you know, a body of military opinion both in the Pentagon and in Spain which prefers the Washington-Madrid arrangement. I believe, however, that there are overriding reasons both political and military which should make Spain's membership transcend the importance of the objections raised by a few of the smaller powers:

1. Spain's manpower not only could be very helpful but is actually needed in order to build up a ground force adequate to protect our Western European friends from invasion while our atomic capability is brought into action. General Norstad last spring did not hesitate to stress the inadequacy of NATO's ground forces in Europe and the problems caused by (a) France's military commitments in North Africa; (b) Britain's new defense posture involving reduction of her ground forces in Europe; (c) the uncertainty connected with Germany's ability to fulfill her commitments for 12 NATO divisions; and (d) the reduction in the U.S. Army.

On the other hand, Spain's manpower, according to our experts, is tough and brave, [2½ lines of source text not declassified]. The minimum for the defense of Western Europe, according to General Norstad, is 30 divisions. Only 18 have been committed and several of these are not available. Naturally Spanish manpower would need military equipment which Spain would be unable to provide.

2. Spain, an Atlantic nation, is dependably anti-Communist; a member of good standing of the United Nations and many other international organizations. I believe Spain's membership in NATO would strengthen the anti-Communist posture of that organization. The argument that Spain should not belong because she is a dictatorship would of course apply equally to Portugal and can hardly be taken seriously. Moreover, Spain's association with the other Euro-

<sup>1</sup> Source: Department of State, Madrid Embassy Files: Lot 64 F 64, 320, NATO 1956-1958. Secret; Official-Informal. Drafted by Lodge.

pean nations through Spanish membership in NATO and the stationing of Spain's forces outside the Spanish frontiers would be healthy for the political evolution of Spain.

3. There is strong support within NATO for Spain's entry, which is favored by Turkey, Greece, Italy, Portugal and Germany, not objected to by England, France and Canada, and opposed principally by Norway and the other small nations that hardly make a sizable manpower contribution to the ground forces necessary, and now missing, for the defense of Western Europe.

[2½ lines of source text not declassified] I believe it to be in the best interests of the United States to create conditions under which it will be impossible for Spain to withdraw from the international relationships into which she has entered during the last few years.

I fully appreciate that this is a difficult problem and one about which the Norwegians in particular feel very strongly. I recognize that this is a question of domestic politics with the Norwegians, as it is for the other anti-Spanish nations. For us it is quite obviously a question of balancing the desirability of pressing for Spain's membership in line with our national policy against causing resentment in Norway and a few other small countries. The main purpose of this letter is to suggest that this question be given a new, fresh, hard look.

[Here follows a personal reference.]

Sincerely yours,

**John Davis Lodge<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature.

205. Report Prepared by the Operations Coordinating Board<sup>1</sup>

Washington, October 3, 1957.

PROGRESS REPORT ON SPAIN (NSC 5710/1, Approved by the  
President, May 14, 1957)<sup>2</sup>

(Period Covered: From March 27, 1957 through October 8, 1957)

A. Summary of Operating Progress in Relation to Major NSC Objectives

1. *Summary Evaluation.* U.S.-Spanish relations remained cordial, and satisfactory progress was made in meeting U.S. objectives. Despite certain problems enumerated in Section B, the Spanish Government has pursued cooperative policies. Spain's anti-communist position has remained firm.

a. Construction on bases for U.S. use has continued on schedule and they now possess an emergency capability. However, Spain has demonstrated concern at the location of our bases near major Spanish cities (see Paragraph 4).

b. With the exception of the Navy, which has made slow progress in absorbing U.S. aid due to its budgetary difficulties, the Spanish armed forces utilization of MAP support continues to improve toward satisfactory levels, and their training record is considered excellent.

c. Spanish officials have cooperated fully with OEEC groups studying the question of closer Spanish association, on which the OEEC Council has not yet arrived at a decision. Spanish officials have also shown interest in joining the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation, and have been studying the implications for Spain of the European Common Market and Free Trade Area. Spanish officials have shown increased interest in NATO membership, and there has been some improvement in Spanish relations with France and Great Britain.

d. Security forces remain loyal to Franco. There is apparent some limited weakening of the forces normally supporting the Regime in that the Falange and, to a lesser extent, the Church evidence efforts to identify themselves with "popular" ideals. Manifestations of labor, student and other political opposition continue, although they are not considered to constitute a political threat to the Regime as long as a pronounced deterioration of the economic situation can be avoided. On the other hand, in response to increased popular demands for a

<sup>1</sup> Source: Department of State, OCB Files: Lot 62 D 430, Spain 1956-1957. Secret. A cover sheet, an undated memorandum by Staats, a financial annex, and a pipeline analysis are not printed.

<sup>2</sup> NSC 5710/1 [6 pages of source text] was not declassified.

higher standard of living, the Government has granted wage and other concessions. These demands are continuing and they, among others, are contributing to inflationary pressures, and threaten the economic stability on which political stability partly depends.

2. *Need for Policy Review.* In view of the above, review of United States policy toward Spain (NSC 5710/1) is not recommended at this time.

*B. Major Operating Problems or Difficulties Facing the United States*

3. *Economic Aid.* The Spanish economic situation remains precarious. During the past six months agricultural and industrial production in Spain have continued at high and rising levels, and the Government has taken some steps to combat inflation by reducing the level of public borrowing and by raising the rediscount rate. Nevertheless the inflationary pressures remain strong, and it is very likely that demands for further wage increases will contribute further to the upward movement of prices. The need for outside financial aid continues. This need was recognized in NSC 5710/1 which was approved by the President on May 14, 1957. Our mission in Madrid has estimated that the overall level of commodities programmed for Spain for FY 1958 from Defense Support and PL 480 should approximate \$175 million. The executive branch requested \$30 million, and the Congress has recently voted \$40 million for Defense Support for Spain and, in light of the availability of PL 480 Title I funds and present crop prospects in Spain, a tentative program of approximately \$60 million in PL 480 funds is under consideration. Thus, presently projected programs will aggregate about \$100 million, plus such amounts as Spain will qualify for from the Development Loan Fund. We will continue to keep Spanish economic and political developments under close scrutiny to evaluate realistic minimum aid programs for Spain, and seek to obtain positive action by the Spanish Government toward stabilizing the economy.

4. *Atomic Vulnerability.* The argument that our base facilities in Spain increase the likelihood that Spain would be a target for Soviet attack in the event of hostilities has been reiterated by the Spaniards since the time the base rights negotiations for our 1953 agreements were undertaken. During 1956 there was some evidence of growing Spanish Government concern over vulnerability to atomic attack. This year the Spanish military have been pressing us for more advanced air defense weapons, including missiles. In April the Spanish military suggested that a high-level U.S. technical team should visit Spain to study the relocation of bases now located near the major Spanish cities of Madrid, Seville, and Zaragoza. General Franco told General Twinning that if war comes within the next three years, the U.S. can of course use the bases but that expert officers of both nations should consider U.S. construction of additional bases to supplant the Torrejon

base near Madrid and thus reduce its value as a military objective. In late May, the Spanish Ambassador made an official request for the visit of a high level technical team this summer, reiterating at the same time that Spain is sticking to commitments undertaken in agreements with us. A USAF technical team will visit Spain to seek to place Spain's vulnerability in perspective, compared to that of other countries of the West by providing intelligence on the relative priority of Spain as a target, the effect on Spain of nuclear detonations in Spain or elsewhere in Europe. This team will not discuss or make recommendations concerning air defense or military assistance. The timing of the visit will be established when we know the timing of U.S.-Spanish discussions concerning refined FY 1958 aid programs, and preferably after the activation of the bases.

5. *Increased U.S. Military Personnel in Spain.* The current U.S. military personnel (including civilian employees and dependents) strength in Spain is approximately 7,000. With the activation of the new bases, now nearing completion, the number of U.S. military personnel in Spain is expected to rise to 19,500 during the next year. The introduction of increased numbers of U.S. personnel into Spain may be the cause of some problems during the adjustment period.

6. *Operational Procedures at Bases for U.S.-Spanish Use.* Our agreements with Spain provide that all U.S. constructed base facilities in Spain shall be "under Spanish flag and command." Some of the procedures which will govern operations at the joint-use bases when they are activated, in the near future, remain to be worked out.

## Annex A

### ADDITIONAL MAJOR DEVELOPMENTS NOT COVERED IN THE OCB REPORT

#### 1. *Spain-USSR*

a. *Repatriates.* Of the 2,300-odd Spanish repatriates from the USSR, from 120 to 150 have returned to the Soviet Union and at last report over 300 were awaiting permission to leave Spain. The Spanish Government is making efforts which demonstrate its awareness of the propaganda potential for the USSR if substantial numbers of these persons return to the Soviet Union. These include the creation of an inter-ministerial commission to handle repatriates' problems, efforts to find jobs and decent housing for repatriates, and the expenditure of 1 to 1½ million pesetas (\$24-\$36,000) monthly in assistance. Except for a few urgent cases, the Spanish Government has frozen exit permits for repatriates.

b. *Other Developments.* According to the Spanish Foreign Minister the Soviets have continued approaches to Spain during this period seeking to establish some form of official relations. However, the question of the return of the Spanish gold was apparently settled by the USSR in a flat refusal to acknowledge any liability for it which was published by *Pravda* on April 5. Furthermore, on April 18, a Moscow Radio Spanish language broadcast warned the Spanish people against joining NATO. It told them, in terms similar to recent warnings to NATO members, that any territory used as a base for aggression would be subject to retaliation.

2. *Spain-NATO.* On March 20th the House, and on April 11th the Senate unanimously resolved: ". . . that the Department of State should continue to use its good offices toward the end of achieving the earliest possible participation by Spain in the NAT and as a member of the NATO."<sup>3</sup> The sense of this resolution was acceptable to the Executive Branch.

3. *Nuclear Power Agreement.* On August 16, 1957 Spain and the U.S. signed an expanded Agreement for Cooperation concerning civil uses of atomic energy. This supersedes the July 1955 agreement and authorizes further exchanges of information and sale or lease of up to 500 kilograms of uranium 235 for use in research, experimental power and power reactors over a term of 10 years.

4. *Franco-Salazar Meeting.* Spanish and Portuguese leaders met on July 8 and 9 at Ciudad Rodrigo, near the Portuguese border. This was the fifth such meeting since 1938. They are reported to have discussed their respective relations with Latin American nations, their position with regard to the European Common Market, and their position with respect to the Algerian problem.

5. *French-Spanish Conversation.* On August 24 M. Maurice Faure, French Minister of State for Foreign Affairs, visited San Sebastian for conversations with Spanish Foreign Minister Castiella. This is the first time since World War II that a French official of cabinet rank has visited Spain and is a further indication of improving French-Spanish relations.

6. *Spanish-Moroccan Relations.* The course of Spanish-Moroccan relations has been affected adversely by clashes between Moroccan Army of Liberation bands and the Spanish garrison of Ifni which in consequence thereof was reinforced in May. Spanish measures to maintain order have led to Moroccan protests and the King of Morocco instructed his ambassador at Madrid to demand negotiations leading to the return of Ifni to Morocco. The Faure-Castiella conversations of August 24 provoked angry protests in the Moroccan nationalist press and increased tensions between Morocco and Spain.

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<sup>3</sup> Ellipsis in the source text.

*7. New Commitments for Funds, Goods, or Services.* In response to the Spanish request for an additional \$30 million of defense support assistance in addition to the \$50 million previously authorized for FY 1957, the Spanish Government was informed on June 29 that the U.S. had approved the grant of an additional \$20 million in defense support assistance for FY 1957. At this time, the Spanish Government was also reminded of their previous assurances of our expectations that its economic stabilization program would be implemented.

**206. Memorandum From the Director of the U.S. Operations Mission in Spain (Aldrich) to the Ambassador in Spain (Lodge)<sup>1</sup>**

*Madrid, November 22, 1957.*

SUBJECT

Net Impact of U.S. Activities in Spain

There is one aspect of the Spanish economic situation which frequently comes up in discussions. That is the statement that the net impact of U.S. activities in Spain have been inflationary. Among the considerations relevant to such a discussion would be the following:

- a) The total use of Spanish resources by the U.S. in connection with the construction and operation of the military bases, including peseta expenditures of U.S. personnel;
- b) Increased Spanish military costs, to the extent these can be attributed to U.S. incentive or the additional costs of maintaining and operating Spanish units re-equipped through U.S. military aid; and
- c) Set against these two, the amount of commodities which have been imported through U.S. financing during the same period.

According to the figures available to this Mission, these various factors compare about as follows, for the period from 1953 through June 30, 1957:

|    |  |            |
|----|--|------------|
| 1. | U.S. resources provided for Spain (in millions \$) |            |
| a. | PL 480 imports                                     | <u>243</u> |
| b. | Defense Support imports                            | <u>226</u> |
|    | Total  | <u>469</u> |

<sup>1</sup> Source: Department of State, Madrid Embassy Files: Lot 64 F 64, 500 Spain 1956-58. Attached to the source text is a memorandum from Aldrich to Lodge of November 22 which states that this memorandum reflected some thoughts on how to deal with the Spanish allegation that U.S. activities in Spain contributed to Spain's inflation problem.

|     |  |            |
|-----|--|------------|
| 2.  | Utilization of Spanish resources as a direct or indirect result of U.S. programs in Spain. |            |
| a.  | Direct U.S. resources.   |            |
| (1) | Base construction costs  | 51         |
| (2) | All other  | 40         |
|     | Sub-total  | <u>91</u>  |
| b.  | Additional Spanish military costs attributable to U.S. military aid                        | 32         |
|     | Total  | <u>123</u> |
| 3.  | Excess of U.S. financed imports over Spanish resources used as a result of U.S. activities | 346        |

From these figures it would appear to us that the U.S. has succeeded by a very substantial margin, approaching 4 to 1, in more than offsetting the use of Spanish resources attributable to U.S. activity in Spain. It would, therefore, appear to us that the impact of U.S. activity has been very clearly anti-inflationary.

It would not, of course, be accurate to attribute to U.S. influence the *total* increase since 1953 of about \$124 million in Spanish military costs, since a very large share (about 75%) of that increased cost would have occurred anyway as a result of wage increases, price increases, etc., even if there had been no U.S. military activity in Spain. Nevertheless, even if the total increase in Spanish military costs is included, arrivals of U.S. financed commodities still more than equal all such diversion of Spanish resources by a margin of more than 2 to 1.

This sort of aggregate analysis does not, of course, take account of specific impacts such as that on rental housing, maid salaries, food supply, etc., in the areas where there are the largest concentration of U.S. personnel—that is Madrid, Seville, and Zaragoza. These are matters it is almost impossible to measure quantitatively, but the numbers of our people are so small in proportion to the Spanish, even of similar income groups, that I cannot feel that our impact on these selected areas is very decisive, though, of course, they would contribute to the problem in any area where these matters were already problems. So far as food consumption is concerned, I am certain that our net impact is negligible since the great bulk of food stuffs are procured through the Air Force Commissary and the only items commonly procured from the Spanish market are vegetables and other items in relatively ample supply.

I thought you would find this analysis of interest and would be glad to discuss its implications with you further at any time you so desire.

Richard S. Aldrich<sup>2</sup>

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<sup>2</sup> Printed from a copy that bears this typed signature.

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**207. Memorandum of a Conversation, Madrid, December 20,  
1957<sup>1</sup>**

**SUBJECT**

Conversation With General Franco

**PARTICIPANTS**

General Francisco Franco

Sr. Fernando Castilla, Spanish Minister of Foreign Affairs

Count Motrico, Spanish Ambassador to the United States

Secretary Dulles

Ambassador John Lodge

C. Burke Elbrick, Assistant Secretary

Following an exchange of amenities, the Secretary referred to the Heads of Government meeting which had just concluded its sessions in Paris.<sup>2</sup> He said that it had been an important and constructive meeting; that it had been designed to maintain and strengthen the unity of the West in the face of the steadily increasing military power of the Soviet Union. The workers in the Soviet Union labor for the primary purpose of building a stronger military base. In the Western countries two thirds of the gross national product are returned to the people in the production of capital and consumer goods for their benefit. In the Soviet Union only 40 to 45 per cent of the national product is so used. Meanwhile, the Soviet capital plant and military power grow. Work and study in the Soviet Union is being forced into technical and scientific channels. The Russians are very good in this field and we should not underestimate their intellectual ability and

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<sup>1</sup> Source: Department of State, Conference Files: Lot 63 D 123, CF 955. Secret.  
Drafted by Elbrick.

<sup>2</sup> Secretary Dulles was in Paris for the NATO Heads of Government meeting, December 16-18. On his way back to Washington, he stopped at Madrid on December 20 for this meeting with Franco.

their achievements. Admittedly, they have profited greatly from German experience and advances in rocketry, but they have great natural talents also.

The Soviets have taken risks in devoting themselves to rocketry at this stage but the risk is not as great as it would be for the U.S. since they know that we would not attack them. They therefore considered it possible to jump the long-range bomber stage and concentrate on missiles. We had planned to be in an advanced stage of missile development by 1960; meanwhile, we rely on the long-range bomber. Our retaliatory power is superior to that of the Soviet Union, and the balance of power is clearly with the United States at present.

Europe, said the Secretary, is not in a good position. It can be heavily damaged by intermediate weapons from the Soviet Union—a danger which will persist unless Europe has intermediate missiles of its own. [18½ lines of source text not declassified]

[1 paragraph (13½ lines of source text) not declassified]

[17½ lines of source text not declassified] The most significant aspect of the Paris meeting had been the fact that the European NATO members had signified their willingness to play their part. We know that Spain has also signified their willingness to play its part in the defense of the West and it was for this reason that the Secretary had thought it important to visit Madrid before returning to the United States.

The actions of the Heads of Government meeting require technical decisions regarding the integration and modernization of forces and the pooling of talent and scientific resources. The Secretary thought that Spain should also participate in this and he referred to the fact that the Council had decided to encourage liaison between NATO and other organizations and countries of the free world, although this had not been mentioned specifically in the final communiqué. The danger, after all, is world wide and all of us can be affected by events in other parts of the world. The Secretary mentioned the Middle East and North Africa as examples. He did not think the time had come to merge all the free world's collective defense organizations but he felt that closer contact between them was essential. A merging of the organizations would, he feared, only serve to set up a rival organization to the United Nations and he thought it better to continue with regional groupings provided it were possible to achieve a greater sense of understanding between the groups.

The Secretary said that he and the President had expressed the conviction that the struggle with the Soviet bloc can be won through developments which will require the Soviet rulers to change their tactics. There are grave weaknesses within the Soviet bloc as witnessed by certain recent events in the satellite countries where the people have evidenced their desire to regain the way of life to which

they were accustomed before being subjected to Soviet domination. There are also ample signs of differences within the Soviet Union itself. The Secretary felt that recent political changes in the Soviet Union reflect not merely a power struggle but a difference of opinion as to how the Communist system should operate. Economically, the Soviet Union is not in a good condition on the whole and this was made evident by the recent action cancelling the latest Five Year Plan. He felt that the Soviets could not go on indefinitely taking away the fruits of the labor of the Soviet masses. Recent attempts to decentralize industry will also result in the decentralization of power. If we can prevent the Soviet Union from enjoying external successes, the Soviet rulers will be forced either to review their internal policies or be overthrown. A despotism of this kind must emphasize external dangers in order to get the people to accept greater sacrifices. At the Twentieth Party Congress Khrushchev had indulged in a vilification of Stalin; people may well ask why this had not been done sooner. The fact was that from 1945 to 1950 the Soviet Union was gaining such successes that a change would have been impracticable. The Russians are governed by international Communism and not by a national government. When the Soviet rulers decide to limit their activities to improving the national welfare and abandon their worldwide ambitions we will be able to do business with them.

General Franco said that he agreed 100 per cent with the Secretary as to the strategic outlook. The West must remain strong and unified and it must maintain the deterrent to war and the necessary reprisal if war should break out. He agreed that the possession of long range bombers would still be decisive for some time but he thought that this period of grace might pass rapidly with the development of ballistic missiles. It is generally recognized that the United States has absolute superiority in the air; the Russians have proved, however, that they have the capability of launching guided missiles and they may use them one day. The world should be grateful for the efforts of the United States in Western defense. He thought that the pooling of resources was an excellent idea and the only thing that might stop the Russian threat of aggression. He thought that liaison between regional organizations might be difficult for some countries. It might mean war for all countries, for example, if Pakistan were attacked. This is a fact, however, and the Soviets know it and, he thought, would never resort to open aggression of that kind.

The Secretary said that we should not concentrate all of our attention on the military aspects of defense. He pointed out that political and economic aggression are also important and mentioned particularly operations such as those in the Middle East, Laos and even in the

Americas where Guatemala was being subjected to this type of offensive. This is an important aspect of the situation and is more difficult to combat than military aggression. [8 lines of source text not declassified]

General Franco agreed that the Soviet Union had worked for forty years to build great military power and, with the help of the Germans in the field of science and research, they had realized their ambitions. As for developments within the Soviet Union he had very little information but he was inclined to agree with the Secretary's estimate. The people had lived for forty years under the police terror of the Cheka. He felt that while Stalin had been successful in war his power had not been as strong as that of Khrushchev who relies upon the strength of the party to support him rather than on police terror. The youth of the Soviet Union are more free and therefore more rebellious and they are establishing more contacts with the outside world. Unfortunately, Western propaganda inside the Soviet Union is lacking. He thought we should take the line that the West would never launch an attack against the Soviet Union and that the only danger to the Soviet people would come from the Soviet Government itself. He agreed that the satellites are a soft spot in the Soviet armor. The people there want to regain their national freedom and their former way of life.

As to the establishment of military bases he felt that there should be a multiplicity of them and he expressed interest in the possibility that such bases could be mobile. He thought this might be the best tactic to adopt.

The Secretary said that he did not want to give the impression that he felt that a popular revolution in Russia is probable. The people of Soviet Russia continue to be subservient to the State but, unless the Soviet Union gains further victories abroad, it will have to do more for the people at home. The intellectuals of the Soviet Union are demanding more at present and the rulers of the country must do more to meet this demand if they cannot continue to point to signal successes abroad. General Franco said he thought that this meant a very slow evolution and the Secretary said it might be 10 or 20 or even 50 years. Meanwhile, we must bend every effort to meet Soviet subversive thrusts throughout the world.

General Franco referred to the situation in Morocco. He said that such nationalism as exists there is a tribal nationalism and it is difficult, if not impossible, for the people of the country to think in terms of a Moroccan nation. He thought that the French had made a great mistake in exiling the Sultan to Madagascar since the Sultan is not only the temporal ruler but also the religious leader of the people. The nationalist Istiqlal Party had played on this fact to oppose the French and had won a great victory when the French returned the Sultan to Morocco. When Morocco gained its independence, the Istiqlal Army was dissolved but another outlaw army has been raised by the extreme

leftist elements who have as their purpose the domination of the entire area of Tunisia, Morocco and the Sahara as far south as Senegal. They attacked the French in order to help the Algerian rebels, and have tried to create friction between Spain and France. They had asked for Spanish arms to fight the French and [2½ lines of source text not declassified]. He said that this course is suicidal for Morocco; the state should be built up for the welfare of the people and not for the purpose of embarking upon such adventures and he had so informed the Moroccans. Franco also told them that it would produce a very bad impression abroad.

He said that Moulay Hassan worked closely with the Moroccan Army of Liberation which, when pursued by the French in connection with the Algerian fighting, had taken refuge in the Spanish Sahara. The French had complained to the Spanish who had done what they could to control the situation but the Sahara, said General Franco, is like a sea and it is almost impossible to track down these elements in such an area. The Army of Liberation then began operations against Spanish territory with incidents along the Spanish frontier. The Spanish Government had without success asked the Sultan to intervene and control this Army of Liberation. Franco said that several Soviet fishing boats had been sighted off the Moroccan coast in the vicinity of Ifni and had been pursued by the Spanish Coast Guard. The fishing boats however were too fast for the Coast Guard vessels and escaped. Franco believed that the Soviet Union was using this method of supplying arms to the Army of Liberation which, he was convinced, is led and infiltrated by Communists. The absence of the Sultan in the United States offered an opportunity for the Army of Liberation to stage a show against Ifni. Spanish re-enforcements had been rushed in when the attack began.

The Secretary said that he had attached great importance to Spain's understanding of the peoples of North Africa—an understanding which he had always considered to be greater than that of the French. He hoped that the Ifni incident would not end the good influence of Spain in Africa. General Franco said that Spain was trying very hard to maintain its traditional position. Unfortunately, the leader of the Istiqlal, by the name of Fawzi, would like to oust the Sultan of Morocco and take his place. This, said Franco, would have a terrible result because there would then be no leader to control the various elements of the population, which the Sultan can do as the supreme religious authority of the country. He said that the link between the Army of Liberation activity and the Soviet Union seemed very clear. The authority of the Moroccan Government is wavering due to a large extent to Soviet encouragement of seditious elements, and this presents a grave problem to Europe since Morocco is the "back door to Europe."

[1 paragraph (22 lines of source text) not declassified]

General Franco said that the second matter that he wished to raise concerned U.S. economic aid to Spain. He said that the Spanish Government is not satisfied with the aid program. He referred to the fact that Spain had not been included in the Marshall Plan which had been so helpful to the other European countries in reestablishing their economies. Spain, unfortunately, as a result now finds it impossible to compete with other countries because it has no modern industrial plant. He said that 70 per cent of the aid given to Spain is returned to the United States in local currency for administrative use and for the construction of U.S. bases. Only 30 per cent remains for investment in Spain. He understood that in other countries up to 90 per cent of the counterpart funds are returned for investment within the country and he felt that some adjustment of this situation is necessary in the case of Spain. He said that the Spanish Government estimates that Spain is in need of some \$250 million aid, including PL 480 program. (It was later explained by Spanish Ambassador Motrico that the PL 480 program the Spanish Government has in mind would amount to some \$150 million.) The Secretary said he would be glad to look into this problem when he returned to Washington.

The Spanish Foreign Minister handed to Ambassador Lodge just before the Secretary's departure from the Embassy copies of memoranda<sup>3</sup> which he said were dictated by General Franco in preparation for his meeting with the Secretary. These memoranda deal with the bases, Spain and NATO, economic aid and the Moroccan (Ifni) situation. An additional memo<sup>3</sup> from the Minister of Commerce was handed to Ambassador Lodge by Minister Castiella listing the Spanish requests for economic aid.

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<sup>3</sup> Not found in Department of State files.

# UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

## I. CONTINUING POLITICAL, ECONOMIC, AND MILITARY RELATIONS BETWEEN THE UNITED STATES AND THE UNITED KINGDOM; EFFORTS TO MAINTAIN AND REINFORCE THE "SPECIAL RELATIONSHIP", 1955<sup>1</sup>

### 208. Editorial Note

During the years 1955–1957, the "special relationship" between the United States and the United Kingdom underwent its most severe trial. That trial, following the nationalization of the Suez Canal Company in July 1956, is fully documented in volume XVI. The documents printed here concentrate on Anglo-American bilateral relations. The documents reflect the "special relationship," particularly in the extensive discussions of the policy of each country with regard to shared problems and the efforts by each to understand the other's policy, to achieve a common policy or to agree to differ.

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<sup>1</sup> For previous documentation on U.S. relations with the United Kingdom, see *Foreign Relations*, 1952–1954, vol. vi, Part 1, pp. 693 ff. For documentation on U.S.–U.K. cooperation in NATO, see volume IV.

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### 209. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>

*London, February 1, 1955—7 p.m.*

3396. Following are highlights of first two days of Prime Ministers conference<sup>2</sup> as derived by Embassy from various reliable sources:

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<sup>1</sup> Source: Department of State, Central Files, 741.13/2-155. Secret. Repeated to New Delhi, Karachi, Colombo, Canberra, Wellington, Pretoria, Ottawa, and Salisbury.

<sup>2</sup> The Commonwealth Prime Ministers met in London, January 31–February 8, 1955.

Churchill was in "top form" as he opened Prime Ministers conference yesterday afternoon. He made masterly survey of world situation as he saw it, and delivered an impassioned defense of the United States and its fundamental good intentions, and the mature judgment and peaceful purposes of the President. He spoke of the dangers of atomic war but of his conviction that peace would prevail. Menzies yesterday evening before the Australia Club spoke with equal warmth of United States policies.

Eden followed with statement on Formosa which closely resembled his various public utterances on subject. He showed Prime Ministers record of Makins' last talk with Secretary and telegram in reply just despatched from Foreign Office.<sup>3</sup> In fact discussion of Formosa dominated most of yesterday's and this morning's sessions. Everyone seemed worried and nobody seemed to have a ready-made solution. Every one seemed to accept the President's differentiation between Formosa and the offshore islands, and there was a generally sympathetic appreciation of the United States' position and difficulties. Despite this feeling of friendliness there was an apprehension in certain quarters that if the alliance were to founder it would be on Far Eastern developments. It was mutually agreed today to drop the subject of Formosa temporarily and await developments.

Foreign affairs discussion then turned to WEU. Menzies chided Eden over failure to consult Australia before committing British troops to continent, but both Menzies and Holland<sup>4</sup> gave unqualified approval to Paris-London accords which obviously pleased Eden enormously. Nehru spoke quietly but convincingly. Apologizing for intrusion of a remark regarding an area which was outside his sphere of direct interest, he wondered whether twelve German divisions were worth all the heat generated about them. His main contribution was account of his recent trip to China. He gave "dispassionate and effective appreciation" of Chinese Communists, who he thought were misunderstood abroad. He believed emphasis they placed on constructive "national, economic and social reform" measures far outweighed their purely destructive Communist activities. He was sure they wanted peace in order pursue reconstruction, but it essential they be seated in United Nations.

Embassy hopes be able report further tomorrow.

Aldrich

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<sup>3</sup> A memorandum of conversation between Sir Roger Makins and Secretary Dulles on January 28 and a memorandum of conversation between Makins and Acting Secretary Hoover on February 2, at which Makins delivered the message, are printed in vol. II, pp. 161 and 195, respectively.

<sup>4</sup> Sir Sidney Holland, Prime Minister of New Zealand.

210. **Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>**

*Washington, March 11, 1955—9:36 p.m.*

4652. Subject: Plan K.<sup>2</sup>

1. Would like raise with you broad question of where we stand on Plan K commitment. Accepted here that U.S. interest still great in modernized, expanded RAF. Also believe U.K. has generally held in good faith to commitments, as reflected in budgetary expenditures. British difficulties in development and production of aircraft should be regarded as mutual setback and problem for joint consultation on remedies rather than as British failure meet commitments. However substantial delay in build-up and modernization of forces envisaged at time of commitments would appear warrant reexamination U.S. aid commitment. Original commitment predicated on fact British from own resources alone could not undertake agreed effort on specified time schedule and aid required if schedule to be attained. Slippage resulting from technical problems may result in British inability meet original specified time schedule. If slippage likely be significant, question arises (a) whether US aid required in fiscal 1955 and (b) whether in course of subsequent years British would be in position complete plan on their own without U.S. aid. Appreciate your comments on above and views on 1) present indication lag in Plan K schedule 2) need for reexamining US aid commitment.

2. Early settlement above questions will facilitate resolution certain practical problems relating to most effective use presently available FY 1955 MDAP funds and programming of requirements for FY 1956 funds. In this connection following alternate courses appear open unless continued US support of Plan K should be seriously questioned. (a) Agree with British to shift from Javelin to other aircraft or RAF equipment for procurement in FY 1955, possibly also cancelling last year's Javelin contract and shifting other equipment. This alternative would of course require very early affirmative answer basic question raised paragraph 1. Would also entail arrangements with British assure that AWX component of Plan K would be fulfilled by them. (b) Defer changing present plans procure Javelin until next year on assumption favorable evaluation still possible prior critical date. Alternative (b) involves choices of approach on funding. Might ask Congress for

<sup>1</sup> Source: Department of State, Central Files, 741.5-MSP/3-1155. Secret. Repeated to Paris. Drafted by Maurice G. Levy-Hawes and approved and signed for Dulles by Robert H. Kranich.

<sup>2</sup> Reference is to the British plan to equip and modernize the Royal Air Force.

specific reappropriation of FY 1955 funds now earmarked for Plan K or might reprogram these funds for other purposes and treat Plan K as claim on new FY 1956 funds.

3. Your views requested on alternatives listed para 2 above.<sup>3</sup>

Dulles

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<sup>3</sup> In telegram 4390 from London, April 5, Aldrich recommended that that portion of the Plan K commitment already under obligation or in an advanced state of negotiation be maintained and that the remaining portion be supplied in fiscal year 1956 notwithstanding the fact that, in the face of British cuts in the RAF, the United States was not bound to supply this aid. (Department of State, Central Files, 741.5-MSP/4-555)

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211. **Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, March 12, 1955—1 p.m.*

3995. Personal from Ambassador for President and Secretary. I am greatly disturbed by press reports of possible adoption of amendment to H.R. 1 to require President to accept Tariff Commission escape clause recommendations except when national security is involved. Such amendment would have most serious effects on relations with UK.<sup>2</sup> It would presumably make it almost impossible for President in future to reject recommendations for duty increases on important UK manufactured products (e.g. bicycles) since most such products have little national security significance. It would certainly result in reapplications for escape clause action in most of old cases where President has rejected recommendations of Tariff Commission (e.g., lead and zinc, fish fillets, silk scarves, wood screws, scissors and shears, tobacco pipes, handblown glass ware—in most of which UK has an interest). And it would encourage flood of new applications from many other producers.

Such a result, hitting a wide range of UK exports to US, would not only have harmful economic effects in both countries but would create serious doubts among all shades of opinion in UK as to sincerity of US purpose to adopt policy of freer trade. Indeed such an amendment

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<sup>1</sup> Source: Department of State, Central Files, 411.414/3-1255. Confidential.

<sup>2</sup> The Trade Agreements Extension Act of 1955, P.L. 84-86, 69 Stat. 162, was approved on June 21. For documentation on its effects on U.S.-U.K. trade, and the decisions to increase tariffs on British bicycles and to reject the British bid for supplying generators to the Chief Joseph Dam, see volume IX.

would undoubtedly be considered here as having effect of nullifying passage of H.R. 1 and of directly reversing President's announced program. This undoubtedly would have repercussions here on a wide front. For example, it would greatly lessen prospects for sterling convertibility and dollar import liberalization. It would also affect UK's attitude towards new GATT agreements and might change whole direction of British commercial policy.

I am sure everything possible is already being done to prevent this unfortunate action, but, in view of very real dangers involved in situation, I felt I should express my personal views.

Aldrich

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**212. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, May 27, 1955—6 p.m.*

5214. As of 5 p.m. today Conservatives have lead in UK general election of 63 seats with 10 returns still to come in, thus assuring them substantial majority, probably 60 to 70 seats over Labor, in new Parliament.

Returns so far indicate poll may be only 75 percent, roughly two million lower than in 1951 election. Conservative gains resulted not from switch of votes from Labor to Conservatives but from abstentions which were much greater among Labor's usual partisans (approximately 1.5 million drop from 1951 results in Labor vote as compared to 500,000 drop for Conservatives).

Result so far shows average swing towards Conservatives of 2 percent over 1951 election, but actual figures varied widely among constituencies. In close contests prominent Labor members often retained their seats in spite of general trend against Labor Party and front bench members of both parties probably have all been returned.

From Conservative Party viewpoint election has presented unparalleled and perhaps unique opportunity to achieve decisive victory. Genuinely good record of government, prosperity, relatively calm and improved international situation, harmonious allied relations, party unity and organization in contrast to Labor Party disunity, quiet nature of election, and just plain good luck all conspired in Conservatives'

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<sup>1</sup> Source: Department of State, Central Files, 841.062/5-2755. Confidential.

favors; even weather, bringing rain to midland industrial areas on polling day, helped Conservatives. On other hand size of majority may reduce sense of obligation of Conservative backbenchers to support government and make preservation party unity more difficult in future.

Present government has won election without having to make any hard and fast commitments during campaign. Closest approach was statement that consideration would be given to reducing two-year period of national service if top level meetings with USSR prove successful in reducing East-West tensions. Government spokesmen also hinted that measures to curb unofficial strikes might be considered, but in neither case is there unqualified obligation. This permits government to take over a new Parliament with free hands.

Substantially increased majority in new Parliament should also permit government much greater freedom of action to take possible distasteful measures in economic or foreign policy fields. They will enjoy sufficient support to move ahead without keeping constant watch on opinions of their own backbenchers as in last Parliament. Possible result may be even firmer British position in great power talks with Russians. Another may be to give government greater leeway to adopt controversial or less popular economic measures.

Since Churchill's campaigning entirely restricted to his own and neighboring constituencies (American correspondents have tended overplay his and Bevan's significance in campaign) Eden's prestige seems increased by clearcut victory for which he may get much credit.<sup>2</sup>

While Attlee looks like spent force alternate leader clearly has not emerged. To left wing in party Bevan's more energetic campaign would tend to justify his claim to leadership. Gaitskell however emerged with much enhanced reputation. Bevanites have more or less held their own despite defeat of Michael Foot<sup>3</sup> and Geoffrey Bing<sup>4</sup> though at this stage it is difficult to estimate relative effect of lowered turnout, redistribution of boundary seats and campaigning of extremists.

Aldrich

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<sup>2</sup> Eden succeeded Churchill as Prime Minister on April 6.

<sup>3</sup> Labour M.P., 1945-1955, and political columnist on *Daily Herald* from 1944.

<sup>4</sup> Labour M.P., 1945-1955.

**213. Editorial Note**

On June 15, the United States and the United Kingdom signed an agreement for cooperation regarding atomic information for mutual defense purposes. The text of the agreement is printed in Department of State *Bulletin*, July 11, 1955, pages 63-64.

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**214. Message From Prime Minister Eden to President Eisenhower<sup>1</sup>**

*Geneva, July 23, 1955.*

It is not our policy to have the kind of floating £ which is now being talked about.<sup>2</sup> Our aim must be the stability of sterling as an international currency, together with reasonable flexibility.

Widely or wildly fluctuating rates for the pound would be bad for world trade and for sterling. Such a policy has never been part of our ideas.

We have kept the United States authorities fully informed about our ideas on eventual convertibility which have not changed. The Chancellor of the Exchequer<sup>3</sup> has explained them to the Secretary of the U.S. Treasury. We will continue to keep in close touch with the U.S. authorities on our proposals.

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<sup>1</sup> Source: Department of State, Presidential Correspondence: Lot 66 D 204. The President and Prime Minister were in Geneva to attend the Summit Conference, July 18-23. A handwritten note by the President appears at the end of the source text: "To Geo. Humphrey—A note, handed to me this a.m. by Sir Anthony, DE." Secretary of the Treasury Humphrey was also at Geneva.

<sup>2</sup> In notes dictated on July 19 regarding his conversation alone with Eden on July 17, the President recorded: "Eden informed me that they have no intention at present of attempting to go to convertibility. This largely eliminated any discussion of the 'floating pound' except that I did say that if ever they took up that matter, there would be fixed and very narrow limits outside of which the pound would not be allowed to go." (Eisenhower Library, Whitman File, ACW Diary) This private conversation is also referred to in a memorandum by Secretary Dulles, July 17, vol. v, p. 343.

<sup>3</sup> Richard A. Butler.

**215. Editorial Note**

Between his appointment as Prime Minister on April 6, 1955, and his resignation on January 9, 1957, Sir Anthony Eden sent at least 78 letters to President Eisenhower, and received 62 letters in return. This correspondence covered every major international problem. Many letters dealing with a single subject are printed in the relevant compilations of the *Foreign Relations* series; several of those which deal with more than one topic are printed in this compilation. The originals of Eden's letters and copies of the President's, as well as an index of the whole correspondence, are in the Eisenhower Library, Whitman File, International File. Copies of many of the letters are in Department of State, Presidential Correspondence: Lot 66 D 204.

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**216. Editorial Note**

On August 30, Prime Minister Eden notified President Eisenhower that Great Britain would be sending to Canton Island two long-range aircraft which would "carry out a photographic reconnaissance of certain British islands in the Central Pacific which may be suitable as sites for testing thermo-nuclear weapons," and asked the President to inform Lewis L. Strauss, Chairman of the Atomic Energy Commission, and Admiral Arthur W. Radford, Chairman of the Joint Chiefs of Staff, of the purpose of these flights. In his reply on August 31, the President assured the Prime Minister "that this government has no objection to your carrying on the aerial explorations from Canton Island that you have described." (Eisenhower Library, Whitman File, International File)

**217. Memorandum of a Conversation Between the Secretary of State and the British Minister (Scott), Department of State, Washington, September 17, 1955, 1 p.m.<sup>1</sup>**

Sir Robert called primarily to say goodbye prior to his taking up his new task in Singapore.<sup>2</sup> He did mention the Cyprus matter and the strong hope of his Government that we would vote against inscription.<sup>3</sup> I told him we were giving sympathetic consideration to this but could not make up our minds until we knew just what the British themselves would say on this point in the General Committee. I said I intended to ask Macmillan for a copy of their prospective statement and hoped to have it by Monday<sup>4</sup> morning before I left for New York.

Sir Robert spoke of the concern about trade relations and the fear that we were going "protectionist". I said I had no such fear. I said that the US was pursuing, and I thought would continue to pursue, "liberal" trade policies, although the world "liberal" could not be interpreted as meaning that under no circumstances did we give consideration to our domestic economy. I said that foreigners should realize that the US was going to keep for its own people a reasonable percentage of the markets of various kinds and that whenever foreigners seemed to be absorbing almost the entire market of a given product that would be a danger signal.

Sir Robert spoke particularly about their worries about petroleum. I said that if there was cause for worry, it would be because some of the importing companies were being too greedy.

I said that I did not think we should look on the situation as either all black or all white. There was a grey zone but that did not prevent the US from having trade policies which would provide enterprising foreigners with ample opportunity to earn dollars through sales here.<sup>5</sup>

Sir Robert expressed the enjoyment he had had in being here, the regret he felt in leaving, and spoke highly of his personal regard for me. I reciprocated.

<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation, Secret; Personal and Private. Drafted by Dulles on September 19. In a covering memorandum, September 22, to Herbert Hoover, Livingston T. Merchant, and Douglas MacArthur II, John W. Hanes, Jr., reported that Dulles did not want this memorandum of conversation to be generally circulated. Selected paragraphs were sent to Thorsten V. Kalijarvi and Carl W. McCardle.

<sup>2</sup> He became British Commissioner-General in Southeast Asia.

<sup>3</sup> Reference is to the inclusion of the Cyprus question on the agenda of the U.N. General Assembly later in September. The United States ultimately supported the United Kingdom in both the General Committee and the General Assembly.

<sup>4</sup> September 19.

<sup>5</sup> The preceding three paragraphs were sent to Kalijarvi. See footnote 1 above.

*Addendum*

Sir Robert and Lady Scott had dinner with Mrs. Dulles and me Sunday evening. He then gave me copies of two statements by Macmillan regarding Cyprus.<sup>6</sup> He said that he had been in communication with Macmillan who hoped to have in my hands a draft of their proposed statement sometime Monday morning.

I spoke of press relations and asked whether they had much trouble with the American press. He admitted that they did, pointing to the fact that the American press were extremely well informed, very persistent and resourceful, and that it was extremely difficult to prevent their gaining information from one or another source, despite precautions which were taken. He said he did not believe the two recent leaks about the security treaty actually came from British sources, although British sources were attributed. He said that in such cases the attributed source was rarely the real one. I said that I felt that this was a difficult problem which deserved consideration as we were concerned about leaks.<sup>7</sup>

We discussed the Western European situation and German unification. Sir Robert was somewhat gloomy at the prospect of getting any action out of the Russians. I said that it would be a disaster if the Russians did not accept the coincidence of West German willingness that Germany integrate with Western Europe and accept limitation and control of armament, while at the same time the US would be willing to give Russia assurances as against a possible future attack by Germany. I said that this last was a very momentous commitment. I was somewhat surprised that it seemed to be accepted casually and as a matter of course. I said indeed that I was by no means confident that such a commitment would be ratified by the Senate and that it would take all President Eisenhower's authority to get it through. I felt that we would have to dilute somewhat the strength of the commitment, at least for initial bargaining purposes. I said that unless the Russians would take something like this, they might face a situation where the US would not commit itself as regards a future struggle. Sir Roger [Robert] remarked that this might mean that the US would more or less get out of Europe, which, he said, was what the Russians wanted and the UK feared. The other major UK fear was that the US might decide not to bother about allies but to deal directly on a bilateral basis with the Soviet Union on the theory that if our two powers could get

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<sup>6</sup> The draft of the proposed British statement at the United Nations on Cyprus is enclosed in a letter from Sir Robert Scott to the Secretary, September 19. (Department of State, Central Files, 747C.00/9-1955)

<sup>7</sup> Reference is to press reports about the new European security treaty proposed by the United States.

together, the rest would easily fall into place. He said that the present friendliness of the US toward Germany and Japan indicated how easily an attitude of hatred could turn into one of cooperation.

We discussed the question of "morality" in foreign relations. Sir Robert said that although at times it proved aggravating, particularly in relation to colonial matters, nevertheless he was convinced that the US was guided by moral principles in its foreign relations and that this was of immense value to the rest of the world. Only strong moral considerations could have led a nation to follow the enlightened course which the US had followed over the last years.

I pointed out that whereas most countries operated their foreign policy with a view to some concrete, short-term gain for their country, the US had not done so. We had acted primarily out of a sense of duty, and if that sense of duty were destroyed or rendered inoperative in foreign relations, then there would be no alternative but a reversion to isolationism and lack of responsibility in relation to world problems, both political and economic.

I said that I recognized that there was a school of thought, represented by Kennan<sup>8</sup> and Hans Morgenthau<sup>9</sup> who claimed that we should always act in terms of direct national expediency and not of morality. I did not see how, if that were the case, other countries could count on what the US would do and coordinate their policies with ours. If we were guided by moral principles, then they could know where we would stand. Sir Robert expressed his concurrence with this view.

JFD

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<sup>8</sup> George F. Kennan, Director of the Policy Planning Staff, Department of State, 1947-1950; Ambassador to the Soviet Union, 1952; Member, Institute for Advanced Study at Princeton since 1953.

<sup>9</sup> Professor of Political Science, University of Chicago.

218. Letter From Prime Minister Eden to President Eisenhower<sup>1</sup>

*London, undated.*

DEAR MR. PRESIDENT: Thank you so much for your message.<sup>2</sup> I am very happy that we can talk again.

I do not think that we should take too gloomy a view of the Geneva failure.<sup>3</sup> It was hardly to be expected that our summer weather could have been continued into winter.

The worrying part of this business is its effect on West Germany. It cannot be good for Europe that a great country should be divided for an indefinite period. I think we must do all we can to bring the bear to understand how dangerous is the part he is playing in this. If Bulganin and Kruschchev do come here in April you may be sure that we shall do all we can in this sense.

Kardelj has just been here.<sup>4</sup> The Yugoslavs seem to take a sensible and balanced view of Europe and urge that we should give time for these German-Russian problems to be solved. They were delighted with Foster's visit.<sup>5</sup>

Thank you so much for your help in my calculated indiscretion about the Israelis and Arabs.<sup>6</sup> I really think that we have a chance to bring about a settlement in this area. The Arabs seem now to accept that there must be an Israeli State and the Israelis would be wise to accept that a peace guaranteed by us both is worthy of more than an Armistice. As far as we can see the position militarily the Israelis could win all the battles, but would they win the war? And even if they did how could they survive without any trade with their Arab neighbours? Nuri<sup>7</sup> has sent me an encouraging message and Nasser does not seem

<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Top Secret. Transmitted to the President by Ambassador Makins on November 17 as the enclosure to a brief letter. The handwritten initials "DE" appear at the end of the source text.

<sup>2</sup> On November 12, the President had acknowledged Eden's message of that date congratulating him on his return to Washington after his heart attack on September 24. (Department of State, Presidential Correspondence: Lot 66 D 204)

<sup>3</sup> The Foreign Ministers of the United States, France, United Kingdom, and Soviet Union met in Geneva, October 27–November 16.

<sup>4</sup> Edvard Kardelj, First Vice President, Yugoslavia Federal Executive Committee, visited London, November 14–19. No record of his London conversations has been found in Department of State files.

<sup>5</sup> The Secretary visited Yugoslavia on November 6.

<sup>6</sup> Referring to the Arab-Israeli dispute, Eden, in his speech at the Guildhall on November 9, said, "If, for instance, there could be accepted an arrangement between them about their boundaries, we, and I believe the United States, and perhaps other powers also would be prepared to give a formal guarantee to both sides." For text of this speech, see *The Times*, November 10, 1955, p. 10.

<sup>7</sup> Major General Nuri al-Said, Iraqi Prime Minister and Minister of Defense.

entirely negative. If the Israelis will move a little we may yet pull off an agreement on the Trieste model. The trouble with this particular problem is that it is likely to get worse rather than better if we cannot eliminate it.

Forgive these random thoughts. You will know what sincere good wishes go with them.

Anthony<sup>8</sup>

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<sup>8</sup> Printed from a copy that bears this typed signature.

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219. Letter From President Eisenhower to Prime Minister Eden<sup>1</sup>

Washington, November 19, 1955.

DEAR ANTHONY: It is good to have your thoughts.<sup>2</sup> You are of course right in saying that to keep Germany divided is dangerous business for Europe and the world as well. We have made some progress however at Geneva in impressing this point on the Russians. At the least I believe we have made clearer to everyone that the Soviet policy concerning Germany is designed to preserve the GDR as the keystone of their satellite position rather than Russian security.

I agree with you that the only real solution to the dangerous situation in the Middle East is an Israel-Arab settlement. The prospects do look brighter at the moment than they have for some time. We must do everything we can to follow through effectively.

With warm regard.

As ever,

D.E.<sup>3</sup>

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Top Secret.

<sup>2</sup> See *supra*.

<sup>3</sup> Printed from a copy that bears these typed initials.

## II. THE VISIT OF PRIME MINISTER EDEN TO WASHINGTON, JANUARY 30-FEBRUARY 1, 1956

220. Letter From Prime Minister Eden to President Eisenhower<sup>1</sup>

*London, undated.*

DEAR MR. PRESIDENT: I should so much welcome a chance to talk to you again. On the other hand, I do not want to be an importunate visitor. I have therefore been wondering whether it might be acceptable to you if I was to propose myself for a brief visit to the United States at some date convenient to you in the second half of January. The main purpose would be to talk over the world scene together. I would not suppose that anything in the nature of an official agenda would be necessary. I do however attach importance to our having a talk together well in advance of the visit of the two Russians here in April. We should show the world that we are in full agreement and that nothing can divide us before they descend upon us.

I would hope that Harold<sup>2</sup> could come with me, and I should much look forward to seeing Foster again.

Please do not hesitate to let me know exactly how you feel about all this. Of course I would not want to make any suggestion that could put any strain upon your health.

Kindest regards,

**Anthony<sup>3</sup>**

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Top Secret; Personal. Enclosed in a letter from Ambassador Makins to the President, November 23. In a June 21 memorandum to Ann C. Whitman, John W. Hanes, Jr., noted that the President did not formally reply to Eden. (*Ibid.*, Dulles-Herter Series) Dulles told Makins on November 30 that the President "would be happy to receive Sir Anthony." (Memorandum of conversation, November 30; Department of State, Central Files, 033.4111/11-3055)

<sup>2</sup> Harold Macmillan.

<sup>3</sup> Printed from a copy that bears this typed signature.

221. Memorandum From the Counselor (MacArthur) to the Secretary of State<sup>1</sup>

Washington, December 9, 1955.

SUBJECT

US-UK Preparations, and Nature and Scope of the Discussions with Prime Minister Eden during his Visit to Washington, January 30, 1956

Mr. Macmillan has suggested to Ambassador Aldrich that the bilateral preparations for Prime Minister Eden's talks with President Eisenhower should be as nearly analogous as possible with the tripartite preparations for the Geneva meeting.<sup>2</sup> Specifically, he has suggested that a US-UK working group be established to prepare for the Washington talks so that the President and the Prime Minister could reach agreement on specific issues and not have to defer them for further study, when such study could be accomplished in advance. He also has in mind that the foundation for US-UK policy and action in the coming months vis-à-vis the Soviets should be along the lines of the various US-UK wartime governmental strategy meetings.

It seems probable that Mr. Macmillan's views as indicated above reflect the views of Prime Minister Eden, who would doubtless like to reestablish the kind of US-UK operating arrangements with the President that Churchill had with President Roosevelt during the wartime period. Furthermore, we are told confidentially that Eden receives a full distribution of all substantive British diplomatic telegrams and intervenes frequently in the day-to-day operations of the Foreign Office rather than confining himself to matters of basic policy.

The closest US-UK cooperation in the field of foreign policy is more important than ever in the light of what the Soviets are now doing. However, Macmillan appears to have in mind that the proposed US-UK working group would prepare specific and detailed recommendations with respect to all the important problems with which we are faced. Such an arrangement would have serious disadvantages.

To try to reach firm and detailed US-UK agreement at the highest level of government on the key problems facing us in Europe, the Middle East, South and Southeast Asia, and the Far East, could result in an undesirable inflexibility of policy in an especially fluid situation created by the recently adopted attitudes and policies of the Soviet

<sup>1</sup> Source: Department of State, Central Files, 033.4111/12-955. Secret. Drafted by MacArthur.

<sup>2</sup> Ambassador Aldrich's report of his conversation with Macmillan, which MacArthur summarizes here, was transmitted to the Department in telegram 2339 from London, December 7. (*Ibid.*, 033.4111/12-755)

Union. Furthermore, in the light of the President's recent illness and the fact that he will be beset with many problems when he returns to the White House, it would be placing too great a burden upon him to ask him to go into all the detailed and multiple facets of the various foreign policy problems. Also, it would tend to transfer the daily operational decisions within the framework of basic policy from the Foreign Ministers to the Heads of Government. This might in turn lead Eden to wish to have fairly frequent meetings with the President to review and to decide upon some of the more detailed aspects of foreign policy.

With respect to the reestablishment of the US-UK wartime relationship, it must be borne in mind that this was a result of special circumstances obtaining at that time, when virtually all Europe was over-run and in the hands of our enemies and where the US and UK were the only powers that had the resources, power, and resolution to prosecute the war. To reestablish this form of open bilateral relationship now would create the most serious difficulties with respect to France and some of our other allies. It is undeniable that the closest US-UK cooperation is essential, but this could be most effectively carried out in private, bilateral, diplomatic discussions at the Foreign Minister and Embassy levels.

While the above comments apply to Macmillan's proposals, there are two areas where it is believed that useful US-UK working level discussions could be held preparatory to the Eden visit. They are:

1. The Middle East;

2. The general situation in South and Southeast Asia in the light of the recent Soviet offensive in these areas appealing in the first instance with economic and propaganda blandishments to the neutralist and uncommitted countries.

*Recommendations*

It is recommended that when you discuss the preparations for the Eden visit with Mr. Macmillan in Paris on December 15,<sup>3</sup> you make the following points:

1. In his talks with Prime Minister Eden, President Eisenhower will not attempt to examine the specific details of most of the various problems with which we are faced. He contemplates a broad and general exchange of views on the basic problems with a view of arriving at: a) a common assessment, and b) the general approach that

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<sup>3</sup> Secretary Dulles and Foreign Secretary Macmillan were in Paris, December 15-16, to attend the NATO Council of Ministers meeting; in their conversation on December 15, Macmillan agreed that the agenda for the Washington talks "could be prepared through normal diplomatic channels, Washington, except in case of Middle Eastern problems. For latter he proposed, and Secretary agreed, to send Shuckburgh to Washington shortly after Christmas for consultation with appropriate Department officers." (Secto 6 from Paris, December 16; *ibid.*, 740.5/12-1655)

the US and UK should take with respect to them. Therefore, there should not be a detailed agenda. A brief list of general topics might be drawn up to guide the discussion, and this could be accomplished through the Department-Embassy channel in Washington.

2. We do not think it is feasible to set up a working group to make specific recommendations on *all* the details of the multiple and difficult problems which we face in the light of the evolving situation and the broad nature of the Eden-Eisenhower talks. However, we do believe:

a. that with respect to the Middle East, it would be useful to have further exchanges of views in advance of the talks. These would be on the principal problems of the area with a view to a common assessment and common approach to them. With this in mind, we would propose that Mr. Russell<sup>4</sup> and Mr. Shuckburgh meet in Washington to discuss the Arab-Israeli question about January 11. While here, Mr. Shuckburgh could talk with other officers of the Department about additional matters of concern such as the Buraimi question. This would enable Mr. Shuckburgh to return to London to report on the results of these talks prior to the departure of Mr. Macmillan and the Prime Minister.

b. it would also be useful to have a general exchange of views with regard to the situation in South and Southeast Asia resulting from the recent Soviet offensive. Such an exchange of views could be held in Washington at about the same time as the Russell-Shuckburgh meetings, and would also be designed to develop a common assessment of the problems we face and a common approach to them. These would include: a) how we can develop and strengthen SEATO, and b) what we can do to counteract the Soviet "neutralist" offensive coupled with economic blandishments, which seems designed first, to detach the countries in the area from their relationships with the Western powers, and then gradually to communize them through the local Communist Parties which have been given a new respectability by the Bulganin-Khrushchev visit.

**D MacA**

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<sup>4</sup> Francis H. Russell, Special Assistant to the Secretary.

**222. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

London, January 24, 1956—5 p.m.

3002. Eden visit to Washington—general background as seen from London.

**1. Anglo-American Relations.**

Visit will take place against background of solid Anglo-American cooperation ruffled, however, by occasional differences in appreciations and implementation of foreign policy. These differences sometimes steal headlines but to Embassy they seem of only transient importance in contrast to underlying belief of Britain that its alliance with US, together with American possession of atomic deterrent, ensure UK's primary defense of its independence and way of life. Britain also feels UK-US tie is likewise of basic importance to US. This belief in reciprocal need of the two countries for each other encourages British press and public to criticize US frankly—sometimes vociferously—when it questions American foreign policy. Only certain extreme left-wingers and Communists oppose Anglo-American relationship.

Among examples of current irritations are, of course, the *Life* magazine article,<sup>2</sup> which revived fears of American impetuosity in foreign affairs. [3 lines of source text not declassified] impatience is felt over US reluctance reconsider its position with respect to export of strategic items to Communist China. Although it is generally accepted that modification of controls to Soviet level would not result in substantial increase in UK trade with China, opposition is articulate and growing and UKG no longer willing defend present level which it believes illogical and untenable.

Of greater significance than specific points of friction in current Anglo-American relations is a sense of uncertainty on part of general public regarding soundness and vigor of both British and American Governments' responses to new international challenges. Departure of Churchill from center of stage and concern over President's health have contributed to this uneasiness. At the same time an apparent diminution of Soviet Union as a military threat, symbolized by Geneva summit meeting, and its reappearance as a vigorous economic and political competitor in Near and Middle East and Southeast Asia tended to confuse British public and to cause it to question whether

<sup>1</sup> Source: Department of State, Central Files, 033.4111/1-2456. Confidential. Repeated to Paris, Bonn, and Moscow.

<sup>2</sup> James Shepley, "How Dulles Averted War," *Life*, January 16, 1956, pp. 70-78.

American and British leadership are coping adequately with old enemy in new guise. There is evident minor but growing body of public opinion which questions whether US leadership may be overemphasizing nuclear weapons, particularly H-bomb tests, at a time when real threat is the new Soviet tactics in economic and political fields.

It is against this background that British public and government leaders welcome forthcoming meeting. If as result of meeting impression is created that two governments are agreed on general lines to cope with main problems, specifically those in Near East, and are going ahead in unison, this would be important factor in increasing public confidence in Eden government and in American leadership. The timing of the meeting is fortunate because it is simultaneous with thorough disenthronement by both British public and its leaders from false hopes so fondly spun before and after Geneva Summit meeting. Khrushchev-Bulganin trip through India<sup>3</sup> with its anti-Western propaganda, coupled with Soviet attempts through arms deals and promises of economic grants to dislodge UK from its position in Arab world, have been sharp lessons to British. Not since Korean war has British distrust of Moscow been so great. In the face of mounting Soviet threats in Middle East area, British Government is actively considering ways of increasing Anglo-American cooperation. There is even some labor-union alarm about recent Communist gains in British labor-union movement and sections of labor press are beginning to discuss ways and means of countering CP effort to take over certain of bigger unions.

## 2. UK Attitude Toward Western Europe.

Maintenance of pro-Western governments in Western Europe is of course vital UK interest. All indications are that British Government and public consider its military and political pledges under NATO and Paris Agreements of essential importance and mean to execute them faithfully. Government and people, however, still cannot visualize Britain as organic part of Western Europe and proposals, originating on continent, for supranational economic, political or military organizations including UK fall on deaf ears. Hence, UK decision not to join EURATOM will almost certainly remain firm and participation at this time in Common Market is unthinkable. Best that can now be hoped for is cooperative arrangement with EURATOM and neutrality *vis-à-vis* Common Market. UK remains basically suspicious—all the more so since recent French decision—that integration based on “the six” cannot successfully contain resurgent Germany as long as France politically and economically immobilized. FonOff, however, realizes and would like to correct negative impression which present UK position

<sup>3</sup> They visited India and Burma, November 19–December 14.

creates and is casting about for means of taking new political initiative towards Western unity, based if possible on Atlantic community. Proposals to strengthen political, economic and social aspects of NATO are for first time under serious consideration. Meanwhile, UK participation in OEEC, which represents a larger and more natural grouping in UK eyes, has measurably increased in recent months.

### 3. UK Economic Situation.

Britain's economic situation is factor which of course limits to an important degree Britain's ability to play as significant role internationally as country might wish and its international position calls for. At same time, notably in Middle East, Britain's reactions to specific problems are conditioned by its economic position.

Today, with full employment, most economic activity at record levels, its gold and dollar reserves at lowest point in three years and with noticeable inflation, Britain's economic resources are severely strained. It recognizes its internal problems and is attempting to solve them without resort to direct controls. In present circumstances country has ability to maintain defense forces at about present levels and to modernize them to some extent. It is able to support some measure of foreign economic assistance and possibly to increase it slightly in instances of particular political and strategic significance. It is highly questionable, however, that Britain can afford to modernize its military forces as quickly as present day circumstances would seem to warrant and to maintain them in quantity and of a quality which its international position would seem to require. Doubtful too is Britain's ability markedly to expand its foreign economic assistance even in Middle East and Southeast Asia where its interests are most directly threatened by recent Soviet moves on economic front.

Critical weakness in UK economy is in respect to energy. This weakness stems from the failure to increase coal output in line with increasing industrial activity and inability to replace conventional fuels in short run with nuclear energy. Lack of coal production has required substantial imports, notably increasing dollar drain. Atomic energy program is being given priority attention which will bear increasingly heavily on limited domestic resources. For next decade or two, British national solvency and international position require continued access to adequate quantities of moderately priced oil from Middle East. This crucial dependence on Middle East oil has been acknowledged recently at highest levels of Brit Govt. Brit reactions in respect to border problems with Saudi Arabia, initiative in seeking development of complementary US and UK programs in Middle East to strengthen Western position there (including willingness to use some of its limited foreign assistance funds) stem in part from this factor.

4. *New Eden Govt.*

Although it is too soon to judge performance of new Eden Cabinet, it can at least be said it is composed largely of experienced men who have in past worked unusually well together. However, recent reorganization has placed several veterans in new posts, including Butler,<sup>4</sup> position as Conservative domestic policy planner, remain to be established. [sic] Selwyn Lloyd's move to FonOff, however, where he served as Minister of State for three years under Eden, restores familiar partnership of Eden and Lloyd in handling foreign affairs. Both will be under special compulsion to make success of Washington visit to counteract criticism from their own party as well as from Labor opposition for alleged inability to provide country with decisive far-sighted leadership. Despite discontent, centering on rising cost of living but including criticism of UK conduct of foreign policy as well, all indications are that Eden remains firmly in control of Conservative Parliamentary majority and of party organization. Moreover, it can be safely assumed that he will be speaking in Washington, where foreign affairs will be discussed, with support of overwhelming majority of his fellow countrymen.

5. *Summary and Conclusion.*

At present time disenchantment of Brit public with USSR is widespread. There is furthermore no issue of crucial importance which requires UK to choose between American interests and those of majority members of the Commonwealth. Hence Eden has relatively free hand politically in Washington to agree with US on a positive program. He has further an impelling reason to take responsive action based on serious Soviet threat to Commonwealth in Near East, Middle East and South Asia. He has also solid domestic reason to work for successful visit which would be real boon to his govt and himself as leader under cross fire of political criticism. Finally, he has every reason to try to establish same type of high-level, direct contact with American Chief Executive which Sir Winston Churchill enjoyed. Prime Minister will nevertheless be hampered inevitably by limitations on UK resources and by its serious balance-of-payments difficulties. Hence, however willing UK's spirit maybe, its flesh is unavoidably weak.

Aldrich

<sup>4</sup> Richard A. Butler became Lord Privy Seal and Leader of the House of Commons in December 1955.

**223. Editorial Note**

By the end of December 1955, a list of topics to guide the discussions between President Eisenhower and Prime Minister Eden during their talks in Washington had been agreed. The topics were: 1) general estimate of Soviet objectives and policies, particularly with respect to the Third World; 2) general situation in Europe and European integration; 3) Middle East; 4) interests and objectives in South and Southeast Asia and 5) the Far East; 6) disarmament; and 7) communiqué. Briefing papers setting forth the policy issues involved in each topic were prepared by various bureaus of the Department of State. These background papers are in Department of State, Conference Files: Lot 62 D 181, CF 648, 648A, and 648B, and the Eisenhower Library, Whitman File, International File.

Following the lead of Foreign Secretary Harold Macmillan and Counselor Douglas MacArthur II, as explained in MacArthur's memorandum of December 9 (Document 221), two Working Groups were established in preparation for the talks. The first, comprising delegations headed by Evelyn Shuckburgh, Assistant Under Secretary in the Foreign Office, and Francis Russell, met January 13-19, and considered Anglo-American interests and objectives in the Middle East, policy with respect to conflicts between Saudi Arabia and the Sheikdoms of Eastern and Southern Arabia, [*less than 1 line of text not declassified*], and the Baghdad Pact. Details of these discussions are in Department of State, NEA Files: Lot 59 D 518, Eden Talks, Washington, Jan. 28-Feb. 1, 1956 (Background Papers), and Alpha-Middle East Defense and Soviet Objectives in ME; and *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199. See also volumes XV and XVI. From January 23 to 27, Rear Admiral George Thring of the Ministry of Defense led a British team which met with representatives of the Department of State, Atomic Energy Commission, Disarmament Staff, and Department of Defense, and examined the status of the review by each country of disarmament policy. Details of these discussions are in Department of State, Central File 600.0012.

**224. Memorandum of a Conversation, White House,  
Washington, January 30, 1956, 2:15-4 p.m.<sup>1</sup>**

ETW MC-1

**PARTICIPANTS**

*US*

The Secretary  
Under Secretary Hoover  
Ambassador Aldrich  
Mr. Merchant  
Mr. MacArthur  
Mr. Bowie  
Mr. Allen  
Mr. Rountree  
Mr. Hagerty  
Mr. Cottman

*UK*

Prime Minister Eden  
Foreign Secretary Lloyd  
Ambassador Makins  
Sir Harold Caccia  
Sir Leslie Rowan  
Mr. Evelyn Shuckburgh  
Mr. Ian Samuel  
Mr. Willie Morris

[Here follows a list of subjects discussed.]

At 2:20 p.m. Sir Anthony Eden, Mr. Selwyn Lloyd and the Secretary of State joined their advisers who were waiting in the Cabinet Room. At Sir Anthony Eden's request the Secretary acted as chairman and briefly reported the results of the discussion at the President's luncheon.<sup>2</sup>

*Press Arrangements*

First the Secretary said that it had been decided with respect to background briefing of the press that Sir Harold Caccia, designated by Sir Anthony Eden, and Mr. Merchant would meet together after each session and agree on the information and general line which would be given to the press. It was also agreed that both delegations would try to avoid having other persons brief the press but that in any case they would confine themselves to the agreed line in any discussions with the press.

*Draft Declaration*

Next the Secretary reported that the President had handed Sir Anthony a draft declaration to be issued of their talks.<sup>3</sup> The Prime Minister's initial reaction was favorable. It was agreed that to put the

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. This memorandum was given restricted circulation to appropriate U.S. officials on February 7.

<sup>2</sup> According to the President's appointment book, his luncheon with Eden, Lloyd, and Dulles occurred at 1 p.m. (Eisenhower Library, Eisenhower Papers, Daily Appointments) No separate record of the luncheon meeting has been found in Department of State files.

<sup>3</sup> For text of the Declaration of Washington, see *American Foreign Policy: Current Documents, 1956*, pp. 444-446.

draft in final form for submission to the Foreign Ministers and the Heads of Government, the British would designate Sir Leslie Rowan and Sir Harold Caccia. The Secretary named Mr. Merchant and Mr. Bowie.

### *European Integration*

Finally the Secretary reported that at luncheon there had been considerable discussion of the movement toward European integration. He called on Mr. Selwyn Lloyd to summarize the position as presented by the British.

Mr. Lloyd said that the British were anxious not to interfere in any way with the position of the OEEC which they regarded as being the most valuable instrument for European cooperation and particularly liberalization of trade. Apart from that he said the United Kingdom had no prejudice against EURATOM. The United Kingdom itself could not go into EURATOM because in its programs military and peaceful uses of atomic energy were completely intermingled. He raised the question as to the situation of certain European countries interested in the peaceful development of atomic energy which would be excluded from the six countries now discussing EURATOM. Insofar as the conclusions of the Messina Conference<sup>4</sup> were concerned, Mr. Selwyn Lloyd said that they felt strongly that France would accept a common market only on the basis of a high protective tariff. He greatly feared that the pursuit of the common market by the Community of Six would lead to a repetition of the EDC experience. In other words he was inclined to think that after exhaustive negotiation and agreement on a treaty, France in the long run would refuse to ratify. Mr. Lloyd went on to say that if the common market among the Community of Six emerged as a high tariff area the British would definitely oppose it. He spoke of their position as being "hostile" to the common market. Nevertheless Mr. Lloyd said that the British considered it important to keep up the momentum behind European cooperation. They believed that OEEC required new vitality. He also felt that the most promising means of promoting friendship between Germany and France lay in the area of arms control as provided for in Western European Union. Mr. Lloyd then referred to their full support for NATO and closed by saying that the British believed that essentially OEEC and NATO constituted the organs by which Europe should be kept strong.

The Secretary noted that he would wish to refer to this subject later during the talks and then suggested that they turn to the Middle East.

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<sup>4</sup> At the meeting of the Council of Foreign Ministers of the European Coal and Steel Community, June 1–3, 1955, it was decided to pursue the development of common institutions and to expand the Community's functions in the field of atomic energy.

*Middle East—Arab-Israel Conflict*

[For text of this discussion, see volume XV, pages 101-107.]

*Saudi Arabia and Buraimi Dispute*

[For text of this discussion, see volume XIII, pages 327-328.]

*Baghdad Pact*

[For text of this discussion as well as brief discussion of the Iranian situation and Iraq, see volume XII, pages 240-242.]

*Syria*

[For text of this discussion, see volume XIII, pages 567-568.]

*Jordan*

[For text of this discussion, see volume XIII, pages 20-21.]

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**225. Editorial Note**

At 4 p.m. on January 30, President Eisenhower, Secretary Dulles, Prime Minister Eden, Foreign Secretary Lloyd, and their advisers met and again discussed Middle Eastern issues. For text of the discussion of the Arab-Israeli dispute, see volume XV, pages 108-109. For text of the discussion of the Baghdad Pact, see volume XII, pages 243-244. For text of the discussion of Saudi Arabia and Buraimi, see volume XIII, pages 329-334.

The memorandum of conversation was given restricted circulation to appropriate U.S. officials on February 7 as ETW MC-2. (Department of State, Conference Files: Lot 62 D 181, CF 648)

226. Memorandum of a Conversation, Department of State,  
Washington, January 31, 1956, 10:30 a.m.-12:30 p.m.<sup>1</sup>

ETW MC-3

PARTICIPANTS

| US                     | UK                      |
|------------------------|-------------------------|
| The Secretary          | Foreign Secretary Lloyd |
| Under Secretary Hoover | Ambassador Makins       |
| Ambassador Aldrich     | Sir Harold Caccia       |
| Mr. Prochnow           | Sir Leslie Rowan        |
| Mr. MacArthur          | Sir Hubert Graves       |
| Mr. Merchant           | Mr. Coulson             |
| Mr. Robertson          |                         |
| Mr. McCordle           |                         |
| Mr. Bowie              |                         |
| Mr. Young              |                         |
| Mr. McConaughy         |                         |
| Mr. Goodkind           |                         |
| Mr. Cottman            |                         |

[Here follows a list of subjects discussed.]

SOUTHEAST ASIA

*Viet-Nam*

[For text of this discussion, see volume I, pages 627-630.]

*Malaya*

[For text of this discussion and subsequent discussion of neutralism, see volume XXI, pages 169-171.]

*Laos*

Mr. Robertson summarized the US viewpoint on Laos. The ICC resolution of January 7<sup>2</sup> while not perfect had the virtue of carrying out the intent of the Geneva agreement regarding the sovereignty and integrity of Laos. This resolution and its intent should be strongly supported. The Pathet Lao has not yet accepted it although they have passed the deadline set down by the Commission. Instead the Pathet Lao seeks a permanent division of Laos and the Communists are trying to connect a settlement in Laos with that in Viet-Nam. The US strongly believes there is no such connection. The sovereignty of the

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. This memorandum was given restricted circulation to appropriate U.S. officials on February 7.

<sup>2</sup> The International Control Commission for Laos called for the restoration of government authority in two provinces still held by Pathet Lao forces.

Government of Laos was recognized at the Geneva Conference and that should be firmly supported. The Canadians have done a stalwart job with the Poles always in the opposition and the Indians in the middle trying to win over the Poles. If the situation deteriorates and the problem of the two provinces is not solved, there could be trouble if the Royal Government should seek a military solution. The Communists have been putting on a propaganda offensive in South Viet-Nam to accuse the Vietnamese and the U.S. of all sorts of infringements of the Geneva Accords. Actually the real and flagrant violation of the Geneva Accords has been by the Communists in Laos. All possible influence should be used with the Commission to take a firm position on the observance of the Geneva Agreement. It would be helpful if the UK could persuade India along these lines.

Sir Harold said that it was important to tell Nehru that the Geneva Agreements should be considered as a whole in their implementation. Mr. Lloyd expressed the importance of keeping the Indians on our side in both Laos and Viet-Nam. He said that the British would consider sending a message to Nehru along the lines that another conference on Indochina would be impossible before the March elections in Viet-Nam. Such a message would have to make the points that the Geneva Agreements should be kept intact and any elections in Viet-Nam must be genuinely free and properly supervised. Mr. Lloyd said that he would think it over to see if there might be some way to stiffen the Indians.

The Secretary commented that he assumed Mr. Lloyd's immediately preceding remarks did not imply that the UK would favor a conference after Vietnamese elections in March. The Secretary repeated his statement that the resumption of a conference would have dangerous possibilities and he doubted whether the US would attend. Mr. Lloyd assured the Secretary that he meant to imply no such thing. His view was negative regarding a conference but positive for genuinely free elections.

#### SEATO

[For text of this discussion, see volume XXI, pages 171-172.]

#### China

[For text of this discussion and subsequent discussion on Chinese representation in the United Nations, see volume III, pages 286-293. For text of the discussion of trade controls, particularly on trade with the People's Republic of China, see volume X, pages 304-308.]

The discussion of Far Eastern matters terminated at this point.

**227. Memorandum of a Conversation, White House,  
Washington, January 31, 1956, 1 p.m.<sup>1</sup>**

ETW MC-4

**PARTICIPANTS**

**US**

President Eisenhower  
Secretary Dulles  
Ambassador Aldrich  
Mr. MacArthur  
Mr. Merchant  
Mr. Allen  
Mr. Robertson  
Colonel Goodpaster

**UK**

Prime Minister Eden  
Foreign Secretary Lloyd  
Ambassador Makins  
Sir Harold Caccia  
Sir Leslie Rowan

[Here follows a list of subjects discussed.]

The Secretary reported to the President and to the Prime Minister that conversations with Mr. Lloyd at the morning meeting<sup>2</sup> had covered Vietnam, Laos, Malaya and Singapore, SEATO and the Communist threat in Asia.

As regards the Middle East, the Secretary said a dilemma had arisen in the effort to find suitable action by the Security Council. It was difficult to draft a resolution which would strengthen the ability of the Tripartite Powers<sup>3</sup> to take action and yet avoid Soviet interference.

**Vietnam**

With respect to Vietnam he mentioned the Chou En-lai letter addressed to the co-chairmen of the Geneva Conference calling for a reconvening of a new Geneva Conference on Indochina. Chou En-lai charged Prime Minister Diem with continued disregard of the Geneva Agreement in his refusal to hold consultations with the Viet Minh on free general elections for Vietnam in July 1956. Diem, said the Secretary, claimed that he was not opposed to the holding of free elections but that he must insist that elections not be held until conditions had been established in North Vietnam which would insure that they would be free. He stated further that elections for a constitutional assembly in South Vietnam were planned for March 4 and that the US and UK had agreed to stall along until after these elections which Diem claimed would give him broader authority to speak for the

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. The conversation took place at a luncheon. This memorandum was given restricted circulation to appropriate U.S. officials on February 7. Eden recorded erroneously that the discussion took place on January 30; see Anthony Eden, *Full Circle* (Boston, 1960), pp. 371-372.

<sup>2</sup> See *supra*.

<sup>3</sup> The United States, United Kingdom, and France.

people. The Secretary said that he planned to visit Vietnam on March 14 at which time he would attempt to persuade Diem to take steps which could be construed as conforming to the Geneva Accords.

The Secretary told the President that the violations of the Geneva Agreement by the Pathet Lao in Laos had been discussed and that Foreign Minister Lloyd had reported on the situation existing in Malaya and Singapore. He said further that he had made brief reports on the situation in the Formosa Straits and on the Johnson-Wang Talks in Geneva; that there had been a brief discussion of Chinese trade controls and of Chinese representation in the UN, the latter two subjects being left for further discussion between the President and Prime Minister Eden.

#### *Chinese Representation in the UN*

President Eisenhower said that he wished to make clear the American position with reference to Chinese representation in the UN at this time. He stated that sentiment in the country and in Congress was overwhelmingly against the admission of Red China and that under present circumstances he, himself, shared this view. The Communists were still aggressors in Korea, they had tortured our prisoners, had thrown our Nationals into jail without trial and were still holding Americans in prison in violation of their commitment to release them. In international relations, the Red Chinese had violated all the decencies supposed to exist between civilized nations and so long as they remained as they were, he would be opposed to their admission to the UN. If and when they changed, he, at least, would be willing to take another look but even then he would still have a difficult public relations problem with the country at large. The American people, said the President, were deeply resentful of the 140,000 casualties suffered in Korea and he referred to Chou En-lai's recent statement threatening to take Formosa by force,<sup>4</sup> adding that if Red China were voted into the UN, it would not be thirty minutes before a resolution would be introduced upon the floor of the Senate for the US to get out.

Prime Minister Eden replied that he understood the difficulty of our position but that it was also a "frightfully difficult position" for him at home. He said that the UK had gone along on a year by year basis and that it was becoming increasingly difficult to continue with the moratorium. Secretary Dulles reminded [him] that in the past the period covered had been the calendar year. He pointed out that the 11th Session might not begin until November which would mean that

<sup>4</sup> Reference is to the political report by Chou En-lai at the second session of the Second National Committee of the Chinese People's Political Consultative Conference, January 30, 1956.

sessions would be continued into 1957.<sup>5</sup> He, therefore, suggested that the new moratorium cover the entire period of the session rather than the calendar year 1956 in order to avoid having to bring up the question again in the middle of the session.

President Eisenhower referred again to US opposition. He pointed out that the UN Charter required members to be "peace loving". The Red Chinese, he said, were still branded as aggressors by UN Resolution;<sup>6</sup> they still had troops in North Korea in defiance of the UN and they should not be allowed to shoot their way into membership.

Prime Minister Eden was non-committal. He said he understood the President's position but he reiterated that he would be in great difficulty not only at home but with some of the Commonwealth countries. He said he would see what could be done.

#### *Offshore Islands*

[For text of this discussion, see volume III, pages 293-294.]

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<sup>5</sup> The 11th Session of the U.N. General Assembly was held November 12-December 21, 1956, and January 2-March 8, 1957.

<sup>6</sup> Reference is to U.N. Resolution 498 (V) condemning Chinese Communist aggression in Korea, February 1, 1951.

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#### **228. Memorandum of a Conversation, White House, Washington, January 31, 1956, 1 p.m.<sup>1</sup>**

Secretary Dulles reviewed the work of the delegations during the morning, drawing particular attention to matters which would require the attention of the President and the Prime Minister. In the Far East, the situation in Viet-Nam had been discussed, with particular attention to the problem arising from Diem's unwillingness to hold general elections in Viet-Nam this year. Secretary Dulles said he would talk to Diem during his visit to the Far East in a month or so. It might be possible, after elections in Viet-Nam are held which are expected to give a legal basis to Diem's regime, that something can be done on this matter. If Diem still opposed elections, his opposition could be based upon the impracticability of holding free elections in the Viet-Minh area.

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<sup>1</sup> Source: Department of State, Central Files: Lot 62 D 181, CF 648. Secret. Drafted by Goodpaster. The conversation took place during the President's luncheon for Eden. For another record of this meeting, including a list of participants, see *supra*.

The situation in Laos was also discussed during the morning, with recognition that the Communists had not complied with the terms of the Geneva agreement. This non-compliance could be used as a basis for criticism of the Communists.

Secretary Dulles reported that Mr. Selwyn Lloyd had reviewed the situation in Singapore and Malaya.

Secretary Dulles said he had himself reported on the military position in the Formosa Straits, and on the Johnson-Wang talks in Geneva. Although these talks are practically at the point of impasse, we are doing all possible to continue carrying them on. He said that the issue of Red China and the UN had been discussed, together with the question of China trade controls. No definitive solutions had been reached on these matters, and it was the consensus that the President and Sir Anthony should themselves take these up.

A report by a working group on the Near East had been received.<sup>2</sup> It seemed to be rather negative in character insofar as action by the UN is concerned<sup>3</sup>—in that there did not seem to be much that could be done in the area without having the Soviets gain entrée into the deliberations. Mr. Dulles and Mr. Lloyd accordingly were awaiting the military report.<sup>4</sup>

The Secretary reported that he had been informed that the declaration which is to serve as the communiqué had been considered in London, and that it is now in good shape.

He then mentioned several points which remain for consideration, including disarmament (to be considered at the meeting immediately following the luncheon), German support costs, and the Saudi situation mentioned yesterday.

The President then commented on the matter of Red China and the UN. He said that any attempt to push for their entrance would be catastrophic in this country in his opinion, and that there is a real chance that action to put Red China in might well put the U.S. out. The President said that he believed a Resolution would be passed by Congress recommending U.S. withdrawal within thirty minutes of Communist China's admission. He even doubted that under these circumstances the UN could continue to maintain its headquarters in the U.S.<sup>5</sup> He said feeling is very strong under present conditions, and that he shared it—mentioning that the Red Chinese are opposing the UN in Korea, that they are still holding U.S. citizens as prisoners, that they are threatening military action in Formosa, etc. While he tries to be realistic, he would have to say that while conditions of this kind

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> Merchant inserted the phrase beginning with "insofar" by hand.

<sup>4</sup> The report, a memorandum from Rear Admiral Truman J. Hedding to George Allen, February 2, is printed in vol. xv, p. 131.

<sup>5</sup> Merchant inserted this sentence by hand.

continue, any thought of Red Chinese entrance into the UN would be completely unacceptable to this country. Secretary Dulles mentioned that this country appreciates very much the support the British have been giving in this matter. He has the impression that some of the Commonwealth, for example Canada, may be showing some weakness.

The President said that the memory of American losses in Korea is so keen in our minds that any effort to bring Red China into the UN would have the most serious consequences. Secretary Dulles referred to Chou En-lai's recent threats against Formosa, using force if necessary. Sir Anthony recalled that Chiang just a day or two earlier had said that he would soon be attacking the mainland,<sup>6</sup> and that Chou En-lai's remarks could well be the response to this.

Sir Anthony said he hoped it would be possible to let the matter lie until late fall when the UN meets. Secretary Dulles basing himself on Cabot Lodge's recommendation<sup>7</sup> felt that the UN meeting should be postponed until after election, and Sir Anthony agreed. Secretary Dulles then suggested that the "moratorium" on consideration of this matter in the UN should run through the next UN session (which may carry into 1957) rather than covering 1956 only. Sir Anthony said he would have a look at this, and would of course do all that was feasible. He added that the Commonwealth countries are, in fact, becoming restless on this matter, and that the case that will be made is that the UN should be a universal organization—which already includes countries such as the USSR.

Sir Anthony then took up the situation with regard to the off-shore islands, and said he was worried about this problem. The President said he had given a great deal of personal thought and attention to this whole problem and the situation was simply that if we tried to press Chiang too hard to give up the islands, Formosa might be lost and the whole position in the Far East might crumble. He had tried to have Chiang persuaded that it is a military mistake to place such strength and stake his prestige on the off-shore islands in this manner, but that the effort had not been successful. In his opinion, they should be considered as an outpost, but Chiang had said that abandonment of the islands would result in loss of face and of any hold over Chinese not only on Formosa but also<sup>8</sup> in Malaya and elsewhere in the Far East. Secretary Dulles said that while the situation with regard to these islands flares up occasionally, he is inclined to think that large-scale attack in the near future is unlikely, and said that he understands this to be the opinion of top U.S. military people. While airfields have been

<sup>6</sup> President Chiang's remarks on January 28 are enclosed in despatch 439 from Taipei, January 31. (Department of State, Central Files, 793.5/1-3156)

<sup>7</sup> Merchant inserted the phrase beginning with "basing" by hand.

<sup>8</sup> Merchant inserted the phrase beginning with "not only" by hand.

built opposite Formosa, they have not been equipped or provisioned for operations, and that there has been no build-up or massing of the forces which might be used for assault. There is, of course, the danger of interdiction of the islands with artillery, preventing their support and supply. Sir Anthony said that the question which was uppermost in their minds is, if Chiang has built up the islands with a large part of his forces, and is attacked, what then happens with regard to U.S. action in the area? He also enquired if the islands were attacked and fell would not the effect on morale in Formosa be disastrous? The President said that Chiang Kai-shek apparently believed to lose after a hard fight would be less damaging than a voluntary withdrawal.<sup>9</sup>

<sup>9</sup> Merchant inserted the last two sentences by hand.

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229. Memorandum of a Conversation, White House,  
Washington, January 31, 1956, 2:40 p.m.<sup>1</sup>

ETW MC-5

PARTICIPANTS

US

President Eisenhower (where indicated)  
Secretary Dulles  
Under Secretary Hoover  
Ambassador Aldrich  
Mr. Murphy  
Mr. Prochnow  
Governor Stassen  
Mr. Reuben Robertson  
Admiral Radford  
Mr. MacArthur  
Mr. Merchant  
Mr. Wilcox  
Mr. Allen  
Mr. Bowie  
Mr. Hagerty (in part)  
Mr. Goodkind  
Mr. Timmons  
Mr. Lister  
Mr. Cottman

UK

Prime Minister Eden  
Foreign Secretary Lloyd  
Ambassador Makins  
Sir Harold Caccia  
Sir Leslie Rowan  
Sir Hubert Graves  
Mr. Evelyn Shuckburgh  
Mr. Ian Samuel

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. This memorandum was given restricted circulation to appropriate U.S. officials on February 7.

[Here follows a list of subjects discussed.]

The meeting began at 2:40 p.m., with the Secretary presiding and Foreign Secretary Lloyd heading the British Delegation.

#### *Disarmament*

The Secretary said he assumed the purpose of an exchange of views on this topic was to emphasize the importance of an agreed position when the talks in the Disarmament Subcommittee are resumed. The US position is not yet finalized but is now shaping up.

Mr. Lloyd said that he was worried about the time-table. If the Subcommittee discussions resume on March 5, it would, of course, be necessary to develop an agreed position with the French and Canadians beforehand. This would take at least a fortnight, necessitating an agreed US-UK position, by, say February 20. However, he understood that US plans would not be ready before the latter part of February. Mr. Anthony Nutting has stressed several times to Mr. Lloyd his concern over the necessity of developing an agreed US-UK position in good time.

The Secretary said he assumed there was a considerable area of agreement at the present time. He inquired regarding the views of the UK on the reduction of conventional forces.

Mr. Lloyd said the UK was thinking of a reduction to a figure of 700,000 men, plus 60,000 men in colonial forces. He, in turn, inquired regarding US thinking on this matter. He said he had heard mentioned a figure of 2 $\frac{1}{4}$  to 2 $\frac{3}{4}$  million men.

The Secretary said the US had not mentioned such a figure.

Governor Stassen said that the total manpower in the US forces at the end of the present year would be 2,850,000.

The Secretary said the US is not thinking of substantial reductions below that figure. Having regard to our responsibilities and commitments throughout the world, it is difficult to see how any sizable reductions could be made, although some minor reduction might be possible.

Mr. Lloyd said that he was sure US and UK thinking on disarmament matters is, in general, quite close together.

The Secretary agreed, saying he could see no serious difference between US and UK views. He then asked whether the British had any new views to express on the subject of nuclear tests.

Mr. Lloyd replied this is indeed something of a problem. The Russians, or possibly the Indians, may well put forward in the Disarmament Committee a proposal to limit such tests. He added that the US and UK should take account of the increasing worry in responsible circles of opinion throughout the world over the effects of continuing nuclear tests. Increasing numbers of middle-of-the-road people in the UK were asking "Cannot nuclear tests be limited?" This is the trend of

world public opinion we are faced with. He then went on to say that it may be advisable to designate a small group to look into the question of the feasibility of limiting tests, although he fully recognized the dangers that might lie in starting out along such a path. Even though it might be found feasible to limit tests, the work of such a group might prove to be a useful "cold war" exercise. It may well be desirable to take a limited initiative in this field before the pressure of world opinion grows, and indeed to see if there are any practical ways in which nuclear tests could be limited and controlled; in short, whether it is possible to have any meaningful international agreement on the question.

The Secretary said that the US had made a study of this matter some two years ago, and that he had discussed it in London at that time. In the present state of the art, the force of a nuclear explosion cannot be accurately predicted in advance. The US conclusion had been that there was no practical way in which nuclear tests could be limited. The Secretary agreed that we might be starting down a slippery slope in undertaking to study the question of limitation. If we propose to limit the tests to five megaton bombs, someone else may well propose a limit to one megaton, and so on. He referred to the danger that as a result of successful proposals to limit the size of bombs to be exploded, we in the West might find ourselves reduced to testing only tactical atomic weapons. This would obviously be an untenable position for us. He agreed with Mr. Lloyd that our public relations posture on this matter is an unhappy one at the present time. The Soviets, both because they do not hesitate to violate any agreements entered into, and also because they have larger conventional forces than does the West, are taking an irresponsible attitude, with proposals to ban all atomic weapons, to ban the big nuclear weapons, and so on. We always seem to be taking a negative position in comparison with the Soviets. Under these circumstances, it is obviously difficult for the West to hold the support of world opinion. The sooner we have a positive course to pursue, the better. He expressed his regret that progress in developing a US position has been slow. As the British Government well appreciates, it is an extremely arduous task. The views of interested agencies—Defense, AEC, State—have to be melded. For example, the Joint Chiefs of Staff are inclined to believe that the US may be moving too rapidly. Public pressures are in an opposite direction. Although there was nothing at the present time that he could announce as a US position, work on developing such a position was being pushed as hard as possible. Previously the US has felt that a ban on nuclear tests is not practical. However, this is a matter we would wish to study in the light of the Disarmament Com-

mission's resolution and the comments the British representatives had made.<sup>2</sup>

Mr. Lloyd reverted to his earlier remarks on the possible establishment of a small group to study the question of banning tests. If the US and UK do agree on such a joint study, do we lose anything, even though the result is a determination that limitation is not practical. He wondered if we should not reinforce our position with such a joint study. If the study lasted three or four months and ended with a well-buttressed conclusion, he thought that this would put the West in a better posture vis-à-vis public opinion.

The Secretary said that since Admiral Strauss, Chairman of the Atomic Energy Commission, was not present at this meeting, he preferred not to go too deeply at this time into the question of the limitation of nuclear tests. He suggested that this further discussion of this aspect be held over until the meeting scheduled for the morning of February 1.

Mr. Lloyd said that he had attempted to sketch out a general idea for consideration. He was not sure that all of the British side was presently convinced that such a study should be undertaken.

The Secretary inquired of Mr. Lloyd if the latter thought that a plan along the lines common to US-UK thinking—comprehensive control and inspection, some reductions in conventional forces, controls on atomic weapons, and a move to direct atomic energy into peaceful uses—would be enough of a disarmament program to carry public opinion along with it, recognizing that such a plan would still not ban nuclear weapons and would still leave the great powers in possession of substantial armed forces. In short, the positive elements of such a proposal would be protection against a great surprise attack, a halting of the growth of armaments, and the establishment of a trend toward stopping the use of atomic energy for military purposes. All this would involve an inspection system which the U.S.S.R would find it hard to take. Can we get away with this?

Mr. Lloyd said that he thought the major problem was one of presentation. If such a plan were presented to world opinion as a first step, if "a light were kept burning at the end of the tunnel", his answer would be "yes", that such a program would have a favorable impact on world opinion. He went on to say that one of the great strengths of the Western positions on disarmament is that we have constantly stressed as our ultimate aim the elimination and prohibition of all weapons.

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<sup>2</sup> Reference is to U.N. General Assembly Resolution 914 (X) on the regulation, limitation, and balanced reduction of all armed forces and all armaments; conclusion of an international convention (treaty) on the reduction of armaments and the prohibition of atomic, hydrogen, and other weapons of mass destruction, which passed on December 16, 1955.

The Secretary said that we are now taking this element out of the disarmament plan.

Mr. Lloyd said that he rather viewed the matter as taking this ultimate aim out of the first installment of a comprehensive disarmament program, and being a little vague about how this ultimate aim would be finally achieved. The important thing was, in his opinion, not to give up hope of ultimate comprehensive disarmament.

The Secretary agreed.

Mr. Lloyd inquired as to the Secretary's hopes as to timing in acquainting the British Government with the US plan.

The Secretary said that he supposed the problem of public opinion relates more to the question of controls on nuclear weapons than to any particular reduction in the size of conventional forces. In other words, if something could be done on nuclear weapons, a reduction in conventional forces of the size likely to be possible would probably not be a material factor from the public point of view.

Mr. Lloyd said he did feel that public opinion would be affected by reductions in conventional forces. For example, if US forces should be reduced by half a million, there would be a real impact on public opinion. If, however, no US reductions are possible, then we must emphasize other aspects.

The Secretary said that it was clear that we would not be able to effect a reduction of the magnitude of half a million.

Mr. Lloyd said that he was not suggesting any particular reduction, but rather was directing his remarks to the question of the relationship between reductions and public opinion.

The Secretary agreed the factor for the West to stress is adequate control and inspection. This is the weakest point of the Soviets.

Mr. Lloyd said that even though the US and UK might not be able to agree to total control, certainly the Soviets would not be prepared to accept anything like the degree of control that the West could accept.

The Secretary added that if effective controls were instituted so as to greatly minimize the risk of a great surprise attack, the practical result thereof would probably be a reduction in forces and armaments. Indeed, under these circumstances there might be a risk that the reductions would be too great. We must, as long as there is a risk of an attack, keep adequate forces in being. If adequate controls are established, the question of reductions automatically becomes of less importance.

Mr. Lloyd said that he wished to add one technical consideration. Until the UK knows what force level the US proposes for itself, that of the Soviets cannot be computed, and therefore the UK cannot compute its own desired force level. The UK hopes to have the US figure by February 15.

The Secretary inquired whether the British Government has calculated the number of people that would be needed to implement an armament and force control system.

Mr. Lloyd replied in the negative. He said that it was extremely difficult to carry out such computations until we know what we are going to control.

Mr. Lloyd added that there was another important factor in this complex disarmament picture, and that is what the French are going to do. If M. Mollet is successful in forming a Government, we might have very soon an independent French initiative in the disarmament field.

The Secretary said that the US would try to have its force figure by the end of next week.

Mr. Lloyd said this would indeed be a big help.

Sir Roger Makins added that it was important to know other major relevant details so that we can see what the whole disarmament plan will look like.

(At this point Prime Minister Eden joined the meeting)

#### *European Problems*

The Secretary suggested that the meeting next turn to certain European problems. He said he understood the British representatives wished to raise the question of obtaining support costs from the German Government. There was also the question of Communist moves against Berlin.

#### *Support Costs for Allied Troops in Germany*

Sir Harold Caccia noted that the US, UK and French Ambassadors had recently approached the German Foreign Office on this subject. He said he had not received a report on the result of these representations.

Mr. Merchant said that we had a preliminary reply from Ambassador Conant indicating a readiness on the part of the Germans to consider our position.<sup>3</sup>

The Secretary said that, as he had indicated earlier, he thought we should pursue this matter at the Foreign Office level since further discussion with the Finance Minister alone might not be too productive. He noted that the Germans, having received vast amounts of aid, should be in a mood to give sympathetic consideration to our views. He added that the United States is well aware of the budgetary and foreign exchange problems the British face in connection with support costs.

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<sup>3</sup> Ambassador Conant reported in telegram 2497 from Bonn, January 27, that Foreign Minister von Brentano "appeared to agree that negotiations should start at once without any restrictions." (Department of State, Central Files, 740.5/1-2756)

Prime Minister Eden said that the British foreign exchange situation was serious. He noted that the French have withdrawn considerable forces from Germany in order to cope with the security situation in North Africa. He expressed the fear that British public opinion will find it hard to understand why the United Kingdom should assume additional burdens if German support is reduced or eliminated.

The Secretary suggested that we await results of the most recent approach to the German Foreign Office, then consider a follow-up with Adenauer.

Mr. Merchant said that we would probably have to await Schaeffer's return about the middle of February, after which it could be determined whether an approach to Adenauer would be necessary.

Prime Minister Eden said that, if nothing positive were forthcoming in a week or two, they would want to pursue the question of an approach at the highest level.

#### Berlin

The Secretary referred to the need for advance planning as to action to be taken in case a real blockade of the Western sectors of Berlin is instituted. He referred to the Tripartite Declaration of October 1954 (issued at the time of the preparation of the London Accords<sup>4</sup> in October of that year), regarding the Tripartite intention to maintain the Western position in Berlin.<sup>5</sup> He said that we must now think through what we are to do in the event that an emergency arises. We must have a clear program of action; if we do not have one, we could find ourselves in serious difficulty. He asked Mr. Merchant to comment regarding the present situation in the Communist campaign of harassment against Berlin.

Mr. Merchant said the harassment seems to have died down a bit. He noted that the first of the barges had just gone through under the system of permits being issued by the East German authorities. The road situation is no worse. There had, however, been a number of other incidents, particularly the recent parade of armed youth and workers in East Berlin. He said that we could expect a continuing series of pin-pricks.

The Secretary commented that he had discussed this problem with Foreign Minister von Brentano at the time of the NATO Ministerial Meeting in Paris in December 1955. He had urged upon von Brentano the desirability of the German Federal Republic's formulating a program of action whereby they could help themselves in the

<sup>4</sup> The agreements reached in September–October 1954 in Paris and London, enlarging the Western European Union and integrating it into NATO.

<sup>5</sup> For text of the declaration by the Foreign Ministers of the United States, United Kingdom, and France, October 23, 1954, see *American Foreign Policy, 1950–1955: Basic Documents*, vol. II, p. 1758.

case of renewed Communist pressure against Berlin, through applying economic sanction against East Germany. Brentano had said on that occasion that the GFR was in a weak position to apply pressure since East Germany holds the whip-hand over West Germany through its control of brown coal exports. The Secretary said it was a dangerous position for the East Germans to be in control of an important commodity badly need by West Germany, and that he had asked that a study be made of the degree of dependence of the GFR on brown coal supplies from East Germany, and on how this dependence might be reduced.

Mr. Merchant added that in the 4-Power study group on Berlin now meeting in Bonn, the West German authorities had again stressed that at the present level of West German industrial production the Federal Republic is very dependent on receiving adequate supplies of brown coal from East Germany. Unfortunately, the West German attitude on this matter is quite defeatist. We feel that with initiative and hard work it should be possible to find potential levers that West Germany could use against East Germany.

The Secretary added that it was unfortunate that the German attitude is to throw the whole burden of the protection of Berlin on to the West, and to look to us to bail [it] out of trouble. He felt strongly that the Federal Republic should make every effort to find substitutes for East German brown coal, perhaps by the conversion of equipment using such coal, so as to gain some degree of independence.

Prime Minister Eden commented that he had not been previously aware of this factor in the German picture. What about Ruhr coal? He wondered if a part of the solution could not be found through increased imports of coal into West Germany from the other Coal and Steel Community countries. He further suggested that perhaps the situation required a wholesale conversion from coal to oil.

Mr. Lloyd interjected that the German Ambassador in London had put the matter to him somewhat differently and had stressed that if brown coal exports from East Germany were to be cut off this would work hardship on the people of West Berlin rather than on the whole German economy.

Prime Minister Eden commented we must not show weakness in Berlin.

The Secretary said he fully agreed, but that the Germans must help themselves.

Mr. Merchant said that there had been preliminary tripartite talks in Bonn on the question of planning against an emergency in Berlin, and that the British representative had taken the position that he could only participate in such talks if it were clearly understood that such participation did not in any way commit the UK to any particular course of action. The US was entirely agreeable to going into the talks

on this basis. If the British would agree to having such planning discussions, it should be possible for the UK and US together to talk the French into going along.

The Secretary inquired what action should be taken on this matter.

Mr. Merchant suggested that what was needed was final authority from London to the British representatives in Bonn to agree to participate in the planning discussions and to join if necessary in persuading the French to go along.

Prime Minister Eden said that this seemed all right to him and that they would go into this matter immediately.

#### *Pakistan-Afghanistan Relations*

Prime Minister Eden referred to a message he had recently received from Mohammed Ali, the Prime Minister of Pakistan, to the effect that since the Durand line had been originally agreed between the British Government as the frontier between the Indian Empire and Afghanistan, Pakistan, as one of the successor states to the Empire, is entitled to have the same frontier. The Prime Minister said that he planned to make a public statement on this matter upon his return to the UK. He wondered whether the United States Government would also be in a position to say something on this matter. Perhaps it could come up at one of Secretary Dulles' press conferences. The Prime Minister added that his information is that the Russians have available 5,000 tanks and 4,000 aircraft from their surplus stores which they can offer to various countries to stir up trouble.

The Secretary replied that Assistant Secretary Allen, who was the Departmental officer directly in charge of the area concerned, was not at the meeting this afternoon and that he, the Secretary, was not informed of all of the details of the subject under discussion. He added, however, that he understood there was a meeting scheduled between the Governor General of Pakistan and the King of Afghanistan for next May. He wondered whether, if the US and the UK were both to reaffirm at this time their support of the present frontier between Pakistan and Afghanistan, this might not have adverse effect on the Afghans and make the Pakistanis too cocky on the eve of the forthcoming talks. In any case, the Secretary said, he would look into this matter.

Prime Minister Eden said again that the present attitudes and actions of the Afghanistan Government are most unfortunate.

The Secretary agreed.

*Long-Range Proving Ground in South Atlantic*

The Secretary said that the US Government wished to work out an extension of the agreement regarding the long-range proving ground in the South Atlantic. He said that Defense attaches considerable importance to an early agreement on this matter. The US Government is prepared to send representatives to London and the British West Indies to carry on negotiations. He asked that the British Government look into the matter with a view to expediting to the maximum extent possible the negotiation and conclusion of the agreement.

Sir Roger Makins and Mr. Robertson added some details as to the type of agreement contemplated.

Prime Minister Eden said they would like to be helpful and inquired whether it would be necessary to telegraph London at once or wait until his return.

Mr. Robertson indicated the matter could await the Prime Minister's return to London, so long as action could be taken promptly thereafter.

Mr. Lloyd undertook to look into the matter as soon as he had returned to London.

*International Labor Office [Organization] Proposed Convention on Forced Labor*

The Secretary said that he had one final item that he wished to discuss. There is before the ILO a proposed convention on forced labor. One of the effects of the convention would be to condemn the Soviets for forced labor practices, and the convention does, therefore, have a useful propaganda value to us. This matter poses for the US certain constitutional problems, which revolve around the so called Bricker Amendment,<sup>6</sup> which would provide that no treaty can deal with internal matters. The Secretary explained that at the present time treaties became the law of the land throughout the United States and take precedence over legislation of the various states if there is any conflict between the treaty provisions and such legislation. The President has directed that treaties will not deal with internal matters, since this would be tantamount to circumventing the powers reserved to the various states under the American constitutional system. Thus, treaties now being negotiated are limited to international matters and are not to deal with internal affairs.

The Secretary said he feared that if the US joined in the ILO convention, this might lead to a demand for an amendment of the constitution along the lines of Senator Bricker's proposed amendment.

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<sup>6</sup> Reference is to an unsuccessful constitutional amendment, proposed by Senator John W. Bricker of Ohio, which would have limited the President's power to make executive agreements.

For example, it could be said that a convention dealing with forced labor could later be expanded to cover prison labor, and so on. This argument could well lead into fields in which certain states are very sensitive. The Secretary said that he had talked with the Secretary of Labor, and with Mr. Meany, President of the AFL-CIO, regarding this matter. He explained that the US could not vote for the proposed ILO convention. He suggested that the convention be put in the form of a declaration against forced labor rather than in convention or treaty form. In this way, the Secretary said, you can obtain the desired propaganda advantages without the disadvantages of a treaty. Mr. Meany said he was agreeable to this if another important nation would go along with the suggested procedure.

The Secretary said that the Department had already taken the matter up with the Labor Attaché in the British Embassy in Washington, but that he, the Secretary, had wanted to explain directly to the Prime Minister and the Foreign Secretary the importance the US attaches to this matter. He very much hoped that the UK could go along with the proposal of casting the resolution in the form of a declaration rather than in the form of a treaty.

Mr. Murphy said that within the last day or so the Labor Attaché at the British Embassy had informed the Department that London had said that it felt committed to support the ILO convention in its present form.

The Secretary said that he hoped this was not an irrevocable position.

Prime Minister Eden said that he would go into the matter at once.

#### *China Trade Controls*

[For text of this discussion, see volume X, pages 308-312.]

#### *Arab-Israeli Dispute*

[For text of this discussion, see volume XV, pages 109-112.]

#### *Saudi Arabia and the Buraimi Problem*

[For text of this discussion, see volume XIII, pages 334-337.]

**230. Memorandum of a Conference, Cabinet Room, White House, Washington, January 31, 1956<sup>1</sup>**

**PRESENT**

The President and Sir Anthony Eden, plus top advisers

The President opened the discussion with the question of trade with Red China. He thought the problem was of a mixed character. Japan badly needs trade, as does Malaya. But if controls were relaxed, the result might be to destroy the prestige of the West in the Far East, and even lead some of our allies in the area to think the West had made a basic change of policy affecting them. Sir Anthony suggested that some items now allowed to the USSR might be allowed to China. He would like to show some movement, for example rubber and motor vehicles. Assistant Secretary Prochnow said in response to a question by the President that we could indicate what could best be released from our point of view, but it should be understood that the Communist bloc would derive some gains from such release. The President thought the free world may gain from trade, and that it might well prove that the net gain is on our side.

Secretary Dulles thought the matter might be studied on a staff basis, examining specific items. Whatever is done should be done gradually. Perhaps it would be possible to incorporate some of the principles used in the system of restrictions now applied to Russia—perhaps putting into effect certain quantitative allowances, for example with regard to rubber for Malaya and Ceylon. He pointed out the anomaly wherein we prevent Ceylon, one of the best of our allies, from making rubber sales essential to their well-being. The President said we should look for net advantage, recognizing that some items may be critically short in the Soviet bloc, in which case they should certainly be retained on the list of restrictions. He cited the example of copper wire to show the need for continuing scrutiny of the matter.

Turning to Saudi-Arabia, Foreign Secretary Lloyd wondered whether it might prove fruitful to invite Prince Feisal to come to London, since the UK Ambassador is not "received" in Saudi-Arabia, and there is no way to make contact with them. Mr. Hoover thought it might be profitable to explore the problem with Azzam Pasha to see what room for maneuver or negotiation there may be. The President said the first step is how to get in touch with the Saudis. Sir Anthony asked whether Ambassador Wadsworth could ask the Saudis to receive the British Ambassador. Mr. Shuckburgh said, in response to a

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Secret. Drafted by Goodpaster on February 2. For another record of this conference and a list of participants, see *supra*.

question as to what might be offered to the Saudis, that the UK would be ready to discuss the problem of access to the sea, negotiations on which bogged down in 1935 largely, he thought, through misunderstanding. Sir Anthony suggested that the British might write out what the U.S. Ambassador might say about this to get the British Ambassador into contact with the Saudis, and also what the British Ambassador might say in negotiations. This would have to be taken up with the Cabinet. Foreign Secretary Lloyd asked that in any discussions the U.S. might have with Azzam Pasha the U.S. should make clear that the ideas were its own. Assistant Secretary Allen, in response to a question, said that it may not be possible to keep the Buraimi matter out of the Security Council. The President thought the approach should be to ask for time enough to work something out. Secretary Dulles thought if we indicate that there is something to offer, the Arabs might hold off Security Council action while seeking to work it out. Sir Anthony asked that Dixon and Lodge get together to seek delay if the matter comes up in the Security Council. Secretary Hoover advanced as a possibility for consideration the idea of a neutral zone.

Sir Anthony asked what, if anything, could be done to restrain Saudi use of funds in Syria, Egypt and Iraq for subversive purposes—could they be shifted somehow into public works. Mr. Hoover explained that it is not possible to shut off royalties (or prevent advances on royalties) or decrease production since the Saudis could then say we were not utilizing the oil concession. The best procedure would be to get the Buraimi question out of the way, then try to work closer to the Saudis and develop a better understanding. The President asked whether the possibility of selling arms to the Saudis to absorb money and get people to work together would be helpful. Mr. Hoover referred to latent Saudi concern regarding their position in relation to Egyptian strength. Perhaps this might absorb some of the Saudi attention and energies in the period ahead.

The possibility of making a show of force in the general area of the Eastern Mediterranean was next discussed. Admiral Radford advised the group of the substantial naval forces in the area which could be built up, if desired, and could, if so directed, blockade certain countries in the area. The President asked if ships might be sent to visit ports and create awareness and interest in what the U.S. and British might do. Sir Anthony said the real problem is how to use forces in a way to have a favorable effect upon the situation. The statement regarding forces will be of great importance; perhaps a statement that U.S. and Britain had "reviewed" the situation might be made. Secretary Lloyd suggested "certain military dispositions have

been made.<sup>2</sup> The President thought Secretary Dulles should have a discussion with Congressional leaders in the matter. In response to a question, Secretary Dulles said the reason for not going through the UN was that this procedure would bring the Russians into the discussions and possible actions.

Admiral Radford suggested that the fleet might maneuver in the Eastern Mediterranean. The President thought it would be better to send in a vessel or two as though they had some mission in the area—small vessels rather than carriers. Secretary Dulles might meanwhile be doing some talking in Washington. Secretary Dulles said there would be difficult questions, such as what would trigger combat action, how could one be sure which party was the aggressor, etc. The question of what to do if these actions proved insufficient should be thought about. The President said we could point out that the situation is getting dangerous and that if we were to go to the UN the Soviets would join in. That is the reason why we are issuing a statement tied to the Tripartite Declaration.<sup>3</sup> If hostilities occur, we might well have to blockade.

There was then a good deal of discussion as to the form any statement might take. The President and Secretary Dulles said that a next step would be to consult Congressional leaders.

Sir Anthony thought the Israelis would probably welcome the statement. The President thought this was true in logic, but maybe not in fact. Secretary Dulles said some might feel that this action would have the effect of stopping the Israelis now while the Egyptians re-arm.

The President thought a small unit should be sent down for scouting and patrolling operations. Admiral Radford said some vessels might be sent to the Red Sea. The President thought well of this, and indicated that "the less you can do it with" and still have the activities properly noticed, the better. Secretary Dulles thought the ships might even go up the Gulf of Aqaba.

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Colonel, CE, US Army

<sup>2</sup> In the "Anglo-American Review of World Problems," February 1, issued at the same time as the Declaration of Washington, the United States and United Kingdom announced that they had "made arrangements for joint discussions as to the nature of the action which we should take" in the event of the violation of armistice agreements or frontier lines in the Middle East. For text of the review, see *American Foreign Policy: Current Documents*, 1956, pp. 447-449. On February 18, the United States temporarily suspended export licenses for shipment of arms to Saudi Arabia, other Arab countries, and Israel. For text of the Department of State statement announcing this decision, see *ibid.*, pp. 584-586.

<sup>3</sup> For text of the Tripartite Declaration of May 25, 1950, see Department of State *Bulletin*, June 5, 1950, p. 886.

231. Memorandum of a Conversation, White House,  
Washington, February 1, 1956, 12:07 p.m.<sup>1</sup>

ETW MC-6

PARTICIPANTS

US

The Secretary  
Mr. Robertson  
Mr. Strauss  
Mr. Stassen  
Admiral Radford  
Mr. Merchant  
Mr. Smith<sup>2</sup>  
Mr. Hagerty (part time)

UK

Prime Minister Eden  
Foreign Secretary Lloyd  
Ambassador Makins  
Sir Harold Caccia  
Sir Leslie Rowan  
Sir John Whiteley  
Mr. Coulson  
Mr. Bishop<sup>3</sup>  
Mr. Roper<sup>4</sup>

[Here follows a list of subjects discussed.]

1. Possible Future Berlin Airlift Limitations

Admiral Radford pointed out that in the event of another blockade of Berlin we could not count on maintaining an airlift. He said that the much greater USSR capacity for jamming electronic navigational aids would limit our flights to good weather. He pointed out that during the last Berlin airlift we were getting into trouble toward the end—wearing out our transport capability.

He reported that the Joint Chiefs doubt that the USSR would renew the blockade unless they had very serious hostile intentions. He felt that we should probe out these intentions in the event of another blockade by conducting a limited ground operation. The Secretary of State recalled that he had been consulted by the Truman Administration during the first Berlin blockade and that he had personally agreed with General Clay's<sup>5</sup> recommendation that a small armed force push overland to Berlin for rebuilding the destroyed bridges if necessary, as a means of testing Soviet intentions. Admiral Radford said he did not know why this had not been done.

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. This memorandum was given restricted circulation to appropriate U.S. officials on February 7. Another record of this conversation was prepared by Admiral Radford on February 2. (Naval Historical Center, Radford Papers, C-1, Eden Talks) The discussion dealing with atomic energy was recorded in a separate memorandum of conversation, *infra*.

<sup>2</sup> Gerard C. Smith.

<sup>3</sup> Frederick A. Bishop, Principal Private Secretary to the Prime Minister.

<sup>4</sup> John C. A. Roper, First Secretary of the British Embassy.

<sup>5</sup> General Lucius D. Clay, Commander in Chief of U.S. Forces in Europe and Military Governor of the U.S. Zone in Germany, 1947-1949.

## 2. Joint Chiefs of Staff Views Regarding Force Reductions

Admiral Radford spoke also to the question of proposed reduction of conventional forces in connection with a disarmament agreement. He said that the U.S. forces had been reduced by 800,000 men since Korea without any reductions in U.S. commitments around the world. 60,000 to 70,000 troops must be retained in Korea if present command arrangements are to continue. A reduction of 200,000 men would really amount to a reduction of 300,000 because 100,000 would be needed for the proposed inspection force. Inspection would be unattractive duty requiring a large training effort.

Reduction in conventional forces would require recasting our deployments to NATO (Army, Navy and Air) and the Far East. He stated that U.S. conventional force commitments were stretched to the limit. He pointed out the large turnover in military forces, the low re-enlistment return which resulted in large training effort. He concluded that even a small cut would require redeployments which would have large political implications. Sir Anthony Eden stated that the British had reached approximately the same conclusions.

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### 232. Memorandum of a Conversation, White House, Washington, February 1, 1956, 12:07 p.m.<sup>1</sup>

ETW MC-6/1

[Here follow a list of participants and a list of subjects discussed.]

The meeting started at 12:07 p.m. Sir Anthony Eden stated that the U.K. was in a position at this meeting to inform the U.S. about its plans for a thermonuclear test.

#### 1. Transfer of Information to the United Kingdom

The Secretary of State suggested that it might be appropriate first to take up the question of disclosure of certain U.S. atomic energy information requested by the U.K. Mr. Strauss then referred to information on the prevention of deterioration of graphite. It was originally believed that it was not possible to transfer this information. The Atomic Energy Commission had now determined that it was possible.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 648. Top Secret. Drafted by Gerard C. Smith and given restricted circulation to appropriate U.S. officials on February 7. For the memorandum of the discussion at this meeting on Berlin and force reductions, as well as the list of participants, see *supra*.

The information will be transmitted to Sir John Cockcroft<sup>2</sup> when he visits the United States in February.

The Secretary of State referred to information concerning propulsion reactors which had been held up pending a ruling by the Attorney General. He reported that the United States had pushed ahead with this matter. Mr. Strauss stated that, subject to formalizing an Atomic Energy Commission decision and subject to the usual Joint Congressional Committee clearance procedure, the United States could now make a commitment to the United Kingdom to transfer information in the field of naval propulsion reactors for military use exclusively. He also stated that quite probably the United States would transfer the desired information in regard to stationary nuclear power plants and expects that a definite answer on this point can be given by Friday, February 3. He pointed out that there would then be a procedural decision as to whether the existing agreement for cooperation with the United Kingdom should be amended or whether a new agreement should be executed. Sir Roger Makins asked if this United States decision covered all three categories of information requested by the British. Mr. Strauss stated he did not recall exactly the language of the three categories. The information on which we could now give firm assurance related only to naval propulsion reactors.

Sir Anthony Eden expressed the gratitude of the United Kingdom at the outcome of this matter. Mr. Strauss pointed out the desirability of no public announcement until the clearance procedures with the Joint Committee had been accomplished.

## 2. United Kingdom Testing Plans

Sir Anthony Eden then discussed United Kingdom testing plans. The Maralinga Range in Australia is available for tests of kiloton size. The Christmas Island area appears suitable for megaton size tests. He reported that consultations with the New Zealand authorities had proceeded favorably. Malden Island is in mind for an air base, and Christmas Island itself for an observer station. A survey of the area to pick the actual test site is under way. Sir Anthony recognized that the question of sovereignty over these islands is a matter of dormant dispute between the United States and the United Kingdom.

The United Kingdom plans a megaton test in the spring of 1957 and two series of kiloton tests this year—one at Montebello and one at Maralinga.

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<sup>2</sup> Member for Scientific Research, British Atomic Energy Authority.

### 3. Ballistic Missile Station

The Secretary inquired as to how the matter discussed on January 31 about a ballistic missile range station had been left.<sup>3</sup> Sir Anthony stated that he wanted to speak about this matter to the Colonial Secretary and would advise the United States shortly.

### 4. United States Testing Plans

Sir Anthony asked as to any United States plans for testing in 1957. Mr. Strauss said that no Pacific tests were now planned but that small devices would be tested throughout the year in the United States. Sir Anthony pointed out that after the United States 1956 Pacific tests, there would probably be another wave of demand to stop testing which might cause some embarrassment to the United Kingdom plans for a 1957 test. Sir Anthony expressed the hope that the United States would support the United Kingdom in the matter of handling the resultant public relations problem.

### 5. Possibility of a Joint U.S.-U.K. Study of a Test Limitation Agreement

Sir Anthony then raised the question as to whether, as a move in the cold war, the United States and the United Kingdom could make some offer in regard to an agreement to limit, control, or restrict testing. He pointed out how this would help the domestic United Kingdom political situation in view of the widespread apprehension about radiation effects that existed there. He believed that there was little chance of Soviet acceptance and referred to Khrushchev's recent statement to a British news correspondent indicating no real Russian support for control of tests.<sup>4</sup>

Mr. Strauss said that erroneous estimates concerning radiation hazards have been given currency recently. Total added radiation as a result of all nuclear testing to date was only a fraction of the differential between natural radiation at sea level as opposed to natural radiation at an altitude of 5,000 feet. Test produced radiation was insignificant as a factor bearing on human health. There was a good deal of speculation in regard to the size of the weapons to be exploded in the coming United States tests in the Pacific. Estimates ran as high as 40 to 50 megatons. Actually U.S. tests in the next series will be generally substantially smaller than at the last Pacific test series. Under present technology almost any yield is possible. Therefore, there is no need to test merely to see how large an explosion can be made. United States

<sup>3</sup> See Document 229.

<sup>4</sup> Telegram 1643 from Moscow, January 26, reported that Russian newspapers had noted that Khrushchev had had a conversation with British *News of the World* correspondent Stanford. (Department of State, Central Files, 961.61/1-2656)

tests look to improving economy in the use of material and improving logistics. The trend is to smaller, lighter weapons and weapons for use in defense against aircraft.

Mr. Selwyn Lloyd then made reference to the discussion at the January 31 meeting<sup>5</sup> as to whether it could be publicly stated that the question of limitation on tests was being discussed between the United States and the United Kingdom. Then if the discussion showed that such type of agreement would be impracticable, in three or four months such negative conclusion could be announced. Mr. Strauss pointed out that this might raise great expectations which were quite unwarranted in the view of the United States. Mr. Lloyd proposed that the original announcement be so drafted as to prevent the raising of false hopes. Mr. Strauss pointed out that any joint look at this problem would require a good deal of compartmentalization since it would get quickly into weapons design data which by law the United States is foreclosed from discussion with the United Kingdom. Sir Anthony then suggested that each country might have a look at the problem separately with coordination of their conclusions.<sup>6</sup>

Sir Anthony then raised the question of the studies being made in the United States and the United Kingdom on the question of radiation and asked when the United States expected a report from its experts. Mr. Strauss pointed out that although some preliminary announcement, which would necessarily be quite general, was expected in April of this year, it would be at least two years before anything definitive could be expected. A long time would be required to gain any comprehensive information about genetic effects. Sir Roger Makins pointed out that the United Kingdom Medical Research Council was making a similar study and he expected that it too would issue some fairly general statement this spring.

Sir Anthony Eden pointed out that the lack of concrete conclusions in these preliminary statements would probably increase pressures on the United Kingdom to cease testing. Mr. Strauss pointed out that the only comprehensive information derives from Atomic Energy Commission studies which have been made since 1948/49. He pointed out the importance of the last United States Pacific tests from the point of view of learning about the phenomena of fall-out.

Mr. Lloyd said that the United Kingdom had no idea of trying to limit United States or United Kingdom freedom of action in the matter of testing.

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<sup>5</sup> See Document 229.

<sup>6</sup> No mention was made of a limitation of nuclear testing in either the Declaration of Washington or the Review of World Problems.

Sir Anthony congratulated the Secretary of State for his handling of the question of test moratorium in his recent press conference.<sup>7</sup> He pointed out that he would like to be able to say something about our consideration of this subject since the British public felt that there was a sufficient problem here to warrant Government investigation of the possibility of some sort of limitation agreement.

Governor Stassen said that any announcement as to a Joint U.S.-U.K. study might be taken amiss by other countries who are directly interested in this matter.

Mr. Strauss said that there is cooperation between the United States and the United Kingdom in the study of radiation effects, recalling that he and Ambassador Makins had arranged for an exchange of information on this subject more than a year ago.

Mr. Lloyd doubted that the United Kingdom could hold its present degree of public support for the next two and one-half years (until the radiation study findings were in) without saying something more on this subject.

Mr. Strauss stated that he would send on to Sir Roger Makins Dr. Libby's<sup>8</sup> recent speech on the question of fall-out and other pertinent information planned for early release.

Mr. Lloyd stated that the problem had two aspects—one, convincing the public that there was no harm in the testing, and two, convincing the public that it would be impractical to limit testing. The Secretary of State pointed out that this was in his judgment too negative an analysis because if testing actually was dangerous to humanity, we would certainly find some way of limiting or controlling it. He felt we should rest our case primarily on the demonstrated fact that all testing to date had merely added to the atmosphere a small fraction of the radiation differential existing between that at sea level and that at an altitude of 5,000 feet. He believed that publication of a statement that the United States and the United Kingdom were pursuing the idea of a test limitation agreement would give credence to the idea that a present danger existed. He pointed out that a negative conclusion resulting from such a study would likely produce a very bad public reaction. We are in just as good a position now as six months from now to say that a test limitation agreement would not be in our interest. He repeated his doubt that technical difficulties alone would prevent a workable limitation agreement—if humanity was actually being injured by these tests.

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<sup>7</sup> At his news conference on January 24, Dulles pointed out that U.S.-U.K. discussions on the possibility of controlling nuclear testing had been going on for several years, but that the technical difficulties in formulating a proposal that would protect the interests of East and West seemed insuperable; for the transcript of the news conference, see Department of State Bulletin, February 6, 1956, p. 198.

<sup>8</sup> Willard F. Libby, Atomic Energy Commissioner.

The Secretary of State expressed the opinion that there was no broad public concern over tests in the United States. The Secretary of State suggested that the best line to take was to propagate the facts as to the insignificance of test produced radiation and to continue to exchange technical information with the United Kingdom on this subject.

Mr. Strauss pointed out that propaganda against testing had begun before the 1954 U.S. Pacific series. Critics now suggest that it is all right to test A-bombs but not H-bombs. Mr. Strauss said that if we had acceded to critics in the early 1950's we would be in bad case now with fewer weapons and less capable ones. Sir Anthony pointed out that he had no idea of suggesting cessation of testing but merely hoped that we could say something publicly about looking into the possibilities of test regulation. He spoke of the difficulty of getting authoritative medical opinions on the degree of danger to health from testing. Mr. Strauss said that our National Academy of Science announcement this spring will be reassuring—but not conclusive.

Mr. Lloyd asked if we could not say that the United States and the United Kingdom were keeping a close joint watch on this problem. It was agreed that this would indicate belief that any danger was much more imminent than is the case.

The Secretary of State said that test limitation could be based on one of two theories—first, that it was necessary in order to prevent injury to health, and second, that it would be a useful step in the direction of arms limitation. If one based a test limitation study on health reasons, credence would be given to the claim that a present danger exists and great pressure would be exerted to force the United States and the United Kingdom to agree to some test limitation—unless conclusive information on the health question could be adduced. If one proceeds on the theory that test limitation would be a useful step in the direction of arms limitation, entirely different problems are raised, e.g., the difficulty of drawing the line between permissive and non-permissive tests, and the difficulty of effective control. The Secretary pointed out that one of the Pacific explosions in 1954 had yielded twice the estimate. A cheating nation could merely claim that a non-permissive explosion had been the result of an unintended low estimate. He pointed out the possibilities for testing in areas such as Tibet and China where responsibility for the test would not be clear. A combination of these uncertainties might result in a combined margin of uncertainty of a factor of 4. From this the Secretary concluded that as an arms limitation device, a test limitation would be an extremely fallacious approach. He concluded that we should take the line that we will exchange information with each other to make sure that no danger exists from testing. If there was serious danger we would certainly stop.

Mr. Strauss stated that the latest AEC calculations indicated that it would require a thousand times more testing than tests to date to produce sufficient strontium 90 in the atmosphere to be detectable in human bones. Sir Anthony said that the danger to health theory was the most significant in his mind. He thought that a test limitation in the disarmament context was merely a cold war exercise.

Mr. Strauss stated his opinion that our detection system had an uncertainty factor of two.

Sir Anthony Eden then asked if there would be any objection if the United Kingdom was to state they were looking into this matter from the disarmament point of view. He emphasized the danger of loss of public support in the United Kingdom for their testing program.

The Secretary suggested that the only public statement on this discussion be along the lines of a statement that the United States and the United Kingdom recognize that testing would be covered in any comprehensive disarmament agreement.

The meeting closed at 1:05 p.m.

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**233. Memorandum of a Conversation, Department of State,  
Washington, February 1, 1956, 1 p.m.<sup>1</sup>**

ETW MC-7

SUBJECT

U.S. Cotton Disposal Policy

PARTICIPANTS

The Secretary

Mr. Selwyn Lloyd, British Foreign Secretary

Sir Leslie Rowan, Second Secretary of the Treasury

Livingston T. Merchant

After lunch in the Secretary's office this afternoon Mr. Lloyd raised with the Secretary the question of U.S. policy toward disposal of cotton on the world markets. He said that the British had left us a note on this subject<sup>2</sup> but that he wished to underline the importance which the British Government attached to the problem. He stated that the uncertainty as to U.S. intentions in this regard is resulting in the

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<sup>1</sup> Source: Department of State, Central Files, 811.2321/2-156. Confidential. Drafted by Merchant. This memorandum was given restricted circulation to appropriate U.S. officials on February 7. (*Ibid.*, Conference Files: Lot 62 D 181, CF 648)

<sup>2</sup> Not printed. (*Ibid.*, Central Files, 811.2321/1-656)

futures market becoming virtually inoperative. On the other hand, if the uncertainty is resolved by a decision to dispose of cotton on a large scale, then the British fear is that the result will be to ruin the market for all other cotton producers. The Secretary said he was familiar with this problem and pointed out that he considered it essential to do something about it. He said that we cannot keep an umbrella over the rest of the world. The U.S. used to dominate the world cotton market but now plays only a limited role in it. Sir Leslie Rowan who was present interjected a remark concerning the evils of the two-price system.

The Secretary agreed that it created problems and pointed out that our own textile manufacturers were now pressing for higher tariffs and quotas by reason of the fact that foreign manufacturers were able to acquire their raw cotton cheaper than could be done in this country.

Mr. Lloyd concluded by saying that this particular problem troubled the British more than any other single economic matter. The Secretary said that we would study the memorandum which the British had left on the subject.

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234. Memorandum of a Conversation, Department of State,  
Washington, February 1, 1956, 4 p.m.<sup>1</sup>

ETW MC-8

PARTICIPANTS

US

The Secretary  
Mr. Merchant  
Mr. Allen

UK

The British Ambassador  
Mr. Shuckburgh

France

The French Ambassador  
Minister Lucet<sup>2</sup>

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<sup>1</sup> Source Department of State, Conference Files: Lot 62 D 181, CF 648. Secret. No drafting information appears on the source text. This memorandum was given restricted circulation to appropriate U.S. officials on February 7.

<sup>2</sup> Charles Lucet, Minister of the French Embassy.

## SUBJECT

## Tripartite Declaration

The Secretary handed to the French Ambassador the portion of the joint Declaration relating to the Middle East which will be issued by the President and Prime Minister Eden at 5:00 p.m. today.<sup>3</sup> After reading it, Ambassador Couve de Murville referred to the statements that arrangements "have been made for joint discussions as to the nature of the action which should be taken" in the event contingencies arise which were envisaged by the Tripartite Declaration of May 25, 1950, and that the French Government was being invited to participate in these discussions. He asked whether the Secretary of State had any ideas regarding the substance of these discussions.

Mr. Dulles replied that it had been agreed merely that the Three Powers should meet to consider the question. He pointed out that it was very difficult to envisage the exact situation which would have to be met and what specific action would be needed and appropriate. Mr. Dulles asked for comments by the British Ambassador, who concurred in the view Mr. Dulles had expressed.

The French Ambassador asked whether the talks by the Three Governments would be held prior to referring any situation to the Security Council. The Secretary said he was not certain what situations should be brought to the Security Council, chiefly because of Soviet Russia's membership. Couve de Murville suggested that the question whether any given situation should go to the Security Council would be one of the matters for discussion. He asked whether these discussions would concern both substance and procedure. Mr. Dulles said they would.

Referring then to the Tripartite Declaration of 1950, Mr. Dulles said that question of its reaffirmation had arisen during the discussions between the President and the Prime Minister but that it had been considered preferable to avoid a positive reaffirmation in their communiqué, first because the French were not present during the discussions, and second, because certain sections of the Tripartite Declaration had become outmoded and perhaps rendered invalid by the entry of the Soviet Union into the the armaments picture in the Middle East.

The French Ambassador expressed appreciation for the invitation and said he would convey it promptly to his Government.

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<sup>3</sup> For text, see *American Foreign Policy: Current Documents, 1956*, pp. 447-448.

## 235. Editorial Note

Douglas A. MacArthur II and James S. Cottman, Jr., of the Executive Secretariat, recorded in a memorandum of conversation, February 2, that they and Ernest A. Lister, Officer in Charge of United Kingdom and Ireland Affairs, had met on February 1 with Sir Harold Caccia, Deputy Under Secretary at the Foreign Office; Sir Hubert Graves, British Ambassador in Vietnam; John E. Coulson, Minister of Embassy in Washington; and Evelyn Shuckburgh, Assistant Under Secretary at the Foreign Office, "to compare notes as to US and UK responsibilities for future actions" resulting from the Eden-Eisenhower talks. (Department of State, Conference Files: Lot 62 D 181, CF 648B) Documentation on their discussions, which confirmed and clarified decisions made from January 30 to February 1, is *ibid.* On February 4, a summary of the Eden-Eisenhower talks was sent in nearly identical circular telegrams (518 and 519), drafted by Merchant, approved by MacArthur, and cleared by NEA, FE, and ARA, to London and 49 other posts. (*Ibid.*, Central Files, 611.41/2-456)

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236. Diary Entry by the President, February 8, 1956<sup>1</sup>

*The Eden talks* covered a number of troublesome questions on some of which the British Government and our own have held divergent views. These questions included trade with Communist China, support of SEATO, Arabian-British dispute centering at Buraimi, and the very disturbing situation existing between the Israelites and the Arabs.

I have never before attended any international talks of an official character where the spirit of friendship was more noticeable than in this one. Even our gravest differences could be discussed in an attitude of friendliest debate. With respect to China, our differences are not so great as they would appear in the headlines. Both Britain and America are interested in securing a better market for Japan so that that country may exist as a free nation. Likewise, Britain is concerned about the present prohibition on the shipment of Malayan rubber to China, although Ceylon has been shipping this item in considerable quantity. In general, Britain would like to have our controls on China trade identical with those we observe with respect to the Soviets. We, on the other hand, have felt that even though the Soviets might try to ship

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Secret.

considerable quantities of supplies to China, a much longer route and higher expense were involved for the Communists, and consequently we did not see any advantage in relaxing controls in the East except insofar as the necessity for helping our friends in that region might demand.

Without reaching any substantive agreement, we did arrange that the technical experts would go over the items involved periodically, and that some of them would be shifted from a completely prohibited basis to a quantitative basis. It is possible that a very few, particularly where they pertain to Japan, may be removed from the prohibited list.

The United States, of course, maintains a complete embargo on its own shipments to that country.

With respect to SEATO, the British have promised to make certain that all the countries in that area understand that they have Britain's warm support.

In Saudi Arabia we have come to the conclusion that only by direct talks between the King of Saudi Arabia and high British officials can the matter be settled. They are going to try this method.

In the Israel-Arab dispute, we adhere to the tripartite pronouncement of May 25, 1950. We agreed that we should meet with the French in order to examine exactly what means we would jointly use to stop a war if it should break out in that region.

Our talks covered a multitude of minor subjects, including a great deal about our European problems. However, in these there was no acute matter to be taken up and we merely reviewed our general policies, on which we are largely agreed. At the end of the meeting we issued a joint declaration which we called the "Declaration of Washington." We also issued a communiqué outlining some of the problems that I have just mentioned.

[Here follow comments by the President on the subject of disarmament.]

### **III. CONTINUING U.S.-U.K. POLITICAL, ECONOMIC, AND MILITARY RELATIONS, APRIL 1956-MARCH 1957**

#### **237. Memorandum of a Conversation Between the Secretary of State and the British Ambassador (Makins), Secretary Dulles' Residence, Washington, April 29, 1956<sup>1</sup>**

Sir Roger reported on the Bulganin-Khrushchev<sup>2</sup> talks as follows:

(1) As regards the Arab-Israel controversy, there was a vague implication that the Soviets would not use the veto power. As regards the Middle Eastern oil, the British make it clear that they will, if necessary, "fight for oil". It was felt that some progress had been made in persuading the Russians that the Baghdad Pact was purely defensive, and above all designed to defend the British oil position. Nevertheless, the Russians were stubborn in their view that so long as this Pact existed, they would make trouble for the British in the area.

(2) Eden asked "Why do you make trouble for us everywhere?", and cited Libya where the Soviets had a huge staff connected with the Embassy with nothing to do but carry on anti-British propaganda. The Russians said they would "look into this matter".

(3) On disarmament, the Russians said the London talks were a complete waste of time.<sup>3</sup> Khrushchev remarked 'Nutting and Gromyko are relatively young men. Why should they be wasting the best years of their lives on this performance. They are like organ grinders. First one grinds in one direction, and then the other grinds in the other direction.'

The British got the impression that the Soviets might perhaps take some unilateral action along the lines of their 630,000 reduction of a year ago.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation. Secret; Personal and Private. Drafted by Dulles on April 30.

<sup>2</sup> Details of the State visit to Great Britain of the Soviet leaders, April 18-27, and the substance of their discussions with the British, who kept the United States fully informed, are in Department of State, Central File 033.6141. For texts of letters exchanged between Eisenhower and Eden (April 5 and 18, respectively) on subjects to be discussed with the Soviets, see vol. see vol. xv, pp. 467 and 547.

<sup>3</sup> The U.N. Disarmament Subcommittee met in London, March 19-May 4, 1956, but reached no agreement.

(4) The discussion of Germany indicated no softening of the Soviet position. Khrushchev talked about the defense of Stalingrad and German atrocities. He said the Germans are beginning to get "upnish" again, and it was probably a good thing for everybody that Germany was divided.

(5) There was no effort to drive a wedge between the US and the UK. The close friendship of the two countries was apparently taken for granted. There was relatively little comment about the US. What there was showed respect for the President, recognition of the problems of an election year, and a desire for improved relations.

(6) With reference to trade, the British held stubbornly to the line that they would not give up on strategic goods.

(7) Eden agreed to visit Moscow, but he will be in no hurry to do so. In the absence of some special reason for going earlier, he would have in mind in about a year.

(8) The lecture on thermonuclear matters<sup>4</sup> was not regarded as involving any major disclosures but probably designed to elicit through comments and questions information as to the state of UK development of this art. If so, it did not succeed as the British scientists kept quiet.

(9) Bulganin, although much less vocal than Khrushchev, still did not appear to be a negligible factor, although he seemed somewhat frail in health. The British got the impression that they did not feel 100% secure and took off time frequently to contact with and report to the Presidium. There was an almost pathetic desire to be popular. They realized that boos were not a sign of popularity and interpreted whistles as applause.

(10) There was a general impression that the Soviets' outlook was considerably changed and that the likelihood of war was much reduced, but that the generally aggressive character of the leadership still remained.

JFD

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<sup>4</sup> Not further identified.

238. Letter From Prime Minister Eden to President Eisenhower<sup>1</sup>

*London, undated.*

DEAR FRIEND: Here are a few random reflections from the visit of the bears.<sup>2</sup> We were soon agreed that the main purpose of our meeting was serious talk. They made no attempt to escape from this and accepted without demur all the arrangements for the meetings, heavy as these were. They were considerate guests and made little attempt at propaganda. This may have been in part because the public behaved with such admirable restraint. They got no encouragement to attempt any such tactics as playing off the people against the Government, even if they had had them in mind.

From such exchanges as they had they seemed to prefer Her Majesty's Government to Her Majesty's Opposition.<sup>3</sup>

There was no effort at wedge-driving between us and you may think that this was clever on their part. I am inclined to think that it was an acceptance of the facts. They made few references to the United States and always spoke with respect of you.

Some of our earlier discussions were tough, especially an argument about colonialism, and a corresponding one about Eastern Europe. I think both were useful and instructive to each of us. Khrushchev was emphatic that we ought to understand that although the Russian influence with the satellites was considerable, the latter could be touchy and the Russians could not just order them about. There may well be something in this.

I was impressed by the grasp that these two men had of all the topics we discussed. I hardly saw them with anything that amounted to a brief. They were confident about their own country but I did not think that they were arrogant about their economic situation.

In the Middle East talk I made plain to them that we had to have our oil and that we were prepared to fight for it. They accepted this and though they continued to inveigh against the Bagdad Pact (or the Eden Pact, as Bulganin told me they called it in Moscow) I think that they may have begun to understand that it is a protective pad for our vital interests and not a dagger pointing at their guts.

<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Top Secret. Enclosed in a letter from Makins to the President, May 1.

<sup>2</sup> Khrushchev and Bulganin.

<sup>3</sup> Reference is to a dinner on April 23 given in honor of the Soviet leaders by leaders of the Labour Party which "turned into sharp and bitter clash between the guests and their hosts" on the question of human rights in the Soviet Union. (Telegram 4843 from London, April 24; Department of State, Central Files, 033.6141/4-2456)

I believe that war in the near future has no place in their plans. Their country seems to me to be going through a fairly normal post-revolutionary phase, Stalin having played the part of Napoleon in their story. These men seem to me to want to get on with their work at home, and why should they not? Therefore they do not want a flare-up, even in the Near East. I had to explain to them that this would happen if we did not align our policies.

I feel sure that the whole business was useful, although I confess I had some anxious moments at times. As the days went by I found these men more ready to admit other points of view than any Russians I have known, which does not of course mean that they accept them. It seems strange that they should exercise so much power. At times one wonders how long it can last.

Yours ever,

**Anthony<sup>4</sup>**

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<sup>4</sup> Printed from a copy that bears this typed signature.

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**239. Memorandum of a Conversation Between the British Minister of Defense (Monckton) and the First Secretary of the Embassy in the United Kingdom (Dale), London, May 8, 1956<sup>1</sup>**

**SUBJECT**

Closer Coordination Between UK and US Military Forces

After delivering a speech to the Joint Services Club at Nuffield House in which he stressed the need for closer coordination between US and UK Armed Forces, Sir Walter Monckton elaborated his ideas in private conversation. He said that Britain was attempting to do too much with the resources available to it for defense and that it should give up projects in which it was already substantially behind the US. The increased degree of coordination which he recommended would not, he believed, require any change in US legislation barring interchange of information on nuclear weapons. With regard to the Air Force, for instance, he said that there was no British fighter plane at present under development which would be fully effective in the period beginning about four years from now. Rather than attempting

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<sup>1</sup> Source: Department of State, EUR Files: Lot 58 D 193, M-1 UK Defense 1956. Secret. Drafted by Dale.

to develop a plane suitable for this period, Sir Walter believed Britain should manufacture US types here under license. With reference to the Army he said that several weapons were under development here which would be obsolescent relative to corresponding US types by the time the British weapons appear. In these cases also, he recommended that Britain should avail itself of US experience in research and development rather than attempt to continue work on research projects which were bound to be both duplicating and obsolescent. On the other hand, he claimed that the British were doing well on some projects which could be of use to the US so that the flow of information would not be all one-way. He pointed to the coordination now existing in the field of ballistic rockets as the ideal to be sought in other fields of research and development.

As regards the Navy the Minister thought that more could be done in establishing combined forces. He cited Admiral Wright's<sup>2</sup> Carrier Group which contains US carriers [*less than 1 line of source text not declassified*] and British carriers [*less than 1 line of source text not declassified*] and said that the function of the British carriers should be primarily to protect the US carriers so that they can better utilize their superior offensive power. Thus, the Naval forces of each country could play a useful role in maintaining the free world's military power.

The Minister maintained that it was essential for Britain to enter into many more arrangements of the kinds referred to above in order to reach its military objectives with the limited resources it possesses. He said that the Defense Ministry could not hope to achieve savings such as the Chancellor<sup>3</sup> had requested in his recent budget message without such accommodations. It was clear that Sir Walter feels strongly on this subject and the frank expression of his views gives rise to the possibility that an approach may be made to the US Government.

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<sup>2</sup> Admiral Jerauld Wright, Supreme Allied Commander, Atlantic; Commander in Chief, Atlantic; and Commander in Chief, U.S. Atlantic Fleet.

<sup>3</sup> Harold Macmillan.

240. Memorandum From the Deputy Assistant Secretary of State for European Affairs (Elbrick) to the Deputy Under Secretary of State for Political Affairs (Murphy)<sup>1</sup>

Washington, June 15, 1956.

SUBJECT

Plan K Military Assistance for the British<sup>2</sup>

Gordon Gray, in his letter of May 17, 1956, in reply to your letter of April 18, 1956, indicated the concurrence of the Department of Defense in the desirability of carrying through with the agreed U.S. share of the Plan K program, despite the stretch out and decrease in the RAF program.<sup>3</sup> Specifically it was agreed to transfer to the purchase of Corporal guided missiles the unobligated balance of Plan K funds of approximately \$30 million originally intended to finance the build-up of the RAF. In return for the saving of dollars, the British Government was agreeable to a transfer of sterling, in an amount equivalent to the cost of the missiles, from its Army appropriations to cover the cost of the RAF buildup hitherto intended to be financed under Plan K assistance.

Defense gave its concurrence "in view of the importance of forestalling any further reduction in U.K. support of its present NATO committed forces". They also requested certain further conditions on the handling of other Plan K funds, which originally totaled \$210 million, to which the Department of State and ICA agreed. These conditions have been included in the aide-mémoire which is now ready to present to the British. Our London Embassy agrees with our draft of the aide-mémoire.<sup>4</sup>

It was agreed among State, Defense, and ICA that a paper on the Plan K proposal be prepared for presentation to Congressional committees.<sup>4</sup> This paper was presented on May 31 to the Senate Foreign Relations Committee (George), the Senate Appropriations Committee (Hayden), the House Foreign Affairs Committee (Richard) and the House Appropriations Committee (Cannon). It was further agreed among State, Defense and ICA that, if at the expiration of a week following presentation of the paper the Congressional committees did not object to the proposed arrangement, the aide-mémoire would be presented to the British. Negotiating instructions, cleared by the three

<sup>1</sup> Source: Department of State, Central Files, 741.5-MSP/6-1556. Confidential. Drafted by Warrick E. Elrod, Jr., and Ernest A. Lister and approved by Murphy.

<sup>2</sup> See footnote 2, Document 210.

<sup>3</sup> Neither letter is printed. (Department of State, Central Files, 741.5/5-1756 and 741.5-MSP/3-156, respectively)

<sup>4</sup> Not found in Department of State files.

agencies, would be sent to our Embassy at London. The week's period expired June 8. As of June 13 Defense and ICA agreed to our forwarding the instructions to London and the presentation of the aide-mémoire to the British.

On June 12, however, the British Ambassador presented to the Secretary a note indicating the U.K.'s intention to reduce its forces,<sup>5</sup> including a reduction in numerical strength of the British 2nd Tactical Air Force in Germany. This would, in effect, make release of the Plan K aide-mémoire and instructions inconsistent with the Department of Defense rationale for its concurrence in the proposed Plan K arrangement.

#### *Recommendation*

That the Department withhold action on Plan K and delay notification to the British of the favorable United States decision until we have:

- (1) more information on British plans concerning their defense effort;
- (2) further discussion with the Defense Department; and,
- (3) briefed interested Congressional Committees on recent developments.<sup>6</sup>

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<sup>5</sup> Not printed. (Department of State, Central Files, 741.5/6-1256) The Embassy in London's estimate of the development of the U.K. armed forces, 1956-1962, is in despatch 1500, December 29, 1955. (Department of State, Central Files, 741.5/12-2955)

<sup>6</sup> Murphy initialed his approval of the recommendation.

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#### **241. Editorial Note**

Discussions between representatives of the Departments of State and Defense and ICA on the future of Mutual Security Program Plan K funds for modernizing the Royal Air Force continued until 1957 against a background of repeated British requests for this aid. The failure of the Javelin all-weather fighter to meet United States requirements and therefore to qualify for Plan K aid as originally proposed, and skepticism that Great Britain could provide Corporal missiles, further complicated these discussions. Other military uses to which Plan K funds could be put were considered, but in telegram 3384 from London, December 19, Ambassador Winthrop W. Aldrich, urged that these funds be spent on Javelins and Corporals because these "actions would bolster British dollar position during difficult period and give

further evidence of importance US attaches to Anglo-US alliance." (Department of State, Central Files, 741.5-MSP/12-1956) By January 1957, the United States had agreed in principle to provide \$30.5 million for Corporals, but what to do with the \$64.4 million originally intended for Javelins remained the problem. Documentation on this subject is *ibid.*, London Embassy Files: Lot 61 F 14, 320 Western Bloc, and Central File 741.5-MSP.

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**242. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, July 6, 1956—7 p.m.*

106. Commonwealth Prime Ministers Conference ended noon today.<sup>2</sup> Preliminary reports suggest that as usual conference helpful as informal exchange of views but that concrete achievements generally have been unspectacular. More information may be available however after Prime Ministers have chance to consult their colleagues.

Communiqué which was not agreed until last minute before release this afternoon seems unnaturally platitudinous.<sup>3</sup> Even CRO official commented on its "interminable turgidities" in emphasizing five points: (1) Ministers welcomed Soviet decisions re troop reductions, increased contacts and desire for improved relations with other governments. "They believe, however, that the removal of the causes of tension and the creation of mutual confidence and goodwill are essential if peace is to rest on secure foundation." This sentence meant to express Commonwealth wariness on significance of moves. (2) Ministers welcomed "unceasing efforts of the United Kingdom Government to find a solution (on Cyprus) acceptable to all concerned." Nehru proposed use of "unceasing." (3) "They looked forward to a continuing relaxation of tension in the Formosa area, and expressed the hope that unremitting efforts would be made to this end." (4) Re new UN members "they expressed the hope that its membership could be broadened still further so that it might command a wider allegiance throughout the world." United Kingdom Government spokesman is denying this refers to Red China but this sentence obvi-

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<sup>1</sup> Source: Department of State, Central Files, 741.13/7-656. Confidential; Priority. Repeated to Wellington, Canberra, New Delhi, Pretoria, Karachi, Colombo, Ottawa, and Salisbury.

<sup>2</sup> The conference was held June 27-July 6.

<sup>3</sup> For text, see *The Times*, London, July 7, 1956, p. 5

ously written with China and Japan in mind. (5) Ministers took note of Ceylon's desire to "introduce in due course a Republican constitution" while remaining in Commonwealth.

CRO informed Embassy all Ministers agreed significant shift in Soviet policy but disagreed as to its dimensions and sincerity. Even Nehru concurred changes should be evaluated cautiously. Little discussion on impact changes would have on Commonwealth political, economic, and military policies. All also agreed Red China at some time and in some way should join UN. In full recognition of United States difficulties in this regard none wished to raise problem in acute form before American elections nor had raised "cut and dried" means for doing so. Nehru attacked Baghdad Pact but not abusively on familiar grounds problems on periphery of U.S.S.R. could not be solved without taking Soviets into account. He welcomed extension of Pact's economic activities but regretted these achieved under military alliance.

In separate release on Ceylon bases HMG has "expressed willingness to agree to suitable arrangements" for Ceylon taking over Trincomalee and RAF station at Katunayake (Negombo).<sup>4</sup> British will have "certain facilities enjoyed at present in Ceylon for communications, movements, and storage" and will satisfy Ceylon request for aid in "expansion, development, and training of the Ceylon armed forces." CRO which is highly pleased with results expects no operational changes for some time and believes negotiations may take two or more years. [3 lines of source text not declassified]

Embassy will forward further information as it is developed and evaluated.

Barbour

<sup>4</sup> For text, see *ibid.*, p. 6.

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## 243. Memorandum of a Conversation, London, July 16, 1956<sup>1</sup>

### PARTICIPANTS

The Hon. Donald A. Quarles, Secretary of the U.S. Air Force  
Sir Walter Monckton, Minister of Defence, HMG

Rt. Hon. Nigel Birch, Secretary of State for Air, HMG

Air Chief Marshal Sir Dermot Boyle, Chief of the Air Staff, HMG

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<sup>1</sup> Source: Department of State, London Embassy Files: Lot 61 F 14, IRBM. Top Secret. Drafted by Brown. Enclosed in a letter from Brown to Elbrick, July 20.

Rt. Hon. Reginald Maudling, Minister of Supply, HMG

Sir Frederick Brundrett, Chief Scientific Advisor, Ministry of Defence, HMG

The Hon. Winthrop G. Brown, Minister for Economic Affairs, American Embassy,

London

Mr. Quarles said that there were two points which he would like to discuss very informally. The first was the possibility of stationing U.S. guided missile units in the U.K. The second was the question of what assistance the U.S. might give to the U.K. in provision of an advanced fire control system for interceptor fighters.

Mr. Quarles said that the U.S. development of guided missiles is now coming to the stage when the U.S. would be in a position to become operational in the middle or latter part of 1958, with guided missiles with approximately a 1500 mile range. For these missiles to exercise deterrent effect, it would be necessary to have launching sites near enough to prospective targets. He would like to open with HMG, in a very preliminary way, the question of what their reaction would be to a proposal that several American IRBM units might be stationed in the U.K. If there were a real possibility that this suggestion would be favorably received, he could then pursue the matter further through diplomatic channels. He did not wish to raise it formally with HMG if it was apparent that the reaction was to be definitely unfavorable.

In response to questions from the British Ministers, the following points were brought out:

The U.S. didn't contemplate any firing of the missiles unless perhaps it might be possible to fire a northerly course from a Scottish base where practice firing could take place without any risks. The weapons would be fully equipped. It was suggested that there be about 6 or 8 separate units of about 15 or 20 weapons each, for normal reasons of defensive dispersal. There would be several launchers in each unit. The number of men required to man the units would not be large and the first effort would be to see if these new units could be integrated into U.S. bases. The U.S. would be prepared to train British personnel in the use of this equipment, although HMG would understand that it would not be possible to give any information with respect to the warheads. It would not be possible to guarantee complete operational efficiency, but the weapon in question would have been actively fired more than one hundred times and would have been subjected to ground tests several hundred times.

There would have to be a certain amount of rotation of personnel who manned these units and this would be done through moving them around between the base here, Patrick Field, and other operational bases in the U.S.

Mr. Quarles said that at the present stage, the IRBM was primarily a cold war weapon. The U.S. was convinced that for at least the next 5 years, atomic weapons could be delivered much more effectively by

the use of manned bombers. In another 5 years, such delivery might be "quite perilous". However, having the IRBM operational with launching sites near enough to prospective targets to be effective would, in our view, add considerably to the basic deterrent.

Mr. Birch pointed out the major political questions which would be raised by any such proposal. The British Ministers agreed to consider the matter carefully. The impression which they gave was that their initial reaction was rather favorable.<sup>2</sup>

[Here follows discussion on fire control apparatus for British interceptor aircraft.]

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<sup>2</sup> Despite this démarche, it was decided not to pursue the question of establishing IRBM bases in the United Kingdom at this time because, as Brown noted in a memorandum to Ambassador Aldrich and Minister Barbour on October 9, "it would cost approximately \$200 million to equip the bases." (*Ibid.*)

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#### 244. Editorial Note

On July 26, the Egyptian Government nationalized the Suez Canal Company, precipitating an international crisis. The U.S.-U.K. "special relationship" came under considerable stress in the succeeding months as a result of a divergence of views at various stages of the crisis and particularly by the British decisions to refer the Suez Canal dispute to the United Nations Security Council and to participate with France in hostilities against Egypt without informing the United States Government. For extensive documentation on the crisis, see volume XVI.

**245. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, November 19, 1956—10 p.m.*

2815. For the Acting Secretary and the Secretary of the Treasury from the Ambassador. Eugene Black today saw Macmillan and Cobbold<sup>2</sup> and reports as follows.

Macmillan told him November balance of payments figures would be very bad. He said October losses were "as nothing" compared to November. This left Macmillan facing a most difficult choice. He could announce figures Dec. 3rd and let events take their course in which event sterling would depreciate substantially and Britain would take her place alongside Holland and other small countries. Alternatively, he could announce figures Dec. 3rd and take stronger line that UK had reserves which it was going to use to support the rate, e.g. [International] Monetary Fund and borrowing against government-held U.S. securities.

He realized, however, that he could not possibly make the necessary arrangements to use these reserves within 10 days and that he could not secure the necessary US agreement until British troops were out of Egypt. Therefore, the best he could say if he followed the stronger line was that the UK had these reserves which it was prepared to use as soon as the necessary arrangements could be made.

He asked Black's advice as to which course he should follow. Macmillan indicated that [he] somewhat favored trying to hold the line. Black said he was also inclined to feel this would be right.

Black emphasized that request for waiver on U.S. loan<sup>3</sup> would accentuate bad impression made by November figures. Macmillan appeared to agree. As indicative of doubts about sterling, Black cited reports that Indians are trying to prepay full purchase price for steel mill they have ordered from Germany.

<sup>1</sup> Source: Department of State, Central Files, 841.10/11-1956. Top Secret; Limit Distribution.

<sup>2</sup> Cameron Cobbold, Governor of the Bank of England.

<sup>3</sup> Reference is to the Financial Agreement between the Governments of the United States and the United Kingdom, signed at Washington, December 6, 1945; for text, see TIAS 1545, or 60 Stat. (pt. 2) 1841. Section 6(iii)(c) of the agreement permitted the United Kingdom to claim the waiver of the interest due on the installment payable in any year, if certain conditions were met. There were differences of opinion on the interpretation of these conditions. On December 4, 1956, the United Kingdom claimed the waiver of interest in respect of the installment due on December 31, 1956. On March 6, 1957, an agreement was signed amending the 1945 agreement to defer the 1956 interest and redefine the "conditions." Congress approved this new agreement on April 20, 1957. Documentation on this subject is in Department of State, Central File 841.10.

Macmillan expressed the greatest eagerness to talk to Secretary Humphrey but he realized it would be inadvisable for him to go to Washington. He hoped very much Secretary Humphrey would come to the December NATO Ministers meeting.<sup>4</sup>

[4 paragraphs (1 page of source text) not declassified]

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<sup>4</sup> The North Atlantic Council held its 18th Ministerial session in Paris, December 11-14, 1956.

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**246. Letter From Sir Winston Churchill to President Eisenhower<sup>1</sup>**

*London, November 23, 1956.*

MY DEAR IKE: There is not much left for me to do in this world, and I have neither the wish nor the strength to involve myself in the present political stress and turmoil. But I do believe, with unfaltering conviction, that the theme of the Anglo-American alliance is more important today than at any time since the war. You and I had some part in raising it to the plane on which it has stood. Now, whatever the arguments adduced here and in the United States for or against Anthony's action in Egypt, to let events in the Middle East become a gulf between us would be an act of folly, on which our whole civilization may founder.

There seems to be a growing misunderstanding and frustration on both sides of the Atlantic. If they be allowed to develop, the skies will darken and it is indeed the Soviet Union that will ride the storm. We should leave it to the historians to argue the rights and wrongs of all that has happened during the past years. What we must face is that at present these events have left a situation in the Middle East in which spite, envy, and malice prevail on the one hand and our friends are beset by bewilderment and uncertainty for the future. The Soviet Union is attempting to move into this dangerous vacuum, for you must have no doubt that a triumph for Nasser is an even greater triumph for them.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Private and Personal. Eisenhower's reply to this letter, November 27, is printed in Dwight D. Eisenhower, *Waging Peace, 1956-1961* (New York, 1965), pp. 680-681.

The very survival of all we believe may depend on our setting our minds to forestalling them. If we do not take immediate action in harmony, it is no exaggeration to say that we must expect to see the Middle East and the North African coastline under Soviet control and Western Europe placed at the mercy of the Russians. If at this juncture we fail in our responsibility to act positively and fearlessly we shall no longer be worthy of the leadership with which we are entrusted.

I write this letter because I know where your heart lies. You are now the only one who can so influence events both in UNO and the free world as to ensure that the greatest essentials are not lost in bickerings and pettiness among the nations. Yours is indeed a heavy responsibility and there is no greater believer in your capacity to bear it or true wellwisher in your task than your old friend

Winston S. Churchill

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**247. Memorandum From the Officer in Charge of United Kingdom and Ireland Affairs (Dale) to the Director (Parsons) and Deputy Director (Lister) of the Office of British Commonwealth and Northern European Affairs<sup>1</sup>**

*Washington, November 26, 1956.*

**SUBJECT**

U.S. Stake in Avoiding U.K. Financial Crisis

**1. Extent of Financial Problem Facing the U.K.**

During the last 18 months a serious strain on U.K. gold and dollar reserves has developed, and it was already apparent before the Suez crisis occurred that the British would face a tight financial squeeze towards the end of this year, in spite of a relatively favorable trade balance. The Middle East crisis is now placing additional financial burdens on the pound sterling, both in terms of direct and indirect costs related to the British military effort in Egypt, and more importantly, of increased speculation against the pound. This has been reflected in losses of gold and dollar reserves of \$102 million last week alone, bringing the U.K.'s total reserves down to just over \$2 billion. Still greater pressure will be exerted by the loss of Middle East oil,

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<sup>1</sup> Source: Department of State, Central Files, 841.10/11-2656. Confidential. Drafted by Dale, Elrod, and Charlotte M. McLaughlin.

which at once deprives the British of a source of dollar and Western European (EPU) currency earnings, forces them to increase purchases of dollar oil (to the extent of \$225 million for the next six months) and will eventually lead to reductions in industrial production with resulting adverse effects on exports. It is still too early to judge the quantitative impact of the oil shortage on the financial structure of the U.K. and the sterling area but it can be stated confidently that it will be both lingering and severe. With the domestic economy already running at full tilt, a reduction in oil supplies would tend to increase domestic production costs which, in turn, would raise the price of British goods competing in world markets, further darkening the U.K. outlook. Coupled with the problem of supporting sterling under the difficulties described above, with November losses in dollar and gold reserves likely to exceed \$200 million, are persistent EPU deficits, which require 75% settlement in gold, and obligations to repay \$190 million interest and principal in December on the U.S. and Canadian loans,<sup>2</sup> as well as smaller ECA loans (approximately \$5 million). Thus, there is a strong probability that without external aid the British will soon enter a most serious financial crisis.

## 2. Possible Consequences of Financial Crisis in the U.K.

### a. Claims on Sterling.

To a large extent, the British financial structure is built on the willingness of foreign countries to hold and use sterling. These foreign countries will be willing to do so only if they have confidence that such funds eventually can be used either to buy British goods or foreign goods elsewhere in the world, or can be converted into gold or dollars. Although it is not a likely contingency, the Bank of England would, of course, encounter the greatest difficulty in redeeming all its liabilities in cash at one time. Yet if confidence should be lost, perhaps as much as one half of the sterling balances held by foreign countries and Dependent Territories, now amounting to just under \$10 billions at London, could become active claims on British goods, British gold, or other foreign currencies. The U.K. avoided this "run" on the bank in World War II partially by Government controls, and prevented "leaks" from the sterling pool as a whole by the extension of a network of exchange control throughout the Sterling Area. The U.K. was able to run up prodigious liabilities with a handful of assets. To weather the postwar period of adjustment Britain was forced severely to restrict imports, to ration real resources among competing uses, to support the pound through exchange equalization operations and to effect liquidation of overseas assets in the Sterling Area. These pro-

<sup>2</sup> The United Kingdom had also negotiated a loan from Canada in 1945; see footnote 3, Document 245.

grams were conceived and ably administered by financial technicians whose abilities represented an additional asset. It is doubtful, however, that Britain would have succeeded, had it not been generally accepted that close financial cooperation between the United States and the United Kingdom existed; that in case of crisis, United States financial assistance could be called upon. U.S. financial aid to Britain during the war and postwar period was substantial, but its psychological value equaled its nominal value. If such aid were not forthcoming now and such countries as India, Pakistan, and Ceylon, losing confidence in the value of sterling, attempted to force redemption of their sterling claims, the British financial position would undoubtedly worsen. Resort to tight currency controls, including the blocking of foreign-held accounts in London, would be necessary. Sterling as an international currency would probably never recover.

b. *Consequences for Sterling Area.*

The U.K. has been called the "pre-1914 International Monetary Fund." To some extent, Britain is still operating for some countries as it was envisaged the Fund would operate for the whole world.<sup>3</sup> Her loans to countries having temporary difficulties with their balances of payments have saved the borrowers from gold export, exchange depreciation, or internal inflation. Also, as an international central bank, she held out valuable clearing services so that each member of the community could settle in sterling for its net debts to all other members. Each unit has been able to hold some or all of its monetary reserves in sterling and can earn income on them. Britain, by its central position in a galaxy of less-developed economies, has served, through skillful financial management, to expedite trade and the smooth running of much of the world's business, as well as provide a certain amount of capital for development in underdeveloped regions.

If informed opinion is given substantial reason to doubt that the U.S. stands ready to bolster the British financially in a new crisis, confidence in the Sterling Area financial structure could collapse. The result would be widespread chaos and hardship, both within and without the Sterling Area. The situation of some of the countries now acquiring political freedom from the British but lacking financial know-how and responsibility would be particularly difficult. In anticipation of a general run on sterling, some countries recently indicated an interest in spending sterling balances now held in London as cur-

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<sup>3</sup> The Sterling Area includes, in addition to the U.K. and colonies, Australia, New Zealand, Iceland, India, Pakistan, Ceylon, Federation of Rhodesia and Nyasaland, Burma, Iraq, Ireland, Jordan, and Libya. South Africa and the Persian Gulf territories are nominal members, but have special arrangements with respect to the gold and dollar pool at London. [Footnote in the source text.]

rency reserves and in running down commercial working balances, especially should U.S. loans be available to provide reserves to the withdrawing country.

The existence of a large number of areas deprived of British financial guidance and services at this crucial stage of their development could create a new opportunity for Soviet economic penetration, unless both the U.S. Government and private agencies were willing to assume vastly expanded responsibilities overseas. While international agencies, such as the IMF and IRBD, have been created to handle problems of international finance and economic development, it is doubtful if such agencies could or would replace Britain in its financial relations with territories now approaching political independence and with the independent members of the Sterling Area.

c. *Psychological Impact on U.K.*

The results of the Anglo-French Suez adventure on British morale are bound in any case to be depressing. The spectacle of seeing their military success turned into defeat by diplomatic action of the "super-powers" will further encourage the British to consider themselves a second-rate power with a reduced role to play in the free world with correspondingly reduced responsibilities. This belief will be accentuated to the extent the British lose control over their oil supply in the Middle East and the essential means of transporting it. A financial crisis would tend to emphasize to the British their own limitations, and could hasten a shift in military planning to the point where they would no longer be willing or able to commit the present level of resources to defense.

d. *Defense of Europe.*

The British have been maneuvering for almost a year to reduce their ground and air forces in Germany. They have thus far not been able to plead a financial crisis (as provided for in the Paris Agreements)<sup>4</sup> in support of their efforts. If such a crisis should develop in the absence of a significantly increased threat of Soviet aggression, however, they will have a compelling case for reducing their NATO commitments.

Stripped of its position as Sterling Area banker and perhaps, concomitantly of its Middle East oil interests, however, the U.K. would almost certainly sink to the status of a second-rate power in a material sense and would consequently be forced to reduce defense expenditure drastically. The consequences to NATO could be devastating.

<sup>4</sup> Reference is to clause III of the Final Act of the London Nine-Power Conference, October 3, 1954; for text, see *American Foreign Policy, 1950-1955: Basic Documents*, vol. I, pp. 1474-1483.

*e. American Trade.*

Even if the British Government does not resort to devaluation to arrest the loss of gold and dollar reserves, in the absence of U.S. assistance, it will probably be forced to institute more stringent controls on dollar imports even if such action introduces an element of hardship in the U.K. This would inevitably lead to a reduction of imports from the United States (with the exception of oil) and possibly also an increase in pressure for more trade with Communist countries.

*f. Anglo-American Relations.*

The effect on Anglo-American relations of differences concerning the Middle East over the last year (both before and after the attack on Suez) has been the rupture of the fabric of mutual confidence upon which the alliance rests. If both parties do their utmost to repair the damage through consultation and actual decisions on matters affecting each other, the rupture could prove temporary. If, on the other hand, the U.S. does not show a sympathetic attitude, which it will demonstrate in specific actions, towards the British financial problem the element of mutual helpfulness which has made the alliance particularly useful to the British will appear vitiated. If this happens, the British are less likely to cooperate with us in affairs touching areas other than the Middle East and the substance of the alliance will tend to dissolve, weakening the Western front against Communist aggression.

*3. Recommendation.*

To the extent that the U.S. moves quickly to assist the British in meeting its severe financial problem, the adverse effects outlined above can be avoided. Therefore, it is recommended that, whenever possible, you warn other departmental officers of the dangers of inaction and of the necessity to prepare now to take action promptly when a British request is forthcoming.

248. **Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, December 8, 1956—7 p.m.*

3211. Joint Embassy-USIS message. Embtel 2949, 3020.<sup>2</sup> With conclusion of foreign policy debate Thursday<sup>3</sup> in House of Commons, may be useful to assess present state of British public opinion in regard to ME and particularly British public attitude toward US.

Not since early years of last war have politically interested Britons been so wrought up over any foreign affairs issue. Sharp and bitter division between major parties has been reflected in virulence with which opposing views are expressed in press. Labor and liberal papers on one hand and strongly conservative papers on the other scream at each other from editorial columns, with only moderate conservative publications such as *Times*, *Financial Times*, *Economist*, and *Spectator* disapproving govt action in restrained fashion more in sorrow than in anger.

Politically-aware members of public have in turn echoed Parliamentary and press division. Important factors in Labor and Liberal reaction are incredulousness fact blunder made, contempt for govt leaders and shame and chagrin that any British Govt should be guilty of such immoral and stupid step. Small minority of "rule of law"/ideal in Conservative Party, represented in Parliament by Sir Lionel Heald and Walter Elliot, and of younger intellectual "new" Conservatives, is bitter over action by own party, considered immoral or incompetent or both. Real bitterness is confined largely to Conservative ranks. Majority of Conservative ranks is still in highly emotional state engendered by frustration over abortive Suez action, humiliation over speedy withdrawal and sense of outrage over strong opposition and criticism by opposition party, part of UK press, Canada, UN, and, bitterest of all, US.

As polls and other evidence indicate, sizeable minority group which normally votes Labor shares majority Conservative feeling on subject as result of normal desire to support a govt which claims it

<sup>1</sup> Source: Department of State, Central Files, 741.00/12-856. Confidential. Repeated to Paris.

<sup>2</sup> Telegrams 2949, November 27, and 3020, November 29, report on the attitude of the British public toward the United States. (*Ibid.*, 684A.86/11-2756 and 684A.86/11-2956, respectively)

<sup>3</sup> December 6.

defending British national interests and combined with feeling of contempt for Egyptians and their fighting qualities obtained by many British troops in Egypt during World War II.

State of emotion between opposing views has resulted in many strained personal relationships throughout the country, within parties and even within families. Hundreds of irate letters have been written to newspapers and weekly magazines cancelling subscriptions, particularly among serious journals that have criticized govt. At extreme right of Conservative party, atmosphere so charged that some signers of anti-American resolution in House of Commons sought to ostracize other party members who refused to sign.<sup>4</sup>

Crescendo of anti-Americanism reached its peak in volume and intensity following UN vote on Nov 24 when USDel once again voted with majority against UK.<sup>5</sup> This was regarded by many govt supporters as unnecessary hounding by "erstwhile" friend and ally, and let loose pent-up floods of recrimination and abuse directed at US.

Criticism of US "softness" was rife on Conservative side during whole period of Suez crisis from time of Nasser nationalization. This rose and fell depending on developments. Even at this stage there was constant reference back to several persistent themes including altered US pressure which forced Britain out of Egypt originally, suspected subordination of American policy in Near East to interests of "oil lobby", apparent American lack of policy, and disinterest in Canal which was lifeline for Britain and Europe, but no great consequence to US, apparent refusal to take any hard decisions during Presidential election, continued "appeasement" of rising Egyptian dictator to maintain peace at any price, alleged US dragging of Britain into Aswan Dam offer and alleged US lack of consultation and "highhandedness" in withdrawing offer.

British-French action, followed by immediate open criticism from President and Secretary and US leadership "of the hunt" against Britain and France, raised anti-American chorus to a much higher pitch. Besides further stress on earlier criticisms mentioned above, new targets were developed in press and probably promoted by Conservative Parliamentary and central office circles, to support govt position. These included references to historical parallels including Panama, Korea, and Guatemala. Charge repeatedly made that US acted unilaterally in Korea receiving UN, including British, support later and that US intervened unilaterally in Guatemala with no British objection.

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<sup>4</sup> Reference is to a motion in the House of Commons on November 27, which was signed by 126 Conservative M.P.'s by December 1, supporting the government's policy regarding the Suez Canal and deplored the attitude of the United States. The motion was never debated.

<sup>5</sup> Reference is to U.N. General Assembly Resolution 1120 (XI) calling upon France, Israel, and the United Kingdom to withdraw from Egypt.

British public generally shocked to find whole UN, with US in lead, strongly disapproving British-French action and majority of Conservatives still deeply chagrined at this. Focus of anti-American feeling shifted again at cease fire as impression grew in public mind that US pressure, particularly in form of vague economic oil "sanctions", was factor in forcing Cabinet to unpleasant decision. This was further intensified by US refusal to activate MEEC with clear implication this would await decision to withdraw troops. For most of this period British press insisted US withholding all oil shipments to Europe until British-French forces withdrawn. Although this picture later corrected in serious papers, popular press continued to assert and still maintains that no oil shipments came from US until MEEC activated. Widespread impression created in Conservative party since numerous MP's continue to promote it that US Govt at highest level threatened Britain with economic sanctions including oil embargo unless Britain "capitulated". Additional "cause" for resentment was alleged to UK by refusal of US top leaders to see UK opposite numbers until purge of Suez sins.

Peak of this resentment apparently reached during week of Nov 25 when furious Conservative press belabored US for persecuting Britain. Nov 24 vote touched off explosion of accumulated anti-American sentiment. Most serious manifestations were House of Commons statement signed by 130 Tory MP's, wild rhetorical outburst by First Lord of Admiralty<sup>6</sup> and examples of personal unpleasantness toward Americans mainly in form of signs at many gas stations in Britain, particularly near USAF bases, reading "no Americans served here". There were numerous expressions from unexpected quarters of neutralist sentiments, objections to US air bases in Britain and desirability of lessened defense burden for nation now reduced in both world stature and economic circumstances.

Temperature lowered somewhat this past week as govt supporters licking wounds but anti-American scars likely to remain for long time. Public efforts of government leaders to reverse and point out need for strengthened alliance not yet been adopted by many backbenchers, part of Tory press and party stalwarts in country.

Activation of MEEC, statement of support for Baghdad Pact countries and favorable pronouncements by President, Vice President, and Secretary have all contributed to lessened tension. Certain proportion of sharp utterances during this whole period can be discounted as coming from "blimp" element<sup>7</sup> of Conservative party which has had a field day in giving vent to long-held views about US. Undoubtedly

<sup>6</sup> Viscount Hailsham.

<sup>7</sup> Reference is to a diehard or reactionary, after Colonel Blimp, a pompous, elderly character invented by British cartoonist David Low.

larger, more important and more serious element expressing these views is comprised of "disillusioned" Conservatives normally pro-American. This includes high percentage of active Conservative workers who feel deeply hurt by America's outright opposition to Britain on world stage and America's questioning of British wisdom in ME, which was once exclusive British-French preserve.

Still too early to tell how deeply virus of anti-Americanism has been injected into this group. On other hand there is some evidence that in upper strata of business and professional groups who think in realistic, economic terms, there have been doubts from start of wisdom of Suez adventure, its inevitable cost, and its effect on Anglo-American alliance. *Financial Times* coolness toward Suez action may be symptomatic of this.

Latest public opinion polls available, reported separately in USIS despatch 114,<sup>8</sup> do not reflect specifically loudest period of anti-American recrimination. However, polls now being conducted also may reflect opinion tempered by US action and swing by govt leaders to rebuild alliance.

At present time govt enjoys high degree support for its action. This leaves only US as "whipping boys" to be blamed for troubles. Price increases for food and transport already announced as result gas rationing and 19-cent per gallon increase bound to have effect on public opinion in short time. Unemployment and short-time work weeks already being announced. When full price of Suez venture realized, we can expect full and prolonged outburst public opinion. If govt political leaders can successfully duck this blame as apparently have done so far, we are in for serious trouble. Latent anti-Americanism can be expected to boil over and create serious problems for US. If on other hand general public finally realizes that its own govt leaders responsible for the mess and US doing all possible to help bail out economically and restore spirit Anglo-American alliance, then we will have ridden out storm with minimum damage to our relations. Third possibility could be Tory successful effort to sell British people period of austerity as challenge maintain greatness by standing up rights, paying price, and welcoming revitalized Anglo-American alliance. Only developments of next few months will provide answers.

Vice President Nixon's New York speech was extremely helpful.<sup>9</sup> Flood of stories from Washington taking same line are contributing to easing of strain of moment. However, reports that US preparing to launch new Marshall Aid plan appearing in press this morning while helping now will create great disillusionment later on if not true. We

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<sup>8</sup> Not printed.

<sup>9</sup> For text of Nixon's conciliatory speech at a dinner of the Automobile Manufacturers Association in New York City on December 6, see Department of State *Bulletin*, December 17, 1956, pp. 943-948.

must be careful not to let promises of aid which are being interpreted with great wishful thinking here to run ahead of hard facts and intentions.

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249. Memorandum for the Record by the Secretary of State<sup>1</sup>

*Paris, December 12, 1956.*

Following the NATO meeting, Harold Macmillan called on me this afternoon at Ambassador Dillon's Residence, and we had a long and confidential conversation.<sup>2</sup> In the course of the conversation, Macmillan made the following points:

He said he recognized that there had been a certain loss of confidence on the part of the President, myself, and others because of the Suez operation and the deception practiced upon us in that connection. He indicated that he, personally, was very unhappy with the way in which the matter was handled and the timing, but that Eden had taken this entirely to himself and he, Macmillan, had had no real choice except to back Eden. Macmillan did not disguise the fact that he had always favored strong action, but the point was that he did not like the manner and timing, particularly vis-à-vis the United States.

He also said in connection with the Suez operation that his government had underestimated the influence of the United Nations.

He said that the British action was the last gasp of a declining power and that perhaps in two hundred years the United States "would know how we felt".

Macmillan indicated his hope that some shift of government would make him or Rab Butler Prime Minister, but he said it was not certain that this would happen. He said that after Eden returned, there would be a question as to whether he would resign at once on account

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation. Secret; Personal and Private. Secretary Dulles and Foreign Secretary Macmillan were in Paris to attend the North Atlantic Council meeting on December 11. The source text indicates that Dulles conveyed the contents of the addendum orally to William Mecomber, his Special Assistant, who drafted that portion of the memorandum.

<sup>2</sup> In a message to the President, December 12, Dulles gave an account of this conversation and discussed several other developments at the North Atlantic Council meeting. The message was transmitted to the Department of State for delivery in Dulte 14 from Paris, December 12. (Department of State, Central Files, 740.5/12-1256)

of ill health. If not, he would probably hold on for six months, but "he would be a constitutional Prime Minister and would not try to ape the war-time habits of Mr. Roosevelt and Sir Winston Churchill."

In discussing the Middle East, Macmillan said we ought to think up some big, imaginative plan for the Middle East whereby we might create some kind of international authority of the Arab States to handle the oil, the Canal, etc. He felt it would probably be sounder to have oil production in some kind of joint Arab-Western authority rather than as a private operation, and that we must get the Arabs to accept the existence of Israel and to make the best of it. He suggested that we might call a conference of everybody involved and lay down the law to them.

#### ADDENDUM

In the course of our conversation I mentioned the changed relationship with the British Embassy incident to the substitution of Caccia for Makins,<sup>3</sup> and particularly the public relations activities now being conducted by the British Embassy through Rankin,<sup>4</sup> a former important correspondent of Reuters. Macmillan indicated that the UK had to "defend itself" by getting across its point of view. I said I understood the desire to get across their viewpoint, but I thought the attacks on the present Administration now emanating from the British Embassy through the channel I mentioned were quite another thing and most unfortunate.

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<sup>3</sup> Sir Harold Caccia became British Ambassador in November 1956.

<sup>4</sup> Presumably Virgil L. Rankin.

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**250. Memorandum of a Conversation Between the Secretary of State and the British Ambassador (Caccia), Secretary of State Dulles' Residence, Washington, December 24, 1956<sup>1</sup>**

Ambassador Caccia called at 10:00 a.m. and stayed with me until 11:40. He first discussed generally the matter of our working relations and his distress that they were not yet on a better basis. I said it was not possible to have such events as had occurred and then suddenly expect everything to be just as it was before. We felt that we had been subjected to a calculated deception which had shaken confidence and

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation. Secret; Personal and Private. Drafted by Dulles.

it would take time to rebuild that confidence, particularly so far as Congress was concerned. This did not reflect any desire on the part of the President or myself to keep apart but was incident to the inevitability of depending upon time to be a healer.

The Ambassador referred to the growing feeling in England, as reflected by the Middleton story in today's *New York Times*,<sup>2</sup> that we were "letting them down" and that we were not sympathetic to their problems. I said that we might very well talk more freely to British correspondents to explain our point of view and show them that we had in advance forecast the inevitable bad effects of the use of force, and that what was now happening was despite counsel and advice which I thought events had fully justified. We might, for example, let it be known what President Eisenhower had written to Sir Anthony Eden. However, we were refraining from that because that might seem to be directed against the present British Government and we had no desire to be cast in that role.

I was confident that matters would work out, but urged that the Government do everything possible to help us gain time.

The Ambassador raised the question of the Baghdad Pact and strongly urged that we promptly join it. I said that while we were prepared to exert a helpful influence in the area and in relation to the Pact, as indicated by our statement of mid-December,<sup>3</sup> we were hesitant about the merits of joining a pact which was not merely anti-Communist but interpreted as being anti some of the anti-Communist Arab countries, notably Saudi Arabia. I said that if the Pact were acceptable to Saudi Arabia, they might change our views as to the merits of joining and I said that perhaps they could help that by doing something about Buraimi. The Ambassador indicated that he did not think this was a price they could pay. I also spoke of the domestic political difficulties involved in getting ratification of the Baghdad Pact either with or without a comparable pact with Israel. The Ambassador said he had the impression that Israel was less opposed to the Baghdad Pact. I said that unless, in fact, Saudi Arabia would join the Pact and Israel would drop its lobbying against the Pact unless counterbalanced by an Israeli Pact, I doubted that we would ourselves join the Pact. In this connection, I spoke of the activities spearheaded by Senator Javits<sup>4</sup> which had been touched off by our statement in support of the Baghdad Pact.

<sup>2</sup> Drew Middleton, "British Say U.S. Lags on Mideast," *The New York Times*, December 24, 1956, p. 1.

<sup>3</sup> For text of this statement, released by the Department of State on November 29, see Department of State *Bulletin*, December 10, 1956, p. 318.

<sup>4</sup> Jacob K. Javits, Senator-elect from New York.

The Ambassador asked whether, in the circumstances, I felt it might be useful for the British to drop out of the Baghdad Pact. I said that I doubted that that would be a useful step at this time, although I did envisage the possibility of some grouping which might usefully supplant or supplement the Baghdad Pact.

The Ambassador said that he would like to feel that they could talk to us at the working level with reference to such problems as Libya (which they would like to discuss in London), Syria and Jordan. I said I saw no objection to this if the talks were not publicized.

[2 paragraphs (13 lines of source text) not declassified]

I said that it had occurred to me that the situation now existing in the Middle East bore a certain resemblance to the Greek-Turkey situation which had arisen in 1947, and I read a portion of the message of the President to the Congress of March 12, 1947<sup>5</sup> which said that the British Government could give no further financial or economic aid and was under the necessity of reducing or liquidating its commitments in several parts of the world. The Ambassador said that it was indeed a close parallel.

[1 paragraph (12½ lines of source text) not declassified]

The Ambassador spoke about the situation in Cyprus and the Radcliffe Report.<sup>6</sup> I said that I recognized that it was not possible to devise a constitution where the powers of one branch could not be perverted and that I could understand that the Greeks with their suspicion felt that the Governor-General would have too much power. I said a great deal depended upon a spirit of non-encroachment by one branch against another such as was advocated by George Washington in his Farewell Address. I said that it would seem to me that, from a theoretical standpoint at least, the Greeks should support any substantial move toward self-government realizing that any such move would make it more likely and possible that there would be further moves. On the other hand, I recognized that a Greek Government might be the prisoner of an emotionally aroused public opinion. I asked whether the terms of the Radcliffe Report were in any respect negotiable. He said no—they could be explained but not revised. The Ambassador said that if the self-government formula was not acceptable, he saw no alternative but partition. This was bad as illustrated by Germany, Korea, and Vietnam but might be the lesser of two evils.

The Ambassador urged that we make some kind of statement and do so quickly. He pointed out that the Cypriots themselves had not yet made a pronouncement on the plan. I said I was working on a possible

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<sup>5</sup> For text of President Truman's message to Congress on U.S. economic assistance to Greece and Turkey, see Department of State *Bulletin*, March 23, 1947, pp. 534-537.

<sup>6</sup> Reference is to proposals, published on December 19, by Baron Radcliffe, British Constitutional Commissioner for Cyprus, on the lines on which a constitution for Cyprus might be drawn.

statement but we did not feel that it was appropriate for us to express the view about the merits of the matter. The Ambassador again urged that if we did anything we do it promptly.

The Ambassador talked about the disarmament problem and the difficulty for them of the date (December 31, 1957) after which newly-produced fissionable material would be used only for peaceful purposes.<sup>7</sup> He said the date caused them problems. I explained why, for propaganda effect, I thought a date was very important although, in fact, I doubted greatly that the necessary supervision could be developed by that date. I said indeed if they wanted to suggest a date six months later we might sympathetically consider it in view of the lapse of time since the December 31, 1957 date had first been suggested in our intergovernmental discussions. I said, of course, that I did not make this as a governmental suggestion and that any decision would have to be approved by various Departments of the Government and by the President, but that perhaps July 1, 1958 might be a discussable alternative.

He said that Mr. Stassen had said that if the formula was accepted by the British, the exchange of atomic material would be coupled with "political conditions" to be approved by the Congress. He asked what these "political conditions" might be. I said I was not sufficiently familiar with the problem to answer that question.

The Ambassador then asked about the status of the agreement for certain exchange of information about reactors which he understood was being held up because of Democratic objections. I said he would have to get information on this from Admiral Strauss.

Reference was made to Congressional action to waive interest on the British 1946 loan.<sup>8</sup> I said that I had the impression that the Treasury Department favored asking for authority not merely to waive interest but also to waive capital repayments. The Ambassador expressed some concern at this, feeling that it might shake confidence and he indicated that he had not thought this was the purpose of our Treasury. I said that perhaps I was not up to date as I had not discussed this with Secretary Humphrey since our return from Paris.

The Ambassador thanked me for the full exchange of views we had had.

JFD

<sup>7</sup> On November 21, 1956, the National Security Council approved a proposal that after December 31, 1957, or within a month of the establishment of a satisfactory inspection system, all future production of fissionable materials would be subject to effective international inspection and would be used or stockpiled exclusively for non-weapons purposes. Secretary Dulles presented the proposal to the First Committee of U.N. General Assembly on January 14, 1957.

<sup>8</sup> See footnote 3, Document 285.

**251. Editorial Note**

Harold Macmillan became Prime Minister on January 10, 1957. During the course of 1957, he sent President Eisenhower 54 letters and received 46 from the President. This correspondence covers every major international problem. Many letters dealing with a single subject are printed in the *Foreign Relations* series in the compilations to which they are relevant; many of the more important which deal with several topics are printed in this compilation. The originals of Macmillan's letters and copies of the President's, as well as an index of the whole correspondence, are in the Eisenhower Library, Whitman File, International File. Copies of many of the letters are in Department of State, Presidential Correspondence: Lot 66 D 204.

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**252. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, January 23, 1957—2 p.m.*

3894. Eyes only Secretary from Ambassador. Reference: Deptel 4966.<sup>2</sup> Discussed subject reference telegram with Macmillan yesterday afternoon. He obviously pleased at suggestion of meeting. His specific reactions were as follows:

- (a) Thinks meeting should cover entire field of relations between US and GB and agrees that emphasis should be placed on this rather than having any implication that Middle East was matter of particular concern.
- (b) Welcomes idea that conference should be bilateral.
- (c) Agrees that it is desirable to have separate meeting with French at approximately same time and hopes that announcements of meetings can be made simultaneously.
- (d) Feels that very careful preparation should be made in advance of Anglo-American meeting.
- (e) Believes date March 21-24 satisfactory and greatly appreciates suggestion it might be held at Bermuda.

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<sup>1</sup> Source: Department of State, Central Files, 033.4111/1-2357. Secret; Priority.

<sup>2</sup> In telegram 4966 to London, January 18, Secretary Dulles reported that he and the President had discussed inviting Macmillan to Washington, and that Eisenhower had suggested that the meeting be held at Bermuda. Ambassador Aldrich was instructed to raise the matter with Macmillan and was also advised that Mollet was going to be invited to Washington for a visit at the end of February. (*Ibid.*, 033.4111/1-1857)

To my mind very significantly Macmillan said he wished to talk entire matter over with Salisbury<sup>3</sup> before he gave definite reply, no reference being made to Lloyd.

In connection with discussion which ensued regarding proposed visit of Queen to US Macmillan said he liked to put his thoughts regarding very important matters in the form of memoranda which he hoped that you and I did not think was too formal a method of procedure and that he did this only because it was the way he liked to work and he gave me such a memorandum regarding proposed visit of Queen which is transmitted in next following telegram.<sup>4</sup> He said he would let me have memorandum covering your 4966 soonest possible.<sup>5</sup>

**Aldrich**

<sup>3</sup> The 5th Marquis of Salisbury.

<sup>4</sup> Telegram 3895 from London, January 23, reported that Macmillan, while recognizing the value to the alliance of a visit to the United States by the Queen, thought the time was not auspicious to invite her. (Department of State, Central Files, 741.11/1-2357)

<sup>5</sup> Macmillan's letter to the President accepting his invitation was transmitted in telegram 3951 from London, January 25. (*Ibid.*, 033.4111/1-2557)

**253. Notes on a Discussion Between the Secretary of Defense (Wilson) and the British Minister of Defence (Sandys), Pentagon, Washington, January 28, 1957<sup>1</sup>**

In outlining the British position at the opening of the meeting, Mr. Sandys made the following points:

1. It was essential for the UK to reduce the burden of defense upon its economy. It would be better for the UK and for its allies if the UK were financially sound because the reduced commitments which it then undertook would be much more reliable. The Government was determined to make substantial economies on the civilian side as well as in defense.

2. On the defense side, the UK proposed to go ahead immediately with cutting their ground forces in Germany from 80,000 to 50,000 men. They expected this reduction to be accomplished in the first

<sup>1</sup> Source: Department of State, London Embassy Files: Lot 61 F 14, 320 Western Bloc. Secret. Enclosed in a letter from Timmons to Winthrop G. Brown, February 5, which indicates that the notes were prepared by Brown. Sandys became Minister of Defence on January 13.

quarter of 1958. They also proposed to cut the first line aircraft in the Second Tactical Air Force from 466 to 220. These aircraft would not be simply brought back to the UK, but would be dispensed with entirely.

3. The purpose of the Government was to get a firm plan for their forces for the next several years and end the uncertainty under which their forces has been laboring for several years past.

4. They proposed to withdraw their forces from Korea entirely. They only had 1,600 men there and it cost them 2.5 million pounds a year. They expected that Commonwealth forces would also be completely withdrawn. When queried by Secretary Wilson as to whether they would not feel it important to maintain a token contribution in Korea, Mr. Sandys made a comment which is symptomatic of the new Government's attitude toward its military commitments, namely, "We are not interested in flying our flag over nothing."

5. The British hope for a good agreement with Germany this year with respect to support costs. They see, however, little hope of any substantial contribution from the Germans for the support of British troops in Europe next year. Sandys wanted to make it quite clear that HMG was not prepared to spend any foreign exchange on the maintenance of troops in Germany next year, and therefore to put us clearly on notice that the issue of whether any British forces could be maintained in Europe would arise "in acute form" in a year's time.

6. The British were extremely anxious to increase the fire power per man of their reduced forces.

[2 paragraphs (12 lines of source text) not declassified]

8. Mr. Sandys said that while US/UK cooperation in the field of research and development in guided missiles had been excellent, he would like to extend these arrangements. It was extremely important to avoid overlapping between the two efforts.

9. Mr. Sandys said that the British felt that from a military point of view, the best organization of the 50,000 men that would remain in Germany after March 1958 would be one armored division, five brigade groups, with three divisional and one Corps headquarters. However, if SACEUR and other NATO partners felt that it would be politically and psychologically helpful to organize these forces in four divisions, HMG was quite prepared to consider this proposition even though they felt it to be militarily less effective.

[Numbered paragraph 10 (14 lines of source text) not declassified]

11. He indicated strong reliance by HMG on the "trip wire" theory of defense, but emphasized that he still felt that effective ground forces were required in sufficient strength to make it impossible for the Russians to make any significant incursion into Western Europe without a "major engagement and real delay". He said that he was very glad to hear Admiral Radford lay out the concept of a "balanced international force" in which each NATO partner would

contribute what it was best able to provide, rather than having each country try to have a completely rounded force of its own.<sup>2</sup> The implication of his remarks was that British contributions should be more in the field of major equipment and nuclear weapons than in the field of ground or naval forces. He specifically stated that this concept of a "balanced international force" had its major implications for the U.K., in his thinking, for the Royal Navy.

The balance of the meeting was primarily occupied in a discussion of the IRBM which is being separately reported.<sup>3</sup>

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<sup>2</sup> The Radford presentation has not been identified further.

<sup>3</sup> No record of the rest of the meeting has been found in Department of State files. However, a 13-page record of two meetings on this subject on January 29 is in Department of State, Paris Embassy Files: Lot 61 F 100, USRO/OES Files.

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**254. Notes on a Conversation Between the Secretary of State and the British Minister of Defence (Sandys), Washington, January 29, 1957<sup>1</sup>**

After some preliminary sparring as to who should open discussion, Secretary Dulles suggested that they deal first with question of way in which U.K. handles cuts in their NATO forces, which they had decided to make. He pointed out that their action will have an effect on what the U.S. does, as we have strong pressure to cut our forces too. If, for example, they should base their cuts on a new concept of NATO strategy, it would be exceedingly difficult to avoid applying it to the U.S. and causing withdrawal of the U.S. forces in Europe. We will, in any case, have to cut some as a result of streamlining and increase in our atomic weapons power, but how far we go will be influenced by their method of approach.

Sandys responded that they would welcome our ideas and would be glad to take them into account. They felt that the U.S. could only use solvent allies and they cannot stay solvent and continue to spend on defense at present rates. They have made a series of short-term cuts which had proved wasteful. It is now necessary to undertake a major reorganization to get on a basis which can be satisfactorily maintained. They have talked generally with SACEUR about their plans and ex-

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<sup>1</sup> Source: Department of State, Martin Files: Lot 74 D 484, S/WF. Top Secret. Drafted by Edwin M. Martin. Numerous handwritten corrections to the roughly-typed text have been incorporated. Separate notes covering the portion of the conversation dealing with Korea are printed *infra*.

pect to discuss them with the WEU Council in February.<sup>2</sup> They hope that SACEUR, in recognition of the increased atomic strength, on which they are having current discussions with Secretary Wilson, will be able to recognize that the reduction in strength is not comparable to the cut in manpower from 80,000 to 50,000. They realize he probably cannot say the reduced numbers are equally effective. With his help, thought that while there would be some shock to NATO as a result announcement their plans, it should not be too serious. It would also be helpful in securing the majority approval of this cut from WEU, which they plan to seek. They had sounded out some of the WEU members informally and think that there will be no trouble.

He then turned to German question and emphasized they are not holding their weight and won't for awhile. He thought that negotiations for German assistance in the forthcoming fiscal year would work out in a way with which they could live, but after this year they cannot find any significant amount of foreign currency to maintain troops and will, before the end of the year, present this problem to the NATO Council for consideration.

Secretary Dulles agreed that it was important to take into account both the U.S. and the German aspects. The Germans are moving ahead but not as rapidly as we had hoped. He had given at NATO meeting in December figures on U.S. contribution and suggested that we were currently bearing more than our fair share. Adenauer had been made aware of our feeling on this and U.S. did not think Germans were in good position to question steps on our part to cut. However, he wished to emphasize again that it was not desirable to justify U.K. cuts on strategy or by comparative measurements which are designed essentially to meet U.K. position but which may have bad effect. Generally desirable "to fuzz it up". Should be no departure from mission given to SACEUR in December. We feel in State at least that it is important not to assume that atomic weapons are answer to everything. U.S. fair share is largely in this field where we are farthest ahead and only country able to take cost of this program. [3 lines of source text not declassified] There is a real need for ground forces, the creation of which is primarily the job of the local peoples on the spot. [7 lines of source text not declassified] In conclusion, it would be best to justify their cuts by referring to economic, financial, strategic, and new weapons considerations and not base them on a single theory.

Sandys agreed and suggested we tell SACEUR that he must recognize the economic difficulties of the U.K. and then U.K. can discuss with him how to handle question.

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<sup>2</sup> The WEU Council met in London on February 26.

Secretary said he had already briefly, during December meeting, mentioned to SACEUR necessity that he be responsive to realities and help U.K. take this necessary step in respectable, honorable fashion and avoid violation of Brussels commitment.<sup>3</sup> He must cooperate and not force issues to breaking point.

Sandys then referred to question as to whether remaining forces could best be organized as three or four divisions. Favored three as more efficient militarily. Would want to discuss with SACEUR what was best from his standpoint. Secretary responded that if we have any views we will pass them on. He pointed out we were cutting numbers in our divisions everywhere, not just in NATO. This will mean fewer men but same number of divisions. If it was militarily feasible to keep four divisions, that would be fine, but if not sound militarily, believe military considerations should prevail. Sandys agreed and question was balance of advantage which can't be settled here. Hoped U.S. would inform SACEUR of discussion on this point and views about his attitude which had been expressed by Secretary Dulles.

Secretary then turned to question of IRBM. Sandys said talks going very well. Secretary said there were some political aspects which we would want to raise in due course, but not now. Sandys asked what kind of questions he had in mind. Dulles indicated they deal with conditions of use in which there was, for example, considerable Congressional interest. Sandys replied he assumed he was referring to nuclear heads. Dulles said he thought both missiles and heads might be involved. Gray intervened to point out that missiles would be retained by the U.K., but heads would be retained in U.S. custody. In due course the U.K. would have operational control of four squadrons under plans being discussed, but in accordance with U.S. legislation, the U.S. would still control heads. Dulles asked if conditions of this were being discussed. [2½ lines of source text not declassified]

Sandys indicated that they had reached a tentative agreement this morning on such an arrangement subject to confirmation by principals. Thought could work out arrangement with respect to heads like that in effect for nuclear bombs for V bombers with heads under U.S. custody, but delivery system entirely under U.K. control. Thus, if U.K. made own nuclear head for IRBM, which was long way off, would be free to do so and use as they pleased.

Dulles said that this discussion had dealt with negative aspect of political question which he had raised, but there was also positive aspect of use. Sandys thought this too could be treated like arrangements for V bombers. There could be coordination with U.S. A.F. on

<sup>3</sup> Reference is to the treaty signed at Brussels by France, the United Kingdom, Belgium, the Netherlands, and Luxembourg, March 17, 1948, providing for collective defense.

target selection, talks on which already agreed so far as V bombers concerned. Would be simple add question IRBM targets to these talks. Emphasized again that IRBM and bomber were same thing in principle and should be dealt with just as extension of bomber problem. Dulles said this was just the sort of question we will want to be in a position in due course to answer.

[1 paragraph (24½ lines of source text) not declassified]

Discussions then turned to question of Korean withdrawals, covered in separate memorandum.

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**255. Notes on a Conversation Between the Secretary of State and the British Minister of Defence (Sandys), Washington, January 29, 1957<sup>1</sup>**

Dulles indicated he understood British intended withdraw Commonwealth forces from Korea. Sandys said this was correct, as this was a most uneconomic part of their defense arrangement. Asked by Dulles to express Defense views, Gray said they understood British problems, but greatly concerned at loss all U.K. and Commonwealth influence in handling UN force. Withdrawal would leave only Turks and Thais, in addition to U.S. and Korean forces. It would tend to make Rhee more unmanageable and more desirous of getting his troops out from U.N. control, but hope British could at least leave liaison officer so that the British flag could be kept flying. In return Defense hoped U.K. would support our proposals with respect to modernization of U.S. forces in Korea. Sandys said that if continued U.K. presence was desired on essentially fictional basis, he was sure they could work it out.

Secretary then returned to modernization program saying that State thought it would be extremely helpful if U.K. could support proposals to withdraw some U.S. forces from Korea, but maintain strength by introduction of dual-purpose weapons in defensive positions. It was extravagance to keep present structure on 1952 basis, as might be considered to be required by armistice agreement. Armistice, of course, not being observed by North Koreans, but we did not wish to break it in way which would give South Koreans excuse for taking offensive. Sandys said he had just heard of proposal today and it

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<sup>1</sup> Source: Department of State, Martin Files: Lot 64 D 484, S/WF. Top Secret. Drafted by Martin. Numerous handwritten corrections to the roughly-typed text have been incorporated. Separate notes covering the portion of the conversation dealing with British force cuts and the IRBM are printed *supra*.

sounded reasonable. However, he only wished it could have been put forward some months earlier, as we then might have traded Suez for Korea.

Secretary reaffirmed desire to keep U.K. forces in Korea, although could not stand in way of cut-back. He pointed out armistice was for six months but it now looks as though it may last for sixty years and we can't be frozen in its terms. We want only defensive changes, but they must be such that Koreans will not feel that cutback in size U.S. forces will permit them again to be over-run. They are sensitive on this point and not to be persuaded by reference to strength of U.S. units on Okinawa, which is too far away. Sandys again agreed to keep flag there, but on modernization asked for written proposal. Caccia added would need to see legal case, but would look at sympathetically. Gray agreed to provide such a paper.

Dulles indicated we were vacillating on legal side. We could call off armistice on basis violations by North Koreans, but this would raise problems with Rhee. We could cite violation of Article 13 d<sup>2</sup> while leaving rest of armistice intact and argue this gives us necessary freedom to act. Or we could cite changing conditions since signature of armistice as justifying adjustments in our forces so long as we do not exceed "equivalent fighting capacity". Sandys thought it was difficult to argue. Nuclear weapons did not increase fighting capacity. Dulles said our lawyers think some substitution of weapons can be justified, but introduction of dual-purpose weapons raises considerable questions. In answer to U.K. question, Gray said we did not plan to introduce nuclear heads now, but we would not foreclose possibility of putting in later.

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<sup>2</sup> Article 13 d of the Armistice Agreement between the U.N. Commander in Korea and the Commanders of Communist Forces in Korea, July 27, 1953, limited the introduction into Korea of reinforcing combat aircraft, armored vehicles, weapons, and ammunition to replacement items only.

**256. Memorandum for the Files by the Alternate Permanent Representative on the North Atlantic Council (Martin)<sup>1</sup>**

*Washington, undated.*

SUBJECT

Duncan Sandys Talks, Thursday and Friday, January 31–February 1, 1957

On behalf of State Department I attended meeting at Pentagon morning of Thursday with British technical personnel. Meeting was chaired by Acting Assistant Secretary of the Air Force for Research and Development, Richard Horner. To a large extent discussion was quite technical in character, dealing particularly with the IRBM. However, toward end of meeting, a British official arrived, saying text would be distributed shortly of what they understood had been proposed by the U.S. as the basis for the transferral of IRBMs, which they wanted U.S. to examine and check as they proposed to show it to Sandys that evening on his return from Ottawa. If he approved it, as they felt sure he would, he would then at the concluding meeting on Friday request Wilson to initial it. He also would initial it and there would then be a government-to-government agreement.

In discussing arrangements covered in memorandum before text finally arrived, U.S. chairman was asked whether there were any political strings attached to IRBM. He said there were none. [3 lines of source text not declassified]

When text arrived and was distributed, U.S. representative agreed to examine it promptly and telephone British Embassy his comments in course of afternoon.<sup>2</sup> I indicated in meeting that, without having seen text I could not be sure, but that there were some aspects of matter that were of interest to Department of State, in particular questions of political conditions which had been referred to by Secretary Dulles in his meeting with Sandys on Tuesday,<sup>3</sup> and that it would be necessary for us to coordinate before any response. We would do our best to expedite our action but could not guarantee just when this could be completed.

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<sup>1</sup> Source: Department of State, Paris Embassy Files: Lot 61 F 100, USRO/OES Files. Top Secret.

<sup>2</sup> No copy of this memorandum has been found in Department of State files.

<sup>3</sup> January 29; see Document 254.

After the meeting, having seen text and noted that political sections did not conform to Secretary's statement, I specifically called to attention of U.S. chairman fact that it would be necessary to get State Department comments before he could reply to British request for comments.

In view of comments made during morning meeting and nature of text submitted by British for action next day at governmental level, Murphy was persuaded to call meeting for late Thursday afternoon of Defense representatives to review situation. Defense was represented by Mr. Horner, General Guthrie, and the admiral who is principal assistant to Admiral Radford. In the course of a somewhat lengthy discussion, the following points emerged:

1. Without awaiting State Department comments, Mr. Horner had already told British their memo was satisfactory subject to one or two minor technical points. Mr. Horner could not understand any possible basis for State's wishing to establish political conditions on the transfer of IRBMs apart from the purely legal question of atomic energy legislation as it affects the heads. He indicated that, when we had agreed to supply them information and cooperate fully with them in the development of their own IRBM, no new problem should be raised merely because we were giving them our model and thus advancing by several years the date of availability to the British of this weapon. I finally intervened to suggest that, after Suez, we might just want to think about whether we wanted to give them a completely free hand on a U.S. weapon of this potency.

2. He pressed very hard, as Air Force had been doing all week, for the need of a prompt decision and particularly for approval of the British document the next day. On questioning by Murphy, the only basis we could find for this was his understanding that there was a NSC policy that these weapons should be put in place as soon as possible and he expected to have some experiments made in the summer of '58. If sites were to be erected by that time, agreement had to be reached immediately. When asked how effective these experimental models would be in terms of accuracy, he indicated that their military value was quite doubtful and he assumed their major purpose was a State Department one of improving morale and increasing the apparent threat. Murphy indicated he had never heard of this.

3. He was pressed hard on a subject on which we had gotten no satisfaction heretofore from Defense: How they expected to finance the transfer of the IRBMs. He finally said he assumed it would be MDAP money. When asked if the programming of this money had been taken up with those responsible for MDAP funds in Defense, he said: Oh no, that was something he hadn't concerned himself with. When asked if he realized that, if it were programmed under MDAP, there would be political conditions not covered in the British memo, he confessed that it was not something he knew anything about.

Nevertheless, in parting, he said that he still thought the memo was a good one, that Robertson<sup>4</sup> had approved it and saw nothing wrong with it, and that he saw no reason why we should not go ahead and sign it.

In preparation for the final meeting Friday afternoon, a meeting was held with Murphy at noon on Friday for State people only. In the course of the meeting, I urged strongly that Robertson be called and State insist that neither this memo nor any other memo be approved on Friday, even though we had drafted amendments to make it acceptable. I said I thought this willingness to grant British IRBMs was probably the most significant step the U.S. could make in foreseeable future for U.S.-U.K. rapprochement and we should not make it until we had discussed with British during Bermuda talks at highest level range of U.S.-U.K. policy views. At that time it could be used as important negotiating or symbol weapon.

Before meeting closed, Murphy received call from Robertson or Gray reporting that Robertson had met with President that morning and had submitted British draft note to him for approval so that Wilson or Robertson could initial it that afternoon with Sandys. (Whether this was done to bypass State or whether Robertson was there on other matters, and this came up, was not clear. In view of Thursday meeting, it looked like it might well have been attempt to bypass State, since we had no knowledge of this meeting until after it had taken place.) The President took firm position that the note was unacceptable. He had not approved giving IRBMs to U.K. but had only heard NSC presentation. He wanted matter studied further from number of angles in order that he might be ready to take action, if desirable, at Bermuda, but nothing was to be done prior to that time which would bind the U.S. in any way. Since this position conformed officially closely with State position, there was no further trouble on this matter.

*Technical Note:*

In the course of the Thursday morning discussions, it appeared that there was a real problem of a technical character with respect to IRBM. It was considered desirable that they be able to be discharged fifteen minutes after warning was given. However, it would take several hours to move the projectile and put it in the launching mechanism; hence, U.S. custody of the nuclear component raised difficulties.

It was also noted that the cost of launching installation was very substantial and would create a considerable burden for the U.K. financially.

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<sup>4</sup> Reuben S. Robertson, Jr., Deputy Secretary of Defense.

The U.S. made clear that it was prepared to give the U.K. manufacturing information with respect to all principal parts of IRBM and assumed that British firms would pick up manufacture of parts and eventually probably total unit. It was also understood that U.S. would continue development work but would expect U.K. also to try to improve weapon. Information would be shared.

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257. Position Paper Prepared in the Bureau of European Affairs<sup>1</sup>

*Washington, February 13, 1957.*

BERMUDA MEETINGS—MARCH 21–24, 1957

*U.S. Objectives*

A. The most important objective is to restore confidence in the Anglo-American relationship without detracting from the achievement of U.S. policy goals in other areas. With regard to the public, this objective requires reaching the optimum number of agreements with the British on specific U.S.–U.K. problems of a type which can be made public (in contrast with the communiqué and general statement of principles which resulted from the Washington talks with Eden last January).<sup>2</sup> As far as Governments are concerned, this objective means re-establishing the practice of prior consultation with the British on the basis of frank interchanges of views wherever this practice was interrupted as a result of our recent difference over the Middle East.

B. The second objective is to obtain re-affirmation of British support for U.S. policies in areas such as Europe where our policies have been parallel and to obtain their firm support wherever possible for U.S. courses of action relating to other areas, particularly the Middle East and Far East.

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<sup>1</sup> Source: Department of State, BNA Files: Lot 64 D 241, 5A. Secret. Enclosed as Tab A to a memorandum drafted by Dale and sent by Elbrick through Murphy to the Secretary of State. Dulles approved its use as the basis for discussion with the British and other U.S. Government agencies in connection with the meeting between President Eisenhower and Prime Minister Macmillan at Bermuda, March 21–23. The Secretary also approved Tab B, Department of State modifications to the British suggested agenda for the Bermuda talks. Macmillan wished to reserve certain topics for his personal discussions with the President. Dulles wrote on the bottom of Dale's memorandum, "I believe Dept shld also study the 'reserved' UK items."

<sup>2</sup> See footnote 2, Document 230.

C. The achievement of both major objectives depends on working out mutually consistent policies in the Middle East, Far East, and U.N. operation, for we cannot count on the British indefinitely as close allies in Europe if there continue to be major differences with them in other areas.

D. In turn, the implementation of these policies requires a clear determination of the respective roles to be played by the United States and the United Kingdom in different areas of the world. The Bermuda meeting offers an opportunity for the President to ascertain the extent of the reduction of British overseas military and economic commitments being undertaken by the Macmillan Government in its vigorous effort to remedy Britain's chronic economic difficulties. It offers both participants the opportunity to evaluate the impact of this reduction on the influence and position of the western democracies among other peoples and to explore those areas in which it may be desirable for the U.S. to assume responsibilities which the British must now relinquish.

E. We wish to maintain Britain as an important and effective ally. The President and Prime Minister may wish to discuss defense problems, such as the U.K. contribution to N.A.T.O. and, if consideration of them is sufficiently advanced, some aspects of the Sandys' talks held here during the week of January 28.

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## 258. Letter From the Secretary of State to the President<sup>1</sup>

Washington, March 5, 1957.

DEAR MR. PRESIDENT: A critical situation has developed for NATO as a result of the British insistence on a sharp and early reduction of their NATO forces substantially below the commitment contained in the Brussels Treaty. Norstad is finding it very difficult to accept this reduction as consistent with his responsibilities, and the six continental members of the Brussels Treaty are very despondent. They do not want to agree to the U.K. reduction, but also they do not want to bring about a repudiation of the Treaty by the U.K.

The British attitude, as you know, stems from strategic and fiscal considerations, and has complications for the United States under our "fair share" commitment.<sup>2</sup>

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Secret.

<sup>2</sup> In a statement of April 15, 1954, Eisenhower pledged that the United States would continue to maintain in Europe "its fair share of the forces needed for the joint defense of the North Atlantic area." For text of the statement, see *American Foreign Policy: Continued*

An effort is being made to drive this U.K. program through to a decision next week. This would be only a week before you begin to meet with Harold Macmillan at Bermuda and I suggest that it might be wise for you to see if Macmillan would hold over the final decision until you and he can talk together.

Possibly this is something you can handle on the telephone.

Faithfully yours,

**John Foster Dulles<sup>3</sup>**

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*Current Documents*, 1956, pp. 1198–1200. For the Eisenhower–Macmillan discussion of this question during their meeting at Bermuda, see Document 277.

<sup>3</sup> Printed from a copy that bears this stamped signature.

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**259. Memorandum of a Telephone Conversation Between President Eisenhower and Prime Minister Macmillan, March 5, 1957, 11:55 a.m.<sup>1</sup>**

The President called Prime Minister Macmillan.

The President asked the Prime Minister if he would be able to postpone the reduction in NATO forces until after the meeting scheduled March 20–24 in Bermuda. The Prime Minister replied that the reduction seemed to be going through in orderly processes and going pretty well. He said it was not a big reduction (though it is from 80,000 to 50,000) and gave the impression that NATO (General Norstad) and EUCOM had approved. We have agreed, Macmillan said, to stretch out the withdrawal for quite a long time, and he thinks the final stage does not come until the first month of 1959.

The Prime Minister said that a withdrawal now would give him many problems.

The President said that announcement here would give him problems because the US participation in NATO is based on the so-called Fair Share formula, and there are people in this country—there is always a section here—that is totally against such participation, and always want to cut down.

Macmillan said he would not like to hold it up, would give the impression in Great Britain of a change of front which would be dangerous. He said it was necessary because they were not solvent, said George Humphrey had approved.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Presumably prepared by Ann C. Whitman.

In view of Macmillan's feeling the President asked him at least not to try to speed the matter up, and if there was any evidence that it was going to be bitterly opposed, to hold it up until after Bermuda. Macmillan agreed.

There was some talk about golf and whether the President would bring his clubs and would be able to play.

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#### 260. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>

*London, March 5, 1957.*

DEAR FRIEND: When we first spoke on the telephone this evening<sup>2</sup> I was not fully up to date on the position about our force reductions and I am therefore sending you this telegram because I do not wish you to be under any misapprehension, although I know that the Foreign Secretary has asked our Ambassador to explain our difficulties to Foster.

I am up against a rigid time-table. I have to approve a Defense White Paper<sup>3</sup> before I leave for Bermuda. The Budget must be prepared for early April. Therefore it is absolutely essential for us to know where we stand before Bermuda. Also we fear that if we now go slow in N.A.T.O. we shall give the impression that we are not serious and the whole operation may go sour on us. I fear therefore that we must press ahead and try to bring the N.A.T.O. discussions to a close at the end of this week or early next.

We have made a great effort to meet General Norstad's views by agreeing that only a half of our proposed reductions shall take place during the financial year, 1957/58, and that the second half will take place during the financial year, 1958/59. We have further agreed that of the 1957/58 reductions a major part will take place in the first quarter of 1958 rather than the last quarter of 1957. Norstad seems satisfied and by extending our reductions over a longer period I hope that we have done a lot to diminish the risks which you fear.

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<sup>1</sup> Source: Eisenhower Library, Whitman File. Secret. Enclosed in a note from British Minister Coulson to the President, March 5. (Department of State, Presidential Correspondence: Lot 66 D 204, Macmillan to Eisenhower Correspondence 1957–1958) At the top of the source text, the following handwritten note appears: "no answer needed."

<sup>2</sup> See *supra*.

<sup>3</sup> The White Paper on Defence, "Outline of Future Policy," published on April 4, outlined Britain's new defense policy and foreshadowed sweeping changes in all the Services; a copy is in Department of State, Central Files, 741.5/4-557.

I earnestly hope that in these circumstances it will be possible for the United States Government at least not to query our proposals. I am sure that this will make all the difference to our chances of getting a quick and satisfactory conclusion on which our whole economy depends. We can only be good N.A.T.O. partners if we are financially sound.

I shall, of course, be happy to discuss the implications of all this with you in Bermuda but in the meantime I must ask for your sympathy and help.<sup>4</sup>

Warm regards,

Harold Macmillan<sup>5</sup>

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<sup>4</sup> Macmillan telephoned the President at 2:07 p.m., Washington time, and gave him the substance of this letter. (Eisenhower Library, Whitman File, DDE Diaries)

<sup>5</sup> Printed from a copy that bears this typed signature.

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**261. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, March 7, 1957—6 p.m.*

4720. Joint Embassy-USIS message. Bermuda Conference. Psychological objective to be achieved from Bermuda Conference of President and Prime Minister will be of major importance. Favorable impact on British public opinion is essential to restore confidence in Anglo-American alliance among not only right-wing but large number of middle-of-the-road thinkers. While right-wing continues to voice anti-American sentiments there still large number middle-of-the-roaders worried about alliance. Left-wing Labor opinion (Bevan, *New Statesman*, etc.) which of course chronically suspicious and critical of US long before Suez, remains little changed. Bevan's first published reaction to Eisenhower Doctrine<sup>2</sup> was charge that US imperialism seeking to replace British imperialism Middle East.

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<sup>1</sup> Source: Department of State, Central Files, 611.41/3-757. Secret.

<sup>2</sup> Reference is to various economic and military aid measures to help Middle Eastern countries resist Communist aggression, which were outlined in the President's message to Congress, January 5; for text, see Department of State *Bulletin*, January 21, 1957, pp. 83-87. Documentation on the Eisenhower Doctrine and its implementation is printed in volume XII.

Significant opinion factor since Suez is that anti-American attitudes now extended to influential and vocal segment of Tory and middle-road groups, many of whom formerly America's best friends. While public opinion surveys have shown anti-Americanism per se not so widespread or deep as press and other public and private expressions this group might indicate, same surveys have confirmed point that strong criticism of American foreign policy no longer confined to left, but now extends across political spectrum. In fact, surveys show Tories and Liberals on balance more critical of US foreign policy than Laborites.

Gallup poll conducted Feb 20-24 for *Time-Life* and given us today on confidential basis asked "Which word comes closest to describing your feelings about America at present time?" Respondents were shown card with following words, most (all but five percent) named only one word as describing feelings. Answers in percentages were friendliness 18, disappointment 26, suspicion 18, resentment 8, admiration 6, trust 4, dont know 15. Note that disappointment, suspicion, resentment add up to 52 percent.

On same poll, to question "What would you say was main reason for America behaving way she did over Suez," answers in percentages were: wanted position in Middle East 25, wanted maintain peace 21, fear of Russia 16, supporting United Nations 13, for Nasser and against Britain 2, don't know 24.

(Caution: above poll copyrighted and not for release prior *Life* publication. Despatch follows.)<sup>3</sup>

Latent anti-Americanism which boiled over during Suez crisis has simmered down, but it can and will be factor in our relations for some time to come. Although govt has successfully toned down newspaper comment except for *Daily Telegraph* and *Sketch*, private conversations still indicate widespread misgivings. British generally continue to think of themselves as great nation and world power, as emphasized by Macmillan in public statements, and only a few have realized from Suez debacle extent to which Britain dependent on US policy support. At same time there is extreme sensitivity to every US action, a sensitivity what will not diminish until British people convinced their own govt being fully consulted and is full partner in decisions.

Seems imperative to us that Bermuda must provide a clear indication to British people that President and US Govt are not aloof or indifferent to British alliance and British worldwide interests. We must aim to create an intense feeling of mutual trust and friendliness. To this end every effort must be made to demonstrate the close, friendly and intimate nature of discussions between the President and Macmillan. Pictures showing them talking, eating, relaxing, and press reports

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<sup>3</sup> Not found in Department of State files.

showing intimate nature of the talks, will have a powerful impact here. The more we can create the atmosphere around these talks of personal, intimate friendship, the better for us.

At same time, to back up this intimate relationship, we will need concrete evidence of full consultation on policy decisions taken at Bermuda. Our greatest need of course is to show progress toward a Middle East solution, primarily satisfactory regime for Suez Canal. US action in UN has been grudgingly accepted but final evaluation here will depend on whether or not Canal is quickly opened and nature of arrangements worked out re its operation, interim and long-term. Would be exceedingly useful if forthright statement on US recognition of constructive aspects of Britain's colonial policy could be made along lines being taken by Vice President in Ghana celebrations. There is a rather bitter feeling here that we completely ignore what Britain has done and do not appreciate that she is no longer the old-time colonial power but instead has made rapid progress in giving freedom to her former colonies. The break-up of the colonial empire is attributed to this forthright British policy, for which many blame US pressure while the balance criticize US for not recognizing the progress which has been made.

Any communiqué that can show Anglo-American agreement on Middle East policy will be effective in meeting the criticism here that the oil companies dominate our policy and were instrumental in driving Britain out of the Middle East for their benefit.

It is also important to have a reaffirmation from the President of our concern for the economic and military strength of Britain as well as of Western Europe, and our intention to play a continuing role in Europe.

As reported Embtel 4257<sup>4</sup> British plans envisage full background briefing of both American and British correspondents in Bermuda to get British viewpoints across. Assume that we are likewise developing plans to see that American viewpoint fully put across to both American and British press, so that we can expect to accomplish our psychological objectives at conference. In view of disappointment expressed by so much of press after last Bermuda Conference<sup>5</sup> about paucity of news and briefings, strongly recommend every consideration be give to daily backgrounders for selected American and British correspondents.

Whitney

<sup>4</sup> Dated February 12. (Department of State, Central Files, 611.41/2-1257)

<sup>5</sup> For documentation on the Bermuda Conference of the Heads of Government of the United States, United Kingdom, and France, December 4-8, 1953, see *Foreign Relations, 1952-1954*, vol. v, Part 2, pp. 1710 ff.

**262. Memorandum From the Acting Secretary of State and the Secretary of Defense (Wilson) to the President<sup>1</sup>**

Washington, March 14, 1957.

SUBJECT

Intermediate Range Ballistic Missiles for the U.K.

1. At the NSC meeting on January 11, 1957, a presentation was made on our ballistic missiles programs which included a discussion of possible deployment of IRBM units in the United Kingdom.<sup>2</sup> At that time, no decision was sought as to deployment. As indicated in Secretary Wilson's letter to you of January 28,<sup>3</sup> the same presentation was later made the basis of discussion with Minister of Defense Sandys during the U.S.-U.K. defense talks of January 28–February 1, 1957. This presentation was based upon the Thor missile, but it was pointed out that our final selection might be the Jupiter, for which approximately the same factors would apply. While no promises or commitments of any sort were made or sought on either side, the British have indicated that they are receptive to the whole concept.

2. Having in mind the urgency attached to establishing an IRBM capability, it is believed that we should go forward with a program to establish an IRBM capability in the U.K. as soon as possible. Your meeting with Prime Minister Macmillan at Bermuda affords an excellent opportunity to finalize this program, if you decide this is desirable. The concept proposed raises major policy questions in two fields: I—IRBM Deployment, [1 line of source text not declassified]. These policy questions are described below and certain recommendations are presented for your consideration.

*I—IRBM Deployment*

3. The proposed deployment discussed with Sandys including the "emergency capability" (Tab A) would place in the British Isles the entire presently planned IRBM operational inventory through June 1960 and would have placed it entirely in the hands of the United Kingdom by the end of 1960. This raises major strategic and political questions. The Department of Defense, having carefully weighed all the strategic considerations, has concluded that the proposed deployment to the United Kingdom of the entire presently planned IRBM production through mid-1960 is the right course of action. The Depart-

<sup>1</sup> Source: Eisenhower Library, Staff Secretary Records, IRBM for UK. Top Secret. Tabs B-E [4 pages of source text] were not declassified.

<sup>2</sup> This portion of the discussion of the National Security Council is printed in vol. xix, p. 401.

<sup>3</sup> Not found in Department of State files.

ment of State concurs, and the Department of Defense is studying what additional deployments of IRBMs should be undertaken in the U.K. and/or in other areas, both in the period through mid-1960, and in the period following 1960.

4. It now appears to the Departments of State and Defense to be undesirable and unnecessary for the United States Government to commit itself at the present time to put this IRBM capability entirely in British hands by the end of 1960. [12 lines of source text not declassified] The Departments of State and Defense therefore recommend that if the IRBM proposal is to be put to the British Government it be re-shaped so as to modify the original proposal that all four squadrons of IRBMs will be placed in British hands by the end of 1960. Instead, the British would be assured that two squadrons (30 missiles) will be transferred to them, with the remaining two squadrons to continue in United States hands, without prejudice to a decision at any time to transfer the two United States squadrons to British hands if such action should be mutually acceptable to the two governments. This will not cause any delay in bringing the IRBM capability into existence.

5. Specific political understandings should be reached between the United States and United Kingdom Governments as part of the over-all IRBM agreement as to the purposes for which the IRBMs transferred to the U.K. would be used. The British would be requested to affirm that:

a. The IRBMs to be transferred to them would be deployed only in the United Kingdom.

[Subparagraphs b and c (4 lines of source text) not declassified]

d. Arrangements would be made for coordinating the selection of the targets against which IRBMs transferred to British hands would be used with over-all U.S.-U.K. target selection and coordination plans.

e. The U.K. will give sympathetic and prompt consideration to any future requests by the United States to deploy additional IRBMs in the United Kingdom or other U.K.-controlled territory.

The foregoing understandings are deemed to be essential in order to insure that the missiles will be devoted to appropriate purposes, and to protect U.S. interests (bearing in mind that the transfer of IRBMs to the U.K. will arouse intense public, Congressional and foreign interest). These understandings should be acceptable to the United Kingdom.

[Heading and 2 paragraphs (35 lines of source text) not declassified]

8. It is recommended:

a. That you approve the deployment of Intermediate Range Ballistic Missiles to the United Kingdom and the transfer of such missiles to British control, to the extent and on the basis set forth above, subject to our obtaining in advance the political understandings specified in paragraph 5 above.

b. That you authorize the necessary preparations for you to communicate this position to Prime Minister Macmillan at Bermuda next week, if you should decide to do so.

9. If you approve the above recommendations, appropriate steps will be taken to consult with the Joint Committee on Atomic Energy on these matters.

10. In view of the serious British foreign exchange position, IRBMs transferred to the U.K. would almost certainly have to be given to them on a grant aid basis. This would be done under the authority of the Mutual Security Program at a cost of approximately \$62 million for equipping and training two squadrons and we would plan to fund this in the U.S. fiscal years 1958 and 1959. It is our intention to inform the appropriate Congressional leaders on this point.

Christian A. Herter  
Charles E. Wilson<sup>4</sup>

**Tab A**

**MEMORANDUM OF U.S.–U.K. DISCUSSIONS ON DEPLOYMENT  
OF U.S.-PRODUCED IRBMS IN THE UNITED KINGDOM<sup>5</sup>**

The following paragraphs summarize a concept for a possible deployment of IRBMs in the United Kingdom which have been discussed between the British Delegation and the Department of Defense, without, of course, any commitment on either side, financial or otherwise. The present memorandum does not deal with political considerations, which are a subject for separate conversation.<sup>6</sup>

*A. Deployment Plans*

(i) In view of the importance of deploying a ballistic deterrent at the earliest possible date, the U.S. Defense authorities have outlined the concept of a crash program. This program would probably involve the use of contractor personnel, one experimental squadron of five missiles. If agreed to, this would involve deployment at a United States aerodrome in the United Kingdom as rapidly as possible. If decisions are taken soon it is hoped that such a squadron could be deployed by July 1958. This part of the program would be fully paid for by the United States and would be wholly U.S. manned.

(ii) Four regular sites would be developed as rapidly as possible, the experimental squadron being disbanded as these become available. The first two would be constructed by the United States and manned

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<sup>4</sup> Printed from a copy that bears these typed signatures.

<sup>5</sup> Top Secret.

<sup>6</sup> See Document 254.

initially by U.S. service personnel. They would hope to have these operational by 1959. In parallel, the United Kingdom would undertake construction of two further sites with a view to bringing them into operation with British personnel at the earliest possible date. The target is that these two additional sites plus the United Kingdom take-over of the other two sites would be achieved by December 1960.

(iii) The U.S. would be responsible financially for all material produced in the United States. This would cover:

- (a) The missiles.
- (b) Specialized equipment.
- (c) Spares required by the U.K. to maintain the missiles in an operational condition (subject to a cut-off date to be mutually agreed).

The remaining costs would be borne by the United Kingdom, to include:

- (a) General supporting equipment.
- (b) Cost of any additional land required, etc.

(iv) As regards training, the U.S. would be prepared to make available training facilities at a U.S. base for U.K. service personnel without charge. The U.K. would, however, be responsible for transport, messing charges, etc. Insofar as the U.K. requires missiles for use in training, the U.S. will provide these under (iii)(a) above.

#### *B. Other Technical Considerations*

(i) The U.S. intends to continue development of all major technical components in the IRBM, based on their program for the development of a larger missile. The U.S. also intends to continue the development of this model up to standardization at a range up to 2,200 statute miles.

(ii) The stage at which the weapon can be accepted as adequately developed for service use would be discussed and agreed between the appropriate U.K. and U.S. authorities.

(iii) The U.S. authorities would use their best offices to promote such arrangements between the U.K. and U.S. firms as may be necessary to carry out the program.

(iv) The safety conditions to govern deployment of these missiles on U.K. territory would be discussed between the U.K. and U.S. service authorities and would be subject to U.K. agreement.

(v) The U.K. would be free to arrange for the missile to be fired on the Woomera Range in Australia if it so desires.

#### *C. Warhead*

References to the missile in this document do not include the warhead which will be dealt with separately.

[Here follows a detailed proposed schedule of deployment.]

## **IV. THE BERMUDA CONFERENCE, MARCH 21-23, 1957**

### **Conference Proceedings**

#### **263. Editorial Note**

In a message to President Eisenhower dated February 7, Prime Minister Macmillan proposed that the agenda of their Bermuda meeting be divided into two parts: I. items upon which preliminary discussions could take place in Washington, the findings and recommendations on which he and Eisenhower could approve; II. "the big issues which we must tackle ourselves." (Eisenhower Library, Whitman File, International File) Macmillan suggested, in proposals that were conveyed to the Department of State by Ambassador Caccia on February 8, that Part I include: how to use the United Nations to meet the needs of the West; attitude toward the satellites, particularly Poland; means of combating Soviet influence in Africa; prospect of a Palestine settlement; guarantees of the flow of Middle East oil through pipelines; disarmament; German reunification and European security; the Wilson-Sandys "talks"; reduction of British forces in Germany; European free trade area; and settlement of the Suez Canal problem. Part II was to include NATO and connected defense matters; British association with Europe; relations with the Soviet Union; the nature of the Soviet threat and means of countering it with reference to the Baghdad Pact, Syria, and Egypt; Anglo-American cooperation in the Middle East; Cyprus; China; and East-West trade. (Telegram 5548 to London, February 10; Department of State, Central Files, 611.41/2-1057) The United States accepted Macmillan's proposals for the division of the agenda and added atomic energy problems and the future of British commitments abroad to Part II.

Prior to the Bermuda meeting, position papers were agreed to by both the U.S. and U.K. Governments on: policy toward the satellites, guarantees for the maintenance of the flow of Middle East oil through pipelines, the prospect of a Palestine settlement, and means of combating Communist influence in Tropical Africa. Various bureaus in the Department of State prepared briefing papers on every topic on the agenda. The agreed papers, briefing papers, material on the development of the agenda, and drafts of the final communiqué are in Depart-  
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ment of State, Conference Files: Lot 62 D 181, CF 855-869. Copies of some of these papers are *ibid.*, Central File 611.41, and Eisenhower Library, Staff Secretary Records, Bermuda Meeting.

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#### 264. Editorial Note

President Eisenhower and his party arrived in Bermuda at 4:05 p.m. on March 20. After welcoming ceremonies, at which both Prime Minister Macmillan and the President spoke, the two leaders drove together to the Mid-Ocean Club, Tucker's Town, headquarters for the conference. (Eisenhower Library, President's Appointment Book) Macmillan briefly described his conversation with the President in *Riding the Storm* (London, 1971), pages 250-251.

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#### 265. Memorandum of a Conversation, Mid-Ocean Club, Bermuda, March 20, 1957<sup>1</sup>

##### PARTICIPANTS

President Eisenhower  
Secretary Dulles  
Prime Minister Macmillan  
Foreign Secretary Lloyd

##### Egypt

In discussing the problem of relations with Egypt, Mr. Macmillan raised what he called the "\$64 question", which I had put to Lord Home<sup>2</sup> at Canberra, namely, were we going to wage political and economic warfare against Nasser or seek some arrangement with him in relation to Israel and the Canal on the basis of a combination of inducements and pressures which would mean that, if he accepted, he would get the benefit of what had been held out as inducements. Mr.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 865. Secret. Drafted by Dulles. This conversation took place during an informal dinner, which began shortly after 7 p.m., in Macmillan's suite. Formal meetings began on March 21. (Eisenhower Library, President's Appointment Book)

<sup>2</sup> The 14th Earl of Home, British Secretary of State for Commonwealth Relations, attended the SEATO Council session in Canberra, March 10-13.

Lloyd made a strong personal attack about Nasser and his unreliability. The President and I said that we did not debate this point, but even conceding this "What would we do?" President Eisenhower said we could not at the same time seek his cooperation and also combat him. Mr. Macmillan said that he thought the answer was clear that we should seek by all of the pressures and inducements we could marshal to get an acceptable solution of the short-term and then the long-term problems relating to the Canal and peace with Israel. [8 lines of source text not declassified]

I showed the attached two cables to Macmillan and to Lloyd, who read them with obvious interest, but made no comment either of approval or of disapproval.<sup>3</sup>

In discussing what the US might do, I referred to the resumption of normal relations with unblocking of funds, access to PL480 wheat, technical assistance, etc. Mr. Macmillan said that the aspect of this program which worried him the most was the release of funds because that might put pressure upon them to release blocked sterling which they were reluctant to do so as long as the Egyptians had war claims against the UK. I said I did not see how we could keep the funds blocked in their entirety although it might be that we could hold on to a part in order to cover possible claims for prior tolls paid to Egypt which might be claimed by the Suez Canal Company and also possible claims for mistreatment of US persons and properties in Egypt. I thought, however, that most of the blocked funds would have to be released if we resumed normal relations and had an acceptable Suez Canal settlement. Mr. Macmillan appeared to acquiesce in this view.

John Foster Dulles<sup>4</sup>

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<sup>3</sup> Attached to the source text were telegram 1 from Bermuda to Cairo, March 20, and telegram 3120 to Cairo, March 20, both printed in vol. xvii, pp. 449 and 445, respectively.

<sup>4</sup> Printed from a copy that bears this typed signature.

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## 266. Editorial Note

A memorandum of a conversation regarding Cyprus, March 20, held at the Mid-Ocean Club among President Eisenhower, Secretary Dulles, Prime Minister Macmillan, and Foreign Secretary Lloyd, is quoted in an editorial note in volume XXIV, page 464.

267. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 20, 1957<sup>1</sup>

PARTICIPANTS

President Eisenhower  
Secretary Dulles  
Prime Minister Macmillan  
Foreign Secretary Lloyd

*Colonialism.* There was very considerable discussion of this topic. The PM felt that there was a tendency to move too fast but that the UK was responding to world pressures to which the US was contributing. He spoke of Africa as an area of particular concern because of its importance to Europe. He also spoke of Malaya and Singapore. The President spoke at some length and with great eloquence with reference to the possibility of getting peoples to stay within the old framework on some autonomous basis if only it were made clear in time that they had the freedom of choice and if the choice to stay were made attractive. He referred to Puerto Rico in this connection.

JFD spoke of certain areas of considerable strategic importance and relatively minor importance from the standpoint of the possibility of developing independent nations. The PM suggested that it might be useful to make a concrete review of some of these cases. JFD spoke of our present intention to stay on in Okinawa. Selwyn Lloyd said he fervently hoped that we would do so.

[1 paragraph (10 lines of source text) not declassified].

*The Role of "Great Powers".* There was considerable discussion of the relative role of so-called "great" and "small" powers. The PM felt that great powers should still play the dominant role and not surrender it to others who were less well equipped. The President and JFD said that it was necessary to take account of changing conditions and while the fundamentals of power remain unchanged the methods of its manifestation would have to change and be adaptable to changing concepts.

*China.* JFD said that one of the places where divergent policies hurt most from the standpoint of public relations was the UK policy toward China as it was popularly understood. The President spoke at length with reference to the unwillingness of the US under present circumstances to recognize the Communist regime or bring it into the UN. He spoke of their being condemned by the UN for aggression in

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 865. Secret. Drafted by Dulles. This memorandum records a continuation of the conversation on Cyprus; see *supra*.

Korea, the detention of US civilians, etc. He said he felt that public opinion was more aroused about the casualties in Korea than about the far greater casualties in World War II.

JFD suggested that it would be a good idea if the UK would adopt our political policy of non-recognition of Communist China and non-admission to the UN. If so, that would make it easier to meet the British views on some of the trade matters and the alignment of the Cocom and Chincom lists. Lloyd said that the UK had gone along with the US on the "moratorium" in the UN. JFD admitted this but said that it had always seemed that they did so reluctantly and only under US pressure. What was needed was a wholehearted acceptance by the UK of US political policy. The PM said this might be considered. Lloyd said that he had come to feel that probably US policy was more right than theirs. The PM and Lloyd recalled that the recognition of Communist China had come under the Labor Government and not under the Conservative Government.

JFD spoke of the importance of holding the present anti-Communist positions, insular and peninsular, around the Communist land mass and the need for joint policies by the US and UK in this connection. He recalled that in 1951 or 1952 when he was working on the Japanese Peace Treaty he had attended a meeting in Washington with Eden and Acheson<sup>2</sup> and had urged that a joint committee be set up to try to evolve common policies, but nothing had ever been done about this. He spoke of the change which had occurred in SEATO and that whereas two years ago the UK did not want even to mention Communism, Lord Home had said at last week's SEATO meeting, "Communism is evil. We must meet it and beat it." He said he had quoted this to the Senate Foreign Relations Committee and it has had a good impact.

**John Foster Dulles<sup>3</sup>**

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<sup>2</sup> Dean G. Acheson, Secretary of State, 1949–1953.

<sup>3</sup> Printed from a copy that bears this typed signature.

268. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 21, 1957, 10:30 a.m.<sup>1</sup>

USDel/MC/3

PARTICIPANTS

*United States*

The President  
Secretary Dulles  
Ambassador Whitney  
Senator George  
Mr. Hagerty  
General Goodpaster  
Mr. Phleger  
Mr. Elbrick  
Mr. Rountree  
Mr. Wilkins  
Mr. Morris  
Mr. Macomber  
Mr. Walmsley

*United Kingdom*

The Rt. Hon. Harold Macmillan, Prime Minister  
Rt. Hon. Selwyn Lloyd, Foreign Secretary  
Rt. Hon. Sir Norman Brook, Secretary to Cabinet  
Sir Frederick Hoyer-Millar, Permanent Under-Secretary, Foreign Office  
Sir Harold Caccia, British Ambassador to U.S.  
Mr. P. H. Dean, Deputy Under-Secretary, Foreign Office  
Mr. Harold Beeley, Assistant Secretary, Foreign Office  
D. S. Laskey, Personal Assistant to Foreign Secretary  
Mr. C. P. Hope, Foreign Office, Press Director  
C.O.I. Ramsden, Personal Assistant to P. M.  
Mr. F. A. Bishop, Personal Assistant to P. M.  
Mr. T. W. Garvey, Secretary of Delegation

Before the Prime Minister made his opening statement he sought confirmation of agreement on procedural matters, to wit:

- 1) Regular meetings should be held daily at 10:30 and 1600.
- 2) Attendance should be limited to twelve per side.
- 3) Restricted meetings might be called, if needed, by the President or the Prime Minister.
- 4) Agreement should be reached at the end of each session on the line and background for the press, which should be channeled only through the regular press officers of the Delegation, other members of the staffs to refer inquirers to the press officers.

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 866. Secret. Drafted by Walter N. Walmsley, Jr., and circulated to appropriate U.S. officials on March 21. The Delegation at Bermuda transmitted a summary of this conversation to the Department of State in Secto 8, March 22. (*Ibid.*, Central Files, 611.41/3-2257) For President Eisenhower's diary account of this meeting, see Document 271.

The President agreed in principle, and also stated that they should not be tied to the agenda, or to the order of discussion of agenda items.

The Foreign Ministers also might feel free to suggest changes in the agenda or its order. He reminded the Prime Minister of their commitment to the photographers at 1530 that day.

Mr. Macmillan proceeded with his opening statement. He was most gratified that the President was able to meet with him, on British soil. He recalled with warmth their association during the war. He felt that we had come to a critical point in history in which we both face difficult problems, both short-term and long-term. In the long-term he put these problems in what he called the cyclical struggle and related them also to a possible turning point in the life of the UN. He recalled the high hopes that had been engendered by the creation of the League of Nations after World War I; and attributed the failure of the League to its having sought peace, forgetting justice, and having consequently failed in both. The changes in their own lifetime had been enormous. From the relatively simple balance of power concept in the world and concert of Europe, including the stabilizing force of the Austro-Hungarian empire, we have moved to a delicate balance featured by the concentration of the principal power in the United States and the Soviet Union, and by the splitting up of Europe and Asia into fractional sovereignties all too frequently without visible economies or ability to maintain independence from the USSR.

The Prime Minister noted between these poles of power the rise of neutralism, known by various other euphemisms such as third force, presence of which he acknowledged even in some elements of the British population. He felt that there was really no place for the neutral in the present struggle where the survival of classical civilization as we know it was at stake, being threatened even by the revolutions in Asia and Africa which had their origins in Europe. He recalled that in so far as territories of the British Empire were concerned these revolutions were planned by the mother country; the primary effect of the war was to accelerate the revolutions. He mentioned specifically India, Pakistan, Burma, now Ghana, and shortly Malaya and Singapore; and outside British Empire Tunisia, Morocco and he felt sooner or later Algeria. The process could not be stopped. The question for us is can it be controlled and directed under properly-exercised influence.

He felt that the tendencies in the new countries, so-called neutralism and nationalism, could be controlled and directed by a combination of power, propaganda, assistance and services, and that unless Britain and the United States were associated in this effort the game might be lost. He recognized the reduced role of the United Kingdom but thought that its role should not be underestimated either. The

British particularly in the matter of services (from the experience of settlers, educators and civil servants) could help new countries in curbing rampant nationalism.

European people, he said, are divided into those who watch the struggle and those who want to play a full part. The UK, he emphasized, is committed to stay in the game and to cooperate with the United States. This is based in part on sentiment but also, of course, on interest, and the British feel that while they are the junior partner the US would not care to try to do it alone. The UK feels that it can have a useful role in influencing Europe to follow the correct path and also has helpful ties with the Commonwealth. He stressed the importance Britain attached to the partnership with the U.S.

[Here follow discussion of Aqaba and Gaza (for text, see volume XVII, pages 452-458) and the flow of oil through pipelines and Lloyd's concluding remarks (for text, see volume XII, pages 464-465).]

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#### 269. Editorial Note

At a luncheon on March 21, President Eisenhower's guests were Prime Minister Macmillan, Foreign Secretary Lloyd, Secretary of State Dulles, the President's Staff Secretary General Goodpaster, and Patrick Dean, Deputy Under Secretary at the Foreign Office. (Eisenhower Library, President's Appointment Book)

270. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 21, 1957, 3:45 p.m.<sup>1</sup>

USDel/MC/4

PARTICIPANTS

*United States*

The President  
Secretary Dulles  
Ambassador Whitney  
Senator George  
Mr. Hagerty  
General Goodpaster  
Mr. Elbrick  
Mr. Phleger  
Mr. Rountree  
Mr. Morris  
Mr. Timmons  
Mr. Wilkins  
Mr. Macomber

*United Kingdom*

The Rt. Hon. Harold Macmillan, Prime Minister  
Rt. Hon. Selwyn Lloyd, Foreign Secretary  
Sir Harold Caccia, British Ambassador to the U.S.  
Rt. Hon. Sir Norman Brook, Secretary to Cabinet  
Sir Frederick Hoyer Millar, Permanent Under-Secretary, Foreign Office  
Mr. P.H. Dean, Deputy Under-Secretary, FonOff  
Mr. Harold Beeley, Assistant Under-Secretary, FonOff  
Mr. C.P. Hope, FonOff, Press Director  
Mr. F.A. Bishop, Personal Asst. to PM  
C.O.I. Ramsden, Personal Asst. to PM  
D. S. Laskey, Personal Asst. to Foreign Secretary  
Mr. J.A.N. Graham, Personal Asst. to Foreign Secretary

The Prime Minister opened the session at 3:45 P.M. with the discussion of Palestine. The Prime Minister referred to the Joint US-UK working level paper, prepared before the Conference,<sup>2</sup> the general conclusion of which was to the effect that there is not much present hope of an over-all Palestine solution, and we must therefore concentrate on individual aspects as they arise.

[Here follows discussion of Palestine; for text, see volume XVII, pages 458-459.]

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 866. Secret. Drafted by Brewster H. Morris, Political Counselor of the Embassy in London; cleared in draft by Rountree; and circulated to appropriate U.S. officials on March 21. The Delegation at Bermuda transmitted a summary of this conversation to the Department of State in Secto 9, March 22. (*Ibid.*, Central Files, 611.41/3-2257) For President Eisenhower's diary account of this meeting, see *infra*.

<sup>2</sup> Document 286.

The Foreign Secretary opened the discussion on the General Question of Anglo-American Cooperation in the Middle East, the next agenda item. He expressed the view that there had been an underlying improvement recently in the Middle East situation despite the emergence of certain immediate issues, such as Gaza and Aqaba. This underlying improvement following the military operation was characterized by three factors: (1) The Israelis no longer behave like "cornered rats" but appear more relaxed and confident; (2) the "bubble" of Egypt's military power had been cracked, at least in the view of the other Middle East Arab leaders; and (3) the UNEF is there "on the ground". Lloyd also mentioned that the Baghdad Pact had stood up rather well in the face of recent developments. He then emphasized the great importance of holding the Persian Gulf with its oil. Egyptian penetration had not yet progressed very far in this area. Present systems of control are still pretty effective. On the other hand what would we do if there should be a coup d'état in Kuwait? There are currents underneath the surface and such a thing could happen.

The President asked what forces the British have in Kuwait.

Selwyn Lloyd replied that there are really none, only some local units of rather doubtful value. They might be confronted suddenly with a new and dangerous situation in Kuwait, and would have to take action at once in this extremely important area.

The President asked what the British thought of King Saud.

In reply, the Foreign Secretary agreed that an effort should certainly be made to detach Saudi Arabia from Egypt, though the British consider that the situation in that country is "brittle", even though Saud is clearly the best man for us to back.

The President emphasized that with the new American Joint Resolution,<sup>3</sup> we wish to help in these areas and capture the initiative. But, he pointed out, in King Saud's recent discussions in Washington, the latter kept mentioning Buraimi. It is therefore evident that King Saud wants the British to pay a reasonable price and settle this issue.

Selwyn Lloyd pointed out that the difficulty is that Buraimi does not belong to Britain but to two local rulers.

The President asked if the British would make arrangements with the Saudis which would result in better relations.

Selwyn Lloyd replied that the trouble is that this is just about as difficult as solving the Kashmir issue.

The President added that, King Saud had in his Washington talks placed greatest emphasis on the question of pilgrims in the context of the Straits of Aqaba and on the Buraimi problem. The President also

<sup>3</sup> For text of the Joint Congressional Resolution authorizing the President to provide financial and military assistance to Middle East countries (the Eisenhower Doctrine), approved March 9, 1957, see 71 Stat. 5.

read out a telegram which he had just been shown, containing a request from the Saudi Arabians that the US draw attention, at the Bermuda Conference, to the importance of the Buraimi issue.<sup>4</sup>

Selwyn Lloyd asked whether the United States would be prepared to guarantee frontiers resulting from a solution of this problem.

In reply, the President pointed out, "shooting from the hip" (as he expressed it), that the US hoped to use its aid program to promote stability in this general area, for example by indicating that no aid would be given to aggressors. We also might be willing as appropriate to come to the assistance of a victim of aggression.

Selwyn Lloyd said the trouble is that aggression in this area is not usually open, since other methods are used.

The President then asked whether the British felt from their experience that one can trust the word of a responsible Arab leader, indicating that he was inclined, following his recent discussion with King Saud, to believe the latter's promises to him.

Selwyn Lloyd replied that the British were also inclined to regard Saud as a man of honor, [*less than 1 line of source text not declassified*].

The Secretary pointed out that information the US had received [*less than 1 line of source text not declassified*] indicated that on his trip homeward, King Saud had stuck closely to the promises he had made to the President. Although King Saud had not been able to swing the other Arab leaders to his views in the 4-Power meeting in Cairo,<sup>5</sup> it seemed clear that he had tried hard.

[*1 paragraph (4 lines of source text) not declassified*]

The Secretary agreed that there was not a very solid base in Saudi Arabia, which is essentially a one-man regime, but emphasized that solid situations are not generally found in this area, and we must do our best with what we have to work with. He added that Nasser's prestige seemed to be descending, and we should try and promote King Saud as a rival Arab leader, the main trouble being the Buraimi issue. Thus, if the UK could find a solution to this problem, we might promote an evolution in this area which could eventually help sidetrack Nasser.

Prime Minister Macmillan said the difficulty is how to get a solution to the Buraimi problem without betraying Britain's friends.

Selwyn Lloyd mentioned that in the prior discussion, the British had been stressing the importance of a number of issues including the Baghdad Pact; holding the Persian Gulf; a better regime in Syria; and economic aid. He asked about this latter issue in terms of US action.

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<sup>4</sup> Reference is presumably to Tosec 8 to Bermuda, March 20. (Department of State, Central Files, 611.41/3-2057)

<sup>5</sup> Reference is to the meeting of the heads of state of Egypt, Saudi Arabia, Syria, and Jordan at Cairo, January 18–19, 1957. A memorandum on discussions at the meeting is *ibid.*, Conference Files: Lot 62 D 181, CF 833.

The President replied that a new US aid program for the Middle East had not yet been adopted by the Congress.

The Secretary explained that the Joint Resolution had appropriated no additional money, but only given greater flexibility to the use of \$200 million already appropriated. Ambassador Richards had no spectacular plans for aid on his present trip,<sup>6</sup> and the future program would depend more on additional funds to be asked of the Congress. The primary purpose of the Richards Mission was rather to indicate a greater US interest in this area.

Selwyn Lloyd next mentioned the recent British decision to withdraw their troops from Libya, even though they still agreed it was important to keep King Idris on the throne. It was important to establish a common US-UK policy here.

The President asked how many troops the British would still maintain in Libya.

Selwyn Lloyd replied that the Foreign Office wished to keep one battalion, but the War Office claimed they could not find even this number of troops for this purpose.

The President emphasized that the US was most anxious for close prior consultation with the British regarding such matters as aid and stationing of troops in this general area. He emphasized the great importance of close US-UK liaison in this general field.

The Prime Minister and President agreed that the Foreign Ministers had full authority to go ahead with such close consultation.

The discussion then returned to the problem of Kuwait, and the Secretary asked what could be done if things went bad there.

Selwyn Lloyd pointed out the great importance that no word should leak to the press regarding the discussion of Kuwait. The President agreed, asking how many troops were needed to maintain stability in Kuwait. Would a battalion, as in Libya, be sufficient?

Selwyn Lloyd pointed out that possibly not very many troops were needed.

The President suggested that if Kuwait were so important, shouldn't we try to make this our main objective and subordinate other issues to it (thus implying a solution of the Buraimi problem).

The Prime Minister pointed out that it was hard to imagine just what might happen in this general area in a few years, by which time the oil there would become even more important and valuable.

The President agreed that Middle East oil would certainly be very valuable for many years, adding that right beside the particular rich areas in which this oil was located, we found other areas of great poverty.

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<sup>6</sup> Reference is to the mission of Ambassador James P. Richards to the Middle East, March 8-May; see volume XII.

The Prime Minister indicated that it was important to develop guarantees by the United States to maintain security and peace in this general area.

Selwyn Lloyd mentioned Aden as a specific case, an important Free World outpost, with a refinery, etc., which was now being menaced by the Soviets through assistance to Yemen, with additional help from Saudi Arabia.

The Prime Minister pointed out that the lesson from all this talk was the need for a detailed study of the area, including which parts of it are important and what might possibly be of lesser importance.

The President pointed out that such a study was certainly needed and should be tackled just like a "plan of battle."

The Secretary pointed out that one difficulty was that the US and the UK each attached a different magnitude of importance to particular problems, such as Aden and Buraimi. The problem was therefore one of trying to develop joint views. The US would now certainly be more involved in this general area than before, as a result of recent developments, and there was therefore a much greater need for close coordination.

The Prime Minister suggested that if we could only work out common objectives regarding this area, joint plans could then be developed, in the same way as were done so well during World War II. Despite recent events, he felt that the UK still had an important role to play in the Middle East.

The President replied that he wished to assure the British that the US wants if anything to build them up again in the Middle East.

The Prime Minister then inquired as to how we should go about this joint study.

The President suggested the appropriate State Department official, presumably the Assistant Secretary for NEA,<sup>7</sup> should get together with his British counterpart.

The Secretary asked whether such a joint study should be linked primarily to oil.

It was agreed that this would be the case.

The President suggested, and it was agreed, that a US-UK paper would be drawn up before the conference ends on the task and just how it should be tackled.<sup>8</sup>

The question of Cyprus was discussed next. Selwyn Lloyd began by stating that the British welcomed Ismay's initiative,<sup>9</sup> but unfortunately the Greeks turned it down although their reply may not be final. He believed that the Turks would accept Ismay's initiative, and

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<sup>7</sup> William M. Rountree

<sup>8</sup> Reference is to agreed Paper 1; see Document 289.

<sup>9</sup> Lord Ismay, Secretary General of NATO, had offered his good offices to help settle the Cyprus dispute.

mentioned the other details of the British statement on Cyprus just made in London.<sup>10</sup>

The President said that he had received many representations from various sources emphasizing that if Makarios<sup>11</sup> were returned to Cyprus, real progress toward a solution of the present problem could start.

Selwyn Lloyd replied that Makarios had been the origin and foundation of terrorism in Cyprus, that there were now indications that this terrorism was failing, and that not all Cypriots are prepared to accept Makarios as their spokesman. The British think that terrorism is much weaker now than before, and that the populace of Cyprus is getting fed up with it. Lloyd added that the British believe that the Turks take Cyprus very seriously and would be unwilling to let Greece have this island, which is so close to their coast. The British therefore regard themselves as a sort of "trustee".

The Prime Minister confirmed that the British are not greatly interested in Cyprus except for the military importance of the island, a factor which is changing and probably now less than before. Were it not for the Turks, the British probably would have gone much further by now toward a solution. Macmillan also emphasized that he is not without hope that Makarios may accept the latest British offer.

The President inquired about partition as a possibility, and whether this idea would be accepted in the island and by Turkey and Greece.

The Prime Minister suggested that partition may in fact be feasible, particularly if the 100,000 Turks in Cyprus were concentrated on the one side of the island (facing Turkey) and the 400,000 Greeks on the other.

Selwyn Lloyd pointed out that this was not a tidy solution at all, but Cyprus has become a serious ulcer which must be cured. The Greeks would not accept partition because they want the whole Island.

[1 paragraph (2½ lines of source text) not declassified]

The Prime Minister and President agreed that the military importance of Cyprus today has become rather less, though it was still useful to have a base there.

The Prime Minister urged that the US should try and influence the Greeks to accept Ismay's initiative.

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<sup>10</sup> Reference is to Colonial Secretary Lennox-Boyd's statement in the House of Commons, March 20, accepting Ismay's offer.

<sup>11</sup> Makarios III, Archbishop of Cyprus.

The President indicated that he would certainly be willing to consider doing this, and urged the British to free Makarios. In any case, he added, the US believes what the British leaders have just said about their real aims regarding Cyprus, is sympathetic with the British problem in Cyprus, and would certainly do its best to try and help.

The agenda for Friday<sup>12</sup> was then discussed, and it was agreed that the Foreign Ministers would in the morning tackle all European questions other than those related to Defense, plus China and East-West trade, and in the afternoon session the President and Prime Minister would discuss the various items related to Defense, together with any points still outstanding from the morning's session.

The Prime Minister and President then considered and approved the report of the working party on Suez (reference Secto 7), and also agreed that great care should be taken that there be no publicity at all regarding this matter or the dispatch of the British message to Hammarskjold in Cairo.<sup>13</sup>

Finally, it was agreed that the press would be given the following brief communiqué on this afternoon's session:

"The President and Prime Minister continued the discussion of their common problems in the Middle East. The Foreign Ministers will meet at 10:30 a.m. Friday and will be joined later by the President and Prime Minister."

The session terminated at 5:30 p.m.

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<sup>12</sup> March 22.

<sup>13</sup> Secto 7, March 21, is in Department of State, Central Files, 611.41/3-2157. Regarding the report of the Working Party, see Document 289. The substance of Lloyd's message to Hammarskjöld, emphasizing the importance Britain attached "to a prompt and fair interim arrangement" of the Suez Canal problem, was transmitted to the Department of State in Secto 6 from Bermuda, March 21. (*Ibid.*)

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**271. Diary Entry by the President, March 21, 1957<sup>1</sup>**

The principals attending the meetings today were the President, Prime Minister Macmillan, Secretary of State Dulles and Foreign Minister Selwyn Lloyd.<sup>2</sup>

Each side was represented at the table by three other individuals and a few staff officers were behind this delegation.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Secret.

<sup>2</sup> See Document 268 and *supra*.

I. The meeting was by far the most successful international meeting that I have attended since the close of World War II. This had three causes:

(a). The pressing importance of the problems discussed and the need for reaching some kind of definite answer rather than merely referring the problems to a study group, as is so often done in international conferences;

(b). The atmosphere of frankness and confidence that was noticeable throughout the day; this possibly resulted, in part, from the fact that Harold Macmillan and I are old wartime comrades and friends of long standing;

(c). The obvious fact that each side was well informed on the several subjects taken up. Consequently conversations were far more definite and to the point than is normally the case when generalizations and protestations of good will take the place of informative exchanges.

II. We discussed all phases of the Mid East problem and it was apparent that there was a very large measure of agreement on most of the matters that have filled the pages of the public press for the past many weeks. Some of the items that came in for very special and searching investigation were:

A. The question of our future relationships with Nasser and a satisfactory arrangement for the future use of the Suez Canal.

Here, very early in the conversation, the Foreign Minister, Mr. Lloyd, delivered a tirade against Nasser, saying that he was not only an evil, unpredictable and untrustworthy man, but was ambitious to become a second Mussolini. He thought also that in pursuing his ambitions he would probably, just as Mussolini became the stooge of Hitler, become the stooge of the Kremlin.

This was followed up by a presentation by the British of the need for obtaining promptly a satisfactory arrangement of the use of the Canal. They felt the matter of tolls was probably the most important single consideration in such an agreement. They were quite clear that if we should fail to get a satisfactory arrangement, we should not later dodge the issue and pretend that it was at least a half-victory and one with which we could live. Rather, they believe we should under these conditions denounce the whole affair, including the intransigence of the British government. But they re-emphasized their need both economically and politically for obtaining a truly satisfactory agreement and this very quickly.

I immediately pointed out to them the inconsistencies in their approach to these two problems. If we were at this moment to begin an attack on Nasser (and we admit that he is far from an admirable character) and do everything in our power overtly and covertly to get rid of him, then the hope of getting an early and satisfactory settlement on the Canal would be completely futile.

They quickly saw the point of this and while earnestly retaining the hope that Nasser would come to some bad end, quickly agreed that we should first stick with the task of getting a satisfactory agreement on the Canal operation.

B. Gaza and Aqaba. We found ourselves largely in agreement on these two subjects and the consensus was that we must do our best to prevent extreme action by either side in the region. We believe that if we can have a period of tranquillity during which time these two regions will be largely under the control of the United Nations, that we can probably work out satisfactory answers.

C. The question came up of maintaining oil production in the Mid East and satisfactory access to it through pipe lines and otherwise. This subject again brought out some very plain talk and I think much was done to clarify our thinking.

Harold Macmillan pointed out that Kuwait was really the key to a satisfactory answer. This is for the reason that even in a region where many areas are great producers of oil, Kuwait is by far the greatest of these and in itself can produce oil enough for all Western Europe for years to come.

Along with this fact was brought up the British difficulties in Burami involving the Arabs, and difficulties in Aden, Jordan, Egypt and Syria.

To each of these difficulties the British had certain proposals to make.

On our side we pointed out that so many different considerations apply in each of these problems that the only logical approach was to take our principal purpose or objective and subordinate all other purposes to a successful solution of this principal one.

This principal purpose is, of course, that of retaining access to Kuwait and an adequate flow of oil therefrom, for one of the requirements for success in this is to achieve better relationships with the surrounding areas, the principal one of which would be Arabia. Yet the second important purpose mentioned by the British involves Burami, an object of bitter dispute between the British and the Arabians. I pointed out that the pursuit of both of these objectives simultaneously could very well endanger attainment of the important one. They had a number of reasons—all of which they felt were unselfish—for retaining their hold upon Burami, but I am sure that as a result of the conversation they are going to take a second look at their activities in the region and try to establish priorities that will keep first things first.

D. We agreed to put off discussion of the Baghdad Pact for a day or so. This was because of our own commitment to keep confidential our plans in this connection for a few days.

E. The British mentioned the existence of a secret Egyptian plot for executing a coup to dispose of Nasser. They apparently thought we knew a great deal about it and wanted us to make some public statement against Nasser in the hope that this would encourage the dissident Egyptians. Manifestly anything the British said against Nasser would only make him stronger in the area.

This was a matter on which neither the Secretary nor I had any worthwhile information, but during the day we secured an evaluation from Washington. Our appraisal was that the dissidents didn't stand much chance. Again we brought out that if the United States had to carry the burden for the Western world of negotiations with Nasser for a Canal settlement, we had better keep our mouths shut so far as criticism of him was concerned, at least for the moment.

III. The Prime Minister outlined the major factors in the whole Cyprus problem. They are quite complicated and he asserts that Britain wants nothing more to do with the island except to keep its base there, but any action that the British can suggest up to this moment antagonizes either the Greeks or the Turks. The British believe that the antagonisms that would be created by dropping the British responsibility in the island might even lead to war between the Turks and the Greeks.

I told them that I had certain important messages, particularly from the Greeks, asking me to urge upon Macmillan the importance of freeing Archbishop Makarios. I told them that in my opinion I didn't believe they were gaining much by keeping him prisoner, so I would just turn him loose on the world. At the very least this would prove to the world that the British were trying to reach a solution to this problem. My impression is that they are probably going to turn him loose, but subject only to his agreement not to go back to Cyprus and to abjure violence.

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#### 272. Editorial Note

At dinner on the evening of March 21, Ambassador Whitney informed Prime Minister Macmillan and Foreign Secretary Lloyd, at the request of Secretary Dulles, that the United States would be willing to join the Baghdad Pact Military Committee, if invited to do so by the members. (Memorandum of conversation at the Mid-Ocean Club, Bermuda, March 21, 8 p.m., USDel/MC/2; Department of State, Conference Files: Lot 62 D 181, CF 861) In telegram 2 to Ankara, March 23, Secretary Dulles informed Ambassador Richards that he had de-

cided to tell the British of U.S. intentions because they had been leaked in the press. (*Ibid.*, Central Files, 611.41/3-2357) For documentation on the issue of U.S. membership in the Baghdad Pact, see volume XII.

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**273. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 22, 1957, 10:30 a.m.<sup>1</sup>**

USDel/MC/5

PARTICIPANTS

*United States*

Secretary Dulles  
Ambassador Whitney  
Senator Walter F. George  
Mr. Phleger  
Mr. Elbrick  
Mr. Berding  
General Goodpaster  
Mr. Parsons  
Mr. Walmsley  
Mr. Timmons  
Mr. Macomber  
Mr. Dale

*United Kingdom*

Foreign Secretary Selwyn Lloyd  
Mr. P. H. Dean  
Sir Harold Caccia  
Sir Frederick Hoyer Millar  
Lord Hood  
Sir Richard Powell  
Mr. Denis Laskey  
Mr. J. A. N. Graham  
Mr. Dobbs  
Miss Rolleston

SUBJECT

U.K. Association with the Continent

*Military*

Mr. Lloyd opened by reviewing the WEU discussions of the British plans for force reductions in Germany.<sup>2</sup> He explained the U.K. had made it clear to the other WEU members that it had already made a firm decision to make substantial reductions in its armed forces in order to live within its financial means, but that it had not yet decided how much of the cut would fall on British forces in Germany. He said that the British were ready to meet SACEUR's first recommendation concerning the timing of reductions and that they had no objection in

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 867. Secret. Drafted by Dale and circulated to appropriate U.S. officials on March 22. The Delegation at Bermuda transmitted a summary of this conversation to the Department of State in Secto 14, March 23. (*Ibid.*, Central Files, 611.41/3-2357)

<sup>2</sup> The Council of the WEU met in London on February 26 and again on March 18 to discuss the British force cuts.

principle to his second recommendation dealing with a rotation of air units but that they could not accept the third recommendation for placing the 5,000-man strategic reserve in Germany because Army units had to be stationed a certain length of time in the U.K. if HMG was to attract a sufficient number of recruits into the armed forces.

Mr. Lloyd stated that on Monday several proposals (including the Dutch, Belgian and Italian) were put before WEU and that the temper of the meeting was "quite good" as it reflected a common determination not to let the organization break up over the question of the British force reductions. He said that the first year's reduction of 13,500 men would be concentrated among administrative and anti-aircraft units. When it comes to discussion of the second slice in October, he stated that the British mind is closed regarding a reduction of 8,500 but still open on the question of the 5,000-man strategic reserve. Mr. Lloyd said the British are still planning, however, on the assumption that this force will be stationed in the U.K. rather than Germany.

Mr. Lloyd said that the Germans attach great importance to their proposal for a review in NATO, and, although the British were unenthusiastic about it, they would support the Germans because the Germans had been so helpful to them in the WEU meetings.

Mr. Lloyd went on to say that although the British reductions were generally represented as a weakening of their forces on the continent, in fact the cuts would be more in the "tail than in the teeth" and there would be only a "slight weakening if it is any weakening at all". He also referred to an improvement in the quality of the remaining British forces in Germany. Mr. Lloyd added that only the U.S. and the U.K. maintained substantial forces in Germany and that it cannot be argued a "chain reaction" would take place as there is very little left to reduce as far as the other countries are concerned.

Mr. Lloyd said the argument they had used in WEU was economic to begin with in accordance with General Norstad's request, but since the fighting capability of the remaining U.K. forces would actually be superior, military efficiency was also involved.

Secretary Dulles suggested that discussion of military aspects be postponed until afternoon because we had some military people coming at that time. Mr. Lloyd replied that he understood the afternoon meeting might be a restricted one and wished to be sure to get his ideas on the record.

The Foreign Secretary then turned to economic aspects of British association with the continent saying that he was worried over developments regarding the free trade area and common market. He said that the British had found it necessary to eliminate agricultural products from their free trade area proposal because of the Commonwealth, in particular Australia, and that it was not yet clear what the

six were going to do about agriculture. He thought, however, that something could be worked out between the common market countries and U.K. on this point.

Mr. Lloyd stated that the French decision to include their North African colonies in the common market was a more serious matter. He feared that they would endeavor to erect a high tariff wall around themselves and Northern Africa which could split Western Europe and destroy the efforts which have been going on to liberalize tariff barriers. He claimed that the Belgians, on the other hand, desire a low tariff wall and if this principle prevails he believed that the U.K. could solve its problem with the colonies. Otherwise the U.K. would be accused of selling its colonies down the drain and the free trade area might no longer be feasible. He said that the Portuguese, Greeks and Turks resented the French position too and that he did not think the French themselves realized the trouble they will have with GATT. He added that all the U.S. and U.K. could do was to keep up pressure for a low tariff solution.

Mr. Lloyd then turned to discussion of the U.S. tariff, stating that he was worried over restrictions of oil imports from the Middle East, woolen worsteds and bicycles. He said that the President has up for decision the question whether to set the low tariff quota on worsted at 6 and 1/2 percent or 5 percent, and that the former would be of great assistance to the British. He added that, having borrowed money here, it was necessary for the British to trade with us in order to be sure of paying the money back. Mr. Lloyd said that the question of American tariffs, however, was not just a part of Anglo-American relations but also concerned the broad problem of maintaining a liberal trade policy.

The Foreign Secretary said that the British wished to build up the OEEC and to handle their relations with EURATOM through it. In this connection, he cited the OEEC Steering Committee on Atomic Energy.

Mr. Lloyd then turned to political aspects of the association with the continent and mentioned first that WEU members had agreed to holding regular Ministerial meetings every three months. He added that the British certainly did not want WEU to become a special group in NATO and said that in order to meet this point he had suggested that the organization be transferred to Paris with the NATO representative acting for WEU as well. He mentioned that this suggestion was received unfavorably by the continental members of WEU who maintained that such a move would look as though the U.K. were trying to disassociate itself from the continent and cited the fact that the Armaments Control Agency and Special Armaments Group of WEU were already in Paris.

Mr. Lloyd said that the U.K. had cooperated in the report of the "three wise men" on NATO's political functions<sup>3</sup> and were cooperating in NATO along this line. He also mentioned that the U.K. had accepted promptly Lord Ismay's proposal of good offices in the Cyprus dispute.

Mr. Lloyd said that, except for the Coal and Steel Community Assembly which controls the High Authority, European organization assemblies are largely debating societies. Referring to the Council of Europe, he claimed that the relations between the Assembly and Council of Ministers had proven a failure. He said the British thought it was time to pull all the assemblies together into one which would, in turn, have committees on economic, cultural and military affairs. The military committee, which would do roughly what the WEU Assembly and the Assembly of NATO Parliamentarians do now, would have to be somewhat detached in order not to scare away neutrals from the economic and cultural committees. Mr. Lloyd thought that by this means a common feeling of unity could be built up in free Europe. He added, however, that the last thing the British wanted to do was to scare away the North Americans and hoped that if the common assembly should come into being we would become members of the military committee and perhaps associate members or observers on the others. Mr. Lloyd said that these assemblies are becoming a serious problem which might tend to split rather than unite Europe. Therefore, the British Government was suggesting a single assembly in their place with headquarters probably in Paris. This proposal, he said, gave effect to a striking trend in the UK toward closer association with the countries of Western Europe.

Mr. Dulles said that he would not comment on the military aspects of the Foreign Secretary's remarks as the President had views he would wish to express in this field. On the economic side, however, he said that we were encouraged by trends towards integration in Europe, especially the Common Market, EURATOM and the Free Trade Area. He stated we have thought for a great many years that Europe could not realize its full potential without a greater degree of unity. The Secretary said that the French had told us they favored a common market area with low tariffs vis-à-vis outside countries. At this point Mr. Lloyd interjected that the French might start off with "high resolve" but he feared they would soon lapse.

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<sup>3</sup> Reference is to the report of the Foreign Ministers of Canada, Italy, and Norway, December 11-14, 1956, on ways and means of improving and extending NATO cooperation in nonmilitary fields.

The Secretary agreed that we must recognize the existence of this danger because of the pressure of French industrialists who operate on a high price-low output production system. He then warned that the effect of a high tariff wall on our own tariff policy could be considerable.

Referring to U.S. tariff policies, the Secretary said that the President and the Executive Branch desire to pursue a liberal tariff policy but that the trend in Congress is in the other direction, a fact which cannot be ignored. He explained that previously, when the South was chiefly a cotton producing area, it could be counted upon to support low tariffs and free trade but that with the movement of industry to the South that area had become more protectionist minded. He said that it becomes harder each time to obtain Congressional approval for liberal trade legislation and that, whereas the President's views were based on the general interest and interests of the world as a whole, Congress tended to represent the views of special interests which superficially seemed to be advanced by higher tariffs. The Secretary forecast trouble when the Reciprocal Trade Agreements Act comes before Congress again next year but said that the Executive Branch would continue to pursue liberal trade policies, perhaps not on every case but as a rule.

Concerning the political aspects of U.K. association with the continent the Secretary agreed that the multitude of organizations and assemblies presents a confusing picture and that simplification is desirable. He believed that some organizations should be entirely European in scope, perhaps even entirely continental. The Secretary said that we shouldn't retard progress towards integration in some of these in an effort to assure unity of treatment. Similarly, he did not believe that we should wish to see such great breadth of representation that it would hold up progress on such organizations as the Common Market, EURATOM or the free trade area.

The Secretary said that he did not know what the impact of these moves towards European unity would be on NATO. He recalled that we had tried hard to make NATO a more effective forum for political consultation but said he did not feel himself that we had yet "struck oil" in this field and that the tendency still exists for NATO to operate on the old basis. The Secretary said he was a little discouraged about this and believed that perhaps other organizations were more effective in some fields. He explained that it was difficult to steer all matters through the NATO Council and that the Congress was irritated when it first read in the press of policies agreed in the NAC, just as the NAC was irritated when it first read in the press of U.S. policies of interest to it which have been discussed with Congress. He said that Canada and the U.S. properly have interests, particularly in the defense fields, which would inevitably involve all of us. In this connection, he men-

tioned the retaliatory air power which is principally a U.S. weapon but upon which all NATO members depend. He said, however, that our presence was not so indispensable in other areas, such as the economic, although we have indicated a willingness to contribute there too. He cited our offer of atomic material to EURATOM stating that it was in our interest as well as Europe's to see atomic power development pioneered in Europe. He believed that the U.S. could benefit by European experience in building such production facilities and that a lowering of the cost of atomic power should result. He was sure, he said, that the U.K. could associate itself usefully with EURATOM as it has with the Coal and Steel Community.

The Secretary said that he had not been able to study the many complications involved in relationships between the Common Market and the Free Trade Area. He stated that the U.S. supports these developments in principle but that serious problems would arise if tariffs were raised against U.S. goods. He recognized, however, that the early development of the Free Trade Area or Common Market might involve economic sacrifices for us but hoped that they could be kept to a minimum.

Referring to WEU, the Secretary said we realized in 1954 that a question could arise whether the center of gravity would be in NATO or in WEU. He stated that we should not like to see a situation develop in which WEU would reach decisions first which the NATO Council would then confirm on a pro-forma basis. Mr. Lloyd replied that lately NATO Council meetings have gone well and that NATO and WEU have fitted in well together. He stated further that the last month has been a justification of the capacity of both bodies to cooperate with one another. He then referred to the existence of feeling in Europe in favor of creating a third force between the U.S. and the USSR and said that even some in the UK advocated this development. He emphasized strongly that the U.K. Government was going to prevent the driving of a wedge between Europe and America but warned that the tendency did exist and that it could be dangerous. He believed that European integration should be achieved within the NATO concept.

The Secretary replied that he would not object to seeing Europe and the U.K. become a force just as long as it was not a neutralist one. He said he thought there should be unity among all of us in military and political policies but that in the economic field he would like to see Europe itself draw closer together, including North Africa. He mentioned that weakness in Europe tends to create dependence on the U.S. which also leads us to desire a strong Europe, but not as an intermediary playing the USSR and U.S. off against each other. The Secretary said he foresaw no development in Europe in the next generation which was likely to relieve it of dependence upon the deterrent power of the U.S.

The Secretary went on to say that he had some apprehensions concerning the impact on NATO of strengthening the WEU Council and added that it would be helpful if the U.S. can be fully informed of what goes on in WEU. He agreed that recent meetings of the two organizations have been well coordinated and said he understood that some countries which voted for the military review proposed by the Germans in WEU would not necessarily support it in the NAC.

Mr. Lloyd confirmed that WEU had merely voted to send the German proposal to NATO for consideration. He added that the U.K. had been placed in a somewhat awkward position by the fact that Adenauer had intended to be of assistance, hence it was inappropriate for the U.K. to attack the proposal out of hand.

Mr. Lloyd stressed that bringing North Africa into the Common Market changed the shape of the original project.

Mr. Dulles said that he had no opinion as yet on that subject and that perhaps the problem of Western European relations with Africa should be studied as a whole. He believed that Western Europe would come to depend increasingly on Africa in the future and that perhaps the inclusion of the colonies of some continental powers in the Common Market would have to be accepted. He reiterated at this point that he did not wish to express a specific opinion on this question.

Senator George remarked on the friendly feeling in the U.S. towards progress being made with the Common Market and Free Trade Area and said it was his impression the U.S. public believed the membership itself should determine how far these organizations should go in Africa. The Secretary supported him, saying that we would not oppose inclusion of the colonies in the Common Market if such action were necessary to obtain approval for it.

#### *German Reunification and European Security*

Mr. Lloyd opened discussion on this subject by saying that he felt anxious about the next three months in Germany. He cited a recent speech of Mr. Gaitskell's there,<sup>4</sup> in which he called for the launching of a peace offensive, as evidence of the erosion of opinion in the British Labor Party and a veering towards neutralism for Germany. He recommended that in view of this development we should try to take a more positive line. He expressed some disappointment with the results of the four-power Working Group<sup>5</sup> in that they had produced no

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<sup>4</sup> Reports of Gaitskell's speech at the Free University of Berlin, March 18, in which he called for the establishment of a neutral zone for Europe, are in telegram 5060 from London, March 21. (Department of State, Central Files, 740.5/3-2157)

<sup>5</sup> The Working Group, composed of experts from the United States, United Kingdom, France, and the Federal Republic of Germany, considered the problem of German reunification, in Washington, March 6-15. Its report is *ibid.*, 762.00/3-1657.

specific proposals for refurbishing our position. Mr. Lloyd stated that the Western stand was still sound but that we needed a fresh statement of it.

The Secretary agreed saying that with the German elections<sup>6</sup> coming along three courses of action might occur: 1) Adenauer could make a startling new proposal in order to indicate his zeal for unification; 2) the Soviets could make a beguiling offer shortly before elections; or 3) a Four-Power proposal might be made. He thought that unless something positive is done along this last line, we might have to deal with either of the first two. The Secretary said that our position at the Foreign Ministers meeting in 1955 had been too involved and had never really gotten across to the public in the face of Russian propaganda designed to confuse it. He suggested that we give the working party a new mandate, namely, to evolve a fresh statement of our position on German reunification on the assumption that we might have to say something new on the subject within the next month. He said that the Governments concerned could look at it and accept or reject it.

Mr. Lloyd then stated that possibly we should now "grasp the nettle" and accept the idea of another meeting with the Russians, perhaps in June in order to make sure that our point of view on German reunification gets across. He said this action would remove the issue of whether or not there should be a meeting from the German election. He expressed confidence that Chancellor Adenauer could make our case clear to the German people but added that if the Chancellor did not want such a meeting then of course we would not go through with it.

The Secretary said that a meeting per se would not necessarily be an asset for us. The Russians could use it to disseminate their propaganda proposals and to give them greater authority. The real question is, in his opinion, whether we have a good position which would allow us to dominate such a meeting. He said that if our position were based on the working group report, a meeting with the Russians would be a liability.

The Foreign Secretary replied that the risks involved in not holding the meeting might be even greater. He foresaw benefits from nailing the USSR position down clearly on such matters as social gains, foreign affairs and elections when applied to a unified Germany. He advocated cross-examination of the Russians.

The Secretary in turn replied that he had never found it profitable to cross-examine the Russians.

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<sup>6</sup> Elections to the Bundestag were held on September 15.

Sir Frederick Hoyer-Miller said that it was dangerous to go into a meeting of this type with the Russians and that they might well use it to defeat Adenauer in the approaching election.

The Secretary then said that if the conference should succeed Adenauer would have to go to the polls as one who had made his last effort with the Russians and had failed. He said that we would never do better than during the last meeting to put the Russians in a bad position but world opinion had failed to realize that the issue there had really been not whether a unified Germany would be neutral but whether it would be Communist.

Mr. Lloyd said these were strong arguments but that he still did not consider the question of the meeting one sided. He suggested that the four Governments submit the working group report to NATO and that the working group itself be asked to re-commence working on the basis of its recommendation. NATO concurrence was not required to initiate this task by the Four-Power Group. Mr. Elbrick and Lord Hood were delegated to prepare a paper showing what procedure might be used to convey the results of the Four-Power working group to the NAC and to initiate working group study of means of refurbishing the Western position on German reunification.<sup>7</sup>

#### *The USSR and Satellites*

Mr. Lloyd stated that our attitudes towards the USSR were generally similar and that the only point he wished to raise concerned cultural exchanges. He explained that the Russians were pressing for resumption of cultural relations and that the British believe it is in our interest to bring scientists, etc. to the West in order to keep an intellectual ferment active inside the USSR. He said that the British wished to restore these interchanges to about the same level as before the Hungarian rebellion.

The Secretary said that we did not disagree with this action as long as it is undertaken cautiously. He pointed out that such exchanges are beneficial in that they contain the greatest long-run hope for increased education among the Russians. An educated mind dislikes uniformity and is likely to question authority. On the other hand, he said the Russian rulers tend to consider cultural contacts as a sign of social acceptance and even of approval for their policies. He warned that even some weak free world countries share this attitude to a degree and are vulnerable to penetration from this source. Nevertheless, the Secretary stated he did not disagree with a cautious resumption of cultural contacts.

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<sup>7</sup> Substance of the Elbrick-Hood report was transmitted to the Department of State in Secto 16 from Bermuda, March 23. (Department of State, Central Files, 740.5/3-2357)

[1 paragraph (6 lines of source text) not declassified]

Mr. Lloyd then asked whether we contemplated giving economic aid to Poland. The Secretary replied that a Polish mission is now in the U.S. and that exploratory talks are under way.<sup>8</sup> He expected that only small scale aid is likely in light of opposition from Congressional sources and doubt whether we can utilize our agricultural surpluses for this purpose on terms which the Poles would be prepared to meet.

Mr. Lloyd said that we should support steps to reorient Polish trade towards the West and provide aid in moderate amounts, being careful, however, to avoid the appearance of cashing in on the new political situation in Poland. He mentioned that the U.K. might relax the terms of their own trade agreement with the Poles; with this thought in mind, Sir Frederick Hoyer Millar then added that the best way to deal with the satellites is to step up our propaganda rather than provide large scale aid or invite rebellion.

The Secretary agreed that the best course is to promote peaceful evolution among the satellites away from the USSR [less than 1 line of source text not declassified]. He did not feel, however, that we could condemn those who have died for their freedom in Hungary as they were martyrs for a great cause. [less than 1 line of source text not declassified] we must not appear to condone Russian policies in Hungary or condemn the rebels. He mentioned that the communiqué drafters would have to handle this problem with care.

#### *Far East*

Mr. Lloyd opened the discussion saying that this would be a preliminary run since the Prime Minister wished to discuss this problem further himself. He noted the existence of "virtual unanimity" among both political parties in the U.K. on China trade. He pointed out that it was becoming extremely difficult to explain the "China differential"<sup>9</sup> in Parliament, and that the British people regard the Russians as their principal enemies rather than the Chinese. He mentioned that the British had made considerable use of the exception procedure but that there was little room for further expansion in this direction. Lloyd said that the British now feel very strongly that the time has come to abolish the differential. He maintained that the present controls harm the free world more than they do the Communists and hence are a political liability. He foresaw little chance that a free Malaya or Hong Kong would be willing to operate under a control

<sup>8</sup> For documentation on the negotiations with Poland which began on February 26 in Washington and resulted in agreements to provide Poland with \$95 million in aid, see volume xxv.

<sup>9</sup> The list of strategic items banned for export to Communist China was larger than the list of items banned for the Soviet Union. The difference was the "China differential."

system in which the China differential was maintained. He said the British also believe the existence of the differential brings the whole system of trade controls into disrepute, making it harder to maintain them against the USSR and increasing the possibility of the disintegration of the entire system. He said that the U.S. is practically alone in attempting to maintain the differential and that our attitude leads to anti-American feeling in Britain. Lloyd stated that the British and Americans had talked about this question thirteen months ago in Washington<sup>10</sup> and had agreed to an item-by-item review designed to see where relaxations could be made. He said that this examination had produced no results and that Britain could not hold on to the differential much longer. Moreover, he added the British do not believe it is right to do so. He said that the only reason they have stuck to the differential as long as they have was to keep their policy aligned with ours.

The Secretary said that this was a hot subject with us too, although the domestic problem is reversed here. He noted that the emotional feeling in the U.S. about China is stronger than the feeling about Russia due primarily to the casualties suffered during the Korean war and to imprisonment of U.S. civilians by the Chinese Communists. He said it is less a question of intellectual justification than of emotional feeling. The Secretary stated that nevertheless we have been giving renewed consideration to the "possibility of getting rid of the differential", perhaps by adding a few items to the list and getting rid of the balance. He said that we could not discuss our plans in detail until Congress has been consulted but that we hope to be able to take a fresh international position on this matter within a couple of weeks. The Secretary added that if it could be made clear that an economic shift of this type does not presage a political shift and if at the same time the U.S. and the U.K. could get closer together on the political side it would help us a great deal.

Mr. Lloyd asked whether the Secretary intended this move on the political side to be public and was answered in the affirmative. Then Mr. Lloyd said "many words would have to be eaten in the U.K." and that considerable public education would be required.

The Secretary noted that if we should bring Communist China into the UN it would make the problem which has arisen with the entrance of new members into the UN even worse. He said that neither our own interests nor the requirements of the Charter would be met by seating Communist China. He noted that the British have gone along with the moratorium thus far but that it has appeared to us

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<sup>10</sup> See Document 226.

that they were doing so unwillingly. If their support could look more genuine it would help us with the economic problem of the differential.

Mr. Lloyd stated that the change in composition of UN membership has changed many U.K. views. He said now that we have no Western working majority, the Chinese Communist capacity for mischief would be even greater.

The Secretary suggested that the British might now give some thought as to whether we could strike a balance on these two items. He observed that our positions in Asia have little depth and that people out there are becoming nervous over whether we will accept the Chinese Communists. He added that it was for this reason he gave his recent speech in Canberra on the subject of Communist China which he had not originally intended to do.<sup>11</sup> Mr. Lloyd stated that the British position on the moratorium would become easier if we could give ground on the trade side, but that it should not look publicly as though we were striking a bargain. Secretary Dulles said that the morning's communiqué should avoid discussion of this matter.

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<sup>11</sup> For text of Secretary Dulles' speech before the SEATO Council, March 12, see *American Foreign Policy: Current Documents, 1957*, pp. 1116-1117.

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**274. Memorandum of a Conference With the President,  
Bermuda, March 22, 1957, 1 p.m.<sup>1</sup>**

**OTHERS PRESENT**

Secretary Dulles  
Secretary Quarles  
Secretary Robertson  
Admiral Strauss  
Mr. Robert Murphy  
Mr. Timmons  
General Goodpaster

Prior to going in to lunch with the President, the group reviewed major remaining questions pertaining to the project to give IRBMs to the United Kingdom. The President stated very emphatically that he did not want to make a commitment to production until we have a successful missile. Mr. Quarles outlined the production schedule of the

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Top Secret. Drafted by Goodpaster. Part of this conversation is also recorded *infra*.

missiles—both for test and development and for inventory and unit purposes, pointing out that the latter implied simply a continuation of use of the capacity that had been developed during the test and development phase. Mr. Dulles inquired searchingly as to just what the proposed commitment to the British would be. Mr. Quarles summed it up to the effect that when they and we agree that we have a sound weapon, we will begin to furnish them. The President said he took that to mean that there would be no production of weapons for use until there was an agreed decision that the weapon was successful. Mr. Quarles said that would be observed, although of course we would be keeping the pipeline filled with items pending that decision, and those items would then be available to carry on the production flow. Mr. Murphy confirmed that the determination on production and production rates is for the U.S. to make.

Admiral Strauss confirmed that, through discussions between Defense and AEC, an agreed plan for custody of sensitive portions of the missile had been developed.

During lunch there was discussion of the basis on which the missiles would be made available to the British. Alternatives suggested were funding the missiles out of Plan K money, conveying them on a lend-lease basis, and straight aid (the latter was not favored).

While waiting for the British officials to join the group, the President read a memorandum from Mr. Robertson commenting on three phases of the Defense questions—the use of Plan K funds (including the turning over of an F-86 wing to the British), support costs for British and U.S. forces in Germany, and Defense thinking regarding the necessity to cut down U.S. manpower (without decreasing the number of units) in Europe.<sup>2</sup>

The Prime Minister, Selwyn Lloyd, Mr. Dean, Norman Brooke, and Richard Powell then joined the group. The President said that he felt we should handle the missiles question by saying that we have agreed that we will turn over guided missiles under arrangements to be mutually agreed, in the interest of mutual economy and collective security. Mr. Macmillan distinguished between two documents—the first being what the two governments would agree to do, and the second being what would be stated to the press on the matter. He thought the President's formulation for the press was fine. He said there should be a supplementary statement as to the agreement itself. He recognized that there would be many details to be worked out. He said it was necessary to know for scheduling just what our projections are.

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<sup>2</sup> Not printed. (Department of State, Central Files, 740.5/3-2257)

The President agreed, and said that if there were agreement on the documents then the technical people could work out the details. He mentioned that there are several different procedures that could conceivably be used for actually turning over the missiles. Mr. Macmillan said it would be well to have the "minutes" bring out that there would be four sites, one squadron to a site, that the United States would continue to hold the warheads on a "key to the cupboard" basis, etc.

In response to a question by Mr. Macmillan, Secretary Quarles said that if all goes well, we estimate that it should be possible to deploy a "handful" of missiles in the UK by mid-1958 as an initial emergency capability, to put the first squadron there by mid-1959, and to have four squadrons in place by mid-1960. Mr. Macmillan said this information was most helpful, since they need to know the timing in order to decide about continuing their own missile plan, and also to weigh the impact on the development of the long-range bomber project after their present one.

The President said that the weapon is one of tremendous psychological importance, although he was inclined still to discount its military significance. In fact, he thought that when the two sides come to the point of waging war with such weapons, that all sense and logic would have disappeared. He therefore thought it was desirable to keep aircraft research and development going along.

Mr. Macmillan thought it would also be desirable to have a private record regarding the Corporal missile, and there was agreement that drafting groups should start work on these.

The President next broached the idea of a joint declaration that both countries would limit their atomic testing to a level not exceeding the point of radioactive safety. Admiral Strauss outlined the proposal. There was a considerable amount of discussion and weighing of the various aspects of the proposal, which was then referred for further study and drafting.

The President next raised the suggestion of pulling out the U.S. F-86 wing now in Britain and turning the planes over to the British. Mr. Powell indicated that the British have some doubts as to the desirability of this. If the planes were F-102s they might be in position to consider it. Mr. Macmillan said that increasingly, the only purpose of fighters is to protect the bases from which the bomber striking forces would be launched, [*less than 1 line of source text not declassified*]. He and the President agreed that the proposal should be further discussed. Mr. Macmillan returned to the subject of the statement concerning the limiting of atomic tests. He said that he was inclined to think that if tests are not limited other countries will start developing nuclear weapons, and the President agreed, and suggested that this trend should be forestalled. Mr. Macmillan said that he considered the

statement should be so drafted as to appear clearly to the world as a move toward limiting tests. At the same time, several present brought out that we must not limit ourselves relative to the Soviets, or take on all onus for radioactive hazard.

All present left except the top four and Mr. Dean and myself, and I reported certain developments in the Middle East.

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*Brigadier General, USA*

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**275. Memorandum of a Conversation, President Eisenhower's Quarters, Mid-Ocean Club, Bermuda, March 22, 1957,  
3:20 p.m.<sup>1</sup>**

USDel/MC/6

PARTICIPANTS

| <i>United States</i>  | <i>United Kingdom</i>  |
|---|--|
| The President   | The Prime Minister   |
| The Secretary of State  | The Foreign Secretary  |
| Deputy Secretary of Defense Robertson   | Sir Norman Brooke, Secretary to the Cabinet                  |
| Secretary of the Air Force Quarles  | Sir Richard Powell, Permanent Secretary, Ministry of Defense |
| Admiral Strauss, Special Assistant to the President for Atomic Energy Affairs | Mr. P.H. Dean, Deputy Under Secretary, Foreign Office        |
| Deputy Under Secretary of State Murphy  |  |
| General Goodpaster, White House Staff Secretary                               |  |
| Mr. Timmons, Director, EUR/RA, State Department                               |  |

SUBJECTS

- Wilson-Sandys talks  
Possible declaration on limitation of nuclear testing

After a luncheon given by the President and attended by the U.S. side, the President invited Mr. Macmillan to call on him. Mr. Macmillan arrived at 3:20 p.m., accompanied by the above and indicated advisers.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 867. Top Secret. Drafted by Timmons, cleared by Murphy and Strauss, and circulated to appropriate U.S. officials on March 22. This conversation is also reported *supra*.

The President indicated to the Prime Minister that he wished to discuss the question of guided missiles. He informed the Prime Minister that the U.S. was agreeable in principle to working out arrangements to make available to the U.K. certain intermediate range ballistic missiles. He emphasized that this decision related only to the principle of making these missiles available; all of the specific arrangements that would be required to implement this decision in principle would have to be worked out later and agreed upon.

The President emphasized that with respect to these arrangements the U.S. does not at this time know just what it will be able to do in this matter. Congress must be apprised. For all these reasons it would not be possible to decide upon or announce any details of the arrangements.

The President went on to speak of the uncertainties affecting the IRBM program. He said we do not yet know whether the missile will in fact become operational. There was also the possibility that a better piece of equipment would become available in the future. For all these reasons, the President continued, he did not wish at this time to work out any fixed or rigid arrangements on the IRBM between the U.S. and U.K. Governments or between the U.S. Government and Congress. The President reiterated that all that could be done now was to approve the idea in principle, in the interest of greater mutual efficiency and economy. He indicated his desire that any public reference to this matter merely speak in terms of guided missiles and not refer specifically to the IRBM.

The President said that one concept of deployment had been discussed with U.K. Defense Minister Sandys when the latter had been in Washington in January last.<sup>2</sup> This concept of deployment had spoken of the possibility that four squadrons of IRBMs would be transferred to British hands by December 1960. Another concept of deployment about which the U.S. Government was thinking would provide that two squadrons of IRBMs deployed in the U.K. would remain in U.S. hands and two squadrons of IRBMs would be transferred to British hands. The President pointed out that there was a possibility that after the first missiles had been deployed to the U.K., the U.S. might wish to withdraw them and replace them with improved models. The President repeated that he believed all that could be said on this subject in the final communiqué to come out of this conference would be that the U.S. had agreed to make available to the U.K. certain guided missiles under arrangements to be worked out, in the interest of mutual economy and mutual security.

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<sup>2</sup> See Documents 253-256.

The Prime Minister said that he welcomed the statement that had just been made by the President. Mr. Macmillan went on to say that as he saw it there were two things that now had to be put down on paper. One was what could be said publicly in the final communiqué, and the second was what had been agreed as a result of this discussion. The latter could be put down in the form of a secret minute. The Prime Minister stressed that it was important to be clear on just what had been agreed, in order that the British might get on with their defense planning. He then repeated that the first step was to agree upon an eventual public statement, and then to get on with working out the details of the arrangements the President had referred to.

The President then referred to the question of nuclear warheads for IRBM. He noted that Mr. Macmillan had earlier spoken of the fact that the United States would "keep the key to the cupboard", meaning that United States nuclear warheads for any IRBMs made available to the United Kingdom would of course remain in full U.S. custody, as is required by U.S. law.

The President and the Secretary of State noted that the IRBMs to be made available to the British might be provided on a "lend-lease" basis, or perhaps financed with part of the available Plan K funds. The President also noted that one of the questions that had been discussed with Mr. Sandys was the application of Plan K funds to the purchase of Corporal missiles in the United States.

Mr. Macmillan said that as he saw the arrangements that would have to be worked out, they looked something like this: Four sites would be required for the four squadrons to be deployed in the U.K. The U.K. would finance the preparation on the bases. The warheads would remain in U.S. custody. The missiles, which are quite separate from the warheads, would be provided to the U.K. under Plan K financing or on some other basis. The Prime Minister went on to say that the U.K. needs as soon as possible some picture of the timing of the deployment envisioned by the United States.

The President said that we must be careful in any estimates that are made of the timing of deployment. The Defense Department has taken precautions against delays in development by approaching the development of key items of the missile in two or more alternative ways. In spite of this "built-in insurance", the Defense Department could not of course yet guarantee that the missile would work.

Mr. Macmillan said that he understood perfectly that the missile is in the development stage.

The President noted that the next test of the IRBM would take place in the next two or three weeks.

Mr. Quarles noted that with respect to the anticipated timing of deployment, as the President had said these were dates fixed by the scientists and research people. However, the present timing estimates

show that a handful of IRBMs, say 5 to 7, would be deployed in the U.K. by July 1958. The first full squadron of 15 missiles would be deployed in the U.K. by July 1959, and the 4 complete squadrons would be in place by July 1960.

The Prime Minister said that information on the progress being made on the IRBM would be of great help to the United Kingdom from the standpoint of two broad decisions which the U.K. must take. If the IRBM will actually work, the U.K. would be inclined to knock out its development program for its own missile, except for a few million pounds a year on continuing research. This would enable the funds now being put into the U.K.'s comparable missile to be transferred into some other defense area.

The President replied that the U.S. intends to go forward with the IRBM but that the U.S. was not in a position to firm up any further decisions on the IRBM today.

The Prime Minister then said that the second broad decision confronting the U.K. was what to do about the development of the bomber that would succeed the present bomber in service, i.e. the "Super V" bomber. The Prime Minister added that if the U.S. IRBM "proves out", he would be inclined to depend on missiles. He would need to know as soon as possible what the prospects are that the U.S. missile will work.

The President said that in his personal opinion the U.K. should keep on putting some money into bombers. The President then said that if there should be a war in which general reliance was placed on missiles of the IRBM and ICBM type, this could mean the end of civilization. The prospect that such missiles might be used might help to bring closer the possibility of real disarmament negotiations with the Soviets.

Mr. Macmillan then turned to the question of the Corporal missile. The President said that as he understood it the question of the Corporals was settled. He asked Mr. Robertson to comment. Mr. Robertson said that it was agreed that the financing of U.K. purchases of Corporals in the United States would be worked out, utilizing approximately 30 million dollars of Plan K funds. Mr. Robertson said that we were in a position to confirm this to the British. Mr. Robertson also referred to the question of nuclear warheads for Corporals. Admiral Austin, Director of the Joint Staff of the United States [Joint] Chiefs of Staff, had addressed a memorandum on January 31, 1957 to the Commander of the British Army Staff, British Joint Services Mission in Washington, outlining the lines of an agreement whereby the U.S. would stockpile in U.S. custody nuclear warheads for Corporals near the British Corporal units.<sup>3</sup> The U.S. was prepared to go forward and

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<sup>3</sup> Tab E to Document 262, not declassified.

work out an agreement along the lines of Admiral Austin's memorandum. Mr. Macmillan inquired of Mr. Robertson whether the use of approximately 30 million dollars of Plan K funds for Corporals had been cleared with the Congress. Mr. Robertson replied that it had been.

The President said there was one other point stemming from the Wilson-Sandys talk which he wished to mention. The United States Air Force has one fighter wing, consisting of three squadrons, stationed in the U.K. This wing is equipped with F-86-D aircraft. It had been proposed that U.S. Air Force turn over the aircraft and equipment to the Royal Air Force, which would then assume the mission of the wing, and the U.S. personnel would be withdrawn. The President said that this matter had been broached with Mr. Sandys when the latter was in Washington in January.

The Prime Minister said he had heard of the matter "vaguely" from Mr. Sandys. He said that he understood there was some difficulty on the U.K. side, and asked Sir Richard Powell to comment.

Sir Richard Powell said that he thought the proposal was "not really worth it" from the U.K. side. The British were not interested in taking over F-86-D aircraft. If the wing could be equipped with newer aircraft, then they would be interested.

[1 paragraph (6½ lines of source text) not declassified]

The Prime Minister suggested that Mr. Patrick Dean and Sir Richard Powell might serve as the British members of a drafting group to prepare minutes of this conversation which could be agreed to by both sides.<sup>4</sup> The President said that Mr. Robertson, Mr. Quarles and Mr. Murphy would be the U.S. members.

Turning to another subject, the President said that Admiral Strauss had come up with an idea bearing on the problem of testing hydrogen and atomic weapons that might be incorporated in the final Bermuda communiqué. The general idea would be to have a declaration saying our two Governments had agreed not to test nuclear weapons beyond the point of safety. The President suggested that this idea be looked at in order to see if it were useful.

The Prime Minister said that he was receiving questions every week on matter of limiting nuclear test explosions. Some of his critics were of course naive but underneath it all there was a strong feeling in Britain that nuclear tests should in some way be limited.

Admiral Strauss said that the idea the President had referred to had been embodied in a draft paper, to the effect that the two Governments would not test to a point which would endanger life. The

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<sup>4</sup> See Annexes 1 and 2 below.

declaration might also indicate that the U.S. and U.K. were willing to register tests in advance with the UN and also to have limited international observation on a reciprocal basis.

The President said that any such statement should make it clear that the U.S. and U.K. tests would remain far below the amount of radiation which would be dangerous.

The Prime Minister stressed again that this matter of nuclear test limitation was an important domestic political issue in the U.K., and that the declaration referred to by the President and Admiral Strauss might well be very useful. Admiral Strauss then proceeded to read the draft that had been prepared on the U.S. side.<sup>5</sup> The President again emphasized the need for saying something which was quite positive, to the effect that not only would we stay below the safety limit but that we might take some still lower figure and then say that we will remain well below such lower figure. Admiral Strauss said that one difficulty with fixing precise figure was that no reports on the effects of radiation have fixed a precise danger point.

Mr. Macmillan inquired of Mr. Selwyn Lloyd as to his estimate of what the Soviets might propose with respect to nuclear test limitation. Mr. Lloyd hazarded the guess that the Soviets might come out for complete prohibition. The Prime Minister wondered where this whole matter was going. He observed that the U.K. was going to have a test shortly. Would this stimulate other countries to go in for the manufacture and testing of atomic weapons?

The President referred to the "Fourth Country" problem and the danger that atomic weapons might come into the hands of irresponsible countries.

The Secretary of State said that if the Soviets would accept our disarmament proposal on the cessation of the manufacture of fissionable materials for military purposes, this could put a stop to the nuclear race.

Mr. Macmillan inquired whether the U.S. and U.K. could protect themselves against clandestine Soviet testing. Mr. Quarles said that he doubted that there could be any assurance that we could protect ourselves against this possibility. Sir Richard Powell thought that Soviet "cheating" could not be detected in a range of about 5%. We of course know that the Soviets have a sizeable stock of nuclear weapons. The possibility of "fourth countries" developing atomic weapons is the real problem.

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<sup>5</sup> The text of the draft was sent to London in telegram 8 and to the Department of State in Secto 11 from Bermuda, March 22. (Department of State, Central Files, 611.41/3-2257)

The Prime Minister said that any announcement on this question should strike the world as an indication that the U.S. and U.K. are looking in the direction of limiting nuclear tests, and should not convey the impression that we are planning to go on indefinitely with tests. The President agreed that this was an important consideration. He said we should stress that we are voluntarily imposing on ourselves a limitation, yet we must maintain sufficient latitude to continue necessary tests.

The Secretary of State inquired of Admiral Strauss where is the danger line to be drawn as regards the effect of radiation on the human body. Admiral Strauss said that the increase in radiation resulting from tests up to the present time had not been an important factor. Scientists estimate that during an average man's life he receives 4 roentgens of radiation from cosmic radiation and from the soil. He receives 3 additional roentgens from normal x-rays, medical, dental, etc. From all tests to date, and if tests were to continue at the present rate, he would receive one-tenth of one roentgen from this source.

It was agreed that Admiral Strauss would work with Mr. Dean of the British delegation and see what could be developed out of the nuclear test limitation idea which Admiral Strauss had advanced. The discussion ended at 4:10 p.m.

(Note: As a result of this meeting, three memoranda of conversation were prepared, one of which was sent to Selwyn Lloyd and two of which were sent to Sir Richard Powell, with a covering letter from the Secretary and from Deputy Secretary of Defense Robertson. These documents, along with the replies from Lloyd and Powell, are attached. The entire exchange of documents was cleared by the President, the Secretary, Deputy Secretary of Defense Robertson, Secretary Quarles, Admiral Strauss, and Messrs. Murphy, Elbrick, Smith, Phleger, General Loper, and Mr. Sullivan.)

**Annex 1**

**Letter From the Deputy Secretary of Defense (Robertson) to the British Permanent Secretary at the Ministry of Defence (Powell)<sup>6</sup>**

*Bermuda, March 23, 1957.*

DEAR SIR RICHARD: I attach hereto Memoranda of Conversation covering two of the topics which were discussed at the meeting yesterday afternoon which the Prime Minister, the Foreign Secretary and yourself had with the President, Secretary Dulles, Secretary Quarles, Admiral Strauss and myself.

I am able to confirm to you that the attached memoranda represent the understandings of the United States side in these matters.

I should be grateful if you could confirm to me that they also represent the understandings of the United Kingdom side.

Sincerely yours,

**Reuben B. Robertson<sup>7</sup>**

**Subannex 1**

**Memorandum of a Conversation, Bermuda, March 22, 1957<sup>8</sup>**

In a discussion today between the President and the Prime Minister, with advisers present, it was stated that the United States Government had examined the draft general agreement regarding nuclear warheads for Corporal missiles contained in the memorandum of January 31, 1957 (DM-52-57) from the Director, Joint Staff, U.S. Joint Chiefs of Staff, to the Commander, British Army Staff, British Joint Services Mission, Washington.<sup>9</sup> The United States Government now proposes to the United Kingdom Government that an agreement be concluded along the lines of the draft referred to above. Such an agreement must of course be in accordance with United States law, including the provision that the nuclear warheads will remain in full United States custody.

The United States suggested that, after the necessary technical details have been worked out between experts, the proposed agreement be submitted for the consideration of the two Governments and,

<sup>6</sup> Top Secret. Drafted by Timmons.

<sup>7</sup> Printed from a copy that bears this typed signature.

<sup>8</sup> Top Secret. Prepared by the U.S. Delegation.

<sup>9</sup> See footnote 3 above.

when concluded, take the form of an exchange of letters between the United States Secretary of Defense and the United Kingdom Minister of Defense.

The representatives of the United Kingdom Government stated that they were agreeable to proceeding as suggested by the United States Government.

Due to the sensitivity of this matter it was agreed that no release of information regarding this proposed agreement or its implementation will be made by the United Kingdom Government or the United States Government except by mutual agreement.

### **Subannex 2**

#### **Memorandum of a Conversation, Bermuda, March 22, 1957<sup>10</sup>**

In a discussion today between the President and the Prime Minister, with advisers present, it was stated that the United States Government accepts the proposal of the United Kingdom Government regarding the furnishing of Corporal missiles by the United States to the United Kingdom through the application of thirty and one-half million dollars of United States Mutual Security Program funds, originally earmarked for the United Kingdom in support of Plan K, subject to an understanding with the United Kingdom that:

(a) The United Kingdom Corporal missiles will be committed to SACEUR.

(b) The United Kingdom Government will devote the sterling equivalent of the dollar cost of the Corporals referred to above (\$30.5 million) to finance projects for the modernization of the Royal Air Force to be jointly agreed upon.

(c) Representatives of the United States Department of Defense and the United Kingdom Ministry of Defense, will work [out] the necessary detailed arrangements.

The representatives of the United Kingdom Government stated their agreement to the foregoing.

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<sup>10</sup> Confidential. Prepared by the U.S. Delegation.

Annex 2

**Letter From the British Permanent Secretary at the Ministry  
of Defence (Powell) to the Deputy Secretary of Defense  
(Robertson)<sup>11</sup>**

*Bermuda, March 23, 1957.*

DEAR MR. ROBERTSON: Thank you for your letter of 23rd March, 1957, enclosing memoranda of conversation covering nuclear warheads for Corporals and the provision of Corporal missiles, which were two of the topics which were discussed at the meeting yesterday afternoon, which the Prime Minister, the Foreign Secretary and I had with the President, Secretary Dulles, Secretary Quarles, Admiral Strauss and yourself.

I am glad to confirm that these memoranda represent the understandings of the United Kingdom side in these matters.

Yours sincerely,

**Richard Powell**

Annex 3

**Letter From Secretary of State Dulles to the Foreign Secre-  
tary Lloyd<sup>12</sup>**

*Bermuda, March 23, 1957.*

DEAR SELWYN: I attach hereto a Memorandum of Conversation covering one of the topics which the Prime Minister and yourself discussed yesterday afternoon with the President, Deputy Secretary Robertson, Secretary Quarles, Admiral Strauss and myself.

I am able to confirm to you that the attached memorandum represents the understanding of the United States side in this matter.

I should be grateful if you could confirm to me that it also represents the understanding of the United Kingdom side.

Sincerely yours,

**John Foster Dulles<sup>13</sup>**

<sup>11</sup> Top Secret.

<sup>12</sup> Top Secret. Drafted by Timmons.

<sup>13</sup> Printed from a copy that bears this typed signature.

**Subannex****Memorandum of a Conversation, Bermuda, March 22, 1957<sup>14</sup>**

The President recalled earlier discussions between the United Kingdom Minister of Defense and the United States Secretary of Defense, in which there had been outlined a concept under which United States-developed Intermediate Range Ballistic Missiles (IRBMs) might be provided for deployment in the United Kingdom, when such missiles become available for use.<sup>15</sup> The President also recalled the interest the United Kingdom Government had expressed in this possibility.

The President said he was glad to be able to inform the Prime Minister that in principle the United States Government was agreeable to working out arrangements for making IRBMs available to the United Kingdom. The President went on to emphasize that for various technical and other reasons the nature of these arrangements remain to be developed and agreed upon. Specifically, these arrangements include the possibility of missiles being made available to the United Kingdom on a "lend-lease" basis, transferred to the United Kingdom under grant assistance (perhaps financed by available Plan K funds), or handled in some other way. Also, the arrangements that remain to be worked out would cover whether some missiles would be retained under United States control in the United Kingdom and some transferred to British hands, or whether some other handling of this aspect of the matter would be devised.

Also, the arrangements referred to above would have to provide for certain political understandings between the United Kingdom and United States Governments regarding the deployment and use of the missiles.

In addition, such arrangements would be subject to any applicable provisions of United States law.

The President went on to say that the arrangements to be worked out would, of course, provide that United States nuclear warheads for any IRBMs made available by the United States to the United Kingdom would remain in full United States custody, as is required by United States law.

While a possible schedule of deployment had been previously outlined to the United Kingdom Government, the President made it clear that since the missile is still under development, such a schedule could only be regarded as tentative.

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<sup>14</sup> Top Secret. Prepared by the U.S. Delegation.

<sup>15</sup> See Tab A to Document 262.

The Prime Minister stated that he fully understood the position of the United States Government in this matter as outlined to him by the President. The Prime Minister agreed that arrangements would be worked out between the two Governments, and hoped that this could be done as a matter of urgency, particularly in view of the possible effect on the United Kingdom defense program.

The President and the Prime Minister agreed that nothing would be said publicly on this matter except that representatives of their two delegations would give consideration to the inclusion in the communiqué of a statement to the effect that the United States was agreeable to making available to the United Kingdom, under arrangements to be worked out, certain guided missiles, in the interests of mutual defense and mutual economy.

#### Annex 4

#### **Letter From Foreign Secretary Lloyd to Secretary of State Dulles<sup>16</sup>**

*Bermuda, March 23, 1957.*

MY DEAR FOSTER: Thank you for your letter of 23rd March, 1957, enclosing a memorandum of conversation regarding intermediate range ballistic missiles, which was one of the topics which the Prime Minister and I discussed yesterday afternoon with the President, Deputy Secretary Robertson, Secretary Quarles, Admiral Strauss and yourself.

I am glad to confirm that this memorandum represents the understanding of the United Kingdom side in this matter.

Yours sincerely,

**Selwyn Lloyd<sup>17</sup>**

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<sup>16</sup> Top Secret.

<sup>17</sup> Printed from a copy that bears this typed signature.

276. Editorial Note

Between 4:04 and 4:24 p.m. on March 22, President Eisenhower, Secretary Dulles, and General Goodpaster met with Prime Minister Macmillan, Foreign Secretary Lloyd, and Patrick Dean. (Eisenhower Library, President's Appointment Book) No record of this conversation has been found in Department of State files.

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277. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 22, 1957, 4:25 p.m.<sup>1</sup>

USDel/MC/7

PARTICIPANTS

*United States*

The President  
The Secretary of State  
Ambassador Whitney  
Ambassador George  
Deputy Secretary of Defense, Reuben Robertson  
Deputy Under Secretary of State, Robert Murphy  
Assistant Secretary of State Elbrick  
The Legal Adviser, Mr. Herman Phleger  
General Goodpaster  
Mr. William Macomber  
Brewster H. Morris, Counselor of Embassy, London

*United Kingdom*

Right Honorable Harold Macmillan, Prime Minister  
Right Honorable Selwyn Lloyd, Foreign Secretary  
Sir Harold Caccia, British Ambassador  
Sir Norman Brooke, Secretary to Cabinet  
Sir Frederick Hoyer Millar, Permanent Under Secretary, Foreign Office  
Sir Richard Powell, Permanent Under Secretary, Ministry of Defense  
Mr. P. H. Dean, Deputy Under Secretary, Foreign Office  
Lord Hood, Assistant Under Secretary, Foreign Office  
Mr. T.W. Garvey, Foreign Office, and Secretary to British Delegation  
Mr. J.A.N. Graham, Personal Assistant to Foreign Secretary

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 867. Secret. Drafted by Morris, cleared by Elbrick, and circulated to appropriate U.S. officials on March 22. The Delegation at Bermuda transmitted a summary of this conversation to the Department of State in Secto 13, March 23. (*Ibid.*, Central Files, 611.41/3-2357)

SUBJECT

Record of *Restricted* Session, Bermuda Conference, held Friday afternoon, March 22, 1957 immediately following Private Session between the President and the Prime Minister

Prime Minister Macmillan opened the session with a description of the UK's over-all defense plans and philosophy. He said that UK forces had been expanded as a result of the Korean War; that when the threat receded, the UK had prepared itself for the "long haul"; that even with reduced goals of recent years, the UK has had to cut back each year. Nothing, he said, could be more unsatisfactory than to be compelled to make such cuts at the last minute. The UK is now entering a new phase. England is a nuclear power, but on a smaller scale than the United States. The USSR is threatening aggression on many fronts other than military, and the UK is inclined to discount the imminence of military aggression. The British Government is convinced that England cannot continue to support its present forces indefinitely in view of the inroads defense expenditures are making in the British economy. Macmillan cited particularly the activities of Britain's competitors in the foreign trade field. And over the past five years, defense budgets have taken 10% of Britain's income. The Prime Minister also stated that at present over one-half of the entire technical manpower in the UK is absorbed on defense work. In view of the many troops stationed abroad, there is also a very heavy charge on the UK's balance of payments. Moreover, the UK is inclined to believe that its primary need in any real war would be in immediate terms, and the British Government doubts that there would again be a long-drawn affair like World Wars I and II, with the need to establish and maintain overseas supply lines, deal with enemy blockade attempts, etc.

For these reasons, the UK has decided to make a substantial reduction in its over-all defense effort. The aim here is not only one of economy and the need to achieve a defense effort commensurate with the UK's resources, but also to streamline and modernize UK forces. The goal, which the British hope to achieve in about four years, will be forces for all three services totalling about 380,000 to 400,000 men, consisting as far as possible of regular, i.e. professional, troops. These figures are, of course, still very "Secret." The UK intends to make both atomic and hydrogen weapons. It will no longer attempt to defend on an impossible basis, i.e. through forces stationed at many spots of the world. The aim will rather be to maintain small forces abroad in a few key areas, and to rely on quick reinforcements from the central reserve area, for which reason adequate air transport will be stressed. The conventional fighter aircraft command will also be considerably re-

duced, and the mission of its manned aircraft will be limited essentially to defending sites of the "deterrent forces" [2½ lines of source text not declassified].

In terms of specific areas, Macmillan stated that all UK forces would be withdrawn from Jordan, according to the recent treaty.<sup>2</sup> In the case of Libya, the first step will be to remove two battalions, though eventually the UK also hopes to eliminate all troops from Libya. The strategic Persian Gulf area will be defended by forces based in Aden, supported by reserves stationed in East Africa, and a naval task force in the Indian Ocean. In Southeast Asia, the UK will maintain her air forces, while reducing its ground forces in Malaya. In the case of Hong Kong, all that is needed are the forces required to preserve law and order, though in this case this means somewhat more than usual, due to the danger of infiltration into the colony and pressure from outside. The proposed NATO changes would be mentioned further in a moment (see below). Macmillan stressed that when these various reduction plans are announced in the House of Commons, through a Government White Paper,<sup>3</sup> the Government will defend them, not just on the grounds of economy, but also stressing that the UK wants an efficient, modern and streamlined defense force.

Regarding NATO and the proposed British troop reduction in Germany, Macmillan said he thought the UK had erred in following SACEUR's advice and stressing the economic needs of Britain. The UK would have done better to justify these cuts on military grounds. For the British plan really involves "having a good crack" at the "tail." At the present time the ratio between fighting and support troops in Germany is 55 to 45; following the planned reduction, this ratio will be increased to 65 to 35. Thus the British hope to have a much better organized force as a result.

Regarding the British Navy, Macmillan indicated that certain changes would also be involved here. The basis of the Navy would become, just like that of the US Navy, carriers and their supporting units, organized into carrier task groups. The British hoped in fact to achieve an eventual reduction of about one-third of its present D-Day Naval strength. But the resulting force would consist much more of modern ships.

In reply to a question from the President regarding the proposed disposition of these British carrier task forces, Sir Richard Powell stated that one would be maintained at home, one in the Mediterranean and one in the Indian Ocean.

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<sup>2</sup> Reference is to the agreement signed by the United Kingdom and Jordan on March 13 to terminate the Anglo-Jordanian Treaty of 1948.

<sup>3</sup> See footnote 3, Document 260.

The President commented on the continued importance of the British Navy's role in the SACLANT Command, [2½ lines of source text not declassified].

In connection with British plans for maintaining troops in Germany, the Prime Minister also mentioned that the German Parliament will apparently not ratify the recent UK-German agreement on support costs until this question is also settled with the US, for which reason the British hope the US will press for an early settlement of its problem in this respect.

The President commented in this connection that he had just received news that a very critical attitude had developed yesterday in Congress on the news that Germany would this time be prepared to pay so much less for US troop support, and this despite the excellent state of the German economy.

Regarding the UK troop reductions in Germany, the President also emphasized the important political-psychological problems raised for the other peoples concerned, problems which must be carefully considered, as otherwise the whole purpose of the British plan might be defeated. [2½ lines of source text not declassified] Thus, while the President agreed with the British economic and military analysis just presented, he felt that these important political considerations must certainly be kept in mind.

The Prime Minister and Hoyer Millar both commented that Germany could easily afford to pay more.

Reuben Robertson asked at what rate the British plan to reduce their military forces from the present total of about 750,000 to the over-all eventual goal of around 400,000. Sir Richard Powell replied: "By about 1962."

The President commented that this plan in fact reminded him a bit of the US "new look" idea, an idea which, however, had been considerably affected since its formulation a few years ago by political considerations around the world.

Reuben Robertson mentioned that the US was making great progress in "civilianizing" its total military manpower, especially abroad, and asked what was the proposed UK ratio in this respect.

Powell replied that the UK plans to have about one civilian to each military in its over-all defense setup.

The discussion then turned to the Coordination of Research Development and Production of Armaments within WEU.

Selwyn Lloyd and the Prime Minister began by stressing that the British believe such coordination to be rather important politically, particularly at this time to help cushion the shock of the UK troop reductions in Germany. They pointed out, however, that the special security considerations affecting UK-Canadian-US relations would be a limiting factor here.

The President said it was important to maintain the special relationship now existing between the US, Canada and Britain.

Selwyn Lloyd said the UK wished to proceed in this field as far as the US will permit, adding that this program would of course not include any nuclear matter. What the British want from the US now is its general blessing on this scheme, in view of the large political dividend which might be expected.

The President asked whether the British could provide a memorandum on this subject.<sup>4</sup>

Selwyn Lloyd remarked that the UK would provide lists for subsequent US consideration, i.e. of specific subjects proposed for WEU coordination.

The President replied that this seemed a good idea to him, rather like the idea under NATO consideration at the time he became Supreme Commander. Though no great tangible results had so far been obtained in this NATO endeavor, it seemed like a good idea to try.

Reuben Robertson asked, in this connection, whether NATO would be kept informed of British proposals and efforts in this field.

The Prime Minister nodded.

Meeting ended at 5:15 p.m.

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<sup>4</sup> Enclosure to Document 288.

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## 278. Editorial Note

President Eisenhower and Prime Minister Macmillan, accompanied by members of their parties, were guests at a dinner on March 22 given by the Governor of Bermuda, Sir John Woodall, at his residence. (Eisenhower Library, President's Appointment Book)

**279. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 23, 1957, 10:30 a.m.<sup>1</sup>**

USDel/MC/8

**PARTICIPANTS**

*United States*

The Secretary  
Sen. George  
Amb. Whitney  
Mr. Quarles  
Mr. Murphy  
Mr. Rountree  
Mr. Elbrick  
Mr. Hagerty  
Gen. Goodpaster  
Mr. Macomber  
Mr. Phleger  
Mr. Wilkins

*United Kingdom*

Mr. Selwyn Lloyd  
Sir Frederick Hoyer Millar  
Mr. P. H. Dean  
Mr. Harold Beeley  
Sir Harold Caccia

[Here follow a list of subjects discussed and discussion of item 1: the Communist influence in Africa (for text, see volume XVIII, pages 53-56) and items 2-5: the Baghdad Pact; the Tripartite Declaration of 1950; the question of arms supply to the Near East; and Agreed Positions, including guarantees re pipelines, Palestine, Suez, oil study, Aqaba, and Libya (for text, see volume XII, pages 466-473.)]

6. *Germany.* Selwyn Lloyd noted there was an agreed US and UK position paper on Germany.<sup>2</sup>

7. *Communiqué.* The Secretary and Selwyn Lloyd discussed the form of a communiqué. The Secretary said that the President favored a short communiqué. The Secretary feared, however, that its shortness might cause speculation there had been disagreement. He thought the present draft, which seemed long, could be abbreviated. He said he would discuss it further with the President.<sup>3</sup>

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret. Drafted by Fraser Wilkins (NEA) on March 25 and circulated to appropriate U.S. officials.

<sup>2</sup> Document 291.

<sup>3</sup> For text of the communiqué issued on March 24, see Department of State *Bulletin*, April 8, 1957, pp. 561-562.

**280. Editorial Note**

President Eisenhower and Prime Minister Macmillan met privately between 10:52 and 11:33 a.m. on March 23 in the President's suite at the Mid-Ocean Club. (Eisenhower Library, President's Appointment Book) The only record of this conversation in Department of State files is an extract from Prime Minister Macmillan's note of the discussion. President Eisenhower reported on his discussion with Indian Prime Minister Jawaharlal Nehru during the latter's visit to Washington, December 16-20, 1956. (Department of State, Conference Files: Lot 62 D 181, CF 867)

The President and Prime Minister met again from 12:36 to 1:46 p.m. They were joined by Sir Richard Powell at 12:55 p.m. At 1:46 p.m. the President gave a luncheon in the Prime Minister's honor which was attended by Secretary Dulles, Foreign Secretary Lloyd, Governor Woodall, and others.

Between 7:18 and 7:27 p.m., the President met with the Prime Minister, Foreign Secretary Lloyd, Admiral Strauss, Secretary Dulles, and Gerard Smith. The President hosted a dinner which began at 8:25 and was attended by Secretary Dulles, Prime Minister Macmillan, and Foreign Secretary Lloyd. (Eisenhower Library, President's Appointment Book) The conversation at the dinner is reported in the memorandum of conversation, *infra*. Macmillan, erroneously dating this dinner March 24, also describes the conversation briefly in *Riding the Storm*, pages 257-258.

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**281. Memorandum of a Conversation, Mid-Ocean Club,  
Bermuda, March 23, 1957, 10:30 p.m.<sup>1</sup>**

The President  
The Secretary of State

Mr. Macmillan  
Mr. Lloyd

*The United Nations*

This was a matter which had been reserved for our informal discussion. I spoke initially, pointing out that the UN procedures were admittedly defective. I had long advocated weighted voting in the General Assembly and a change in the veto power in the Security Council. I regretted that these matters had not been boldly approached at the time for the contemplated Charter review conference. The US

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret. Drafted by Dulles on March 24.

had not been able to obtain the support for such a conference from its European friends. Since then, membership had been largely increased and changes became more difficult. However, even the present procedure had not yet led to irresponsible action. The Assembly could only recommend, and it would soon fall into futility if important nations were unwilling to accept and support the recommendations. Therefore, a 2/3 majority of small nations, theoretically obtainable, would not in fact expose their impotence by adopting resolutions which would not in fact carry any weight in the world. In the case of sanctions against Israel, while votes were obtainable, there had been a responsible deferring of action to permit the US to find a solution. On the Algerian and Cyprus items, the debate had been responsible and had ended in resolutions unanimously adopted. It was necessary to have a just cause, to present it carefully, and to prepare the way by private consultations, and there was a good chance of a reasonable, indeed constructive, result. The American people were a moralistic, and perhaps sentimental people, but they had a real faith and belief in the UN and US policy remained faithful to it.

Mr. Macmillan expressed his concern lest countries like Ghana, Cambodia, and so forth, with prejudice against colonial powers, should form a solid voting bloc with the Soviet bloc. He felt that the UN should be downgraded and perhaps regional associations upgraded.

The President suggested that there should perhaps be a period of testing of the new nations before they were brought into the UN. I said that while in theory this would have been possible under the Charter, which said that the will and capacity to discharge Charter obligations should be demonstrated, in fact the practice had developed otherwise, and it would be difficult now to reverse it. I said the US had not favored the "package deal" which had so greatly enlarged the General Assembly, but that this had been backed by the UK, perhaps following Canada's lead. Mr. Macmillan said he recognized now that this had perhaps been an error.

I said that there was nothing in the Charter which prevented the developing of regional associations and the settlement in that form of their controversies. Mr. Macmillan spoke of the OAS as a pattern which should be followed more. I said the US agreed, and had been urging that pattern upon NATO. Mr. Macmillan referred to the fact that we had dealt with the Guatemalan problem through OAS and not in the UN. I said that was so but that at the time our procedure had been severely criticized by the UK. Mr. Macmillan admitted that in this respect they had been in error.

The President referred to the very strong sentiment against the admission of Communist China. He said if Communist China were admitted, that might very well lead the US to get out. Mr. Macmillan

picked this up by saying it showed the US only supported the UN so long as it agreed with us and that we too would want to scrap it if it disagreed with us on any essential matter. The President said while he was expressing what he thought would be the indignation of the country, that he personally would strive to keep the US in the UN, but that it would probably take a real effort on his part.

I mentioned that while the Congressional sentiment was very strong, recent polls had indicated that public opinion as a whole favored staying in the UN even if Communist China were admitted.

Mr. Macmillan referred to the procedure as being very difficult. He said he had had Cabinet meetings day after day, or rather night after night, often in the middle of the night, with a view to instructing Dixon whether or not to vote for or against an Israeli sanctions resolution. If they voted for, they would be in great difficulty with public opinion at home. If they voted against, they would be in deep trouble with the Arabs. He thought that the procedures required excessively rapid decisions. The President agreed, particularly in the case of countries considerably removed in space and by time differentials. The President admitted that procedures left something to be desired.

There was then further discussion of the evolution of NATO. I said the US in principle would be willing to send to NATO a representative of "Cabinet rank" if there was a real effort on everybody's part to lift up the Council meetings to that level. The President referred to the fact that he had several times indicated he wished the Council would act more as an autonomous body making its own independent recommendations to governments, and not merely presenting governmental positions as unchangeable. Mr. Lloyd pointed out that as regards the European countries, the problem was not so complicated because they were close to Paris and could easily bring Cabinet opinions to bear. It was somewhat the reverse of the UN situation where the center was close to us but far from them. Both Mr. Macmillan and Mr. Lloyd thought it would be useful if we could have a high level representative who would be in the US frequently enough to know authoritatively our viewpoint.

Both Mr. Macmillan and Mr. Lloyd indicated they thought that Cabot Lodge did not have the best relations with Dixon and that perhaps Mr. Lodge was too much interested in getting votes to develop positions in cooperation with the UK. The President indicated a lack of sympathy with this UK viewpoint.

No effort was made to reach decisions on any matters. However both the President and I had the impression that Mr. Macmillan's negative attitude toward the UN was somewhat altered by our positions.

*Cyprus*

Mr. Macmillan brought up the question of Cyprus, indicating his strong hope that the US could in some public way express its support of the initiative of Lord Ismay, the former NATO Secretary General.<sup>2</sup> Neither the President nor I made any response to this request, hearing it in silence, and Mr. Macmillan did not press the point.

JFD

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<sup>2</sup> Lord Ismay had offered to mediate in the Cyprus dispute.

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**282. Memorandum for the Record by the Secretary of State<sup>1</sup>**

*Bermuda, March 23, 1957.*

The President let Mr. Macmillan read the cable from George Allen (from Athens to Department 3204) with reference to Cyprus and Makarios.<sup>2</sup> The President urged him to let Makarios go. Macmillan said that they had received a long and contentious communication from Makarios. He was, however, personally disposed to put the most charitable interpretation on it and to let him free. He was cabling the Cabinet to take no contrary action pending his return. The President urged that the UK stature would be enhanced if they dealt with the matter in a broad and liberal way. The President said that Macmillan was on the whole quite pleased with the contents of the Allen cable.

JFD<sup>3</sup>

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret. A typewritten notation indicates this memorandum was read to Rountree.

<sup>2</sup> In telegram 3204 from Athens, March 22, Ambassador Allen reported that the Greek Government was moving closer to the British position with regard to possible solutions of the Cyprus question. (*Ibid.*, Central Files, 747C.00/3-2257)

<sup>3</sup> Initialed for Dulles by Macomber.

**283. Editorial Note**

President Eisenhower, accompanied by Prime Minister Macmillan, left the Mid-Ocean Club at 10:10 a.m. on March 24 and drove to Kindley Air Force Base. The President left Bermuda shortly after 10:30. (Eisenhower Library, President's Appointment Book) Prime Minister Macmillan remained in Bermuda another 3 days. On March 25 and 26, he had conversations with Canadian Prime Minister Louis St. Laurent and Foreign Minister Lester B. Pearson. (Harold Macmillan, *Riding the Storm*, page 258)

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**284. Editorial Note**

In an article from Bermuda which appeared in *The New York Times* on March 26, Drew Middleton reported that "President Eisenhower suggested at last week's Bermuda conference with Prime Minister Harold Macmillan that the United States and Britain should re-establish their intimate wartime cooperation, including joint intelligence and planning systems, to meet international problems". Middleton went on to report that Dulles had removed sentences referring to this agreement from the final communiqué. Eisenhower immediately cabled Macmillan in Bermuda that "the publication of this item disturbs me mightily" and "this leak creates doubt in my mind that we can talk frankly to each other in confidence on matters of import to us both." In a letter to Macmillan expanding on his cable, Eisenhower stressed his dismay at the leak because he and Dulles had just assured Congressional leaders that no secret agreements had been reached at Bermuda. (Eisenhower Library, Whitman File, International File) Dulles ascertained [*less than 1 line of text not declassified*] that the leak had come from a British source (*Ibid.*, Dulles-Herter Series), but Macmillan steadfastly denied that British sources were responsible. In a letter on March 28, he wrote: "For my part, I would certainly be relieved if our meetings in future could be on a quite different basis—that they should be more personal, with a very limited number of advisers, and with no publicity at all. But I do hope that the embarrassment of this article will not make us lose faith in the need for us to talk frankly and with confidence to each other." Eisenhower agreed with Macmillan's conclusions, and the matter was allowed to drop. (*Ibid.*)

## **Conference Documents**

### **285. Agreed United States–United Kingdom Paper<sup>1</sup>**

BEM D-5/1a

*Washington, March 13, 1957.*

#### **MEANS OF COMBATTING COMMUNIST INFLUENCE IN TROPICAL AFRICA**

**(Agreed US–UK Paper)**

There is conclusive evidence that the leaders of the Communist Bloc have the long-term objective of dominating Tropical Africa, in view of its political, economic, and military importance. Although their ultimate aim is presumably the Sovietization of the continent, their purpose in the present phase is to detach Tropical Africa from the West, both economically and politically, thus weakening the position of the metropolitan powers and the rest of the free world.

1) The Governments of the United States and the United Kingdom have a common purpose in combatting these Soviet objectives in Tropical Africa.

2) The best counter to Soviet aims is to pursue resolutely and systematically the constructive policy of leading dependencies as rapidly as is practicable toward stable self-government or independence in such a way that these governments are willing and able to preserve their political and economic ties with the West. The UK Government believes that its present Colonial policy in Tropical Africa is a sincere attempt to achieve this purpose.

3) The problems of different territories vary widely. Although there must be progress everywhere, the advance cannot be at a uniform rate. In this connection, a most difficult and important problem exists of striking a balance between moving too fast, which may lead to anarchy or oppression and open the way to Communist influence, or moving too slowly, thus driving the potential leadership into Communist collaboration.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 856. Secret. Prepared jointly by representatives of the British Embassy in Washington and the Department of State; approved by J. Lampton Berry, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs, and by Arthur R. Ringwalt of BNA; and approved in substance by EE. The paper was discussed on March 23; see Document 279.

4) Periodic, informal exchanges of views between the United Kingdom and the United States on the above problems, as well as related African matters, will be helpful in achieving understanding of each other's policies and in furthering the common objective of combatting Soviet expansion in the area.

[1 paragraph (3 lines of source text) not declassified]

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**286. Agreed United States–United Kingdom Paper<sup>1</sup>**

BEM D-3/3a

*Washington, March 16, 1957.*

**THE PROSPECT OF A PALESTINE SETTLEMENT**

(Working Level US–UK Paper)

*Recommendations*

(i) It must be recognized that the chances of progress towards a permanent settlement, or even a comprehensive modus vivendi, of the Palestine question are at present very remote.

(ii) The policies of the two Governments should therefore concentrate on the piecemeal settlement of various particular problems as they arise and the gradual creation of a better atmosphere in which a final political settlement would be possible. The United Nations could be used to keep up the pressure on the parties for a solution of particular problems.

There is a common United States and United Kingdom interest in bringing about a permanent settlement in Palestine. So long as Arab-Israel relations continue in their present state, it will be impossible<sup>2</sup> to get the Arab countries to pay proper regard to the Soviet threat or to put on a stable basis the cooperation between Middle Eastern and Western countries which is necessary for the interests of both. The Russians will exploit the dispute to strengthen their own position in the area and to weaken that of the Free World.

2. The following seem to be the possible means of reaching a settlement:

(i) Negotiations, with or without the United Nations or other third parties assisting. This can be ruled out at present. The two sides are too far apart and too intransigent.

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<sup>1</sup> Source: Department of State, Conference Files, Lot 62 D 181, CF 856. Secret. Prepared by Donald C. Bergus, Officer in Charge of Israel–Jordan affairs.

<sup>2</sup> (US would prefer "very difficult") [Footnote in the source text.]

(ii) An imposed settlement—a comprehensive and equitable plan worked out by a third party and imposed by the use of force or threat of force if necessary. The United Nations devised such a plan in 1947,<sup>3</sup> but failed to provide the necessary force then, and could not be expected to do so now; nor would any outside power other than the Soviet Union, whose intervention in this way would at present be wholly in favor of the Arabs and would lead to complete Soviet domination of the area.

(iii) A possible variant on (ii) might be the use of political and economic pressure in the form of promised rewards to, or penalties, against Israel and the Arab states. Whilst offers of certain inducements—e.g. loans for compensating refugees, economic aid for resettlement, guarantees of agreed frontiers—are still open and would play a part in any settlement, it would not be possible to secure acquiescence by any combination of such pressures.

(iv) The "long haul"—a piecemeal settlement of various particular problems as they come along—e.g. Gaza, the Gulf of Aqaba, the Suez Canal, and perhaps a piecemeal attack on the refugee problem.

3. For the time being, (iv) is the only possible avenue of progress. Recent events have to some extent assisted this process by reopening particular issues which were unsatisfactory features in the status quo ante—e.g., the Gulf of Aqaba and the Gaza Strip.

4. Another consequence of recent events is that the United Nations is likely to play a bigger role not only in trying to prevent eruptions but also in promoting a settlement. The Secretary General and his UNEF Advisory Committee have acquired a major role in this. Within the United Nations framework, there may be advantage to be gained from associating more countries in the attempt to find a solution. The United Nations could also be used to maintain pressure on the parties in favor of a solution of particular problems as suggested in paragraph 3 and against any violation of the status quo.

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<sup>3</sup> Reference is to the U.N. General Assembly resolution, adopted November 29, 1947, which provided for a plan of partition with economic union.

**287. Agreed United States-United Kingdom Paper<sup>1</sup>**

BEM D-3/4

*Washington, March 16, 1957.*

**GUARANTEES FOR MAINTENANCE OF FLOW OF MIDDLE EAST  
OIL THROUGH PIPELINES**

(Agreed US-UK Paper)

*Recommended Position*

The two Governments recognize that access to Middle East oil will be of increasing importance to the West and that greater guarantees for oil pipeline operations would be desirable. Both Governments will continue to lend appropriate assistance to petroleum transit companies in the defense of their interests under existing transit arrangements. They are also prepared to consider negotiating treaties with transited countries designed to lend stability to new pipeline projects and will consult together to this end. The two Governments will consider whether it is desirable to negotiate similar treaties for the protection of existing pipeline operations.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 856. Secret. Prepared jointly by representatives of the British Embassy in Washington and the Department of State, and approved in substance by Rountree; Moline; Corbett, Earl R. Beckner, Associate Chief, Fuels Division, Petroleum Staff; and Stanley D. Metzger, Attorney-Adviser. It was agreed upon on March 23; see Document 279.

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**288. Letter From Prime Minister Macmillan to President  
Eisenhower<sup>1</sup>**

*Bermuda, March 23, 1957.*

DEAR MR. PRESIDENT: You asked me yesterday to let you have a Memorandum about closer co-operation between the member countries of W.E.U. over research, development and production of armaments.<sup>2</sup> Here it is.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret.

<sup>2</sup> See Document 277.

I hope you will give it sympathetic consideration because I believe there is an opening here for constructive work which will help politically to unite Western Europe.

Yours sincerely

Harold Macmillan

**Enclosure**

As explained in the memorandum handed to the State Department by H.M. Embassy, Washington on March 16,<sup>3</sup> the United Kingdom would like to co-operate more closely with other W.E.U. countries over armaments research, development and production.

Such co-operation would have the strategic advantage of promoting the efficient armament of our allies and the economic advantage of sharing the load and streamlining the use of our scientific resources. Our principal purpose, however, is political: to prove our resolve to co-operate with Europe, to give greater reality to the concept of a united Europe, and to offset the effects of our force reductions.

We are well aware of the difficulties inherent in such co-operation, notably the security risks. We have, however, made a start in the W.E.U. Standing Armaments Committee and offered to discuss any of the items listed in the Annex to the Embassy memorandum of March 16. We have at all stages made it clear that our co-operation with the W.E.U. countries must be without prejudice to our association with the U.S.A. and the European countries fully accept this.

We would now like to extend the field of W.E.U. co-operation. We would still exclude all atomic matters, but we would like to exchange information about new weapon projects, such as guided missiles, and discuss future co-operation in their development and production. This would involve discussing with W.E.U. countries items which incorporate information we have obtained from the U.S.A.

Before embarking on this course, the United Kingdom would therefore like to know whether the United States Government is willing:—

(a) to adopt a liberal attitude towards the release of information, derived from American sources, to individual W.E.U. countries on a limited basis and subject to proper safeguards;

(b) to give an assurance that our association with W.E.U. will not prejudice the release of American information to us.

We hope very much that the United States Government will give a favourable response to this request, in view of the political dividend which we believe can be gained from this type of W.E.U. co-operation.

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<sup>3</sup> Not printed. (Department of State, Central Files, 740.5/3-1657)

A list of the projects we would propose to discuss with our European allies will be communicated to the United States authorities by H.M. Embassy in Washington.

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**289. Editorial Note**

The Bermuda Conference agreed upon six papers relating to the Middle East. Paper 1, "Agreed Position on Study of Middle East Problems," is printed in volume XII, pages 473-474. Paper 2, "Agreed Position on Guarantees for Maintenance of the Flow of Middle East Oil Through Pipelines," is not printed, but an earlier version of it is printed as Document 287. Papers 3-5, "Agreed Position Concerning the Prospect of a Palestine Settlement," "Report by Working Committee on the Suez Canal," and "Report by Working Committee on the Gulf of Aqaba," are printed in volume XVII, pages 463-466. An earlier version of Paper 3 on Palestine is printed as Document 286.

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**290. Agreement Between the United States and the United Kingdom<sup>1</sup>**

*Undated.*

**AGREEMENT ON LIBYA**

It was agreed that, following the consultations on Libya which had taken place recently in London,<sup>2</sup> a further meeting would be held in Washington in the near future.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret.

<sup>2</sup> The U.S.-U.K. discussions on Libya, which took place in London on January 15, are summarized in telegram 3773 from London, January 15, printed in vol. xviii, p. 465.

**291. Agreement Between the United States and the United Kingdom<sup>1</sup>**

*Undated.*

**AGREEMENT ON FUTURE ACTION ON FOUR-POWER WORKING GROUP REPORT ON GERMAN REUNIFICATION AND EUROPEAN SECURITY<sup>2</sup>**

With a view to forestalling possible future initiatives from other quarters and promoting better understanding of the Western attitude towards the problems of German reunification and European security, the United Kingdom and United States governments agree to approach the French and German governments and propose:

(i) that the Working Group should pursue urgently its consideration of the ways and means of clarifying and possibly amplifying the Geneva proposals and should hold a further meeting for that purpose in April in Bonn.

(ii) that the Working Group's report of March 15, 1957 should be forwarded to the North Atlantic Council as soon as possible, without being formally approved by the four governments, for preliminary discussion in the Council in the light of (i) above.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. This agreement embodies conclusions reached in the discussion between Secretary Dulles and Foreign Secretary Lloyd on March 22; see Document 279.

<sup>2</sup> The Working Group, composed of experts from the United States, the United Kingdom, France, and the Federal Republic of Germany, considered the problem of German reunification in Washington, March 6-15. Its report is in Department of State, Central Files, 762.00/3-1657.

**292. Paper Agreed Upon at the Conference at Bermuda<sup>1</sup>**

*Bermuda, March 23, 1957.*

**AGREED NOTE ON MILITARY NUCLEAR PROGRAMMES OF  
FOURTH COUNTRIES**

The British Foreign Minister and the U.S. Secretary of State discussed the problems arising from the evident intentions of the French Government to manufacture nuclear weapons and to co-operate in this to an extent at present unknown with the Federal German authorities.

The two Ministers agreed that three possible courses of action were open to them:

- (1) To join together in opposing the development of a nuclear military programme in France or in any other "fourth" country.
- (2) To associate themselves either jointly or separately with any French or Franco/German programme in order to be able to influence it; or
- (3) To adopt a neutral attitude of neither actively assisting nor actively hindering any such French or joint Franco/German plan.

The two Ministers agreed that they were not in favour of the French plans as reported to them but that it would in present circumstances be impolitic to oppose them too definitely, since to do so might arouse nationalist feelings and create political difficulties.

The Ministers also agreed that it would be difficult for either of their two Governments to associate themselves at all closely with these plans, both for reasons of policy and of security.

Finally it was agreed that in present conditions the best course would be for both Governments to adopt a very cautious policy with regard to these plans and to do very little by way of encouraging or assisting. It was further agreed that the two Governments would keep in close touch with each other on this matter through the diplomatic channel.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Top Secret. This paper embodies conclusions reached during discussions between Secretary Dulles and Foreign Secretary Lloyd on March 23 at 11:15 a.m. The memorandum of conversation [9½ pages of source text] was not declassified.

**293. Agreement Between the United States and the United Kingdom<sup>1</sup>**

*Undated.*

**AGREEMENT FOR PRIOR CONSULTATION ABOUT NEW PROPOSALS REGARDING NUCLEAR TESTS**

The President and the Prime Minister agreed that the issue by them on March 25, 1957, of an Agreed Statement about their voluntary intention to continue to exercise restraint in carrying out nuclear test explosions<sup>2</sup> was made without otherwise affecting the understanding that the U.K. will not put forward proposals on the limitation of tests without consulting the United States and the United States will not put forward new proposals for the cessation of the production of fissionable material for weapons or propose the complete cessation of tests without consulting the United Kingdom.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 868. Secret. This agreement presumably grew out of the discussion on March 22; see Document 275.

<sup>2</sup> For text of the U.S.-U.K. statement on test limitations, see *American Foreign Policy: Current Documents*, 1957, p. 633.

## V. CONTINUING U.S.-U.K. POLITICAL AND MILITARY RELATIONS, MARCH-OCTOBER 1957

### 294. Editorial Note

On March 25, President Eisenhower met with the Congressional leaders so that he and Secretary Dulles could brief them on the discussions at Bermuda. He began by saying "that in all of the many conferences that he had attended in peace and war, this one gave him about the finest feeling as to the competence of the participants and the trust that could be put in them; from a personal standpoint, he had had a great feeling of satisfaction from the conference." Secretary Dulles seconded these views, noting that the discussions had been "friendly and informal, leading to much understanding rather than to any formal agreements or protocols." (Minutes of the bipartisan Congressional meeting by L. Arthur Minnich, Jr., March 25; Eisenhower Library)

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### 295. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>

*London, April 15, 1957.*

MY DEAR FRIEND: Since we parted in Bermuda you have sent me several letters<sup>2</sup> and I feel I now owe you one. You remember that you said that you would like to hear from me from time to time, not on some specific problem but just about things in general. I am hoping to get a few days holiday at Easter, so I thought I would try to send you a short letter before leaving.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. No classification marking.

<sup>2</sup> Reference is presumably to the President's letter of March 29 regarding the British decision to release Archbishop Makarios and the letter of April 2 regarding cooperation within the Western European Union in armament research, development, and production. (Department of State, Presidential Correspondence: Lot 66 D 204, Eisenhower to Macmillan Correspondence 1957-1958)

Since I got back I am happy to say that the strikes in the engineering and shipbuilding industries have been called off. But the position is not very healthy and there are some rather bad forces at work. However, I hope that we can avoid further trouble and that the general atmosphere will improve. To be quite frank, I think there has been a bit of politics mixed up in this.

The Defence paper has gone very well.<sup>3</sup> I have done my best to persuade our friends in NATO that our object is two-fold. It is not simply a matter of saving money, manpower, resources—although you know how important this is for us. I remember my talking to George Humphrey about this in Paris and he agreed that our best contribution was to be solvent as well as militarily strong.<sup>4</sup> But I think that if we can get back in a few years time to regular forces—what you would call “the career man”, we shall have a very fine contribution to NATO, far better than we have now with this continual movement in and out, and so many of our trained officers and N.C.O.s engaged in teaching. We are also fighting the battle of the nuclear deterrent and we are determined to see that our forces shall be armed with the best weapons. Here your help over Corporal for the tactical weapon and over the rockets for the strategic is tremendously appreciated. Don’t take any notice of the foolish people who talk about our humiliation because we have drawn upon your generosity and the work of your technicians. All this talk comes from the folk who would like everybody to be humiliated. I do not know whether you have any fellow-travellers still. We have a few here. You used to call them in Algiers “the long haired starry eyed boys”. Some of ours are a survival of the old pacifist tradition, and to that extent I respect their opinions; Quakerism for instance is a very honourable creed. But I am afraid that others are rather more sinister and hang about the Soviet Embassy more than I would wish. However, they do not amount to much and we shall be all right on all this.

It was a great grief that Bobbety Salisbury felt unable to agree to let out Archbishop Makarios.<sup>5</sup> I am bound to say I don’t much like letting him out, and he will be a great nuisance when he gets to Athens, and still more when he comes to London. I expect he will turn up in New York and Washington too. But I don’t quite see how we

<sup>3</sup> Reference is to the White Paper entitled “Outline of Future Policy,” published on April 4; see footnote 3, Document 260.

<sup>4</sup> According to the chronology in Department of State files of the NATO Council of Ministers meeting in Paris, December 11–14, 1956, which was attended by both Secretary Humphrey and Foreign Secretary Macmillan, no record was kept of their conversation of 3:30 p.m. on December 11. (Department of State, Conference Files: Lot 62 D 181, CF 825)

<sup>5</sup> When the British Cabinet decided to release Makarios from detention in the Seychelles and allow him to go anywhere but Cyprus, Lord Salisbury resigned as Lord President of the Council on March 29, 1957.

could have kept him in Seychelles indefinitely, and the break in the EOKA morale seemed a very good moment to throw this fish back in the sea.

As for the long term solution of Cyprus, we are working hard on this, but it is not easy to find just the right thing to do. However I am quite hopeful that we shall be able to have a definite plan and I would like to write to you about it as soon as I can.

In general our economy has survived Suez and the other troubles with extraordinary resilience. We were very grateful for all the help we have had in the fuel-oil sphere from the United States. It has been a splendid example of joint planning.

We have got a good Budget with some remission of taxation, modest but encouraging. We have got good exports and the only thing that worries me is this perpetual battle against the inflationary wage-price spiral. It is one of the penalties of full employment, for it gives tremendous power to the Unions.

I know how glad you will be to see that Anthony has stood the operation very well.<sup>6</sup> I spoke to him just before it and he seemed in good heart. When I took his job on I knew it would be pretty tricky with lots of hurdles ahead, rather like our Grand National Steeple-chase. We have managed to scramble over the first hurdles well enough, but now we are approaching what I call the water jump, i.e. the Canal. I do not honestly think that we can make a very glorious showing over this. Indeed we may well fall in; but I think we can pull the horse out all right on the other side, struggle somehow into the saddle, and ride on. This leads me to say how grateful we all are for the really close consultation and co-operation which has been re-established between Foster and his people and Harold Caccia and our Foreign Office. This has worked very well during these rather anxious days. As I told you frankly at Bermuda I think our public realise that they will be rather humiliated over this. The only thing is to tell them the facts, however unpalatable, and to make them realise that if we may have to eat a bit of dirt in the short term, there is still the long term to come. I feel more and more convinced that Nasser and his regime are leading that country and the whole Middle East to disaster and there will be no peace until that system falls. It was the same thing with Mussolini. These people start off with good intentions and mean to help their countries; but after the first few months or years they fall into all the temptations of dictatorship. It makes one realise that our democratic processes, although always tedious and sometimes somewhat absurd, are really the best thing after all.

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<sup>6</sup> Eden underwent surgery in Boston on April 13, 1957.

I do hope that you are feeling better and that your cough has gone. What I would like most of all would be if you could pay us a visit here, and have a private holiday in your own home in Scotland. Would this ever be possible? I am pretty well but looking forward to a few days' rest at Easter.

Ever yours

**Harold Macmillan**

**296. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>**

*London, April 26, 1957.*

MY DEAR FRIEND: As you will have seen from the Press, I received an enormous letter from Bulganin at the end of last week. Here is a translation.<sup>2</sup> So far I am only sending a more or less formal acknowledgment, and to be quite frank, I am not quite sure what to do next. I would very much value any observations that you might have on what I can do about it. As you know, I am going to Bonn at the end of next week,<sup>3</sup> so I will have a chance of talking this over with Chancellor Adenauer before I send a substantive reply.<sup>4</sup> I am sending him a copy of Bulganin's letter, and I am also asking for the views of Monsieur Mollet, the French Prime Minister.

Since it seems that I have been singled out for this honour I feel a considerable responsibility about it all. It is not quite clear yet what hand the Russians are playing and what cards we should play ourselves. We are trying to puzzle it out, but you know me well enough to realise that I would not act without the closest consultation with my friends.<sup>5</sup>

P.S. You may get a letter of your own from Bulganin; in which case I hope you will let me know.<sup>6</sup>

<sup>1</sup> Source: Department of State, Presidential Correspondence: Lot 66 D 204. No classification marking.

<sup>2</sup> Attached but not printed. Bulganin's letter is printed in R.I.I.A., *Documents on International Affairs* 1957 (London, 1960), pp. 2-11.

<sup>3</sup> Prime Minister Macmillan was in Bonn, May 7-10.

<sup>4</sup> Macmillan's reply to Bulganin, June 14, is printed in *Documents on International Affairs* 1957, pp. 11-18.

<sup>5</sup> Printed from an unsigned copy.

<sup>6</sup> President Eisenhower did not receive a letter from Bulganin at this time.

**297. Letter From the Ambassador in the United Kingdom  
(Whitney) to the Under Secretary of State (Herter)<sup>1</sup>**

*London, April 29, 1957.*

DEAR CHRIS: As you know, I spent last weekend with Selwyn Lloyd at Chequers where he asked me for guidance as to what he could say in answer to the inevitable question "In view of the new spirit of consultation agreed on in Bermuda, what can you tell us was your information regarding the sailing of the Sixth Fleet?"<sup>2</sup>

I hadn't anticipated this question, but I had, on my own hook, tried to find out what we knew about this matter. The answer was: nothing before and nothing after. Admiral Boone<sup>3</sup> knew no more than his orders, nor did the Embassy.

When I enquired for guidance for him, my reply started with the statement (Deptel 7606)<sup>4</sup> "Throughout present crisis we have been closely consulting with U.K. representatives Washington". Did this consultation include the possibility of fleet movements, Marine movements? If it did, or if the plan was even being considered, I want to insist strongly that the Embassy should have been informed on an urgent basis. The U.K. is very pleased with our action, of course, but your Embassy looks foolish. Finally the same reply message suggests "If called upon to discuss Fleet movement in Commons, Lloyd may wish state Fleet has regularly been stationed in Eastern Mediterranean and this is return to normal area". As to that, we have all read in the papers that reporters, not the least sensitive breed of humankind, were ushered from their beds in the dawn, to permit the fleet to sail.

If this sounds like the typical foreign post bleat, please believe that I would not be addressing you personally. This business of consultation, a flowering of Bermuda, a proof of our togetherness, is terribly important here. It cannot bloom alone in Washington.

I know that accidents happen and that breakdowns in "the System" may occur. But this case was not accidental. A decision of the utmost importance was taken, and I was given no information, no guidance even after the fact. I know that you will see that my Embassy

<sup>1</sup> Source: Department of State, Central Files, 780.5411/4-2957. Top Secret.

<sup>2</sup> In an effort to demonstrate confidence in and support for King Hussein of Jordan and his government, the United States sent units of the Sixth Fleet to the Eastern Mediterranean.

<sup>3</sup> Admiral Walter F. Boone, Commander in Chief, U.S. Naval Forces, Eastern Atlantic and Mediterranean.

<sup>4</sup> Telegram 7606 to London, April 27, the first and last sentences of which Whitney quotes. (Department of State, Central Files, 780.5411/4-2757)

will not be taken seriously by Her Majesty's Government if this can occur again.<sup>5</sup>

Very sincerely yours,

Jock<sup>6</sup>

<sup>5</sup> In his reply to Whitney, May 6, Herter admitted that it was not clear whether Secretary Dulles had informed British Ambassador Caccia of the decision to move the fleet. He concluded: "In any event, we do, I assure you, want consultation to bloom in London as well as Washington." (*Ibid.*, 780.5411/4-2957)

<sup>6</sup> The following handwritten note by Whitney appears at the bottom of the source text: "I think I should add that this is not written with the expectation of a timetaking explanation. It is solely to stress the importance of this for the future. All the best to you. J."

## 298. Letter From President Eisenhower to Prime Minister Macmillan<sup>1</sup>

*Washington, May 10, 1957.*

DEAR HAROLD: I have read with the greatest interest your letter of April twenty-sixth<sup>2</sup> and its voluminous enclosure containing Bulganin's views on a wide variety of subjects. I fully understand your feeling that you bear a considerable responsibility in framing a substantive reply and appreciate your thoughtfulness in giving me an opportunity to comment.

The letter seems to me to combine several purposes in a skillful manner. Obviously it is a part of the current Soviet effort to stir up issues which will tend to lead people to forget, if not forgive, their actions in Hungary. They would probably like their foreign relations to resume the earlier lines resulting from the liberalizing aspects laid down at the Party Congress last year. The conciliatory tone is well adapted to carry out this purpose. They would of course like to put the Western alliance in the awkward position of appearing to reject genuine efforts to improve the situation.

<sup>1</sup> Source: Eisenhower Library, Whitman File. Confidential. Drafted in the Department of State and transmitted to the President as an enclosure to a memorandum from Secretary Dulles, May 9. (*Ibid.*, Dulles Papers, B.45 Macmillan-Lloyd Correspondence 1957) According to telegram 6160 from London, May 11, the letter was delivered on that day. (Department of State, Central Files, 711.11-EI/5-1157)

<sup>2</sup> Document 296.

Second, there is the clear effort to establish a special position in relation to the United Kingdom, such as they periodically seek with the United States. The references to trade, the favorable comments on force reduction and on Britain's position generally are all calculated to have this effect.

There may, however, be a third aspect. In the context of their other recent actions in the Disarmament Committee<sup>3</sup> and elsewhere, the letter seems to betray a genuine concern about the nuclear situation. There is reason to believe that they probably are worried by the prospect of the spread of nuclear weapons around their borders, the coming of ballistic missiles, the possibility of German and other forces having nuclear weapons, and the recognition of the inherent instability in the satellites and East Germany. In addition there are signs that the burden of their military forces is weighing heavily on them. Thus there may be a chance that they are thinking in serious terms about ways in which some of these trends might be dealt with or revised. Their first effort is naturally the negative one reflected in the notes to Denmark, Norway and Germany, and the other propaganda moves. And their note to you, while less threatening, does not suggest any immediate readiness to make major concessions in order to obtain relief from the concerns they may have.

I suggest that it might be helpful if your reply took account of these various themes in the Soviet note. Perhaps it could include a reasoned explanation of the British and Western point of view of the principal issues raised in his letter. Of course it should correct some of the misstatements and allegations in the letter but could, perhaps, avoid the tone of a purely debating reply. It might point out the avenues for real progress toward correcting the present situation.

Specifically, in regard to the Middle East, you might recall that in the talks with Bulganin and Khrushchev in London<sup>4</sup> the United Kingdom made very clear its vital interest in the Middle East and that the Soviets had nonetheless gone ahead to stir up trouble and create friction in ways not compatible with the sweet friendliness they now profess. Similarly in regard to control of nuclear weapons, you might point out the persistent Soviet refusal to talk seriously about methods of control and safeguards. Also I urge you consider whether it is not essential to stress the consequences of Soviet refusal to unify Germany and to relax their control of the satellites. Surely, this is the most explosive situation of all. Finally, I think it worthwhile to point out

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<sup>3</sup> Reference is to the apparent Soviet willingness to consider more seriously a disarmament agreement.

<sup>4</sup> Bulganin and Khrushchev made a State visit to Britain, April 18-27, 1956.

that the West is united in its basic policies and for collective security and that efforts to split off one or another country are not the fruitful way to improve conditions.

In short, it seems to me that overall the reply could usefully give the impression that the West is prepared to talk seriously of resolving the existing sources of tension and instability whenever the Soviets are ready to consider seriously the revisions of their policy which this would entail. We are not asking for unconditional surrender or the sacrifice of legitimate Soviet interests and we share their concern regarding the nuclear problem and some of the areas of instability. But they will have to raise their bid if progress is to be made.

A few more detailed suggestions are in the enclosed memorandum prepared by the State Department.<sup>5</sup>

Again, let me express my appreciation to you for giving me this opportunity to comment on your letter from Bulganin. Foster and I stand at your disposal in case we can be of further assistance to you in this matter.

With warm regard,

As ever

Ike

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<sup>5</sup> Not printed.

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**299. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>**

*London, June 12, 1957.*

MY DEAR FRIEND: I think it is perhaps time that I should write you a few words on general matters, as I promised to do.

I am happy to see that the divergence of policy between us about China trade does not seem to have stirred up much trouble either in Congress or in the Press. It was certainly very helpful of you to speak as you did for I am sure it has done a lot to keep things quiet.<sup>2</sup>

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<sup>1</sup> Source: Eisenhower Library, Whitman File. Secret. Transmitted to the President by Ambassador Caccia with a covering letter of June 13.

<sup>2</sup> On May 30, the United Kingdom adopted the same list for control of trade with the People's Republic of China as with the Soviet Union, thereby ending the China differential. The President, at his news conference on June 5, admitted that he did not think there was much advantage in the United States maintaining the differential.

*Continued*

In this secular struggle between the Communists and the free world there is a continual change of tempo and the spotlight seems to come now in one place, now in another. Some years ago it was all on the Far East, and then it changed to the Middle East. Now I feel that the Russians may be a little bit uncertain of what to do next. They are certainly very conscious of the harm which their brutality in Poland and Hungary had done. It is for this reason I think that they are so anxious to find some kind of cover of respectability, either by visits or letters, or in your case by television programmes.

But of course the real test is disarmament. On this I was very grateful to you for your reply to my last letter.<sup>3</sup> Very soon I shall be writing to you again on this for it is time, I think, that we gave it a lot of careful thought. The Russians will try to play us off one against the other and we must not allow this to happen.

I must tell you very frankly that I was terribly disappointed at the decision reached on the wool textile tariff.<sup>4</sup> Of course, I realise the pressures of some of your industrial interests. But we have to fight very hard for our exports, because we cannot live without them, and when one of our trades really makes a good show it is pretty disheartening to be cut down in this rough way. I do not know whether this decision is perpetual or whether it could be reversed in due course. It makes me feel very pessimistic about the growth of liberal concepts in the world. If countries with enormous surpluses and vast wealth resort to protection how can we expect countries in difficulties like Britain and France to move towards the freeing of trade.

This leads me to the position about Europe. The fall of the French Government is a setback, but I am hoping that a good government will soon be formed.<sup>5</sup> We have thought it wise not to press the negotiations for the European Free Trade Area too hard until the Rome agreements have been ratified.<sup>6</sup> I do not want to see a repetition of what happened over E.D.C. I and my colleagues are very strongly in favour of this whole European concept, and we would like to see the six ratify the Rome agreements and then move on firmly towards working out the plans for the larger area. I am sure we shall have support from Germany over this. The French have a lot of difficulties

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although he did not advocate its complete elimination; for text of his remarks, see *American Foreign Policy: Current Documents, 1957*, pp. 1122-1123.

<sup>3</sup> Regarding Macmillan's letter of June 3, in which he complained that Governor Stassen had given the Soviets disarmament proposals without prior consultation with the British, and the President's reply, see vol. xx, pp. 589-590.

<sup>4</sup> On May 24, the United States imposed quota restrictions on imports of woolen and worsted fabrics; see *Department of State Bulletin*, July 8, 1957, pp. 84-85.

<sup>5</sup> On May 21, the coalition government of Guy Mollet resigned following its defeat on a vote of confidence; Bourges-Maunoury succeeded in forming a government of Radicals and Socialists on June 12.

<sup>6</sup> Agreements were signed at Rome on March 25, 1957, creating a European Economic Community.

but we may have to treat many of them as exceptional cases. The important thing is not to let us all slide back into insularity and protectionism just because of the pressure of this or that industry. We are having plenty of this at home and so are all the other Governments in their own countries but we must resist if we are to make progress.

Although we have quite a lot of political problems abroad, I really feel that things are settling down and becoming more normal. I am so delighted that everything has been arranged about The Queen's visit.<sup>7</sup> It will surely do a lot of good.

We like our new Ambassador<sup>8</sup> very much and I find it a great help to talk with him on things at large.

I was disturbed by the alarmist reports of your indisposition, and am very glad to hear that you are recovered and back at work.

Yours ever

**Harold Macmillan**

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<sup>7</sup> In a June 5 letter to the President, Macmillan advised Eisenhower that the Queen would accept an invitation to visit the United States in October 1957. (Eisenhower Library, Whitman File) The President's official invitation, contained in telegram 8628 to London, June 8, was delivered on June 11 and immediately accepted. (Department of State, Central Files, 741.11/6-857)

<sup>8</sup> John Hay Whitney was appointed Ambassador to the United Kingdom on February 11; he presented his credentials on February 28.

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### 300. Editorial Note

In his memorandum "Recent Chronology re IRBM Agreement," July 8, Martin M. Tank, Deputy Director of the International Cooperation Administration Mission in London, noted that Secretary of Defense Wilson had sent a draft agreement on the deployment of U.S. missiles in the United Kingdom to Minister of Defense Sandys on April 18:

"The agreement in essence proposes the deployment in the UK of four squadrons of 15 IRBM missiles each, ultimately to be under UK operational control. The US is to provide the missiles and train appropriate UK personnel. The UK is to provide the sites and prepare them at mutually agreed locations. The US is to continue development of major technical components with a determination of 'adequate development for service use' to be discussed. There will also be discussion of duplication of effort problems. The US makes clear warheads are not included, but undertakes to store warheads in the UK for missiles made available to the UK. The missiles are to be deployed in the UK

except as may be otherwise agreed. The US may substitute improved performance missiles. The US may maintain in the UK a similar number under its own operation and control, and wishes sympathetic consideration for future requests for deployment in the UK and other UK-controlled territory."

Sandys replied on behalf of the British Government on June 11:

"Sandys' reply accepts US draft as basis for negotiation; requests agreement to send team of experts to Washington to settle technical and operational questions, and informs that UK Embassy Washington will be ready to discuss policy matters. Annex lists points requiring further discussion. The points include UK desires: (a) to know more of dollar and sterling cost of the project; (b) US intentions to pursue development IRBM from 1500-2000-mile range; (c) that when further developed, previously supplied weapons will be replaced; (d) that there be no dollar cost to UK; (e) that deployment sites of missiles under US control are to be mutually agreed; (f) that arrangements be made to govern the operational use of missiles deployed by the US in the UK; [(g)] that detailed info of technical operational and logistic characteristics of the weapons be provided to the UK."

It became clear, during discussions between the U.S. Air Force and the Royal Air Force in Washington, June 27-29, that the United States could not respond to Sandys' reply until joint technical reports had been completed. Pending receipt of these reports, consideration of how to finance the IRBM project continued within the U.S. Government; it was decided that uncommitted Plan K funds would be used. (Department of State, London Embassy Files: Lot 61 F 14, IRBM)

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**301. Telegram From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

*London, July 11, 1957—6 p.m.*

297. Previous messages (Embassy telegrams 7277, June 25; 106, July 3; 156, July 5; 172, July 6; 173, July 6; 179, July 8; 205, July 8; 148, July 10)<sup>2</sup> have reported Commonwealth Prime Ministers conference on current basis. This telegram concludes roundup current information but does not recapitulate reference telegrams.

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<sup>1</sup> Source: Department of State, Central Files, 741.13/7-1157. Secret. Repeated to Wellington, Canberra, New Delhi, Karachi, Colombo, Pretoria, Accra, Salisbury, and Ottawa.

<sup>2</sup> None printed. (All *ibid.*, 741.13)

According Canadians, prior to discussion UN Selwyn Lloyd reported to have suggested Menzies give anti-UN speech during conference. Actual fact, however, that while Menzies criticized UN and showed concern over degree influence small irresponsible members, he agreed with India and Pakistan there should be no withdrawal from UN. United Kingdom also took milder and more constructive position than immediately after Suez in affirming adherence UN and desiring increase its effectiveness. South Africa anti-UN as expected and India expressed usual desire increase Asian representation.

On admission Communist China UN, several sources confirm conference considered United States opposition a "fact of life" and that unwise press early admission. CRO described participants as unenthusiastic regarding United States policy but not inclined challenge it at present. United Kingdom especially understanding United States position, although not defending it.

According CRO, Foreign Office and Canadians, defense talks basically exposition of United Kingdom need curtail commitments. Sandys expressed view to Ambassador that Commonwealth representatives cheerfully accepted need revise British policy along present lines, although they of course would like increased forces available their protection. Australia concerned over effect in Southeast Asia and Pakistan in Middle East. Separate United Kingdom talks with Australia and New Zealand held July 10 dealt with Southeast Asia. Details not yet available.

Conference itself discussed Southeast Asia very little, and probably since Diefenbaker unfamiliar issues, future of International Control Commission not dealt with. Nehru expressed usual criticism United States policy regarding Laos accusing United States intervening domestic situation by using threat withdraw aid. United Kingdom supported United States general policy again countering Nehru's arguments. Emphasized Geneva Agreement did not envisage equal parties in Laos but recognized only Royal Laotian Government.

Economic issues loomed large among questions on which little progress possible. According CRO, Diefenbaker sought trade and economic conference as "something to take home." He naturally disappointed when officials pointed out that issues should be defined and success reasonable prospect before calling meeting.

Extension and acceptance invitation Finance Ministers meet Ottawa after International Bank session September to discuss conference was thus partial compromise.<sup>3</sup> Diefenbaker's opposition United States surplus commodities program overseas and investment activities in Canada aired in conference as well as in public statements. Prime

<sup>3</sup> The Finance Ministers of the Commonwealth met at Mont Tremblant, Quebec, September 28-October 1.

Ministers of certain underdeveloped countries unfortunately found his criticism United States foreign investment activities persuasive. Meeting of senior economic officials of Commonwealth on July 8-9 was devoted to discussing and explaining British point of view regarding Free Trade Area and Common Market. Apprehensions concerning effect of FTA/CM proposals on agricultural products especially in Africa were aired. India also opposed for doctrinal reason that Common Market would extend French imperialism. CRO hopes that most apprehensions quieted.

Bilateral discussion took place on Ghana's desire for financing of Volta River scheme. Sum clearly beyond United Kingdom capacity at present. Nkrumah<sup>4</sup> and Diefenbacker also discussed problem though latter reportedly only made sympathetic noises. CRO hopes number of countries and even aluminum companies can be interested in project. CRO takes dim view of International Bank's views, terming its letter "mouldy" document.

Question of time and location future Commonwealth Prime Ministers conference discussed inconclusively. United Kingdom unwilling commit itself to sequence of overseas meetings, in view among others of political problems meeting in South Africa or Ghana. Weather and climate also factor to PM's. For example, Menzies would refuse come England in winter and Ghana in summer. Moreover, United Kingdom hopes avoid set pattern meetings each year. Hence, no decision reached on time and place next conference.

Pattern individual performance continued much as reported earlier. In eyes CRO Macmillan did exceptionally well. His relaxed Edwardian manner combined with obvious mental qualities secured sympathetic reaction all participants, especially Nehru. Present session contrasted sharply with tension habitually surrounding meetings chaired by Eden. Macmillan's capacity sum up and obtain consensus meetings went far create good atmosphere. As mentioned previously, lack of inquest on Suez important contributing factor to harmony. CRO characterized Suhrawardy<sup>5</sup> as "brash but competent and articulate beyond belief." He took every opportunity score points against India's policies. Yet Pakistan-Indian relations not bad during meetings. Nkrumah as "new boy" continued deport himself well. CRO thinks he was sensitive to storm he kicked up in Ghana by referring in public to fellow countrymen as ignorant. Welensky<sup>6</sup> contributed something on economic matters and was possibly a bit garrulous. Macdonald<sup>7</sup> of New Zealand carried his full weight. Menzies reflecting his good

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<sup>4</sup> Kwame Nkrumah, Ghanaian Prime Minister.

<sup>5</sup> Huseyn S. Suhrawardy, Pakistani Prime Minister.

<sup>6</sup> Sir Roy Welensky, Prime Minister of the Federation of Rhodesia and Nyasaland.

<sup>7</sup> Thomas L. Macdonald, New Zealand Minister of Defense and External Affairs.

health and fact having done homework was strong influence. Louw<sup>8</sup> was more pleasant than had been expected. Nehru was less dogmatic than on previous occasions. Feeling isolated over Kashmir, he seemed rather subdued and tired, and reflected his great need for money. In Middle East discussion Nehru admitted Baghdad Pact purely defensive but claimed public opinion in Middle East and India felt otherwise and pact therefore bad.

Since Commonwealth more a state of mind than formal organization, and since Prime Ministers meeting more a family discussion than formal conference, true significance of recent session will only emerge with passage time. Officials of UK and other participating governments have all described conference as real success, although even CRO, which naturally interested party such verdict, declines list achievements in specific terms. Nevertheless several significant points emerge:

1. Prior this conference, Commonwealth wracked by political disagreements of major nature: India and Pakistan were severely split over Kashmir; deep cleavage existed over Suez; and considerations of color were potentially divisive. Nevertheless, Prime Ministers discussed problems in remarkably harmonious manner. Kashmir did not disrupt meeting; Suez was buried; and color did not become bar to collaboration. At minimum, Commonwealth survived difficult period without debilitation. At maximum, intangible centripetal forces binding Commonwealth together may have been somewhat strengthened.

2. Each nation brought particular economic problems to conference, and these were of greater long run importance than most of political issues. With exception Canada, members face shortage capital and are concerned over trading pattern. Even though clear that Commonwealth itself cannot solve these problems, each member continued have confidence that this association would assist in developing commerce and industry.

3. Most of important political problems centered around India. Most members inclined be pro-Pakistani on Kashmir issue, and even those deplored British attack Suez were critical India's actions during crisis and its flirtation Communist bloc. Despite Nehru's isolation on these issues and his preoccupation financial problems, he gave considerable indication he continued feel Prime Ministers conferences worthwhile.

4. Somewhat to discomfit skeptics, conference not marked by divisions along color lines. Ghana accepted by South Africa, and two Prime Ministers even had private lunch together at South African initiative. Conference agreed without dissent to admit Malaya at appropriate time. Discussions on disarmament, Kashmir, Suez, admis-

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<sup>8</sup> Eric H. Louw, South African Foreign Minister.

sion China UN etc., did not divide group by color. While gravity economic problems apparent to all, and there was much pulling in many directions, differences of views not based on race.

5. By his outstanding chairmanship, Macmillan did much maintain Britain's primacy in Commonwealth for time being. No member gave any indication of wish abandon or weaken this association.

6. British public comment generally characterized meeting as friendly, affable but inconclusive and gave usual criticism about platitudinous communiqué. Nevertheless, general recognition given to importance conference in reestablishing personal relations and confidence and giving opportunity for straightforward discussion on matters common concern. At same time, meeting a substantial change from old concept of Commonwealth as association where solidarity manifested on major political issues. Conference now affords opportunity for candid exchange of differing views. While these differences often seem outweigh similarities, Commonwealth continues show unusual capacity weather political and economic crises.

Whitney

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**302. Letter From President Eisenhower to Prime Minister Macmillan<sup>1</sup>**

*Washington, August 26, 1957.*

DEAR HAROLD: For some days a continuing intention of mine to send you a note has been defeated by preoccupations of a legislative character, brought about by the fact that we approach the end of a Congressional session with a great many controversial questions under debate.

The most serious of these, from the free world viewpoint, involves our mutual aid program. Although I have brought every possible personal influence to bear, the Congress, motivated by a belief that our people are getting weary of very high taxes and convinced that most of our citizens do not understand the aims and purposes of mutual security, has consistently refused to allow the amounts needed. I hope the situation can be partially corrected in the Senate, but in any event we are going to be hard pushed this year to carry on all the activities

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File, Secret and Personal.

which the Administration believes to be in the best interests of the free world, including ourselves.<sup>2</sup>

Meanwhile, as you will know from Foster's messages, we are preoccupied by what is happening in Syria. It is encouraging that all of Syria's neighbors, including all of the Moslem neighbors, seem fully aware of the dangers which growing Communist influence in Syria poses for them. I believe it important that this Moslem opposition be demonstrated in all appropriate forms. We expect to keep in touch with you and your people as this problem develops.

Recently I saw in a dispatch a statement by Selwyn Lloyd that certain British agencies believed we had been responsible for inducing the Germans to buy American rather than British tanks. As I have assured you previously—indeed as I assured Anthony, when he was Prime Minister, and the German Chancellor—our government did *not* want this business.<sup>3</sup>

Frankly I dislike the prospect of the bulk of the free world being dependent, in the event of an emergency, upon the United States as their arsenal for matériel replacement, repair and maintenance. I would far rather that the free world could develop several dependable sources for this kind of supply. Indeed, I believe that each country should, at the very least, develop its own capacity for producing ammunition and spare parts. Otherwise such universal dependence among the nonindustrial nations upon a single source will be bound to create serious, if not catastrophic difficulties, should we ever be faced with a general war. Consequently my advocacy of German purchase of Centurions was not entirely altruistic. It merely conforms to my idea of common sense in the business of free world cooperation against emergency.

I am under the impression that you enjoyed a holiday. I hope so, and I assure you that I wish that I were able to be away from my desk during these days. I now have some belief that Congress may adjourn by the end of this week, after which I would hope to spend several weeks in Newport, only an hour and a half from Washington by air.

<sup>2</sup> Under pressure from Congress, the President had reduced his request for Mutual Security funds from \$4.4 billion to \$3.9 billion; Congress further reduced this sum to \$3.4 billion.

<sup>3</sup> Chancellor Adenauer was asked by Macmillan in May to buy the British Centurion tank to demonstrate to Britons the benefits of European cooperation. Macmillan sent a copy of his request to Adenauer to the President on May 17. The President had assured Macmillan in letters of April 15 and May 24 that the U.S. Government hoped the Germans would buy Centurions and was doing nothing to encourage the purchase of American T-48s. Macmillan's letter to Adenauer and to Eisenhower and the President's letters are in the Eisenhower Library, Whitman File.

I trust that you and your Lady thoroughly enjoyed your break from normal routine.

With warm personal regard,  
As ever

DE<sup>5</sup>

P.S.: Just this minute I am told that six beautiful grouse have arrived as a gift from the Duke of Devonshire, sent at your direction. Not only do I thank you for thinking of me—it is a great satisfaction now to know that you have had an enjoyable holiday.

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<sup>5</sup> Printed from a copy that bears these typed initials.

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### 303. Editorial Note

Following 3 days in Canada, October 13-16, Queen Elizabeth II and the Duke of Edinburgh participated in celebrations of the 350th anniversary of the first permanent British settlement at Jamestown, Virginia, and then made a State visit to Washington, October 17-20, as guests of President Eisenhower. On October 22, the Queen addressed the U.N. General Assembly before returning to the United Kingdom. Selwyn Lloyd preceded her to Washington and on October 15 had conversations with Secretary Dulles. The memorandum of their discussion on British and U.S. policy toward Egypt is printed in volume XVII, page 762, and that of their discussion on the Tunisian request for arms is printed in volume XVIII, page 721. The Secretary of State and Foreign Secretary agreed to make a joint démarche to Libya. (Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199)

**304. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>**

*London, October 10, 1957.*

DEAR FRIEND: Thank you for your letter of September 24 [23] about Disarmament.<sup>2</sup> We have been going further into the possibility of working out some formula which might strike the imagination of ordinary people. It is not easy. I had a long talk with Lewis Strauss yesterday and went into it fairly fully. He has offered to pass on our thoughts to Foster. The immediate problem is whether anything specific should be said in the General Assembly debate and no doubt Foster and Selwyn Lloyd will go into this when the latter is in Washington with The Queen next week.

Meanwhile, what are we going to do about these Russians? I have been giving a great deal of thought to this in the last few days. I wish I could talk to you about it but I will try to set out my thoughts in this message. This artificial satellite has brought it home to us what formidable people they are and what a menace they present to the free world.<sup>3</sup> Their resources and knowledge and their system of government will enable them to keep up the pressure for a very long time to come—perhaps two or three generations. After that we must hope that the Communistic ideology will be spent and that their people will revert gradually to ordinary human behaviour.

Is the free world really equipped to meet this challenge? We have N.A.T.O. and S.E.A.T.O. and so on for military defence. Even in the field I fear lest organisations of this kind will lose their vitality and fail to answer to the reality of the situation. Yet it is certain that no country can do the job alone. When we were all rich we could all afford—for reasons of prestige and all sorts of other reasons—to go our own ways and to try to be self-sufficient. But none of us can now afford the waste of effort and duplication that this involves.

The Russian challenge is on every front, military, political, economic and ideological. The free world has tremendous resources to meet this challenge if it acts together; but these resources must not be dissipated. Has not the time come when we could go further towards pooling our efforts and decide how best to use them for our common good. I believe that if your country and ours could join together to guide and direct the efforts of the free world we can build up something that may not defeat the Russians but will wear them out and force them to defeat themselves. One example of this pooling of re-

<sup>1</sup> Source: Eisenhower Library, Dulles Papers, Macmillan-Lloyd Correspondence 1957. Top Secret.

<sup>2</sup> For text, see vol. XX, p. 722.

<sup>3</sup> Sputnik I, the first manmade Earth satellite, was launched on October 4.

sources springs obviously to mind. It is of course in such things as nuclear weapons, ballistic missiles, anti-missile defences and anti-submarine weapons. By far the greater part of the resources and the effort on the Western side is in your country. But we have large teams at work and I believe that in partnership with you we could make a very real contribution. May this not be the moment to make a start here? But I am thinking equally of other fields. How can we counter the Russians in the economic field where they use their position as a socialist state for buying commodities above market prices, for making barter deals and so on. We had "economic warfare" in the war. We may need it in the cold war. The same applies to counter-propaganda of all kinds.

[1 paragraph (12½ lines of source text) not declassified]

I know that what I am saying is very general and abstract; and when there is time to think it through I will send you another message. But do let me know how you feel about this. It is the most important problem of our time and I feel sure that some bold new approach is needed.

Yours very sincerely,

Harold Macmillan<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

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305. Letter From President Eisenhower to Prime Minister Macmillan<sup>1</sup>

Washington, October 11, 1957.

DEAR HAROLD: I hasten to send this immediate reply to your challenging letter,<sup>2</sup> pending the time we can give you a further answer as a result of pondering the many important questions you raise.

As you know, I have long been an earnest advocate of closer ties between our two countries. I believe that the nations of the free world cannot possibly carry the burdens and sacrifices necessary in the preservation of free systems of government unless they can have the confidence that those to whom they look for world leadership are bound together by common convictions, purposes and principles. I

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Administration Series, Herter. Top Secret.

<sup>2</sup> *Supra*.

believe that all countries that fear themselves threatened by Communism or any other form of dictatorship look primarily to your country and to ours for the leadership they need. I think, therefore, that it is necessary not only that the highest officials of our two countries are close together in these matters, but that this understanding and agreement should, to the greatest possible measure, extend to our two people and indeed to as many more as we can reach.

In one of the suggestions you make, we have already done very considerable work. I refer to the Russian activities in pre-emptive buying. I hope that before very long our staffs here will have some very clear opinions on this matter, and certainly we will be more than happy to try to coordinate with your people these and other tentative conclusions.

With warm personal regard.

As ever,

Ike E.<sup>3</sup>

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<sup>3</sup> Printed from a copy that bears this typed signature.

## VI. THE WASHINGTON TALKS, OCTOBER 1957

### 306. Letter From Prime Minister Macmillan to President Eisenhower<sup>1</sup>

*London, undated.*

DEAR FRIEND: I have been thinking further about the questions which I raised in my last message to you, on which you sent me a preliminary reply on October 11,<sup>2</sup> and I have now heard from Selwyn Lloyd of the long talk which he had with Foster yesterday afternoon.<sup>3</sup> I agree with you that the best possible thing would be for us to meet and talk over the general situation and see whether we cannot together initiate some new approach to all these interconnected problems—military, economic, and political. It is more and more clear that we have to organise the free world as a whole in the struggle against communism. It is only by co-ordinating our efforts and those of our friends all over the world that we can hope to stem the tide and win over the waverers. If we could meet, we might be able to reach some general conclusions and draw up a joint directive to our staffs to enable work to be continued on specified tasks.

I was very glad to hear from Selwyn that your thoughts are also turning in this direction. If we are to meet, we should do so as soon as possible—for you have Congress and I have Parliament—and if we could meet while Selwyn is still in Washington, he and Foster could follow through some of the points discussed between us.

How is my visit to be explained? I have thought carefully about the possibility of some pretext like a lecture or a university degree, but these affairs are usually fixed some months beforehand and I fear that any such cover would be pretty transparent. I think it would be much better to be quite frank and issue a statement to the effect that we have both felt the time had come to take up again the personal talks which we began in Bermuda. I have had a shot at a draft of the sort of statement which we might issue, here and in Washington, and I attach a copy.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, International File. Top Secret. Transmitted to the President by Viscount Hood, October 16, as an enclosure to a brief letter.

<sup>2</sup> *Supra.*

<sup>3</sup> See Document 303.

I could leave here on the night of Tuesday, 22nd October, which would allow me to meet The Queen on Her return to London, and arrive in Washington in the afternoon of Wednesday, the 23rd. I would have to leave you not later than the night of Sunday, the 27th. Will you let me know whether you could manage a meeting between those dates?<sup>4</sup> It would be necessary for me to obtain The Queen's approval and as soon as I hear from you I will arrange to seek Her consent. This of course can be done in Washington.

In order to reduce any impression that this is an emergency meeting, it occurs to me that we might say, either in the formal announcement or informally to the press, that I had hoped to be able to come to Washington on my way back from Australia in February but I had felt on reflection that this would involve my missing a further period of the Parliamentary session and that it would be better to make this visit now before Parliament reassembles.

**Enclosure**

**DRAFT TEXT OF POSSIBLE ANNOUNCEMENT<sup>5</sup>**

The President of the United States and the Prime Minister of the United Kingdom have felt that the time has come for the continuation of the personal discussions which they held in Bermuda last March on the whole range of world affairs. They have therefore agreed to meet in Washington on Wednesday October 23 in order to resume these personal talks.

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<sup>4</sup> In an October 17 letter, Viscount Hood informed the President that he had transmitted the President's reply to this letter to Prime Minister Macmillan, who was looking forward to the opportunity of talking with the President. (Eisenhower Library, Whitman File) No copy of the President's reply has been found in Department of State files.

<sup>5</sup> Top Secret.

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**307. Record of a Meeting, Secretary of State Dulles' Office,  
Department of State, Washington, October 17, 1957, 5 p.m.<sup>1</sup>**

**PRESENT**

The Secretary

The Under Secretary

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Howe.

Mr. Dillon, W (part time)  
Mr. Smith, S/P (part time)  
Mr. Elbrick, EUR  
Mr. Jones, EUR  
Mr. Greene, S  
Mr. Howe, S/S

*Action:* The Secretary asked Mr. Jones, the Coordinator, to prepare a new agenda<sup>2</sup> which would focus particularly on the structure and means for a closer collaborative US–UK planning and on broad concepts rather than on specific subjects of immediate concern.  
(No record of action)

#### *Discussion*

The Secretary, having read the first proposed agenda,<sup>3</sup> pointed out that the "subjects of immediate concern" and "measures for strengthening and uniting the free countries" were not along the lines of what we thought the meeting should address. He mentioned that he had conceived of the need for closer US–UK workings during the time of the visit of Macmillan's Special Assistant<sup>4</sup> and that he felt that the Macmillan letter<sup>5</sup> followed closely along these ideas.

The Secretary referred to a paper he had worked on with Bob Bowie, perhaps two years ago, which called for a meeting of the members of all of the Security Pacts we now have and considered the possibility of setting up consultative committees.<sup>6</sup>

The Secretary also referred to the study group which he had asked Mr. Becker to head on our Security Pacts.

The Secretary said that he felt the UK was beginning to feel dissatisfied with our present alliance and was seeking to improve it. He thought this was only the first amongst our allies who would feel this way.

The Secretary felt that we were in a psychological crisis in the world and Prime Minister Macmillan's offer and suggestions give us an opportunity and a peg for constructive action. He remembered the Russian error in Korea which shook us out of complacency. He thought we have in recent Soviet moves a comparable situation. The Secretary also expressed the view that the Soviet Union has as yet not

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<sup>2</sup> The final U.S.-proposed agenda for the Macmillan–Eisenhower talks was shown to the British on October 19 and transmitted to London in telegram 2913, October 19. (*Ibid.*, Central Files, 033.4111/10–1957)

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> For documentation on Frederick Bishop's visit to Washington, September 2–7, see vol. XIII, pp. 670 ff.

<sup>5</sup> *Supra.*

<sup>6</sup> Not further identified.

fully exploited its capability to cause havoc with the free world by economic warfare and that we must prepare ourselves much better and jointly with the UK and other allies to meet this threat.

The Secretary felt that our effort should be first with the UK but that we should project any new collaborative elements into our other alliances. In response to Mr. Elbrick's caution that US-UK collaboration causes offense to the others, the Secretary stated that perhaps we are at a stage where we must adopt steps if they are intrinsically good and timely even though there may be short-run disadvantages. It was generally agreed, however, that we should take full advantage of Spaak's<sup>7</sup> presence to devise means of fuller use of NATO and perhaps develop plans for a significantly different NAC in December.

The Secretary thought that we should probably need a communiqué following the Macmillan talks if we were to take full advantage of any new directions on which we are embarking.

The Secretary felt that the agenda should be oriented more in the discussion of new concepts, structures, and organization for closer US-UK collaboration; something that could produce joint policies, coordinated effort and combined planning in the field of production, defense and economic warfare.

To give more strength to the planning in this organization line, the Secretary called Ambassador Merchant<sup>8</sup> and asked him to return to concentrate on this in the next few days of planning.

**Fisher Howe<sup>9</sup>**

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<sup>7</sup> Paul-Henri Spaak had discussions with the President and Dulles in Washington, October 24-26.

<sup>8</sup> Livingston T. Merchant became Ambassador to Canada on May 7, 1956.

<sup>9</sup> Printed from a copy that bears this typed signature.

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**308. Memorandum of a Conversation, Department of State,  
Washington, October 18, 1957<sup>1</sup>**

**SUBJECT**

Preparations for the President's Talks with Prime Minister Macmillan, October 25 and 26

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<sup>1</sup> Source: Department of State, Central Files, 033.4111/10-1857. Secret. Drafted by Dale. The substance of this conversation was transmitted in telegram 2907 to London, October 19. (*Ibid.*, 033.4111/10-1957)

## PARTICIPANTS

Mr. John Foster Dulles, Secretary of State  
Ambassador Whitney

Mr. C. Burke Elbrick, Assistant Secretary of State for European Affairs  
Mr. Lane Timmons, Director, Regional Affairs

Mr. William N. Dale, Officer in Charge, United Kingdom and Ireland Affairs

Mr. Selwyn Lloyd, British Foreign Secretary  
Sir Harold Caccia, British Ambassador to the United States  
Lord Hood, British Minister to the United States

The Secretary stated that he attached the greatest importance to Prime Minister Macmillan's visit to Washington next week. It should mark the beginning of a new and closer phase in Anglo-American relations which in turn should be projected into the relations we both have with other friendly countries.

The Secretary said that the Soviets from 1948 to 1950 took action which tended to unify us and stimulate activity on our part. The Korean War, for instance, caused a revival of Western military effort without which the Soviets would by now have been very far ahead of us. The Secretary recalled that our defenses were in so deplorable a state in 1950 that we had had to borrow back tanks we had given the Philippines for use in the Korean campaign. He said that we had scrutinized our expenditures for guided missiles so carefully that before 1950 only about \$50 million was spent on their development. In 1950 we spent \$1 billion, and since then we have been spending from \$3 to \$4 billion annually. The impetus of the Korean War also caused us to create forces in being under a unified NATO command in Europe. (See attached addendum.)<sup>2</sup>

The Secretary stated that now the Soviets in their eagerness to gain a propaganda advantage and to cover up a period of relative military weakness, have again taken actions which should bring us closer together. This, he added, underlies what Prime Minister Macmillan had written to the President and what the President had said in his toast to the Queen last night.<sup>3</sup>

The Secretary said that it is easy enough to say that our relations should be closer but that concrete steps to carry out our intentions are more difficult. He doubted whether we would have concrete proposals

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<sup>2</sup> The addendum reads:

"The correct figure for expenditures on guides missiles before 1950 is about \$600 million and not \$50 million as stated. Mr. Dale (BNA) notified Mr. Jackling of the British Embassy of this on October 25, 1957.

"It may also be noted that expenditures during Fiscal Years 1951 and 1952 were in the region of \$800 million and \$1 billion, respectively. Thereafter, annual expenditures were at the rate of approximately \$3 to \$4 billion.

"These figures were obtained from the Department of Defense."

<sup>3</sup> For text of the President's toast, see Department of State *Bulletin*, November 11, 1957, pp. 742-743.

ready to make by Wednesday but said that we would be ready to give the most careful consideration to any proposals the British should make. The Secretary then reiterated that this visit should nonetheless give rise to steps for the consolidation of our relationship and its projection to other friendly countries allied with us.

He mentioned that Mr. Elbrick and other members of the Department's regular staff were occupied with the heavy daily load of business and that, therefore Ambassador Merchant had been asked to come down from Ottawa in order to concentrate over the next few days on the subject matter of the Macmillan visit. He said that a working group will be set up under Ambassador Merchant to cooperate with the British in preparing for next week's meetings and expressed hope that the British would do as much preparatory thinking as possible on their side.

The Secretary said that in the course of the Queen's visit all the best sentiments had been expressed and that if we can't turn this sentimentality into something more practical by Prime Minister Macmillan's visit it will have been a waste and world opinion will be disillusioned.

The Foreign Secretary quoted from a recent editorial in the *Daily Mirror* of October 18, stating:

"Nothing could damage the Western cause more than another communiqué from Washington [after the Macmillan-Eisenhower talks]<sup>4</sup> full of flannel, cordiality and meaningless diplomatic twaddle."

The Secretary said that we face a delicate legal situation because restrictive legislation concerning atomic matters is still on the books. He stated that we can't change it until Congress is in session but that we can agree next week on the changes which we will seek. Even here he added it is doubtful whether we will have specific changes worked out by Wednesday even though a working group on this matter is already in operation. He mentioned again the importance of thinking out what we can do to make the Macmillan talks as useful as possible. Finally, he suggested that Ambassador Merchant's function with relation to the visit be kept secret.

Ambassador Whitney pointed out that the editorial quoted by the Foreign Secretary shows that if a communiqué is issued, it will have to contain real substance. He wondered whether we should not give the press the impression that there will be no formal communiqué.

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<sup>4</sup> Brackets in the source text.

The Secretary said it wasn't clear yet whether or not there should be a communiqué. The President opposes communiqués and so does the Prime Minister, he said, unless they actually say something. If we can reach some agreements and if the world can be told about them, he thought we should make a statement.

Mr. Lloyd said that he will be here all day Sunday and on Tuesday afternoon and evening. He hoped it would be possible to see the Secretary again in order to discuss subjects other than the Middle East which he had in mind, particularly reduction of forces in Germany, and to exchange further ideas about next week's talks.

The Secretary and Mr. Lloyd agreed to meet again on Tuesday.

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**309. Memorandum From the Ambassador to Canada (Merchant) to the Secretary of State<sup>1</sup>**

*Washington, October 19, 1957.*

It seems to me that the forthcoming talks between the President and Mr. Macmillan are crucial to our position of world leadership, and among other things to the future of NATO.

Without desiring to appear unduly cynical I think that the request by Mr. Macmillan for the meeting constitutes a supreme effort by the British to regain their war-time position of exclusive and equal partnership with the U.S. To their attainment of this objective they have tossed to the wolves their partner in their Suez adventure a year ago, France, with a cynicism which I doubt the French will easily or quickly forget.

From the point of view of the stakes and British purposes Mr. Macmillan has found himself, possibly unexpectedly, dealt a remarkably good hand. France without a government has superficially lost her claim to a seat at the table; Soviet threats against Turkey have created an atmosphere of crisis; Sputnik has called into question all through the world the accepted leadership of the U.S. in technology and, by extension, a superior capacity for fighting and winning modern war;

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 927. Secret. Drafted by Merchant. A handwritten note by Merchant, the coordinator of the Washington conference, appears at the top of the source text: "The Secretary—Sir: Here is my 'cynical' paper I mentioned to you this afternoon—no distribution except you though I showed it to Jock Whitney who did not react violently! Livie."

lastly, the Queen's visit to the U.S. is proving a romantic success and can be expected to leave in its wake a sentimental softness for all proposals British.

All cynicism aside, I believe and feel strongly that it is in our interest to readmit the British to a far closer and more responsible partnership with us. They have more to contribute to our own survival than any other nation, with the possible exception of Canada. And on the latter point, the closer we tie the British to us, the tighter will be our bond with Canada.

I think we should embark on this closer (and more equal) partnership with the British with our eyes open. We should appreciate that if we assert, in partnership with the British, world leadership, we will send shivers down the backs of most of our allies in NATO and among all our allies in the rest of the world. If having asserted this claim to joint global leadership we fail adequately to exercise it, then I think we will alienate so many friends as to destroy the effectiveness of NATO and bring into question the reliability of many other allies. This is not so much a case of "nothing succeeds like success", as a case of "failure will bring total failure". For example, in NATO terms we are setting up, in effect, a NATO Political Standing Group of just the British and ourselves. This will not only slay the French, but disappoint the hopes of the Germans and others who have had pretensions to a position of being co-partners in leadership to at least the degree which the French have maintained.

In substance, the British are asking a great deal of us. I believe we should seek from them what is of value to us and in their power to give. The following elements immediately come to mind:

1. An acceptance by the British that they will have to pay in coin, even at great risk to the Exchequer, a substantial share of the costs of the partnership. They can't ask for a 50% interest in the political profits and then draw down their share in the firm's assets from 30% to 10%. This means, for example, that they cannot on grounds of poverty take the flat position that if Germany refuses to pay all of the support costs for their troops they will withdraw all of their forces from Europe nor that they should shove off on us the responsibility for subsidy payments such as they had made to Jordan and I believe are still making to Libya. They will have to increase their financial risks, albeit in the knowledge that if in the long run sterling is really heading to disaster, we will have to bail them out in our own interests.

2. In the Far East where our policies have been more divergent, with particular reference to attitudes regarding Communist China, it is only reasonable that the British should move toward our position even if they do not come all the way at once, and certainly at a minimum we can ask for a firmer commitment on Chinese representation in the UN than the haggling year to year arrangement we have so far been compelled painfully to extract from them.

3. I think we have the right to ask them to overhaul their relations with Saudi Arabia, presumably at the cost of the Burami oasis. In return I would think we should assure them a stouter and more forthright public position for their position and actions in the Trucial states and Yemen.

4. I imagine there is a good deal they can provide us in scientific advances and developments, particularly in the field of missiles and weaponry. I think they should be generous in this respect particularly in light of the presumption that we will liberalize our own attitude on certain scientific exchanges.

5. Finally, for what it is worth, I think we should ask the British to adopt publicly at least a less disillusioned attitude toward the U.N. It is only asking them to keep their payments up on a long range policy of questionable but possible future value.

In conclusion and in summary, the British are making a bold bid under circumstances which are fortuitously favorable to them. I think we should respond affirmatively in our own interests. We should do so, however, with our eyes open to the risks we are taking and we should certainly ask in return from the British such quids as they have at their command.

**Livingston T. Merchant**

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**310. Memorandum From the Secretary of State to the President<sup>1</sup>**

*Washington, October 21, 1957.*

SUBJECT

Your Talks with Prime Minister Macmillan, October 24 and 25

As you know, Prime Minister Macmillan is coming this week to consider with you the present state of our alliance and problems related to it. Enclosed is a summary briefing paper which contains my ideas of the purposes of the conference and in general terms how we may achieve them. I am also enclosing a tentative schedule of the agenda items for the two main meetings between you and the Prime Minister.

**John Foster Dulles<sup>2</sup>**

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<sup>1</sup> Source: Department of State, Central Files, 033.4111/10-2157. Secret.

<sup>2</sup> Printed from a copy that bears this stamped signature.

**Enclosure 1**

**SUMMARY BRIEFING PAPER<sup>3</sup>**

**General Background**

*Purpose of the Macmillan Conference*

The purpose of this conference is, in view of the growing crisis in allied relationships, to create a more effective community of effort in the free world. If we are successful in establishing a closer community of effort with the British, we and the British together, as the two countries which form the core of the free countries' defense alliances, should develop this stronger sense of community with our other allies. An important consequence of this action would be to replace our present alliances, which are based on a principle of mutual protection that is becoming obsolete and wasteful, with a new system of relationships founded on a strong sense of security in which defensive tasks for the area as a whole are distributed according to each country's capabilities. Another consequence may be the establishment of common machinery in the economic and psychological fields to deal effectively with Soviet economic and propaganda warfare. If at the close of this dramatic conference we can point to specific steps we have agreed to take toward achieving a true sense of community, our joint efforts should revive confidence in the determination of the United States and the United Kingdom to provide coordinated leadership for the free countries.

*Particular United Kingdom Policy Objectives.*

Judging from his correspondence relating to the conference, Prime Minister Macmillan clearly recognizes the critical period we are in and the need to pool more effectively the scientific brains and other resources of the free world. Another principal British object in this meeting is the restoration of British prestige by participating with the United States in joint direction of the allied effort as they did during the war. The British probably also wish to take advantage of our reactions to the Soviet successes in rocketry to obtain some modification in our legislative restrictions on the provision of nuclear information and materials.

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<sup>3</sup> Secret. Drafted by Secretary Dulles.

*Particular United States Policy Objectives.*

In order to realize the general purposes mentioned above, the U.S. and U.K. will have to reconcile the substantial divergencies now existing between their respective foreign policies. The principal changes we wish in British policy are as follows:

1. We would like to have the British bring their policy towards Communist China into line with our own. This means, first, whole-hearted agreement to deny it membership in the United Nations and, second, British agreement to break relations with Communist China as soon as it is politically feasible for them.
2. We are interested in the maintenance of the British position in the Persian Gulf and would like to persuade them to make adjustments necessary to assure maintenance of that position. In this connection, we also favor the resumption of Anglo-Saudi relations on a sound basis as soon as possible.
3. We wish to extract from the British a firm commitment that they will not obstruct, through such devices as GATT consultations, progress towards achievement of a common market on the continent.

*What We Can Give the British.*

Besides pledging our cooperation in imparting a sense of community into our relations, we can make the following specific offers to the British:

1. We can promise the Prime Minister that the Administration will do everything within its power to obtain Congressional action to modify the legislative restrictions on the provision of nuclear information, materials and weapons to our allies. The U.K. would be saved large capital investment if it could purchase enriched uranium for weapons and submarines from the U.S. It would also improve the efficiency and usefulness to the free world of the U.K. stockpile.
2. Under the provisions of the present Atomic Energy Act, the Atomic Energy Commission is discussing with the U.K. Atomic Energy Authority sale of some [*less than 1 line of source text not declassified*] enriched uranium to be used as fuel in U.K. power reactors. This would make unnecessary an expensive addition to U.K. production facilities.
3. In return for their commitment not to interfere with the progress in the Common Market, we can reaffirm our clear support for their project for a Free Trade Area to associate other OEEC countries with the Common Market as reiterated at the October 16-18 OEEC Ministerial Meeting. This is important to them because they feel that their competitive position in export trade would seriously weaken should the Common Market be established without a Free Trade Area.
4. It would probably be feasible to conclude the agreement on provision of IRBM's to the UK at the time of this meeting if the draft agreement which was recently prepared in the Defense Department is acceptable to the British and if they find our replies to their 11 questions satisfactory.

*Suggested Machinery for Following Up Decisions and Insuring Closer Future Collaboration With the U.K.*

I recommend that you and Mr. Macmillan appoint me and Foreign Secretary Lloyd as your respective agents for monitoring the execution of decisions taken, supervising the progress of collaboration between the heads of the other Departments and Agencies in each country concerned, and deciding for reference to you and the Prime Minister in future any subjects or problems which you and the Prime Minister should discuss and decide.

Next I recommend that after the Conference is concluded, you direct a communication to the responsible officials in the fields of defense, intelligence, information, economic, scientific and United Nations affairs, informing them of the responsibility you have given me and instructing each such official to establish a closer cooperative working relationship with his opposite number in the British Government, keeping me currently informed of progress and problems.

**Enclosure 2**

**AGENDA FOR DISCUSSIONS DURING MEETINGS BETWEEN THE PRESIDENT AND PRIME MINISTER MACMILLAN<sup>4</sup>**

*Thursday, October 24, 10:30 a.m.*

1. Assessment of the Soviet threat, both general and especially as regards the Middle East.
2. Matter of closer consultation and coordinated action in military, political, economic and psychological areas.
3. Matter of sharing information and availability of nuclear and other modern weapons.
4. Improvements in our common efforts in such fields as complementary forces, research, development and production.
5. Means to insure that decisions reached are executed.
6. High-level consultation with other allied countries.

*Friday, October 25, 2:30 p.m.*

1. Appraisal of military alliances, politically and militarily.
2. Problem of sharing scientific information and effort including problem of nuclear and other modern weapons.
3. Problem of bringing into our mutual security arrangements a greater sense of community and a more effective distribution of tasks.
4. More effective utilization of the free world's economic resources including economic warfare measures against the Soviet Union.

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<sup>4</sup> Secret.

## 5. Developing a more effective psychological offensive.

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### 311. Memorandum of a Conference With the President, White House, Washington, October 22, 1957<sup>1</sup>

#### OTHERS PRESENT

Secretary Dulles, Mr. Berding, Ambassador Whitney, Ambassador Merchant, Mr. John Jones, Mr. Hagerty, General Goodpaster

Secretary Dulles began by reviewing with the President a proposed schedule for Prime Minister Macmillan's visit. It was decided that the "supper" with the President the first night would be attended by the Secretary, Mr. Macmillan and Mr. Lloyd, in addition to the President. The dinner on Thursday night<sup>2</sup> would be attended by a larger group.

Secretary Dulles then reviewed the briefing memorandum with the President.<sup>3</sup> He said that we must recognize that there are some differences in purpose between ourselves and the British regarding the meeting. They wish to stress their special relationship with us. From our standpoint whatever is issued must demonstrate our interest in all of our allies. He said we must recognize that our alliances are approaching a somewhat precarious state. Our allies feel that they are increasingly dependent upon nuclear weapons, but they are remote from the decisions regarding these weapons. He felt it is quite essential to make some progress on the NATO atomic stockpile. He has been pushing the matter hard with Defense, who have been seven months at it already. [1½ lines of source text not declassified] He said he was meeting with Defense later in the day to try to whip the matter into some shape. Also, he felt that it is time to close up the IRBM agreement with Britain and then to extend it to other countries. [8 lines of source text not declassified]

Mr. Dulles pointed out that some of the proposals would require a change in the legislation, and he and the President agreed that we should announce that we will ask for changes in the legislation.

Mr. Dulles next referred to our policy regarding China. Many Britishers now are coming to think that we are right in our policy on non-recognition. In the Persian Gulf, we should press the British to get

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<sup>1</sup> Source: Eisenhower Library, Whitman File, DDE Diaries. Secret. Drafted by Goodpaster on October 31.

<sup>2</sup> October 24.

<sup>3</sup> Enclosure 1, *supra*.

together with King Saud. With regard to the common market, there are some signs of undercover resistance by the British, and we should tell them that this will not do. He said we also need a position on the Turkish-Syrian situation and Tunis-Algeria.

The President advanced an idea of much more intimate collaboration between the British and ourselves in the military field. If each assigns truly outstanding men to the Standing Group, they could meet quite informally and see that we have complete understanding and unity of view.

The President said the UK agenda<sup>4</sup> (which Secretary Dulles showed him) tends to suggest that they are trying for a formally recognized two-country relationship, which could then be extended to others. He wondered if we could turn this around and work through our alliances to maintain the closest possible contact with the British on matters of common concern. Mr. Dulles said we should take the kinds of action that we can broaden to the whole alliance. The President asked if we could stress that we and the British are the only countries producing atomic weapons and that we are meeting to see how we can help our allies. Secretary Dulles thought it would be best not to overstress the two-country monopoly, but rather to talk in terms of the alliance as a whole.

The Secretary raised the idea of a meeting of Heads of Government at the NATO session in Paris in December. The President could attend that without a series of ceremonial visits to other capitals. Mr. Spaak should have a major part in such a suggestion.

The President said that he has frequently wondered how it might be possible to meet and talk for just a few hours every now and then with Macmillan, perhaps at some intermediate point such as Gander. Secretary Dulles said he agreed as to the desirability but did not see how it could practically be done.

G  
*Brigadier General, USA*

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<sup>4</sup> The British agenda proposed that the main problems of policy and defense which faced the free world be considered, specifically, that an agreed assessment be made of the Soviet threat in the Middle East and elsewhere, that ways to counter it be considered, that means be established to ensure continual and close U.S.-U.K. coordination, and that coordination be sufficiently flexible to enable other countries and organizations to contribute. (Department of State, Conference Files: Lot 62 D 181, CF 927)

**312. Memorandum of a Conversation, Department of State,  
Washington, October 22, 1957, 3:35 p.m.<sup>1</sup>**

**SUBJECT**

Cyprus Problem

**PARTICIPANTS**

Mr. Selwyn Lloyd, British Foreign Secretary

Sir Harold Caccia, British Ambassador to the United States

Lord Samuel Hood, British Minister

Mr. Roger Jackling, Head of Chancery

Mr. Denis Laskey, Private Secretary to the British Foreign Secretary

Mr. W. Morris, First Secretary of Embassy

Mr. John Foster Dulles, Secretary of State

Mr. C. Burke Elbrick, Assistant Secretary of State for European Affairs

Mr. John Hay Whitney, Ambassador to Great Britain

Mr. Lane Timmons, Director, European Regional Affairs

Mr. William N. Dale, Officer in Charge, United Kingdom and Ireland Affairs

Mr. Lloyd noted that General Harding's<sup>2</sup> resignation as Governor of Cyprus has been announced and then pointed out that the Greeks have become more obdurate since the Cyprus resolution adopted by the Labor Party Conference.<sup>3</sup> Mr. Lloyd did not think that much could be done now until after the Turkish elections.<sup>4</sup> He said that the British had hoped that, if they could get the parties concerned around a table, eventually they would come to agree on some compromise which everyone could accept. In this context they had developed the tridominium concept, not expecting that it would be accepted to begin with but that it might be useful as an eventual compromise. He noted that at first the US officials appeared to like the idea but that now we seemed to feel it has disadvantages.

The Secretary replied that we were not so much concerned over the disadvantages of the plan as with its practicability. He did not think that the Greeks could accept it because it would give the Turks a legal status on Cyprus.

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Dale. The time of the meeting is taken from the Secretary's appointment book. (Eisenhower Library, Secretary's Appointment Book) Other subjects discussed at this meeting were recorded in separate memoranda which are printed as Documents 313-315.

<sup>2</sup> General Sir John Harding, Governor and Commander in Chief, Cyprus, 1955-November 1957.

<sup>3</sup> On October 4, the Labour Party Conference affirmed its intention of solving the Cyprus question by granting the island self-determination.

<sup>4</sup> The elections were held on October 27.

The Foreign Secretary said that the British would be in a state of suspended animation regarding the Cyprus problem until after the Turkish elections. He noted that there would be a thirty-day gap between these elections and the date when the Cyprus item is scheduled for UN debate in December, during which time he hoped fruitful discussions might take place. He believed that the Greeks will probably start a campaign about November 1st, to get Britain's friends to bring pressure to bear on the UK in preparation for the UN debate. Mr. Lloyd observed that the present situation on the Island is precarious and that terrorism could start again at any moment. He stated that the British could no longer, in terms of money or manpower, afford to keep the same number of troops on Cyprus as Harding had had to suppress terrorism and that a reduction will take place phased over the next three to four years.

Mr. Elbrick said that Mr. Spaak will probably have something to say on the Cyprus question when he comes later this week.

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**313. Memorandum of a Conversation, Department of State,  
Washington, October 22, 1957<sup>1</sup>**

**SUBJECT**

Kashmir Dispute

[Here follows the same list of participants as the memorandum *supra*.]

Mr. Lloyd raised the question of Kashmir. He and the Secretary decided that since the matter appeared to have quieted down, there was no reason to discuss it now. However, they both anticipated that there would be difficulties with India when Kashmir did come up again.

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Dale. See also *supra*.

**314. Memorandum of a Conversation, Department of State,  
Washington, October 22, 1957<sup>1</sup>****SUBJECT****UK Force Reductions and German Support Costs**

[Here follows the same list of participants as Document 312.]

Mr. Lloyd recalled that Western European Union had been unanimous last winter in approving the withdrawal of 13,500 UK troops from Germany and at that time he had told the WEU Council that the UK would transfer out 13,500 more men next year.<sup>2</sup> The Foreign Secretary stated that when objections developed to the plan for an additional withdrawal, he had said there was no possibility of changing the British decision on 8,500 men but he would take a fresh look at the remaining 5,000 in October. He mentioned General Norstad's visit to London saying that the General had been willing to accept the transfer of 8,500 men but expressed the greatest anxiety not to lose the remaining 5,000 men. While stressing the fact that no Cabinet decision has yet been made, Mr. Lloyd predicted that he would succeed in obtaining his Cabinet colleagues' concurrence in leaving the 5,000 man strategic reserve in Germany.

He then pointed out that the other side of the matter from the British viewpoint is its financial aspect. He mentioned that Mr. Spaak had originally suggested invoking the escape clause in the Paris Agreements<sup>3</sup> and the recently agreed NATO Procedure (Paragraph (6) of WEU Resolution)<sup>4</sup> but said that from a UK viewpoint this process could incur a lengthy economic and financial discussion of indeterminate outcome. Now, he said, Mr. Spaak thinks that the financial aspect should be informally handled by agreement among the countries immediately concerned and that the matter should be put to the Germans on a foreign exchange basis. The Foreign Secretary suggested that perhaps Mr. Spaak is the man to conduct negotiations on this subject. He added that although the British do not want formally to

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 927. Secret. Drafted by Dale. See Document 312.

<sup>2</sup> The WEU Council met on December 10, 1956.

<sup>3</sup> On October 23, 1954, four protocols, designed to modify the Treaty of Economic, Social and Cultural Collaboration and Collective Self-Defense (Brussels Treaty) of March 17, 1948, were signed at Paris. Article 6 of Protocol II on Forces of Western European Union permitted Britain to reduce forces in Europe if their maintenance "throws at any time too great a strain on the external finances of the United Kingdom."

<sup>4</sup> Paragraph 6 of the Report of the Committee of Three on Non-Military Cooperation in NATO, submitted to and approved by the Ministerial Session of the North Atlantic Council, December 11-14, 1956, recognized that the ways and means of discharging the obligation of NATO members for collective defense might change and stipulated that any changes that affected the coalition could be made only after consultation.

link the question of leaving the 5,000 man strategic reserve in Germany to their foreign exchange problem, in practice, it is so linked. He stated that the UK cannot keep any of its forces in Germany unless the costs are met somehow. He said finally that General Norstad and Mr. Spaak have both been very helpful in trying to work out a solution to this problem.

The Secretary expressed his pleasure at the probability that the UK will leave the 5,000 man reserve in Germany. As far as the financial aspect is concerned, he said, we have reserved the right to ask the Germans to pay more. They agreed to pay this year one half of what they had paid the previous year and we are now going to ask for the other half, namely an additional \$77 million. The Secretary explained that this formula was worked out in Bonn in February. Since we did not wish to embarrass Chancellor Adenauer during the German election campaign, we said that we would let the Germans consider their payment on the basis of one half of last year's as full payment but that we reserved the right to reopen the question later in the year. The Secretary stated that Congress and the Defense Department feel strongly that we should obtain this additional money. He added that the Germans have always had a tendency to condition what they will do for the UK on what the US asks of them.

In answer to a question from the Secretary, Mr. Lloyd said that the drain on the Germans for the extra 5,000 men would really amount to an additional 1/11th in support costs since it would mean paying the local cost for 55,000 instead of 50,000 men.

The Secretary then suggested that as the UK problem is primarily one of foreign exchange they might consider establishing a blocked sterling account against German expenditures in Deutschemarks. This, he said, would make it easier for us to handle the Congressional feeling that the Germans should do as much for us as they do for the UK. The device of a blocked sterling account would enable the Germans to meet the UK foreign exchange problem by a formula which he believes would not be particularly appropriate for us. The Secretary added that we could say then that the Germans are not really paying the British but are only settling the foreign exchange element.

Sir Harold Caccia replied that the foreign exchange element is really only half the British problem. The other half is that the British do not believe the Germans are making their full contribution to collective defense. The Secretary answered that if this is the British argumentation we would have to say the same thing and make our bid for additional support costs. The Foreign Secretary said that he believed the British had considered arrangements such as a blocked account and he did not think it would work. He agreed to give thought

to working out a formula on support costs which would afford a basis for differentiation of the UK and US arrangements so that the US will not be obliged to request similar treatment.

In answer to a remark from Mr. Elbrick, Lord Hood said that there was a gap of about 10 million pounds between the German contribution this year and actual British expenditures in local costs. He added that fifty million pounds in 1958-9 would cover the local costs of the British force in Germany since there will be fewer UK forces there.<sup>5</sup>

Mr. Lloyd asked whether the Secretary thought that the US would get \$77 million additional from the Germans to which the Secretary replied that he thought we would get some money.

Lord Hood then reviewed briefly the arrangements we both had with the Germans this year, pointing out that whereas we had each agreed to receive one half the amount of support costs we had obtained the previous year, the British obtained additional financial benefits which we did not, while we reserved the right to ask for the full amount later on during the year.

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<sup>5</sup> A member of the UK delegation explained after the meeting that £50 million would cover the local costs of all 55,000 British troops. [Footnote in the source text.]

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**315. Memorandum of a Conversation, Department of State,  
Washington, October 22, 1957<sup>1</sup>**

**SUBJECT**

Preparations for the Macmillan Visit

[Here follows the same list of participants as Document 312.]

The Secretary told Mr. Lloyd that the President was having a luncheon for Mr. Spaak on Friday<sup>2</sup> and suggested that Mr. Macmillan should join them at about 2 p.m. for a half-hour meeting of the three together. The Foreign Secretary said that he was sure Mr. Macmillan would like to do this. The Secretary commented that it would be unfortunate to have the visits overlap without a meeting of all three

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Dale. See Document 312.

<sup>2</sup> October 25.

and that perhaps there might be need for more than one half-hour meeting.<sup>3</sup>

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<sup>3</sup> The meeting next turned to a discussion of a draft U.S.-U.K. statement on Palestine. A separate memorandum of conversation and the attached statement, drafted by the British Embassy, are printed in vol. xvii, pp. 766-770.

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**316. Memorandum of a Conversation, British Embassy,  
Washington, October 23, 1957, 3 p.m.<sup>1</sup>**

MTW MC-2

SUBJECT

  Closer US-UK Relations and Free World Cooperation

PARTICIPANTS

*American*

The Secretary  
The Under Secretary  
Ambassador Whitney  
Ambassador Merchant  
Assistant Secretary Smith

*British*

Prime Minister Macmillan  
Foreign Secretary Lloyd  
Ambassador Caccia  
Sir Norman Brook  
Sir William Hayter  
Mr. Frederick Bishop

The Prime Minister opened the meeting by expressing pleasure that there had been so little difficulty in arranging his visit and that on the whole the press reaction had been reasonable. He hoped that such visits could be repeated in the future and regarded as not unusual.

The Secretary indicated agreement. He thought the arrangements and public atmosphere had worked out well. He mentioned that it was too early of course to measure the public reaction everywhere. France, he noted, is in a difficult period and he hoped that there would be an opportunity to discuss the grave situation in that country. The French Ambassador had called on him a few days ago urging that the matter of arms to Tunisia be delayed until a French Government was formed which could consider the matter. It was most difficult finding France so often without a government. Some actions could not be delayed until consultation was possible or we would find that the need for action had already passed.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Merchant, approved by Dulles, and circulated to appropriate U.S. officials on October 23.

The Prime Minister then said that as he viewed it we were taking counsel together and not embarking on a negotiation. His one conviction was that recent Soviet successes, including those in the technical field, revealed how formidable was our adversary. He felt that we were at a turning point in history and that decisions and attitudes in the next two days of meetings would affect the course of history. He accepted the fact that neither the free world nor the Soviets wanted war but felt that the Soviets hoped and expected to achieve their purpose of dominating the world without war. On the other hand, the U.S. and U.K. and their allies have large assets. He felt that we were engaged in a long, secular struggle and the question was could we "last the course". The real problem in his view was how to mobilize the assets we have. Among them are many stout-hearted people on our side. One question is how can we do what is necessary to keep our most reliable allies in good heart without losing those who are tempted to a neutral course. How are fifty or sixty free and independent allies to be held as firm allies? The Prime Minister said that in his view we must coordinate the free peoples on a scale not yet seen. Looking fifty or sixty years in the future he doubted that we would be still existing in our separate and independently sovereign relationship. We must unite and use our assets effectively or we will lose them all.

[1 paragraph (4½ lines of source text) not declassified]

The Prime Minister then made clear that he was apparently not thinking of a public and exclusive partnership between the U.S. and the U.K. [2 lines of source text not declassified]. "Union Now" was a dream and in practical politics unthinkable but it might be by other processes possible to attain the advantages which it might have. He spoke of the recent quiet combined work on the Middle East as being an inspiring example of the ability of our two countries to work effectively together. [3 lines of source text not declassified] He was satisfied, however, that in the absence of such close working together the Soviets ultimately would gain their needs. The Prime Minister said that he believed the U.N. must be maintained and that certainly all our actions would be compatible with its expressed purposes. He was hoping for a "marriage of heart as well as worldly goods". He expressed the hope that agreement could be reached on this broad concept of working together since he was satisfied that in the world today no nation can now live alone.

The Secretary responded that he shared the Prime Minister's general views completely and thought that the President did likewise. These days may well be decisive for the next few centuries. For several hundred years the Christian West had dominated the world. Now it faced the question of whether that kind of society would be submerged for several centuries by "Communist Socialism" with Com-

unist Parties working underground as super-governments. It may well happen that what takes place in the next two days can reverse the whole trend.

The Secretary said that in the past a great strength of the West had been this dynamic quality illustrated by the history of both countries. Leaders of the West had felt that they had a mission and destiny. The problem today is to find the ways to rid much of the free world of its state of semi-paralysis. The Secretary quoted the first paragraph of the *Federalist Papers* and said that it might now be given to our two countries to set the example for the world and to mobilize their assets to meet the great challenge. What was needed was a bold and resourceful spirit. After agreement on the objectives it might be necessary to adjust downward a bit in the interests of practical possibilities of achievement but our aim should be high.

[4 lines of source text not declassified] The Secretary then said that marginal differences existed between the U.S. and U.K. which we should make a determined effort to do away with. He cited specifically our differing attitudes toward Communist China. It didn't make sense for us to be negotiating each year for a temporary agreement on the question of Chinese representation in the U.N. We must work out a better and closer understanding than this. He mentioned that the U.S. had swallowed with as good grace as it could muster the abandonment of the differential controls on trade by the U.K. with China. He was not asking that this be reversed at this time but he did feel that our two policies on the entire problem should be aligned and as evidence that our position was not extreme or unreasonable he cited the fact that he believed it to be shared by such outstanding British Far Eastern experts as Grantham, Scott, and MacDonald.<sup>2</sup>

The Secretary then referred to the great energy required to preserve satisfactory working relations with so many and so diverse allies. [1 line of source text not declassified] Ways must be found to simplify the maintenance of cooperative action in our relationships. Like Alice in Wonderland he often felt as though we were running as fast as possible to stay in one place.

The Secretary then said that he was convinced that we must make the effort necessary to unite the free world. The difficulty was, however, how to translate a general concept or purpose into a successful working program. He felt this could be done but from his lifetime experience in negotiation he knew that the advantage was on the side of the man who had an alternative, and in the last analysis if we could not unite the free world we might have to fall back on those few allies with whom we knew we could work closely and successfully. How-

<sup>2</sup> Sir Alexander Grantham, Governor and Commander in Chief, Hong Kong; Sir Robert Scott; and Malcolm J. MacDonald, British High Commissioner in India.

ever, in addition to his belief that we should hold the free world together as now constituted, he thought we should not give up hope of attracting others to our side. There should be future room in our plans for India and countries like Burma which seemed to be becoming somewhat less neutral.

[9½ lines of source text not declassified] the Secretary said that our task is to diagnose the ills of the free world. We must give to freedom an appeal which would attract. We must go on the offensive, not by copying the force, terror and fraud of the Soviets but by showing the fruits which freedom can produce. The argument over sums to be spent for defense was to him more than a budgetary problem. It really involved the question of insuring the maintenance of an economy in which labor enjoyed a large share of what it produced and by this fact offered hope not only to the free but to the enslaved. All these thoughts the Secretary said were not new ones with him but in a sense they had come to climax with Sputnik.

The Prime Minister replied that what the Secretary had said fitted very well with his own thoughts. He asked then what were our assets. First of all they consisted of our two countries. The problem was, however, to put them to the best use. He had not been thinking of the creation of boards or committees. He was thinking more he said of rationally pooling, for common use, our brains, experience, and resources. We have many other assets. NATO is one which has accomplished extraordinary and valuable things in the past eight or ten years and it must not be allowed to wither.

The Secretary interjected that he had been disappointed in the report of the Three Wise Men. It had not been as imaginative and constructive as he had hoped it would be.

The Prime Minister said the fact is that for the past ten years we have been on the defensive. We—and by that he mostly meant the U.S.—have done an enormous lot, but it did not seem to have produced the full results it should have. We seemed to be struggling to keep up with a horde of current problems. Today they center in the Middle East; tomorrow we can foresee that they will be in Africa. Somehow we must convey our own sense of urgency to the rest of the community. The U.K. wants to put everything it has into a pool for the common good. We have between us residual problems but we must find ways to solve them. There is Cyprus which is not really a British problem, but arises out of the inability of the Greeks and Turks to agree. We have future problems visibly in front of us. [1 line of source text not declassified]

The Secretary interjected that it is essential that we bring the Germans increasingly into our councils and bind them to us. [1½ lines of source text not declassified]

The Prime Minister agreed entirely.

Mr. Lloyd remarked that one current asset is our success in working together recently on the Middle East situation. In the Middle East as elsewhere this was a great comfort to other countries.

The Secretary agreed and said that no one was happy but the Soviets when the U.S. and U.K. were in disagreement. He then asked where we start on achieving what we agree we want. Generalities were valueless. Somehow we must find practical measures to communicate our concept throughout all our collective security arrangements.

The Prime Minister said that it was not possible to solve all this in two days. First he thought we should seek to establish agreement on certain principles [*less than 1 line of source text not declassified*]. Then we should consider what machinery was desirable and necessary to translate these principles into action. At the end we should see to what extent agreements might be declared publicly in a communiqué. [*5½ lines of source text not declassified*]

[*1 paragraph (4 lines of source text) not declassified*]

He went on to say that we must work together as we are now on the Middle East, in NATO, in SEATO, in the Baghdad Pact, in research, in the economic development of Africa, in the future problem of Germany, and in all areas. He was proposing not a declaration of independence, but on the contrary a declaration of unity. [*6½ lines of source text not declassified*]

[*1 paragraph (10 lines of source text) not declassified*]

The Prime Minister asked what thoughts the Secretary had on organization. Did he visualize, for example, a governing body of the Secretaries General of the various pacts? The Secretary said that something like that might be desirable but that he could not express any ideas as he had not thought the matter through. He had, however, reached the conclusion that it would not be wise to try to create a council of the leaders of all the countries with whom we were linked by the United Nations and antagonize many neutrals. He thought on balance it was best to operate regionally [*1½ lines of source text not declassified*]. It seemed desirable for regional reasons, for example, to leave the seat of NATO on the Continent. He felt we should make an analysis of the regional areas and their different military, economic, and propaganda problems. He suggested that one or two people on both sides be set to work to analyze the problem and see how the components could be put together. For this purpose he suggested for the U.S. Mr. Smith and Mr. Merchant.

Caccia suggested Lord Hood as one who might be named for the U.K.

The Prime Minister said he agreed with the Secretary on the need for "institutionalization" [*1½ lines of source text not declassified*].

It was finally agreed that at Lord Hood's dinner this evening to which both Mr. Smith and Mr. Merchant have been invited, there would be a continuation of discussion of the problem of institutions and structure. The Secretary indicated that in talks on the economic side he would like Mr. Dillon to represent him.<sup>3</sup> It was further agreed that on specific problems in specific areas the officials directly concerned might be set at work by the President and Prime Minister tomorrow.<sup>4</sup> As an example, a meeting of Sir Edwin Plowden and Admiral Strauss on atomic matters was mentioned.

The Prime Minister then said that we must agree at this conference on principles and directives. He cited nuclear weapons and referred to the history of "tube alloys". He said the U.K. had done a good deal but wastefully. He said that the U.K., Germany, and France as well could help and hoped that Strauss and Plowden might work out some sensible division of tasks.

The Prime Minister then mentioned aid to other countries as something to be looked at in common. Was proper value being obtained?

The Secretary mentioned the Indian request for a large loan and then noted in the case of Yugoslavia all that we had hoped for had not been realized.

It was agreed that the small group indicated should work this evening on institutions and structure and, at the Prime Minister's suggestion, drafts of directives and plans for joint US-UK groups to be set working later on different problems and areas. Specific problems such as atomic matters would be assigned to joint teams tomorrow.

At five o'clock the meeting ended.

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<sup>3</sup> See Documents 330 and 331.

<sup>4</sup> See Documents 324 and 325.

317. Memorandum of a Conversation, White House,  
Washington, October 23, 1957<sup>1</sup>

MTW MC-3

SUBJECT

US-UK Cooperation

PARTICIPANTS

The President

Secretary Dulles

Prime Minister Macmillan

Mr. Selwyn Lloyd, Secretary of State for Foreign Affairs

There was general conversation and reminiscence. The PM and JFD reported to the President the thoughts which had been developed by the two of them in their afternoon conversation. The President indicated his general approval of the ideas, placing, however, emphasis upon initiative from NATO. He hoped that some arrangement could be worked out whereby the US and UK would have a primary responsibility in certain fields which would enable the President and Macmillan to meet together informally within that framework and without its causing widespread comment.

JFD threw out the idea that the next NATO meeting might be a meeting of Heads of Governments. Mr. Macmillan indicated that that would be acceptable, as did the President. However, the President thought that it would be useful if Macmillan would find a way to suggest to Spaak that Spaak should propose it to the President. There was some consideration as to whether or not Macmillan would be seeing Spaak before Spaak saw the President but nothing definitive on this topic was arranged.

Mr. Macmillan spoke feelingly of the type of association which the UK sought. They wanted to "rationalize" their effort within the context of every effort and to do with high efficiency some part of the combined task and not spread their effort thin doing inadequately the great mass of things relating to land, air and sea, all of which they could not cover with confidence.

He spoke of the cut of British standing forces to some 375,000, all to be regulars, doing away with the waste effort required of conscripts.

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Top Secret; Eyes Only. Drafted by Dulles and distributed only to Whitney, Murphy, Reinhardt, Gerard Smith, and Elbrick on October 23. This conversation occurred during and/or after a dinner which began at 6 p.m. (Eisenhower Library, President's Appointment Book)

JFD spoke of the China matter as one where we needed closer cooperation. He said that the US had tried to accommodate itself to the UK trade views, but that he thought that some accommodation was needed on the political side with the US views. Mr. Macmillan said that so long as he was Prime Minister he would never agree to anything which might bring the Communists into the United Nations. We have enough trouble, he said, with the Soviets there and do not want to compound it.

There was discussion as to the meeting for Thursday, including the Thursday dinner.<sup>2</sup>

**John Foster Dulles<sup>3</sup>**

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<sup>2</sup> See Documents 320 and 322.

<sup>3</sup> Printed from a copy that bears this typed signature.

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**318. Memorandum of a Conversation Between Secretary of State Dulles and Prime Minister Macmillan, Washington, October 24, 1957<sup>1</sup>**

We spoke of the proposed communiqué.<sup>2</sup> Mr. Macmillan said he had a few verbal suggestions but in the main thought it excellent. He would, however, prefer that the paragraph about China be put in a separate and private memorandum either from him to the President or from him or Selwyn Lloyd to me. He gave as a reason that if it was in the memorandum it would give at home the impression that he had done some "horse trading". I said I had no doubt this would be acceptable to the President. In this connection, I asked the Prime Minister to read the text of my San Francisco speech,<sup>3</sup> of which I then gave him a copy. He said he would read it.

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<sup>1</sup> Source: Eisenhower Library, Dulles Papers, General Memoranda of Conversation. Top Secret; Personal and Private. Drafted by Dulles. This conversation took place at the Secretary's residence and as he and Prime Minister Macmillan rode together to the White House for a meeting at 10:30 a.m.

<sup>2</sup> For text of the final communiqué, the Declaration of Common Purpose, issued at Washington on October 25, see *American Foreign Policy: Current Documents*, 1957, pp. 643-646. Preliminary drafts are in Department of State, Conference Files: Lot 62 D 181, CF 927, and the Eisenhower Library, Dulles Papers, White House Memoranda.

<sup>3</sup> For text of the Secretary's address on foreign affairs at San Francisco, California, June 28, see *Department of State Bulletin*, July 15, 1957, pp. 91-95.

The Prime Minister said that one particular reason he wanted to speak to me alone was to say that he liked to feel that he was personally in touch with me. He knew that I saw copies of his letters to the President and he used this correspondence as a vehicle not only for keeping in personal touch with the President, but also for keeping in personal touch with me. He could not write me directly while Lloyd was in London without seeming to disparage Lloyd's position. He said he felt that Lloyd was growing into his job, that Eden had always frightened him and kept him repressed but that he hoped that he would develop into a satisfactory vis-à-vis to me. I said that I would contribute to bringing this about but that I doubted that there would ever be the same sense of personal reliance and trust between us as existed between Macmillan and me.

We discussed the Turkish-Syrian matter and agreed that it should have serious consideration with the President before Macmillan left.<sup>4</sup>

[2 paragraphs (13 lines of source text) not declassified]

JFD

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<sup>4</sup> Syria's complaint about Turkish threats to its security was discussed by Lloyd and Dulles on October 25; see Document 328.

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**319. Memorandum of a Conversation Between the Deputy Under Secretary of State for Economic Affairs (Dillon) and Foreign Secretary Lloyd, Department of State, Washington, October 24, 1957, Morning<sup>1</sup>**

**SUBJECT**

British Attitude Toward Common Market and Free Trade Area

Before the meeting with the President<sup>2</sup> began, Mr. Selwyn Lloyd took me aside and said he had been disturbed by a remark by the President to him the night before concerning the Common Market.<sup>3</sup> Mr. Lloyd said that he had pointed out to the President the dangers of Western Europe being divided by the creation of a high tariff common market without the simultaneous entry into effect of the Free Trade Area. The President, according to Mr. Lloyd, had not been sympa-

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 927. Confidential. Drafted by Dillon.

<sup>2</sup> See *infra*.

<sup>3</sup> The discussion on the Common Market was not recorded in the memorandum of conversation, Document 317.

thetic and had indicated that he attached overriding importance to activation of the Common Market. Mr. Lloyd expressed concern that the United States was not fully aware of the great dangers inherent in the establishment of a high tariff common market, which would in effect split Western Europe in two unless it was accompanied by a Free Trade Area.

Mr. Dillon replied that the United States did, indeed, attach great importance to prompt entry into effect of the Common Market. He also explained that the United States favored the plan of a Free Trade Area and hoped that it would be possible to negotiate successfully the establishment of such an organization. Mr. Dillon also pointed out that the United States did not consider that the Common Market necessarily would have to be a high tariff organization, and said that the United States would exert its efforts to induce the Common Market countries to adopt as low a common tariff as possible. Mr. Dillon then asked Mr. Lloyd what the British position would be if the Common Market should enter into effect on a low tariff basis and it proved impossible to negotiate a Free Trade Area agreement simultaneously.

At this point Mr. Selwyn Lloyd called in Mr. Hayter and said to him, while the British position was to oppose the creation of a high tariff common market without simultaneous entry into force of a Free Trade Area, he was not aware of what the Foreign Office position was on the entry into force of a low tariff common market without a Free Trade Area. Mr. Hayter had no ready answer for this question, and conversation ended as the meeting with the President began.

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**320. Memorandum of a Conversation, White House,  
Washington, October 24, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-4

SUBJECT

Free World Cooperation; Meeting Presided over by the President and Prime Minister Macmillan

PARTICIPANTS

American  
The President

British  
Prime Minister Macmillan

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dale, approved by the White House, and circulated to appropriate U.S. officials on October 24.

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|-------------------------------------|-------------------------|
| The Secretary of State              | Foreign Secretary Lloyd |
| The Under Secretary of State        | Sir Norman Brook        |
| Assistant Secretary Elbrick         | Sir Richard Powell      |
| Assistant Secretary G. Smith        | Sir Edwin Plowden       |
| Ambassador Merchant                 | Sir William Hayter      |
| Ambassador Whitney                  | Sir Patrick Dean        |
| Secretary of Defense McElroy        | Ambassador Caccia       |
| Deputy Secretary of Defense Quarles | Admiral Denny           |
| General Twining                     | Mr. Peter Hope          |
| Admiral Strauss                     | Mr. Fred Leishman       |
| Mr. Allen Dulles                    | Mr. Frederick Bishop    |
| Mr. James Hagerty                   | Mr. Philip de Zulueta   |
| Mr. Marselis Parsons, Jr.           | Mr. Denis Laskey        |
| Mr. William Dale                    |                         |

The President opened the meeting by summarizing results of the conversation of last evening in which the President, Prime Minister Macmillan, Foreign Secretary Lloyd, and Secretary Dulles took part.<sup>2</sup> He said they first recognized the need for closer union of the United States and the United Kingdom in order to serve better the cause of the free world and its several defense organizations (NATO, SEATO and the Baghdad Pact). The President stated that recognition of this need suggests the many means by which we should develop ourselves as better partners, almost to the point of operating together under one general policy. The President affirmed that we are anxious to be of service to our allies and do not wish them to think it is in our interest alone that we are endeavoring to consolidate our union with the United Kingdom and with them. We feel, he said, that the whole free world needs a "shot in the arm."

At the President's request, Mr. Quarles explained that the United States Government inaugurated yesterday a policy of more complete publicity regarding our scientific military accomplishments. He said that the Defense Department announced yesterday the following achievements: (1) a successful flight of the Army's Jupiter intermediate range missile; (2) the Navy's successful test of the main stage rocket designed as the vehicle for the earth satellite; (3) the completion of development of a depth charge to be delivered from the air which is expected to be very effective against submarines; and (4) the successful launching from a balloon of an Air Force research rocket which rose from 1,000 to 4,000 miles in the air. He noted that these are dramatic examples of our progress in missile development.

The President resumed, saying that we are not thinking mainly of this sort of achievement, not of something tied to scientific or material development, but of the spiritual, ethical values which support our type of society. He said that we are thinking of a statement which we

<sup>2</sup> See Document 317.

could make that would "lift up the chins of our people" over a long period, something which can "light a fire" that will burn steadily for as long as necessary.

[3 lines of source text not declassified] We realize that our two nations, having so much in common and bearing much the same responsibilities, have got to stay together, but this does not mean, he said, that we will not be full partners of other countries as well.

The President cited the example of an Italian doctor who has just won the Nobel Prize to show that there are brains in all free countries which should be mobilized. He added that we must develop closer communications with all our partners, not in our interest alone, but for the interests of all. The President said that he recognized all these objectives pose far from easy problems for us, but that he is confident they can be solved. In fields such as logistics and scientific cooperation we can do much, he believed, for the benefit of all.

Prime Minister Macmillan stated that the President described accurately the results of their talks together. In the free world there are, he added, great resources which we can command and influence which we can exert towards the objectives which the President described. He saw ahead a long period of "leaning up against Communism," in economic, political and spiritual fields. [2 lines of source text not declassified] He said that we need to devote our resources both towards providing inspiration for the long journey ahead and for establishing more effective organization for cooperation since no country can carry all the load of maintaining the free world's interests alone. He believed that by pooling our resources so that each country played its appropriate role, we could employ beneficially much human effort that is now wasted.

The Prime Minister raised the question of how these resources could be harnessed for our common benefit. He did not believe that in five or ten years we could create a unified government of the free world but he stressed the necessity of moving toward mobilization of free countries in order to win the "battle of the neutrals." This general feeling is, he said, that the world has become too small for us to behave as independent units in the way that we did in the last generation. [6 lines of source text not declassified] Mr. Macmillan cited Germany, with its increasing financial strength, as a country which should not be allowed to slip back, but must be bound closer to us to help serve our common purposes.

[1 paragraph (5½ lines of source text) not declassified]

Mr. Macmillan then stated that although we intend to mobilize our strength, we do not wish war with the Soviet Union and are ready to make genuine agreements with them should it become possible. However, we must face the fact that as long as we have "mere words and not deeds" from the Soviets, we must stand closely together and

with our other allies. He believed that we should inform other free countries how hard we have tried to obtain agreement with the Soviets on disarmament through repeated negotiations.

[1 paragraph (4 1/2 lines of source text) not declassified]

The President then spoke of the advisability of permitting others to take the initiative so that the US and the UK would be in a position to offer support. In this way he believed that our closer association would operate naturally. He proposed that Mr. Spaak might be helpful in taking an initiative which we could thus support. The President thought that in the nuclear field we could not show too much open coordination since we are the only two free nations possessing a nuclear capability. Our partners could come to envy and suspect an appearance of too exclusive a bilateral arrangement in this field.

Secretary Dulles stated that he believed what the President and the Prime Minister had said went right to the heart of the matter. He felt that there was a "certain malaise" in the atmosphere prevailing among free countries at the present time. The Secretary believed that the reasons for it could be easily diagnosed and, if we have the determination, he was sure a cure could be effected. Mr. Dulles noted that an element of insecurity prevailing in our own Government was also apparent in our alliances because nobody knows what the effects of the great new force of nuclear power will be. For instance, it is not clear how much it affects the NATO shield concept. The Secretary said that with only two free nations in possession of nuclear weapons, others feel remote from the decisions governing their use and are in a state of considerable confusion.

Our future security, he believed, will be accomplished increasingly by nuclear power delivered over long distances. The decision as to its use lies now largely in Washington. Other countries wonder what place they will have in such decisions, what the effects will be on them, and whether its reckless use will bring destruction on them. The Secretary believed other countries are also concerned whether, in view of nuclear power, their conventional force contributions are any longer worthwhile.

We must solve these questions, he said, not by creating a supranational organization, but through a consultative process which will permit a high degree of coordination. We all face, he stated, the same economic problem now, namely, to meet the costs of modern defense. This may be a long term business lasting perhaps one or two generations. We cannot destroy our freedom for that period without destroying the type of life we are endeavoring to save. Thus we have to maintain a free economy. The Secretary affirmed that we have the ability to retain both adequate defense and sound economy, but not on the basis of everyone trying to do everything. Consequently, we must now pool our resources and divide our tasks according to our different

capabilities. This processs requires a high degree of confidence in each other that is difficult to achieve, especially in the United States which comes the nearest to being able to stand by itself. There is always the fear in a pinch somebody will fail to do his part for the common effort. The Secretary believed, therefore, that our greatest task is the development of a greater spirit of fellowship among ourselves and all our partners.

He mentioned that theoretically a single sovereignty is the best solution and that, in fact, we come close to it in war. The need is almost as compelling now, since all that we believe in can be destroyed if our present system of "separateness" continues.

The Secretary maintained that the USSR does not need to fight a great war to achieve domination of the world. The Russians are chess players who are seeking to check-mate us. By penetrating our economies and political systems and by gaining military domination, they hope to force us into a position where we have no alternative but to resign. This may not be as disastrous as being destroyed in war, but it leaves us the ultimate choice of liberty or death.

Britain and the United States, as democracies, know and trust each other. This gives us, said Secretary Dulles, an extraordinary opportunity, assisted by the excellent personal relations among our leaders, to instill greater confidence in Anglo-American and other free world relationships. However, we cannot count on the continuation of personal intimacy for longer than two more years, since under our Constitution the President cannot serve another term and since Prime Minister Macmillan is subject to the political uncertainties of re-election.

The Secretary then mentioned the Prime Minister's statement of the previous day that we need a "declaration of interdependency" which should be reflected in institutional forms.

Mr. Lloyd stated that he too had noted the existence of "malaise" and agreed to the need for a "shot in the arm." [12½ lines of source text not declassified]

At this point the President mentioned that he would have a business dinner this evening at about 7:00 p.m.<sup>3</sup> to discuss further the items which had been reviewed yesterday evening and this morning. He said that he would like Mr. Quarles and Admiral Strauss to get together with their opposite numbers on the British side to see if they could come up with specific items (rather than generalities) which could be discussed this evening. The President stated that he believed the United States made a great mistake in establishing the legislative requirement for secrecy of information over atomic weapons. He said that he had always tried to correct this, but that the legal restrictions

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<sup>3</sup> See Document 322.

are still there. Personally, he said, he would like to remove all such restrictions so that we could talk about nuclear weapons just as we do about rifles or bayonets. By using NATO, however, he believed that we could find ways of complying with the laws and still accomplish the coordination that is essential for us.

The Prime Minister said it would be useful for this team to start discussing the problem of coordination in research, development, production and control of nuclear weapons both in the context of existing legislation and of changes which might be made. He suggested that the team start work as soon as Mr. Allen Dulles had given his intelligence briefing.

Admiral Strauss commented that he and Sir Edwin Plowden had anticipated this assignment and had already begun talks about the problem yesterday.

[2 paragraphs (11½ lines of source text) not declassified]

The President commented that if the USSR estimates we are relatively stronger now than we will be in three to five years, they may feel we will be likely to jump them if they should try something in the near future. He wondered whether the Russians might not therefore be expected to act with exceeding caution for the next couple of years.

The President then said that someone on each side should be putting his mind on a declaration containing some of the ideas that had been discussed at this meeting. He hoped that we could bring Spaak into our undertaking and make full use of the fortuitous fact of his presence in Washington at this time. The Secretary mentioned that he had told Spaak at the airport that the coincidence of the two visits, although not planned, may turn out to be very useful.<sup>4</sup>

[1 paragraph (8 lines of source text) not declassified]

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<sup>4</sup> Spaak visited Washington October 24–26; see vol. IV, pp. 172 ff.

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### 321. Editorial Note

A luncheon was held at the British Embassy at 1 p.m. on October 24. It was attended, on the American side, by Secretary Dulles; Christian A. Herter, Livingston T. Merchant, Ambassador Whitney, and C. Burke Elbrick. The British participants were Prime Minister Macmillan, Foreign Secretary Lloyd, Sir Norman Brook, Sir Harold Caccia, Sir Pierson Dixon, Sir William Hayter, and Frederick A. Bishop. (Eisenhower Library, Secretary's Appointment Book)

**322. Memorandum of a Conversation, White House,  
Washington, October 24, 1957, 7 p.m.<sup>1</sup>**

MTW MC-5

## SUBJECT

Conversation at President's Dinner for Prime Minister

## PARTICIPANTS

*American*

The President  
The Secretary  
Secretary McElroy  
Deputy Secretary Quarles  
Admiral Strauss  
Ambassador Merchant  
Ambassador Whitney

*British*

Prime Minister Macmillan  
Foreign Secretary Lloyd  
Ambassador Caccia  
Sir Norman Brook  
Sir Edwin Plowden  
Sir Richard Powell  
Lord Hood

Before dinner the President reviewed the report brought in from the Working Group composed of Admiral Strauss, Deputy Secretary of Defense Quarles, Sir Richard Powell and Sir Edwin Plowden.<sup>2</sup> With a few minor changes it was accepted by the President and by the Prime Minister as a procedural understanding.

The President and the Prime Minister then revised the draft communiqué with participation in the discussion by the Secretary of State and the British Foreign Secretary. They did not complete, however, their review of the draft prior to the announcement of dinner.

There was no general discussion during dinner.

After dinner the party adjourned to the Red Room and there was a further discussion of the communiqué between the President and the Prime Minister with the two Secretaries of State, Sir Norman Brook and myself participating. The President had made certain changes in his own copy of the draft as had Mr. Macmillan. Before a complete review of the draft the two Heads of Government instructed Sir Norman Brook and myself to meet after dinner broke up and agree on a combined revised draft of the communiqué for consideration the following morning.

Consideration was then given to the Draft Directive and the memorandum on "Institutionalization" agreed to by Sir Norman Brook and myself ad referendum during the afternoon.

The Draft Directive was approved by the President and the Prime Minister with minor editorial changes.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Merchant, approved by the White House, and circulated to appropriate U.S. officials on October 24.

<sup>2</sup> The report to the President and Prime Minister [3½ pages of source text] was not declassified.

The memorandum on "Institutionalization" was discussed and it was finally agreed by the Heads of Government that it would be disposed of by lifting the final paragraph and incorporating that paragraph in the later sections of the Draft Directive. The revised directive was then textually worked out by Sir Norman Brook and myself for submission to the Secretaries of State and the Heads of Government tomorrow morning.<sup>3</sup>

Mr. Macmillan reported to the President on his conversation with M. Spaak during the afternoon in the course of which the suggestion was put forward that the December NATO meeting might be elevated to the level of Chiefs of Government. M. Spaak, through apparent timidity, failed to respond with the expected enthusiasm. It was surmised, however, that overnight the opportunities implicit in this suggestion would be appreciated and that at his 2 o'clock seance with the President and Mr. Macmillan<sup>4</sup> M. Spaak would offer the suggestion that he arrange to convoke the December NATO meeting at this level. It was noted that the references in the draft communiqué to M. Spaak's participation in the discussions should be subject to M. Spaak's considered response at 2 o'clock tomorrow.

The Secretary and Mr. Lloyd agreed that they would meet with appropriate advisers at 10:30 tomorrow morning in the Secretary's office to review the redraft of the communiqué and to dispose of other matters with which they had not yet dealt.<sup>5</sup>

[1 paragraph (13 lines of source text) not declassified]

There was some side discussion on the possibility of a stop in England by the President en route to or from Paris if he attended the December NATO meeting. This was dealt with in a conversation between Ambassador Whitney and the President.

By agreement between the President and the Prime Minister the draft paragraph on Chinese Communist representation in the UN and other international bodies was removed from the communiqué and Mr. Macmillan undertook to make this the subject of a private communication in the agreed sense to the Secretary.<sup>6</sup>

The dinner broke up and the guests departed shortly before 10 o'clock.

Livingston T. Merchant<sup>7</sup>

<sup>3</sup> The draft directive presented the arguments which had led Brook and Merchant to the conclusion that no new "institutional" means were feasible to counter the Soviet threat. (Department of State, Conference Files: Lot 62 D 181, CF 927) The directive, as approved by the President and Prime Minister [2 pages of source text], was not declassified.

<sup>4</sup> See Document 332.

<sup>5</sup> See Documents 323-331.

<sup>6</sup> See Documents 336 and 337.

<sup>7</sup> Printed from a copy that bears this typed signature.

**323. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-6

## SUBJECT

UK Force Reductions and German Support Costs

## PARTICIPANTS

*American*

The Secretary  
The Under Secretary  
Mr. Murphy  
Mr. Dillon  
Ambassador Whitney  
Ambassador Merchant  
Mr. Smith  
Mr. Berding  
Mr. J. W. Jones  
Mr. Parsons  
Mr. Isaiah Frank  
Mr. Dale

*British*

Foreign Secretary Lloyd  
Sir Norman Brook  
Sir William Hayter  
Sir Patrick Dean  
Ambassador Caccia  
Lord Hood  
Mr. Jackling  
Mr. Morris  
Mr. Laskey  
Mr. Leishman  
Mr. Roper

Mr. Lloyd brought up the subject of German support costs stating the British feel that, if their position is handled as a balance of payments problem, there exists a good prospect for favorable settlement. He feared, however, that this prospect would be considerably dimmed if the U.S. now requests \$77 million additional from the Germans for this fiscal year. Mr. Lloyd said that the British expect to work out their approach with Spaak as soon as possible because their request for next year must be settled within the next four to five weeks. He requested that we postpone our approach to the Germans until after that time.

Mr. Jones said that the British request for postponement would create a problem. Now that Adenauer has won the election,<sup>2</sup> we think the proper time to approach the Germans has come and there is urgency in the matter because the money we are asking for relates to this fiscal year, while the money the British want relates to next year.

The Foreign Secretary said the question is simply this: Does the United States want to see Britain keep troops in Germany? They will not stay there unless their local costs are paid and a U.S. demand now for additional money would diminish this possibility. Mr. Jones affirmed that we are most anxious that the UK should keep its troops in

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dale, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25. This memorandum is the first of ten covering this meeting; eight are printed below; one [1 page of source text] was not declassified.

<sup>2</sup> The West German general election, held on September 15, resulted in a victory for Adenauer's Christian Democratic Union.

Europe and expressed hope that the British will raise the question of support costs with the Germans as soon as possible. However, he added, we do not feel that this should prevent us from going to the Germans with our case. Mr. Lloyd admitted that the U.S. has a technical priority in this matter but went on to say that in strict logic neither country would expect the debt to be paid. He added that he hoped the U.S. would lag in its approach.

Secretary Dulles said he doubted whether dragging our feet would work since the Germans would probably raise the question themselves. He believed, however, that we could wait for a couple of weeks before making our approach. Mr. Jones said that it was desirable for the U.S. and U.K. to keep each other informed in this matter and to coordinate our approaches. Mr. Lloyd agreed that this would be most helpful.

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**324. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-8

SUBJECT

VOA Transmitter on Cyprus

PARTICIPANTS

U.S.

The Secretary

The Under Secretary

Mr. Robert Murphy, G

Mr. C. Douglas Dillon, W

Ambassador John Hay Whitney

Ambassador Livingston T. Merchant

Mr. William M. Rountree, NEA

Mr. Andrew H. Berding, P

Mr. John Wesley Jones, EUR

Mr. Gerard C. Smith, S/AE

Mr. Marselis C. Parsons, Jr., BNA

Mr. Isaiah Franks, OT

Mr. William N. Dale, BNA

Mr. John Dorman, NE

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dorman, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25.

## U.K.

Mr. Selwyn Lloyd, British Foreign Secretary  
Sir Norman Brook, Foreign Office  
Sir William Hayter, KCMG, Foreign Office  
Sir Patrick Dean, KCMG, Foreign Office  
Sir Harold Caccia, British Ambassador  
Viscount Samuel Hood, Minister, British Embassy  
Mr. Roger Jackling, Head of Chancery  
Mr. Denis Laskey, Private Secretary/Foreign Secretary  
Mr. Willie Morris, First Secretary, British Embassy  
Mr. F. J. Leishman, First Secretary, British Embassy  
Mr. J. C. A. Roper, First Secretary, British Embassy

At the Secretary's request, Mr. Berding outlined existing US information media in the Mediterranean. Mr. Berding explained that a US transmitter relaying VOA programs was located on the ship *The Courier* anchored off Rhodes. However, the broadcasting facilities of *The Courier* were unsatisfactory and the transmissions were not strong enough to get past the littoral countries. Meanwhile, Radio Cairo had made great inroads in the Middle East. The US wished to install a powerful transmitter on the Island of Rhodes, but the Greeks were reluctant to give the necessary permission. Congress had already approved \$1,100,000 for the installation of a transmitter in the area and there would be additional funds earmarked this year for that purpose. The best location for such a transmitter outside Rhodes was Cyprus. The US now wished to install a 500 kilowatt medium-wave transmitter in Cyprus.

The Secretary said that since this was a new subject, he did not wish to consider it during these talks. This was a matter which should now appropriately be taken up initially by a note from the Department to the British Ambassador.

Mr. Lloyd said that such a request would have to be considered in all its aspects. There was no question, he added, of the UK's willingness to support such an installation; in fact the UK would be delighted to have such a US installation on Cyprus. However, Nasser would probably react violently to the installation of a VOA transmitter on Cyprus. It might be more practicable to have a VOA installation in Turkey. However, Mr. Lloyd said, he would be glad to give serious consideration to this request at the appropriate time.

**325. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-9

SUBJECT

Arms to Tunisia

[Here follows the same list of participants as the memorandum of conversation, *supra*.]

At the Secretary's request, Mr. Rountree reported the status of Tunisia's request for arms. Mr. Rountree pointed out that the US and UK Ambassadors had approached Bourguiba with respect to delaying arms delivery to Tunisia until after the new French Government had been formed. Bourguiba's attitude had been satisfactory, Mr. Rountree said, and he had made useful statements not only with respect to arms deliveries to Tunisia but also regarding the Syrian situation. Bourguiba had agreed to postpone accepting even a token shipment of arms from Egypt before arms from the West arrived. Mr. Rountree added that the United States had a supply of arms in a nearby depot and these could be delivered to Tunisia on a crash basis if this were necessary.

Mr. Lloyd said the British had hoped the French Government would provide Tunisia with arms. He pointed out there had been no incidents since October 4, a record which was a credit to Bourguiba.

Mr. Rountree indicated that in his opinion the coordinated approach by the US and UK Ambassadors to Bourguiba had been very effective.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Confidential. Drafted by Dorman and circulated to appropriate U.S. officials on October 25.

**326. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-10

## SUBJECT

Palestine

[Here follows the same list of participants as Document 324.]

The Secretary indicated that he had little to add with regard to former conversations he had had with Mr. Lloyd on Palestine.<sup>2</sup> The Secretary recalled his August 1955 speech on Palestine which had been worked out in advance jointly with the British.<sup>3</sup> He said we must continue to exchange views on the Palestine problem.

Mr. Selwyn Lloyd recalled recently discussing with the Secretary the draft of a possible joint US-UK statement on Palestine. Mr. Lloyd had agreed, he said, with the Secretary that this was not the time for such a statement. However, he believed it would be desirable to work out a common doctrine on Palestine, merely as an internal exercise, which would form the basis of a US-UK position. He suggested that the wording of such a common doctrine on Palestine be studied further.

Mr. Lloyd pointed out that according to telegrams from the British Embassy in Baghdad, Nuri Said had favored a statement by the Western powers on Palestine. Mr. Rountree said that Foreign Minister Malik had similarly urged the United States to make a statement on Palestine.<sup>4</sup> According to Mr. Malik, the minimum requirements for such a statement would include the recommendation for a permanent solution to the frontier problem based on the 1947 resolution, a cessation of the present Israeli immigration policy, a solution to the Arab refugee problem, and adequate guarantee against aggression. Mr. Malik had indicated that this was the only way in which to stem the Russian propaganda campaign in the Middle East but that unless the United States statement could include all these elements, it should refrain from any statement on Palestine.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dorman, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> See footnote 3, Document 315.

<sup>3</sup> For text of Dulles' speech before the Council of Foreign Relations in New York, August 26, 1955, see Department of State *Bulletin*, September 5, 1955, pp. 378-380.

<sup>4</sup> A memorandum of the conversation between Dulles, Lebanese Foreign Minister Malik, and three others in Washington on October 17 is in Department of State, Central Files, 611.84/10-1757.

Mr. Lloyd said he had no knowledge of the Israeli plans for immigration. This, it appeared to him, was now the root of that problem and possibly should be tackled first. Mr. Rountree replied that the Israeli Government had given us their plans for immigration which included 100,000 immigrants this year and the same number next year. The Israeli Government had an open-door policy toward immigration. The Secretary agreed that the immigration question was a serious problem and the fact that the prestige of the Israeli Government was involved merely made the problem more difficult to tackle.

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327. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>

MTW MC-11

SUBJECT

Algeria

[Here follows the same list of participants as Document 324.]

Mr. Selwyn Lloyd believed that Mollet was on the point of forming a Government and assumed that he would be successful in obtaining the approval of the National Assembly for the *loi-cadre* for Algeria.<sup>2</sup> *Loi-cadre* would not be the solution to the Algerian problem since it was too vague and too indefinite.

Mr. Lloyd said that although the United Kingdom publicly supported France, privately it was trying to persuade France that it must do something big in respect to Algeria if France hoped to maintain good relations with Tunisia and Morocco.

The Secretary said that possibly coordinating US-UK pressure on France would be useful in producing a more liberal attitude toward Algeria, since France could not ignore the views of its two closest allies.

Mr. Lloyd indicated that the United Kingdom would probably vote with France on the Algerian issue in the General Assembly no matter what the French position might be. However, such action did

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Confidential. Drafted by Dorman, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> The "framework law" retained Algeria as an integral part of France, but provided for regional elected assemblies with limited powers of self-government and for a federal executive in the future. Mollet formed a government which was defeated in the Assembly on October 29.

not preclude UK efforts to influence France toward a more reasonable solution. Ambassador Caccia pointed out that France had not yet been informed of the UK decision to support France traditionally.

Mr. Lloyd believed that discussions between the United States and the United Kingdom on Algeria would be useful and had no objection to their taking place in Washington.

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**328. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-12

SUBJECT

Syria in the United Nations

[Here follows the same list of participants as Document 324.]

Mr. Rountree said that the US delegation had been in close consultation with the UK delegation on the Syrian item in the General Assembly.<sup>2</sup> It was now planned to have ready a resolution calling on the Secretary General to investigate the Syrian-Turkey situation. Mr. Rountree pointed out that the timing of any action at the UN on this problem was extremely delicate and should be worked out in New York. It was most important that the position of the friendly Arab states be taken into account. The US did not wish, by prematurely putting in a resolution, to assume the onus of rejecting King Saud's offer of mediation if it was still valid, but on the other hand the US did not wish to count too heavily on King Saud's mediation offer if the Arabs turned from it and the Syrians should be prepared to put in a resolution unacceptable to us. The issue would probably clarify itself during the session this afternoon, but possibly not in time for the US to table the draft resolution which it had prepared.

Mr. Lloyd said that the Arab delegations had held a meeting last night and all had agreed, with the exception of the Egyptians, that Syria should accept King Saud's offer of mediation. Mr. Rountree said he had heard the same report from an Egyptian journalist who had added that the meeting of the Arab delegations had been adjourned

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dorman, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> Reference is to the U.N. General Assembly debate on Syria's complaint about Turkish threats to its security, October 22 and 25.

until noon today. Mr. Rountree said we had received word from New York and elsewhere which supports the thesis that attempts of King Saud to mediate had been a blow to the Russian position and a source of embarrassment to the Syrians.

Mr. Lloyd pointed out that there was only one slight difference in tactics between the US and UK positions on the Syrian problem. Of course, the UK and US would prefer King Saud's mediation but they must be ready with an alternative solution. The UK would prefer in the first instance the tabling of a fairly strong resolution from our viewpoint, and then under pressure yield to modifications. In this manner we could eventually accept an investigation by the Secretary General, thereby giving the impression that we had made an important concession.

The Secretary commented that, from many years of experience at the UN, he had felt that it was necessary to have a definite line of action. This would give an opportunity to line up supporters for a specific resolution. It was impossible to maneuver rapidly in the UN since many delegations would feel it necessary to receive instructions before taking a final position. Insofar as the US position was concerned, the Secretary was inclined to give Ambassador Lodge a free hand on tactics employed in New York since the Ambassador's long experience had served him in good stead.

Mr. Lloyd commented that, provided the resolution was not revised or watered down considerably in order to obtain the necessary two-thirds vote, the UK would have no objection to supporting the US resolution as it appeared in the original wording.

The Secretary emphasized the fact that we could not permit the investigating committee to investigate Turkey alone, but that Russia and Bulgaria would also have to be included. He added that we have sensitive installations in Turkey in connection with our NATO commitments, and it would be impossible to permit a committee of neutralists to inspect these installations unless the committee was also permitted to visit military installations in Russia and Bulgaria.

**329. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>**

MTW MC-15

SUBJECT

Arabian Peninsula

[Here follows the same list of participants as Document 324.]

The Secretary said that the US and UK were faced by two large problems: Israel and the UK relationship with Saudi Arabia. The situation in the Yemen seemed to be improving and the West was apparently gaining in influence in that country. However, the Buraimi question, giving rise to the UK-Saudi dispute, still bothered us.

Mr. Selwyn Lloyd agreed that the situation in the Yemen was improving. As the Secretary was doubtless aware, there was a possibility of a visit to London by the Crown Prince. At the Imam's request, the British Foreign Office had sent an official to the Yemen to make the arrangements for the visit. The Imam, Mr. Lloyd said, was frightened by the Russians, wished to assure his succession by the Crown Prince, and did not know exactly how he stood with King Saud.

Turning to the Buraimi question, Mr. Lloyd said that the Sultan of Muscat would visit London in November. It would greatly relieve the situation if King Saud would recognize the present boundaries of Muscat. However, King Saud could not be nice to the Sultan since the Sultan had not been nice to the Imam.

Mr. Lloyd said that King Saud had taken the initiative in approaching the UK through Charles Malik. King Saud had recommended that conversations be held with Ambassador Khayyal, who was number two on the Saudi Arabian Delegation to the UNGA and Malik was now arranging an appointment for Sir Roger [Pierson] Dixon to see Ambassador Khayyal. Mr. Lloyd said he would have preferred to talk with Azzam Pasha, whom Mr. Lloyd knew well.

Mr. Rountree observed that Ambassador Khayyal was a good man. However, there was a certain demarcation between the responsibilities of Ambassador Khayyal and Azzam Pasha, and it was probable that the Ambassador would want Azzam Pasha to sit in on any conversations which he might have with the British. Mr. Rountree thought it might be wise to have Shukairy<sup>2</sup> out of the talks.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dorman, approved by Dulles and Greene, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> Ahmad Assad Shukairy, Syrian Ambassador in Egypt and member of the Syrian Delegation to the United Nations.

330. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>

MTW MC-13

SUBJECT

GATT and the Common Market

PARTICIPANTS

U.S.

W—Mr. Dillon<sup>2</sup>  
W—Ambassador Whitney  
W—Ambassador Merchant  
S/P—Mr. Smith  
P—Mr. Berding  
EUR—Mr. Jones  
BNA—Mr. Parsons  
BNA—Mr. Dale  
OT—Mr. Frank

U.K.

Foreign Secretary Lloyd  
Sir Norman Brook  
Sir William Hayter  
Sir Patrick Dean  
Ambassador Caccia  
Lord Hood  
Mr. Jackling  
Mr. Morris  
Mr. Laskey  
Mr. Leishman  
Mr. Roper  
Sir Edwin Plowden

Mr. Lloyd stated that, while the United Kingdom was in favor of the Common Market, his Government believed it was essential to supplement the latter by a Free Trade Area. A high-tariff Common Market in Europe would be disastrous. So far as the GATT was concerned, the U.K. thought the Six<sup>3</sup> should not get a waiver now (on the overseas territories), but that the matter should be kept in play until the Free Trade Area is negotiated.

Mr. Dillon stated that, while it was true that this was no time to attempt to settle in detail the ultimate relationship between the Six and GATT, he felt that procedures could be worked out in the GATT to deal with the outstanding issues. Nothing should be done, however, which would interfere with the coming into effect of the Common Market on schedule. Mr. Lloyd indicated general agreement with this position.

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Confidential. Drafted by Frank, approved by Dillon, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> Dillon replaced the Secretary as head of the U. S. delegation, which was reduced in number, at approximately 12:20 p.m. (Eisenhower Library, Secretary's Appointment Book)

<sup>3</sup> The original members of the European Economic Community were Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands.

331. Memorandum of a Conversation, Department of State,  
Washington, October 25, 1957, 10:30 a.m.<sup>1</sup>

MTW MC-14

SUBJECT

Aviation Problems

[Here follows the same list of participants as the memorandum of conversation, *supra*.]

Mr. Dillon called attention to the Hong Kong and Frankfurt-Zurich problems which had been previously raised in London by Ambassador Whitney.<sup>2</sup> He said this item had been placed on the agenda because the Secretary had wished to mention it personally to the Foreign Secretary, which he would have done if time had permitted. He noted the keen Congressional interest in this matter and the feeling that there was an element of unfairness in the action that was taken. He pointed out that in our recent Dutch negotiations, despite great pressure from the airlines, we tried to look at the problem from the total national point of view and expressed the hope that the United Kingdom would try similarly to look at the present problem on an overall basis rather than primarily from the point of view of BOAC. He expressed the hope that, in view of the new atmosphere created by these talks, the British would reconsider this matter. The Foreign Secretary stated that he would review the matter again.

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Confidential. Drafted by Frank, approved by Dillon, and circulated to appropriate U.S. officials on October 25.

<sup>2</sup> Documentation on these air routes is *ibid.*, Central Files 611.4194 and 611.5694.

332. Memorandum of a Conversation, White House,  
Washington, October 25, 1957, 2:05-2:32 p.m.<sup>1</sup>

MTW MC-16

SUBJECT

NATO Heads of Government Meeting

PARTICIPANTS

The President  
Secretary Dulles

Prime Minister Macmillan  
Mr. Selwyn Lloyd, Secretary of State  
for Foreign Affairs  
Mr. Paul-Henri Spaak, Secretary-  
General of NATO

After general discussion by the President and Macmillan indicating their purpose to support NATO, I pointed out that there were two points in the communiqué where we wished to bring in Mr. Spaak if he agreed. I then showed him a draft of the communiqué. Mr. Spaak read this and in conclusion said that it was a fine statement.

Mr. Macmillan then recalled that he had mentioned to Mr. Spaak that it might be desirable to invite Heads of Government to the December Meeting of NATO. Mr. Spaak said that he would like to do this if the President would accept and he felt certain that if the President would accept, all the other Heads of Government would accept. The President said he thought this idea would appeal to him. Of course, it would depend a great deal upon what the others wished. He would not want to embarrass them by indicating a desire to come unless it was first known that the others would want him to come and would themselves want to come. The President mentioned that such a meeting might give a lift to NATO at an important juncture, and that he would be disposed to accede to the suggestion if it were heartily made by the others. I mentioned that I felt that in addition to giving a moral boost the presence of the Heads of Government would almost compel constructive thinking and planning in terms of the kind of thinking we had spoken of in our communiqué. Mr. Spaak said that he would send a cable tonight to Paris and asked if he could have our cable facilities. We assured him that he could. (I had previously broached this subject with Spaak in driving him to the White House for his luncheon with

<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret; Eyes Only. Drafted by Dulles. The time of the meeting is taken from the President's Appointment Book. (Eisenhower Library, President's Appointment Book) This memorandum was circulated only to Whitney, Murphy, Reinhardt, Gerard C. Smith, and Elbrick on October 25.

the President, introducing the subject by saying that Mr. Macmillan had told me that he and Spaak had discussed it.)<sup>2</sup>

John Foster Dulles<sup>3</sup>

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<sup>2</sup> See Document 322.

<sup>3</sup> Printed from a copy that bears this typed signature.

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### 333. Editorial Note

The discussion at the White House recorded in the memorandum of conversation, *supra*, next turned to the Middle East and China. A separate memorandum of conversation is printed in volume XIII, pages 732-733. It was circulated to Whitney, Murphy, Reinhardt, Smith, and Elbrick on October 25 as document MTW MC-17.

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### 334. Memorandum of a Conversation, White House, Washington, October 25, 1957, 2:40 p.m.<sup>1</sup>

MTW MC-18

SUBJECT

Final Meeting Between the President and Prime Minister Macmillan

PARTICIPANTS

Prime Minister Macmillan

Foreign Secretary Selwyn Lloyd

Sir Norman Brook, Permanent Secretary of the Treasury

Sir Richard Powell, Permanent Under Secretary, Defense Ministry

Sir Edwin Plowden, Chairman of the Atomic Energy Authority

Sir William Hayter, Deputy Under Secretary, Foreign Office

Ambassador Caccia, British Embassy

Sir Patrick Dean, Deputy Under Secretary, Foreign Office

Admiral Denny, Naval Attaché, British Embassy

Mr. Peter Hope, Head of the News Department, Foreign Office

Lord Hood, Minister, British Embassy

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 926. Secret. Drafted by Dale, approved by the White House, and circulated to appropriate U.S. officials on October 25.

Mr. Charles Wiggin, First Secretary, British Embassy  
Mr. John Roper, First Secretary, British Embassy  
Mr. D'Arcy Edmondson, Counselor, Information, British Embassy  
Mr. Denis Laskey, British Embassy  
Mr. Frederick Bishop, Recording Secretary  
Mr. Philip de Zulueta, Recording Secretary

The President

The Secretary of State

The Under Secretary of State

Ambassador Livingston T. Merchant, United States Ambassador to Canada

Ambassador John H. Whitney, United States Ambassador to Great Britain

Assistant Secretary Elbrick

Secretary of Defense McElroy

General Nathan Twining, Chairman, Joint Chiefs of Staff

Admiral Strauss, Chairman, Atomic Energy Commission

Deputy Secretary of Defense Quarles

Mr. Allen W. Dulles, Director, Central Intelligence Agency

Mr. Gerard Smith, Assistant Secretary for Policy Planning

Mr. James C. Hagerty, Press Secretary to the President

Mr. Marselis C. Parsons, Jr., Recording Secretary

Mr. William N. Dale, Recording Secretary

1. *Communiqué.* The draft communiqué was approved subject to a few minor amendments.<sup>2</sup>

2. *Informing Allied Countries of Conference Results.* The Prime Minister asked whether we should not instruct our Ambassadors in allied capitals to explain to the governments to which they are accredited the broad purposes of the Conference so that they can furnish support and explanation for the Communiqué.<sup>3</sup> The Secretary agreed and Ambassador Caccia and Mr. Elbrick were requested to start work on a draft instruction. The President suggested that since the Communiqué will be on the wires shortly, the instruction should be prepared immediately. He also recommended that the instruction stress the point that through closer cooperation we are trying to be of service to all our allies.

The Secretary mentioned that the NATO Ambassadors will be together at a dinner tonight for Mr. Spaak and said he would make some comments on the meeting then if an opportunity is presented.<sup>4</sup> The draft instruction to be sent to U.S. and U.K. missions (*mutatis mutandis*) was subsequently prepared and approved by the Secretary and the Foreign Secretary.

3. *Handling of the Press.* Mr. Macmillan raised the question of informing the press about the conference. He said that he would hold a press conference at the airport just before leaving and would try to

<sup>2</sup> See footnote 2, Document 318.

<sup>3</sup> The instructions were contained in circular telegrams 393 and 394, October 25. (Department of State, Central Files, 611.41/10-2557)

<sup>4</sup> The memorandum of conversation at the NATO dinner meeting is not printed.

keep it as short as possible. The Secretary mentioned that he would hold a conference at about 6:00 for both U.S. and U.K. correspondents.<sup>5</sup>

4. *Memorandum of Understanding.* The President and Prime Minister initialed the Memorandum of Understanding with enclosures.<sup>6</sup>

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<sup>5</sup> For the transcript of the Secretary's news conference, October 25, see Department of State *Bulletin*, November 18, 1957, pp. 783-791.

<sup>6</sup> Not declassified [5 pages of source text].

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### 335. Editorial Note

According to the President's Appointment Book, he, Secretary of State Dulles, Prime Minister Macmillan, and Foreign Secretary Lloyd met in the President's office from 3:45 to 4:04 p.m. on October 25. (Eisenhower Library) Secretary Dulles then accompanied the Prime Minister to the MATS Terminal; Macmillan departed at 5:45 p.m. (*Ibid.*, Secretary's Appointment Book)

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### 336. Letter From Foreign Secretary Lloyd to Secretary of State Dulles<sup>1</sup>

Washington, October 25, 1957.

MY DEAR FOSTER: I write to confirm what I said to you last night about China's representation in the United Nations.<sup>2</sup> The present Government of the United Kingdom will not seek or support, without prior agreement with the United States Government, any change in regard to the representation of China in the United Nations, its dependent agencies and other international organisations in which this question may arise.

Yours ever

Selwyn

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 928. Top Secret.

<sup>2</sup> See Document 322.

**337. Letter From Secretary of State Dulles to Foreign Secretary Lloyd<sup>1</sup>**

*Washington, October 29, 1957.*

DEAR SELWYN: Thank you for your letter of October 25, 1957,<sup>2</sup> confirming that the present Government of the United Kingdom will not seek or support, without prior agreement with the United States Government, any change in regard to the representation of China in the United Nations, its dependent agencies and other international organizations in which this question may arise.

Sincerely yours,

**John Foster Dulles<sup>3</sup>**

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<sup>1</sup> Source: Department of State, Conference Files: Lot 62 D 181, CF 928. Top Secret.  
Drafted by Greene.

<sup>2</sup> *Supra.*

<sup>3</sup> Printed from a copy that bears this stamped signature.

# VATICAN

## U.S. POLICY TOWARD THE VATICAN

### 338. Editorial Note

The policy of the U.S. Government toward recognizing the Pope as temporal head of the State of Vatican City, that is, establishing full diplomatic relations with the Holy See, did not change during the 1955-1957 period. See *Foreign Relations*, 1952-1954, volume VI, Part 2, pages 2002 ff. This policy was summarized by Secretary of State Dulles in a conversation on June 10, 1957, with Frederic R. Dolbeare, who had had a visiting lectureship at the Universitá Pro Deo in Rome. The Secretary said:

"During the present Administration the question of U.S. relations with the Vatican had not become a practical issue, that is, something that the President felt he had to make up his mind about. As Mr. Dolbeare was aware, this was quite a political problem and as past experience showed, public discussion of it might create more of a stir in this country than the Vatican would like to see." (Department of State, Central Files, 611.65A/6-1057)

The United States continued to recognize the Pope as head of the Roman Catholic Church and exchanged courtesies with him. At the initiative of the Vatican, Secretary Dulles had an audience with Pope Pius XII on October 23, 1955. The report of their conversation is printed *infra*.

**339. Telegram From the Secretary of State to the Department of State<sup>1</sup>**

*Paris, October 25, 1955—2 p.m.*

Dulte 8. Eyes only Hoover from Secretary. Secretary wanted you to have following on a personal basis. No further distribution.

"I was received by His Holiness at 12:30.<sup>2</sup> He expressed satisfaction at seeing me and awareness of heavy load of responsibility I was carrying. He inquired about President and expressed concern at President's illness.<sup>3</sup> He said President had great influence which was very much needed in world. I expressed my happiness His Holiness had since recovered from illness and recalled concern which President had had when Pope was so ill.<sup>4</sup> I was now able to tell Pope I thought President was in good way to recovery.

Pope expressed very vigorously his fear there was tendency now to blur over difference between Bolsheviks and those who believed in true democracy. [*less than 1 line of source text not declassified*] I expressed awareness of that danger and indicated my talks here had, I hoped, done something to stem that trend. I explained we conceived "spirit of Geneva"<sup>5</sup> was designed to exclude resort to war as means of settling our differences but it did not mean differences no longer existed.

I asked Pope whether he was familiar with President's speech at Philadelphia, emphasizing peace was designed to give opportunity to redress from evils and injustices that now prevail.<sup>6</sup> Pope said he was familiar with that talk and very much agreed with it. He said of course we wanted peace and he had often spoken out for peace. Pope said when he talked about peace, he never excluded necessity for adequate means of defense.

<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/10-2555. Confidential. Secretary Dulles was in Paris, October 23-26, to attend a meeting of the North Atlantic Council. He went to Geneva on October 26 and participated in the meetings of the Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union, October 27-November 16.

<sup>2</sup> In Dulte 2 from Paris, October 2, Secretary Dulles reported that his conversation with Pope Pius XII took place at Castel Gandolfo, Italy, on October 23. (Department of State, Central Files, 110.11-DU/10-2355) A copy of Dulles' memorandum of this conversation, October 23, is in the Eisenhower Library, Dulles Papers, General Memoranda of Conversation. This meeting with the Pope occurred at the conclusion of the Secretary's 2-day visit to Italy; see Documents 88 ff.

<sup>3</sup> President Eisenhower suffered a heart attack on September 24.

<sup>4</sup> The Pope had been seriously ill as a result of gastric trouble in late 1954.

<sup>5</sup> Reference is to the feeling of détente that followed the meetings of the Heads of Government (Summit Conference) of the United States, the United Kingdom, France, and the Soviet Union at Geneva, July 18-23.

<sup>6</sup> For text of the President's speech before the American Bar Association at Philadelphia, August 24, see Department of State *Bulletin*, September 5, 1955, pp. 375-378.

I said I myself tried always to couple notion of peace with that of justice. Pope emphatically agreed with concept of a just peace with love and charity and justice, and this was kind of peace we should seek.

[1 paragraph (7½ lines of source text) not declassified]

I inquired about conditions in satellite countries—Poland, Hungary, etc. Pope said conditions there were very bad. He also said they were bad in Yugoslavia. I said I shared Pope's view with respect to internal conditions in Yugoslavia. I said United States assistance to Yugoslavia did not imply moral approval of what Tito stood for within Yugoslavia. However, there had been break with Moscow, and that was all-important first step which we felt we could properly encourage. Question of internal reform was second stage.

[1 paragraph (5½ lines of source text) not declassified]

On several occasions His Holiness said "I hope I am not talking too frankly." I said that was certainly not case and what I had hoped to gain from audience was just such frank expression of Pope's views.

Following interview, at which only two of us were present, we went into outer room where photographs were taken.

Dulles

# CANADA

## JOINT DEFENSE ARRANGEMENTS; NEGOTIATIONS RELATING TO TRADE, AGRICULTURAL PRODUCTS, AND WATERWAYS; U.S. CONCERN OVER RISING NATIONALISM AND POSSIBLE CHANGES OF POLICY BY THE NEW CONSERVATIVE GOVERNMENT<sup>1</sup>

### 340. Memorandum From the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State<sup>2</sup>

Washington, February 14, 1955.

#### SUBJECT

St. Lawrence Seaway—Difficulty with the Canadian Government

We foresee real trouble in a situation which is developing over the St. Lawrence Seaway. Deputy Secretary Anderson, who has responsibility for supervision of the St. Lawrence Seaway Development Corporation, may be in touch with you today. The essential background is set out below.

The Wiley-Dondero Act, approved May 13, 1954,<sup>3</sup> required our St. Lawrence Corporation to construct (a) canal and lock at Point Rockway, N.Y., (b) canal and locks at Barnhart Island, N.Y., and (c) dredging in Thousand Islands section. This was followed by negotiations with the Canadians resulting in exchange of notes on August 17, 1954.<sup>4</sup> These negotiations were necessary because on June 30, 1952,<sup>5</sup> we had agreed with the Canadians that *they* would build the entire Seaway on their side of the boundary. The Canadians were then pressing us to go ahead on the joint power development in the St. Lawrence. The Administration felt that we should not agree to the

<sup>1</sup> For previous documentation on U.S. relations with Canada, see *Foreign Relations*, 1952-1954, vol. vi, Part 2, pp. 2022 ff.

<sup>2</sup> Source: Department of State, Central Files, 611.42321-SL/2-1455. Official Use Only. Drafted by Outerbridge Horsey and cleared with EUR and H.

<sup>3</sup> For text, see 68 Stat. 92.

<sup>4</sup> For texts, see 5 UST (pt. 2) 1784. For further information, see *Foreign Relations*, 1952-1954, vol. vi, Part 2, p. 2134.

<sup>5</sup> Texts of the Canadian and U.S. notes, June 30, 1952, are printed in Department of State *Bulletin*, July 14, 1952, p. 65.

joint power development without insuring that the Seaway got built and it did not then seem likely that Congress would ever authorize our participation.

During the August 1954 negotiations the Canadians made clear that when, in their judgment, conditions (increased traffic OR "unreasonable" restrictions imposed by us on Canadian and foreign shipping) warranted, they would duplicate on the Canadian side *all* the 27 foot facilities, i.e., have an all-Canadian Seaway. They also said that they intended now to build on their side opposite Point Rockway, N.Y., a canal and lock which would duplicate the facilities noted under (a) in the previous paragraph. The Canadians said they had to do this in order to reassure the opinion in Canada which wanted an all-Canadian Seaway that there would be one at some time in the future. We agreed to their doing it although our legislation directed us to build on the opposite side at Point Rockway. Our intention then was to get authority from Congress in due course to omit the construction at Point Rockway. The plan now is to get this authority in a few months. Mr. Anderson and Mr. Castle<sup>6</sup> do not, however, want to go to Congress for this authority until construction is actually started on our side, for fear that the historic opposition to the entire Seaway project will in some way confuse the issues and once more delay it.

One tactic which this opposition will use is the argument that the indications are that Canada intends to build complete 27 foot facilities on her side of the boundary and that there is therefore no need for the U.S. to do anything. There have been rumors that Canada is making plans to duplicate now our other major facilities (canal and locks near Barnhart Island). Mr. Anderson and Mr. Castle therefore want to get a flat assurance from the Canadian Government that they do not intend to build parallel facilities on their side of the boundary until the increased traffic warrants it.

On January 6, 1955, C.D. Howe<sup>7</sup> and Lester Pearson came to Washington for another purpose and, while here, talked to Deputy Secretary Anderson. Mr. Elbrick was present and, during that meeting, the Canadian Ministers gave flat assurances along the lines we wanted and agreed to an exchange of letters to the effect that they did not intend to construct facilities paralleling our own until the traffic required them and that we, on our side, intended to get legislative authority to forego the construction at Point Rockway, N.Y., which would duplicate the facilities which the Canadians have already started to construct on their side at that point.<sup>8</sup>

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<sup>6</sup> Lewis Castle, Administrator of the St. Lawrence Seaway Development Corporation.

<sup>7</sup> C.D. Howe, Canadian Minister of Trade and Commerce.

<sup>8</sup> A memorandum of conference recording the substance of these conversations, January 6, is in Department of State, Central Files, 611.42321-SL/1-655.

Working on a draft initiated by Mr. Castle and cleared by him with Mr. Anderson, the White House, Senator Wiley and Congressman Dondero, we have been trying for nearly a month now to agree on a text which would be satisfactory. For reasons which we cannot fathom, the Canadians are being extremely difficult and Mr. Castle and Mr. Anderson are sufficiently concerned to feel that they should talk again with the Canadian Ministers.

*Recommendation*

Our suggestion is that you call Mr. Anderson, tell him that you have been told of the problem in general terms and ask him if he and Mr. Castle could come and talk to you or Mr. Hoover as a preliminary to either (a) your calling in the Canadian Ambassador and laying the problem before him in frank terms, or (b)<sup>9</sup> Mr. Anderson and Mr. Castle going to Ottawa and, with Ambassador Stuart, talking direct to Messrs. Pearson and Howe and, if necessary, Prime Minister St. Laurent.

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<sup>9</sup> A marginal note indicates that Merchant favored (b). Subsequently, a meeting was held in Ottawa on February 18 during which the U.S. proposal made on January 6 was adopted, and notes incorporating this agreement were exchanged on February 21 and 22. (Despatch 588 from Ottawa, February 23; Department of State, Central Files, 611.42321-SL/2-2355)

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**341. Memorandum of a Conversation, Department of State,  
Washington, March 8, 1955<sup>1</sup>**

SUBJECT

Report on Energy Supplies and Resources Policy

PARTICIPANTS

Mr. A. D.P. Heeney, Ambassador of Canada

Mr. Douglas V. LePan, Minister Counselor, Canadian Embassy

The Under Secretary

Mr. C. Burke Elbrick, Deputy Assistant Secretary, EUR

Ambassador Heeney said that the purpose of his call was to express the concern of the Canadian Government over that part of the Report of the Energy Supplies and Resources Committee of February

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Elbrick.

26<sup>2</sup> which deals with crude oil imports. He said that he was instructed to express the strong hope of the Canadian Government that the recommendations with respect to this part of the Committee's Report will not be put into effect. The development of exports of crude oil to the United States from Canada is a matter to which the Canadian Government attaches great importance and the Ambassador stressed the fact that the Canadian oil industry contemplated increased exports to U.S. refineries in the future. At present (1954) the Canadian Government is exporting about \$7 million of crude oil to the United States while it imports something like \$130 million<sup>3</sup> from the United States. Any restrictions or limitations which might be placed on this development of Canadian exports to the United States would therefore seriously affect the Canadian economy and might, indeed, damage the whole area of Canadian-U.S. commercial relations.

The Under Secretary said that the Committee in preparing its report based its conclusions entirely on defense and economic principles. It was very conscious of the importance of maintaining the closest relationship and understanding with producing areas of the Western Hemisphere, such as Canada and Venezuela, since it regarded these two countries particularly as possessing reserves which the United States might draw on in the event of emergency. We therefore regard these two countries in a different light from the rest of the world though it was not possible in the Committee's Report to make such a distinction. The Committee felt that any "significant" increase of over-all crude oil imports above the 1954 level would do great harm to the domestic industry. It emphasized, however, that any control or limitation should be voluntary and it was hoped that a balance would be achieved between imports and domestic production without resorting to legislation. Mr. Hoover expressed the belief that resort to legislation would undoubtedly create other difficulties for us. He said that any rise in tariffs would block imports from Canada and Venezuela, which are high cost producing countries, to the benefit of other areas of the world. The application of a quota system he felt would be even less satisfactory.

Ambassador Heeney said that his Government would be reassured by these observations of the Under Secretary. He said that the Canadian Government would be opposed to any restrictive legislation

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<sup>2</sup> This Presidential advisory committee recommended that in the interest of national defense, crude oil and residual fuel oil imports should be kept in balance with domestic production. In the event that imports exceeded significantly, appropriate action, such as voluntary restraint by exporting countries, should be taken. The report is printed in Department of State *Bulletin*, March 21, 1955, pp. 487-491.

<sup>3</sup> (crude oil and refining products) [Footnote in the source text.]

on this subject not only from the point of view of bilateral trade but also because the Canadian Government attaches great importance to the principles of GATT.

The Under Secretary thanked the Ambassador for his note<sup>4</sup> which, he said, would be helpful to the administration in pursuing the line taken by the Committee in calling for voluntary control of oil imports.<sup>5</sup>

<sup>4</sup> The Canadian aide-mémoire, March 8, is attached but not printed.

<sup>5</sup> On October 16, 1956, Heeney was informed that the Committee on Energy Supplies and Resources Policy was moving toward a policy of considering Canada as a domestic source of petroleum products insofar as regulations for oil imports were concerned. Heeney expressed appreciation. (Memorandum of conversation, October 16, 1956; Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199) During 1955-1957, discussions on oil were continuous; documents on this subject are *ibid.*, Central File 411.426.

### 342. Memorandum of a Conversation, Ottawa, March 17, 1955<sup>1</sup>

OV MC-1

#### PARTICIPANTS

##### *Canada*

The Honorable Lester B. Pearson, Secretary of State for External Affairs  
His Excellency Arnold D. P. Heeney, Ambassador to United States  
Mr. Jules Leger, Under Secretary for External Affairs

##### *United States*

The Honorable John Foster Dulles, Secretary of State  
The Honorable R. Douglas Stuart, Ambassador to Canada  
Mr. Douglas MacArthur, II, Counselor, Department of State

#### SUBJECTS DISCUSSED

1. The Yalta Papers
2. Mr. Pearson's Recent Speech in Toronto on March 14th
3. The Meeting with the Canadian Parliamentary Group

<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 440. Secret. Drafted by MacArthur on March 21. Dulles was in Ottawa for an official visit, March 17-19. In addition to this and the following two memoranda of conversation, six others record the conversations Dulles had with Canadian officials regarding Far Eastern issues. (*Ibid.*)

The Secretary paid a brief call of 20 minutes today on Mr. Pearson prior to meeting with the Canadian Parliamentary group. The discussion was very general and covered the following points:

*1. The Yalta Papers*

[Here follow Pearson's remarks that Winston Churchill was not happy with the United States publication of the Yalta Papers.]

*2. Mr. Pearson's Recent Speech in Toronto on March 14*

Mr. Pearson then made reference to his recent speech on March 14<sup>2</sup> and said he had been bitterly attacked by certain elements in Canada although others had approved the stance he had taken. The violence of the attack against him had been very great. There had been editorials suggesting that since the U.S. dictated Canadian foreign policy he, Mr. Pearson, should resign and let Mr. Dulles conduct Canada's External Affairs. He had received a letter from a staunch supporter in his constituency saying that he would never vote for him again. Despite these criticisms, Mr. Pearson felt that it had been important and essential to say the things that he had said, and he did not regret his speech. The Secretary said the speech had produced a very favorable reaction in the U.S. and that he fully agreed with Mr. Pearson that the destinies of Canada and United States were inextricably linked together and what happened with respect to one country inevitably affected the other. He had no doubt that Canada and United States would continue to stand staunchly together.

*3. The Meeting with the Canadian Parliamentary Group*

The Secretary asked Mr. Pearson if he had any guidance to give him regarding his forthcoming meeting with the Canadian Parliamentary group. Mr. Pearson said that there would probably be a great deal of interest and a lot of questions with respect to the Formosa Straits; also the question of trade between Canada and the United States, which he would like to discuss at a subsequent meeting, would come up and was one which all Canadians viewed with a great deal of importance. There might also be some questions with respect to the European situation. Mr. Pearson said that anything the Secretary could do to set forth clearly the position of the United States and the reasons for its policy with respect to these matters would be very helpful. He

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<sup>2</sup> Pearson addressed the Canadian Club of Toronto on March 14 on the subject of relations with the United States. He highlighted the fact that the defense of Canada and the United States was inextricably bound together. In commenting on the speech, some Canadian journalists expressed the fear of being dragged into a war because of U.S. involvement in the Taiwan Straits crisis. A summary of Pearson's speech and Embassy comments are in despatch 664 from Ottawa, March 18. (*Ibid.*, Central Files, 742.00 (W)/3-1855)

felt that the Secretary could speak with a very considerable degree of frankness since the meeting was off-the-record. He felt certain that none of the Parliamentary group would attribute anything to the Secretary although they might give out the general points which had been covered by his presentation and subsequent questions.

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**343. Summary of a Meeting, Parliament Building, Ottawa,  
March 17, 1955<sup>1</sup>**

OV MC-2

**SUMMARY OF CLOSED MEETING FOR MEMBERS OF  
PARLIAMENT UNDER AUSPICES OF THE STANDING  
COMMITTEE ON EXTERNAL AFFAIRS IN HONOR OF THE  
SECRETARY OF STATE<sup>2</sup>**

*Introduction*

Mr. Picard, Chairman of the Standing Committee on External Affairs of the House of Commons, as Chairman of the meeting, introduced the Secretary with a few cordial remarks of welcome including the statement that the Secretary was the world's foremost statesman.

*Statement by the Secretary*

*Opening Remarks:* The Secretary opened his statement by thanking the Chairman for his generous introduction and by expressing his pleasure at being in Canada on his first official trip. He referred to his close personal ties with Canada, his ownership of an island in Ontario and his payment of taxes for schools and a road although there were no roads on the island and the nearest school was 25 miles away.

*Continental Defense:* The Secretary referred to the major importance of continental defense to the United States and Canada and to the joint efforts of the two countries to solve this tremendous problem. He mentioned the possibility that the Soviet Union might begin a conflict by an attack on this continent with the objectives of knocking

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 440. Confidential. No drafting information is given on the source text.

<sup>2</sup> A briefing paper, March 8, indicates that this closed, off-the-record meeting was held under the auspices of the Canadian House and Senate External Affairs Committees, open to other interested members of these two bodies and to members of the Canadian NATO Parliamentary Association. (*Ibid.*)

out the airfields from which retaliatory attacks would be launched and of knocking out the industrial power which was essential in the winning of World Wars I and II.

*St. Lawrence Seaway:* The Secretary mentioned the partnership of Canada and the United States in this great enterprise and noted with some regret the delay in securing United States participation. He emphasized the importance of the Seaway in the bringing of iron ore from Labrador to replace the dwindling resources of the Mesaba Range and in making possible the building of seagoing ships in inland waters free from attack by submarines carrying atomic missiles.

*Trade:* The Secretary stressed the importance of trade to both countries and added that it was not easy to keep the flow open. Members of Congress represent district and State needs. The problem is one of immediate losses which can be seen versus future losses which cannot so readily be seen. The essential solution is to have one person with discretionary power to distinguish between local interests and national interests. President Eisenhower is the one person responsible for reconciling national and local interests. The Secretary expressed himself as hopeful that the President's trade agreements program<sup>3</sup> would be passed by the Senate but stated that the difficulties were considerable. He added that the administration, in the event of the possible grafting of crippling amendments on the bill, would try to temper their effects as far as Canada is concerned in recognition of the special relations existing between Canada and the United States.

[Here follow the Secretary's comments on the situation in the Far East and in Europe.]

*Conclusion:* The Secretary complimented Mr. Pearson on his great contribution on the international scene and complimented Canada on its constructive and powerful role in NATO. He stated that Canada was a great force for peace and enlightenment.

[Here follows a series of questions and answers.]

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<sup>3</sup> The administration had asked the Congress for a 3-year extension of the Trade Agreements Act. The new law was signed on June 21 as the Trade Agreements Extension Act of 1955. For text, see 69 Stat. 162.

**344. Memorandum of a Conversation, Ottawa, March 18, 1955<sup>1</sup>****OV MC-5****PARTICIPANTS***Canada*

The Honorable Lester B. Pearson, Secretary of State for External Affairs  
His Excellency Arnold D. P. Heeney, Ambassador to United States  
Mr. Jules Leger, Under Secretary for External Affairs  
One other Canadian from External Affairs

*United States*

The Honorable John Foster Dulles Secretary of State  
The Honorable R. Douglas Stuart, U.S. Ambassador to Canada  
Mr. Douglas MacArthur II, Counselor, Department of State

**SUBJECT DISCUSSED**

## Continental Defense

In the course of a meeting between the Secretary and Mr. Lester B. Pearson, Secretary of State for External Affairs, the latter brought up the question of continental defense. He mentioned three radar warning and control lines being built in Canada, one of which (Pinetree) is a joint U.S.-Canadian effort; the second (Mid-Canada Line) being built and financed by Canada; and the third (the DEW Line) being built and financed by the U.S. He said the cooperation between the two countries was very satisfactory. However, with respect to the DEW Line, Canada wished to help man it when it had technical people adequately trained and able to do so. Furthermore, as these and related continental defense projects were developed, it was quite clear that further logistical and personnel support would be required.

Mr. Pearson mentioned that the U.S. and Canadian military people were developing a requirement for SAC for some airstrips with refueling facilities which would require personnel from 200 to 400 people to man each station. Additional personnel requirements of this nature if they were to be supplied solely by the U.S. raised some political and psychological problems in Canada. Therefore, the Canadians in the future wished to do as much as possible to supplying the personnel to meet such requirements. He felt an additional effort by Canada in this respect was important and necessary. Furthermore, he wished to start re-orienting Canadian thinking so that they would no longer look upon such cooperative defense arrangements in a nationalistic way but would think of northern Canada and the Polar region in terms of a NATO sector where it was normal to have foreign

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<sup>1</sup> Source: Department of State, Conference Files: Lot 60 D 627, CF 440. Secret.  
Drafted on March 21 by MacArthur.

personnel stationed in view of our common defense. For example, in addition to U.S. and Canadian personnel, it might be useful to get 200 to 300 Dutchmen stationed in Canada to fill some of the personnel requirements. This would make the Canadian people see the whole exercise in more collective terms. He said the Canadian Government was expecting that the U.S. and Canadian military would develop further requirements, and he emphasized that his own efforts would be designed to re-orient Canadian thinking in terms of collective defense.

He also spoke very highly of the conduct of American forces stationed on Canadian territory and the great contribution they made to many welfare and community enterprises. In the more northern points no problems presented themselves because of the isolation of the area. In more populous Newfoundland the situation was somewhat different but he did not know what the Newfoundlanders would do without the great contribution to their economy which the American forces made.

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**345. Letter From the Secretary of State to the Assistant Secretary of Defense (Hensel)<sup>1</sup>**

*Washington, April 8, 1955.*

DEAR MR. HENSEL: In your letter of December 17, 1954,<sup>2</sup> you brought to this Department's attention certain comments on the Canadian draft of conditions to govern the construction of the Distant Early Warning element of the joint warning system in North America, this draft having resulted from our discussions with the Canadians in the Permanent Joint Board on Defense (PJBD). Your comments were closely studied and incorporated in discussions held both with Canadian representatives attending a meeting of the PJBD last January<sup>3</sup> and with the Canadian Department of External Affairs since then. The

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<sup>1</sup> Source: Department of State, Central Files, 742.5/4-855. Secret. Drafted by Julian L. Nugent, cleared with L/EUR, and approved by Jacob D. Beam.

<sup>2</sup> In this letter, Hensel recommended revising the terms concerning the procurement of electronic equipment to favor Canadian suppliers. His recommendation was subsequently accepted. (*Ibid.*, EUR/CAN Files: Lot 69 D 302, DEW Line: Conditions and Agreement)

<sup>3</sup> The minutes of the PJBD meeting, January 4-6, are *ibid.*, EUR/BNA Files: Lot 63 D 156.

result is the attached statement of conditions,<sup>4</sup> which I am now forwarding for review and approval.

It is our opinion that this draft, as it now stands, will prove satisfactory. All its provisions have been explored thoroughly with the Canadians and most of them have appeared in substance in previous agreements on defense construction projects. Consequently, there are various traditional viewpoints, expressed in the present draft, which have been well known on both sides over a period of years and which have caused no difficulty when put into practice.

In the latter regard, I understand that basic procedures to be followed in DEW line construction have been substantially agreed upon at operating levels and some of them are already in effect. The present draft, therefore, represents in formal language conditions which have already been adopted as the most practical method of proceeding with the project.

[3 paragraph (28 lines of source text) not declassified]

In view of the fact that the Canadian Government agreed last November to permit the United States to proceed with the construction of the DEW line, pending the conclusion of a formal agreement, final arrangements concerning the conditions should be completed at an early date. We hope that the present draft and collateral conditions can be formalized as soon as possible by exchanges of notes and letters in Washington between the Canadian Embassy and the State Department. Accordingly, the text of a Canadian Note to accompany the DEW line conditions and the draft of a reply by the State Department are also attached for your consideration.<sup>5</sup>

Sincerely yours,

For the Secretary of State:  
**Robert Murphy**<sup>6</sup>  
Deputy Under Secretary

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<sup>4</sup> Not found attached.

<sup>5</sup> Not found. The exchange of notes took place in Washington on May 5. Canadian note No. 306, with an annex, and the U.S. reply, both dated May 5, constituted an agreement on the establishment and operation of a distant early warning (DEW) system between the two governments; it entered into force the same day. For text, see 6 UST 763. Canadian note No. 307, printed *infra*, remained classified and was not published at the time.

<sup>6</sup> Printed from a copy that bears this typed signature.

**346. Note From the Canadian Ambassador (Heeney) to the Secretary of State<sup>1</sup>**

No. 307

*Washington, May 5, 1955.*

SIR: I have the honour to refer to my Note No. 306 of May 5, 1955, and your Note of May 5, 1955, in reply, constituting an agreement for the establishment of the Distant Early Warning System. In accordance with paragraph 21 of the Annex to my Note, which authorizes the making of supplementary arrangements and administrative agreements for the purpose of carrying out the intent of the agreement, I propose that this Note and your reply should constitute an agreement effective from the date of your reply, with respect to the following matters:

(a) Concerning paragraph 13 of the Annex to my Note No. 306 of May 5, 1955:

If in the opinion of the Department of Northern Affairs and National Resources the condition of buildings, equipment or other material which are no longer to be used for the project may have an injurious effect upon the Eskimos, the two governments will consult with a view to working out mutually satisfactory arrangements for razing any such buildings, removing or otherwise disposing of any such equipment, and restoring the site to a reasonable condition, bearing in mind the authorized uses to which the site has been put. In working out mutually satisfactory arrangements it is assumed that the last user of such buildings, equipment and other materials will, subject to the availability of funds, accept the responsibility for any razing and removal that is found necessary except where there are circumstances which in the opinion of the last user warrant requesting the other country to assume this responsibility in whole or in part. Such a request on the part of the last user would be negotiated through the consultation process called for above.

(b) Concerning paragraph 17 of the Annex to my Note No. 306 of May 5, 1955:

The use of military aircraft by the United States in Canada in connection with the construction and operation of the DEW System in Canada shall be in accordance with the provisions of the Joint United States-Canadian understanding entitled "Procedures Governing Operations of United States Military Aircraft in Canadian Territory on Point-to-Point Transport Tasks", attached as Appendix "A" to the Journal of the January, 1954, meeting of the Permanent Joint Board on Defense.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 742.5/5-555. Secret.

<sup>2</sup> Not printed. (*Ibid.*, EUR/BNA Files: Lot 63 D 156)

Accept, Sir, the renewed assurances of my highest consideration.<sup>3</sup>

A.D.P. Heeney

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<sup>3</sup> The U.S. reply signed by Murphy, also dated May 5, is not printed. (*Ibid.*, Central Files, 742.5/5-555)

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**347. Memorandum of a Conversation, Department of State,  
Washington, June 2, 1955<sup>1</sup>**

**SUBJECT**

Canadian Protests on Hard Board and US Disposal of Surplus Agricultural Products

**PARTICIPANTS**

Ambassador Heeney, Canadian Embassy  
Mr. Couillard, Counselor, Canadian Embassy  
Mr. Smith, Commercial Counselor, Canadian Embassy  
Mr. Hopper, Agricultural Counselor, Canadian Embassy  
Asst. Secretary Waugh, E  
Mr. Nichols, IRD  
Mr. Fuqua, TAD  
Mr. Miner, BNA

[Here follows discussion on the recent proposal in the United States Senate toward raising the duty on hard board.]

The Canadian Ambassador then turned to the second subject he wished to discuss: U.S. disposal of surplus agricultural products. He presented Mr. Waugh with a detailed note on this subject.<sup>2</sup> He emphasized particularly the connection between the US program for disposal of surplus agricultural products and the markets for Canadian wheat. The Canadians hoped that their Note on this subject would be carefully studied and would be answered in the near future.

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<sup>1</sup> Source: Department of State, Central Files, 411.424/6-255. Confidential. Drafted by Robert G. Miner.

<sup>2</sup> In this note, June 2, the Canadian Government complained that U.S. disposal of agricultural products, especially wheat, under the provisions of Section 402 of the Mutual Security Act and the provisions of Public Law 480, had led to the reduction of commercial sales for Canada. Moreover, in a number of cases, the U.S. Government failed to consult Canada. (*Ibid.*, 411.4241/6-255)

U.S. wheat disposal policy was a major issue in U.S.-Canadian relations during 1955-1957. Documents on this subject are *ibid.*, 411.424 and 411.4241.

Mr. Waugh stressed the extremely serious and the very real difficulties involved in the question of surplus agricultural products. He explained that the problem was being carefully, exhaustively and authoritatively studied. He pointed out that US policy on this question had in the past and would, he believed, in the future give real consideration to the concerns of other nations. He pointed out that if, for example, the US should alter its policy to sell its surplus of agricultural products on a commercial basis, this might well have most seriously adverse effects on the world price of certain commodities, including wheat. The Assistant Secretary referred to the great concern of a good many other nations with regard to their principal, in some cases sole, product, such as sugar, Egyptian cotton and the like. Mr. Waugh said that, speaking frankly, it was one thing to prepare and deliver notes on this subject; it was quite another to find a solution to the problem.

The Canadian Ambassador agreed. Canada had no easy and ready answer to suggest. He wondered whether publication of the Canadian Note he had just given Mr. Waugh on the U.S. disposal of surplus agricultural products would be helpful or otherwise at this juncture. Mr. Waugh felt that publication would not be helpful but assured the Ambassador that the Canadian Note would of course be carefully studied. The Assistant Secretary expressed the view that this subject should be high on the list of agenda items in the forthcoming meeting of the Joint Committee on Trade and Economic Affairs. Discussion then ensued on the difficulty of fixing a time for the meeting of this committee in view of the numerous commitments of the U.S. and Canadian principals concerned. Mr. Waugh hoped that he would be able to secure the Secretary's views on this subject very shortly. Ambassador Heeney remarked that he had asked his Ministry for its thinking on the dates the committee might meet.<sup>3</sup> It was agreed that the Ambassador and Mr. Waugh would keep in close touch on the subject.

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<sup>3</sup> The U.S.-Canadian Committee on Trade and Economic Affairs met on September 26; see *infra*.

**348. Memorandum of the Meeting of the Joint U.S.-Canadian Committee on Trade and Economic Affairs, Government House, Ottawa, September 26, 1955, 9:30 a.m.<sup>1</sup>**

**PARTICIPANTS**

*United States*

Secretary of State Dulles  
Secretary of Treasury Humphrey  
Secretary of Agriculture Benson  
Secretary of Commerce Weeks  
Ambassador R. Douglas Stuart  
Mr. Walter Radius  
Mr. J. Stewart Cottman, Jr.

*Canada*

Mr. L.B. Pearson, Secretary of State for External Affairs  
Mr. Howe, Minister of Trade and Commerce and Defense Production  
Mr. Walter E. Harris, Minister of Finance  
Mr. James C. Gardiner, Minister of Agriculture  
Ambassador Arnold D. Heeney  
Mr. Plumptre  
Mr. A.E. Ritchie  
Mr. Peter M. Towe

[Here follow the U.S. and Canadian opening statements.]

*General Commercial Policies and Prospects*

Mr. Pearson asked if Secretary Weeks had any comments on the first agenda item.

Secretary Weeks briefly reviewed the legislative history of HR 1.<sup>3</sup> He said that the bills relating to adherence to OTC and customs simplification had not yet passed the Congress. The hope was that they would be taken up early in the next session. He said that HR 1 represented a modest advance toward the goal of liberalized trade policies in the form of reduction of duties. He explained that the "liberalization" of the Escape Clause procedures provided a safety valve. Only 61 Escape Clause actions had been brought up, of which 13 were acted favorably upon by the Tariff Commission. In the light of these statistics, Secretary Weeks suggested that the impact on trade of liberalized Escape Clause actions was more emotional than real. Secretary Weeks said that during his recent trip to Europe he had asked a number of persons whether they would prefer to have a high level tariff with no "Escape Clause" safety valve, or a low tariff level and a

<sup>1</sup> Source: Eisenhower Library, White House Central Files. Confidential. Prepared in S/S. A covering note and a note on the source text indicate that this memorandum was reviewed by Walter A. Radius, U.S. Secretary of the Joint Committee, but it was not cleared with any other participant. No agenda for the meeting was found.

<sup>3</sup> Public Law 86, known as the Trade Agreements Extension Act of 1955. (69 Stat. 162) Among other things, the law liberalized the Escape Clause operation and authorized the President, on advice of the Office of Defense Mobilization, to limit imports of any product entering the United States in such volume as to threaten to impair national security.

"safety valve". He explained that this question summed up in the briefest form the alternatives which were available in dealing with the tariff question.

Secretary Weeks said that although recourse to Escape Clause procedures had been liberalized, he did not consider that this would injure the total trade picture.

[Here follows discussion of other matters.]

#### *Uncertainties in U.S. Policy—Canadian View*

Mr. Pearson then called on Mr. Howe. He said that on balance Canadian trade figures were favorable. He pointed out, however, that the Canadians had made no effort to balance trade with each country, but the overall pictures were good. He said that uncertainties as to [U.S.] policy caused the Canadians some concern. For example, delay in the implementation of customs simplification would not [now?] be of great benefit to Canadian producers since it would give them a firm planning base for projected operations.

Mr. Howe said that he had noted with some alarm the US Tariff Commission procedure in Escape Clause actions which allowed a case, once dismissed, to be raised and reheard the following year. This situation seemed to be a form of "double jeopardy" which interfered with positive long range planning by prospective exporters to the US. A case in point was that pertaining to unprocessed fish which was now before the Tariff Commission for the third time in three years. He expressed hope that we in the US could take some steps to avoid this "annual review", and that Escape Clause provisions could be invoked only when overall injury to an industry was proved.

#### *Security Clause*

He said that there was some concern by the Canadians over the possible effects of the "national security clause". He pointed out that national security interests in the US and Canada frequently overlapped. Oil resources, in Canada, for example, were as available for the defense of North America as were those in the US. A new oil development project in Western Canada with a potential market in the US Pacific Northwest could be hampered by restrictions of oil imports by the US.<sup>4</sup> Mr. Howe pointed out that these oil reserves could be considered a part of the strategic reserves of North America and hoped that US imports of Canadian oil could be set apart if restrictions were applied.

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<sup>4</sup> See Document 341.

In response to Secretary Weeks' "hypothetical alternative of higher tariffs and no Escape Clause, for [or] lower tariffs with Escape Clause provisions," Mr. Howe said that he would personally choose the higher tariffs to the uncertainty of escape clauses. Mr. Pearson said, of course that depends on how much higher.

Mr. Howe said that Canada appreciated the reaching of a decision to remove import quotas on oats and barley.<sup>5</sup> Secretary Benson said that this was an instance where the situation no longer required protective measures and was pleased to note that there had been little domestic exception to the removal of these quotas. Mr. Howe interpreted this move as indicating that the US is not retaining restrictions when they are not necessary.

#### *U.S. Response*

Secretary Humphrey said that he would like, at this point, to mention two items. He thought that the Customs Simplification Bill<sup>6</sup> would be passed, with amendments, early in the next session of the Congress. He explained that this bill had been held up by a favorable committee which feared that a filibuster at the end of the last session would have undone many months of hard work on this bill, and delay other necessary legislation. The Committee was prepared to push the bill very rapidly upon the reconvening of the Congress.

The second point was that under the security clause the North American Continent was considered by US planners as a strategic unit, and that their judgments had been made on this assumption.

Secretary Weeks said that Canada need have no fear that the President would look to the security clause to the exclusion of basic economic issues when passing on Escape Clause applications. Secretary Dulles, referring to the domestic US political situation, said that US exporters should be encouraged to develop some effective means of political influence to match the pressure of importers.

Secretary Benson said that HR 1 had received backing from all important US farm organizations, agricultural groups, having been moving toward a "freer trade" policy. [sic] Mr. Howe suggested that the existence of surpluses might have been a significant factor. Secretary Benson agreed, but added that agricultural groups have backed free trade in fields other than those directly affecting surpluses. Secretary Dulles said that in the past the South Eastern States had a one-crop economy. This situation was changing with more diversified planting and industrialization. As a consequence, the political spokes-

<sup>5</sup> The Canadian Embassy was informed on September 7 that U.S. import quotas on oats and barley would terminate on September 30. (Telegram 91 to Ottawa, September 7; Department of State, Central Files, 411.426/9-755)

<sup>6</sup> The bill was not passed until 1956. For text of the Customs Simplification Act of 1956, see 70 Stat. 943.

men from this area are supporting new measures for protection. In response to Mr. Pearson's question, both Secretary Dulles and Secretary Humphrey said there was no chance of the Bill's being passed without the amendments.

[Here follows discussion of other matters.]

#### *Agricultural Surpluses*

Mr. Pearson asked for views on Agenda Item 3.

Mr. Howe stated that both countries had surpluses in wheat, oats, and barley. The Canadians market their grains without subsidy. They do make an advanced payment to the farmers at the time of marketing, but storage and other charges are paid by the producer. Mr. Howe said that Canada produces about 400 million bushels of wheat a year, 100 million bushels of which are consumed domestically, leaving 300 million for export. The Canadians have attempted over the year to seek markets to take care of this expected excess of wheat. He added that although the carry-over of wheat had been cut last year, bumper crop expectations indicate that Canada will be faced with an increased surplus this fall. The Canadians have made an effort to maintain a stable price in line with the world price of wheat, but pressure on prices has developed during the last six months and exports have dropped.

Mr. Howe discussed the causes for this decline. During this period the US has disposed of some 50 million bushels of wheat, some of this has gone to Italy for relief purposes. The Canadians are particularly concerned since Italy had traditionally been a market for Canadian wheat. The US had made sales of wheat for local currencies, but these sales could not be considered as straight commercial operations. For example, Brazil received 500 thousand tons of wheat to be paid for in local currency, 30% of which was reserved for US expenses in Brazil, and 70% allocated for a 40-year development loan. Mr. Howe noted that we were also bartering agricultural surpluses for strategic materials. In many of these deals he said that the materials were valued at a high price while the wheat was, at best, valued at the world market price.

Mr. Howe said that the disposal of lots of grain on a bid basis was considered serious from the Canadian point of view. He said that on July 26, for example, one million bushels of rye had been offered for sale on a sealed bid basis, and had gone for 68 or 70 cents a bushel. The cash price at the time of sale was 1.05 a bushel, and the futures were 1.02. Mr. Howe cited a number of similar occurrences during the past six months. These programs are having the effect of displacing Canada in her traditional world markets. At this time of the year the Canadians usually have a considerable number of forward sales already arranged. Because of the imminence of "bargain sales" of grains

in the US, the Canadians have no such sales arranged now. The bargain sales, give-aways, and other forms of indirect subsidies tend to destroy confidence in the US prices. Mr. Howe questioned whether this situation was in our mutual interest and asked that confidence be restored in the markets. (Paper submitted by Canadians attached.)<sup>7</sup> He requested that arrangements be made for continuing prior consultation between U.S. and Canadian experts on the disposal of surpluses.

Secretary Benson agreed to arrange for such consultation with the Canadians. He said that the US surplus situation was critical. The storage bill for grain ran \$1 million a day. He appreciated that the US price support system which was designed to ease post-war transition has outlived its usefulness, and has put an umbrella over world prices. The US has lost its old markets by holding prices too high. For example, cotton exports have dropped almost 50%. The pressure to move the surplus material has been terrific. The US has tried to adhere to the FAO basic principles: it has sought to increase consumption and reduce production; it has sought to arrange for surplus disposal in an orderly fashion; in PL 480 deals the US has endeavored to secure assurances from other countries that grain delivered under this act will be in addition to the normal grain requirements; and finally the US has endeavored to establish a system of consultation. However, the US has held back too long on taking some action to alleviate the problems caused by excess agricultural production. We must sell surpluses and must cut back until production and consumption are roughly in balance in the US.

The farm problem is a number one political issue in the US. Secretary Benson promised that he will resist pressure to dump surplus goods on the world market, but pointed out that certain US experts do not consider that the US has a fair share of world agricultural markets. Secretary Benson added that the statistics he has seen indicated that Canada is not suffering too badly from agricultural problems.

Mr. Howe said that the continuation by the US of disposal of surpluses through the bid system could wreck Canadian grain markets. He said that instead of creating new markets, grain buyers are awaiting the next bargain sale, to supply their normal customer demand.

[Here follows discussion of other matters.]

#### *U.S. Political Pressures*

Secretary Dulles said that he and Secretary Benson may not always agree on every issue, however, Secretary Benson's vision and courage in tackling the basic problem should be recognized. The real

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<sup>7</sup> Not found.

trouble stemmed from a rigid price support policy which has become a serious political problem in the US. The resistance to abolishing rigid price supports has not diminished, and is in fact being reenforced by partisan politics. Secretary Benson needs all the support he can muster in his efforts to deal effectively with the agriculture problem. An exchange of views on basic problems is necessary and desirable.

He hoped the Canadians would be tolerant of minor troubles in the interests of the broad program which Secretary Benson was attempting to push through. Mr. Pearson commented that he appreciated the problem which the US faced. He said that the Canadian problem with surpluses is perhaps greater relatively than that of the US, and that any action by the US which was not carefully planned and examined could cause major trouble for the Canadians. He agreed that Secretary Benson was doing a magnificent job. Secretary Dulles said that it was well to resume closer advance consultation.

Mr. Howe said that he wished to explain that his previous exposition should not be taken as a complaint on the behalf of the Canadians. He explained that he was trying to present the picture clearly, and emphasized the fact that Canada wanted consultation with the US on surplus problems. Mr. Howe indicated that the Canadians did not approve the bid price competition. Secretary Benson said that overall direction of the program toward increasing flexibility is important. The Public Law 480 is a new tool and was an alternative to Congressional proposals to direct sales at any price—dumping. He said that the US and Canada should collaborate closely, particularly on wheat.

After circulating a draft communiqué, Mr. Pearson adjourned the meeting at 1:00 p.m.<sup>8</sup>

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<sup>8</sup> When the meeting reconvened at 3 p.m., the following topics were discussed: text of the communiqué, fraudulent Canadian securities, Canadian copyright law, and import valuation through U.S. foreign trade zones. The communiqué, issued at Ottawa on September 26, is printed in *Department of State Bulletin*, October 10, 1955, pp. 576–577.

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**349. Memorandum of a Conversation, White Sulphur Springs,  
West Virginia, March 27, 1956<sup>1</sup>****PARTICIPANTS**

President Eisenhower

Prime Minister St. Laurent of Canada

Mr. Pearson, Secretary of State for External Affairs

Secretary Dulles

The meeting was at first one between the President and Mr. St. Laurent alone and Mr. Pearson and myself alone. At the latter meeting we touched on the British situation in the Near East. I said I felt some concern because of the rather jittery attitude evidenced by the British by the fact that they were doing a number of things rather hurriedly and without any prior consultation with us—such as the seizure of Buraimi, the effort to put Jordan into the Baghdad Pact and the exiling of Makarios. Mr. Pearson said that he was very much concerned and particularly worried about Sir Anthony Eden. He said he had great admiration for Eden. On the other hand, he felt that he was not reacting very well to the strains and pressures of the present situation. He referred to the fact that his father had been quite eccentric. He said that up to the present time, Eden had not had to bear the brunt of political attack and major responsibility as this had been carried principally by Churchill and that he (Mr. Pearson) had very real concern about the present situation.

Following this talk, we joined the President and Mr. St. Laurent. At this juncture, Mr. St. Laurent was explaining to the President some of their difficulties, particularly having in mind the forthcoming election.<sup>2</sup> He said that a nationalistic type of attack would be made by the opposition and many relatively minor points of criticism involving the United States would be exaggerated. It would also be alleged that they had become subservient to the United States in ways which they did not accept vis-à-vis the United Kingdom.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Secret; Personal and Private. Drafted by Dulles. This was one of the conversations that took place during the meeting of the heads of government of the United States, Canada, and Mexico. The idea of having such a meeting at a head-of-government level appeared to have originated with Henry F. Holland, Assistant Secretary of State for Inter-American Affairs. Ambassador Stuart in Canada and Ambassador White in Mexico were opposed to the proposal, but a meeting was held at the Greenbrier in White Sulphur Springs, West Virginia, March 26-28. (Letter from Stuart to Merchant, August 26, 1955; Department of State, Central Files, 611.42/8-2655; memorandum from Holland and Merchant to Dulles, September 23, 1955; *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199)

<sup>2</sup> There would be a general election in Canada in June 1957.

At this point, I suggested the President might repeat to Mr. St. Laurent and Mr. Pearson what he had said to Sir Anthony Eden and Selwyn Lloyd with reference to Communist China. The President then explained the very deep-seated feeling of the American people against the Chinese Communists because of their conduct in Korea, in Indochina and their threats in Formosa, their mistreatment of American prisoners of war and civilians, etc. He said that this was not anything superficial or reflective merely of extremist views, such as those of Senator Knowland, but that it was very general throughout the country. A successful effort to bring the Chinese Communists into the United Nations would, the President said, lead to very strong reaction—certainly a resolution in both Houses to withdraw the United States from the United Nations, or at least to exclude the United Nations from the United States. The President did not suggest that this would always be the case. He did not use the word "never" in these matters, recalling our change of attitude toward Germany and Japan, but said that the Chinese Communists would, through their own conduct, have to supply a reason for a change of United States attitude.

I added a few words as to the basic policy of the United States to maintain friendly governments in control of both of the far shores of the Atlantic and Pacific.

Mr. St. Laurent made no observations. Mr. Pearson said that the point of view that the President had described was not the point of view held in Canada. He recalled that he (Mr. Pearson) had made a public statement to the effect that they would not attempt to change the situation this year, and that that had attracted more adverse criticism than favorable criticism from the Canadian press and public. He said that the feeling in Canada was that it would be better to have contact with the Chinese Communists and find out what they were like and why they acted as they did rather than to keep them at a distance. He also said that as far as the United Nations was concerned, the situation was [made] more difficult by the recognition of the Chiang Kai-shek Government as the government of all of China. He had no objection to recognizing it as the Government of Formosa and did not want to see Formosa in hostile hands. But it was hard for them to continue the fiction that he represented all of China.

We then discussed the status of the offshore islands. I said that I did not feel that we were in a very strong position to press Chiang for his abandonment of these islands. They reflected, even though in a minor way, a division of China between a Communist and non-Communist regime and nowhere else, as in Korea, Germany or Vietnam, were we pressing the non-Communist regime to make territorial concessions to the Communist regime. The President then referred to the fact that it was vital to hold Taiwan and that that was largely a question of morale and that the morale would be gravely affected if

Matsu and Quemoy were lost. He said it would perhaps be better if these islands were non-existent. But since they did exist and were at least deemed by the Chinese Nationalists as vital to the defense of Taiwan itself, we could not be arbitrary about the matter. I referred to the fact that the islands had assumed a certain symbolic importance, that even the Governor General of Cyprus<sup>3</sup> had urged that they be held and that in this respect they were somewhat comparable to Berlin, which, as a matter of geography and logic, should be treated as part of the surrounding Soviet Zone, but which in fact the free world was prepared to defend. Neither Mr. St. Laurent nor Mr. Pearson made any comment on these observations of the President and myself.

I then raised the question of the advertising tax.<sup>4</sup> The President said that he had mentioned this to Mr. St. Laurent before Mr. Pearson and I joined them. The President could see that there were two sides to the case, and that the situation was one which tended to drive Canadian publications out of business. Mr. Pearson said it was a "dumping" situation, against which they needed to protect themselves. He argued that they could, in fact, pay the 20% tax if they would raise the advertising rates. He said their rates were 40% below those of Canadian publications which constituted unfair competition. I said that I deplored seeing this Canadian formula adopted because it would give ideas to other nations which, in the interests of nationalism, would use this as a precedent to exclude the foreign editions of *Reader's Digest*, etc., which constituted a tremendous influence for good in these foreign countries. The discussion ended on an inconclusive note, with some slight indication that the Canadians might review the situation, at least in search of another formula. Pearson said they had suspended the application of the tax until January 1957.

There was some discussion of the Columbia Basin situation,<sup>5</sup> and the President indicated his agreement that there should be a joint study of this matter. The view was expressed by the President and concurred in by Pearson, that undoubtedly the personalities of General McNaughton and Governor Jordan were somewhat difficult and

<sup>3</sup> Field Marshal Sir John Harding.

<sup>4</sup> The Canadian Government had planned to propose to Parliament a tax of 20 percent of the advertising revenue on Canadian editions of foreign magazines. Because *Reader's Digest* and *Time* would be affected, the U.S. Government attempted to persuade the Canadian Government to modify its policy. (Memorandum prepared by the Canadian Desk, June 7; Department of State, Central Files, 442.004/6-756) The tax bill was adopted by the Canadian Parliament on August 7.

<sup>5</sup> U.S.-Canadian negotiations on the Columbia River Basin had a long history. The two governments first requested the IJC to study the development of the water resources of the river in 1944. Negotiations went on intermittently, but were hindered by conflicts between the Provincial and Federal Governments in Canada, and by disputes such as the one over downstream benefits between the United States and Canada. No agreement was signed until 1961. Documentation concerning the Columbia River Basin is in Department of State, Central File 611.42321-CO.

that neither was qualified to be very conciliatory. Mr. St. Laurent spoke of the possibility of shifting the upper waters of the Columbia into the Fraser River and said that they were restrained primarily by the feeling that the Columbia water might smell differently from the Fraser water and that this might have a deleterious effect on the spawning of the salmon. The President said, and Mr. Pearson agreed, that an operation which, in effect, shifted the watershed would have very serious implications.

JFD

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**350. Memorandum of a Conversation Between the Canadian Minister (Glazebrook) and the Counselor (MacArthur), Department of State, Washington, April 19, 1956<sup>1</sup>**

SUBJECT

Recent Attitudes in Canada Critical of U.S.

Mr. MacArthur, in referring to this subject, commented that it was really too bad that criticism of the U.S. was becoming so rife in Canada, because sometimes such attitudes could get completely out of hand. Adverse opinion on one side of the border could easily lead to similar ones on the other side. He observed that feeling in Canada regarding the U.S. must be fairly strong. In a normal atmosphere devoid of emotionalism Ambassador Stuart's recent speech<sup>2</sup> would not have caused a ripple.

Mr. Glazebrook agreed that there was some agitation in Canada over certain subjects relating to the United States but stated his belief that party politics had a good deal to do with it. Furthermore, the smaller country of any two generally tended to be sensitive. He commented that Ambassador Stuart's speech would have been unexceptional, if only some ten lines had been eliminated.

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<sup>1</sup> Source: Department of State, Central Files, 611.42/4-1956. Secret. Drafted by Nugent.

<sup>2</sup> In a speech before the Canadian Club of Vancouver on April 16, Ambassador Stuart examined the constructive role of U.S. capital in the development of the Canadian economy and criticized those who made this into an emotional political issue. Conservative members of the Canadian Parliament attacked the speech as an intrusion into Canadian domestic politics. (Despatch 727 from Ottawa, April 20; *ibid.*, 742.00(W)/4-2056)

Mr. Glazebrook further observed that good feelings between Canada and the United States were particularly important during the next few years because of plans for U.S.-Canadian air defense. Mr. Glazebrook said that we are now reaching a point in military planning where, for special defense purposes, the existence of a border between the two countries will have to be progressively disregarded. Furthermore, future air-defense plans may call for a number of interceptor bases and personnel in Canada. Hence, Canada may soon face the difficult decision of whether, to meet such a requirement, it will withdraw its air forces from overseas NATO stations or accept the posting of additional U.S. military personnel in Canada. Mr. Glazebrook said it would be a pity if the Government, in its consideration of such matters, had to be distracted by public feelings.

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**351. Memorandum From the Under Secretary of State (Hoover) to the Deputy Assistant Secretary of State for European Affairs (Elbrick)<sup>1</sup>**

*Washington, June 7, 1956.*

SUBJECT

St. Lawrence Waterway

Following the NSC meeting this morning<sup>2</sup> Secretary Brucker advised me that urgent policy action would have to be taken on the Canadian position on the St. Lawrence waterway.

It is my understanding that the Administration was committed to Congress for a joint development of the seaway between the U.S. and Canada in return for receiving Congressional approval of the project.

The Canadians are now giving every indication that they intend to make this an all-Canadian project. Secretary Brucker feels that unless we protest vigorously to Canada we will be placed in an impossible situation with respect to Congress. I suggest that you discuss this matter with Ambassador Merchant<sup>3</sup> and other appropriate areas in the Department on an urgent basis.

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/6-756. Confidential. Drafted by Hoover. Copies were sent to Dulles and Murphy.

<sup>2</sup> The St. Lawrence waterway was not discussed at the June 7 NSC meeting. A memorandum of discussion of the meeting is in Eisenhower Library, Whitman File, NSC Records.

<sup>3</sup> Livingston T. Merchant was appointed Ambassador to Canada on May 7 and presented credentials on May 23.

Secretary Brucker has asked for a meeting between himself, Mr. Rankin of Justice, and the Department of State within the next few days. He believes that it is sufficiently important that Ambassador Merchant should be asked to attend this meeting. It might be desirable to have Mr. Robert Anderson in attendance in view of his previous familiarity with the matter.

Will you please advise me what action you believe should be taken?<sup>4</sup>

H.H.Jr.

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<sup>4</sup> In his reply, Elbrick agreed that such a meeting would be profitable. (Memorandum from Elbrick to Hoover, June 8; Department of State, Central Files, 611.42321-SL/6-856)

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### 352. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>

Ottawa, July 3, 1956—5 p.m.

5. Re Embassy telegram 475.<sup>2</sup> As stated Embassy telegram 475 consider proposed text St. Lawrence Exchange excellent solution far as US interests concerned but given probability Canadian refusal accept word "agree" in key sentence have been thinking about possible fall-back position. In event Canadians unwilling accept language key sentence I suggest Department consider as possible alternative linking Canadian duplication United States facilities in Cornwall-Barnhart area to attainment minimum specified traffic volume. Key sentence might be amended read: "Canadian Government therefore proposes that there be no duplication of locks by United States in Iroquois area or by Canada in Cornwall-Barnhart area until number vessels transiting seaway attains minimum of (blank) ships per annum or until the two governments are agreed that such duplication is warranted in response increased traffic needs."<sup>3</sup> This alternative assumes technical

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/7-356. Confidential.

<sup>2</sup> In telegram 475 from Ottawa, June 22, Merchant expressed views similar to those in this telegram. (*Ibid.*, 611.42321-SL/6-2256)

<sup>3</sup> The June 20 draft agreement has not been found in Department of State files. In a later draft, July 13, the passage reads as follows: "The Canadian Government recognizes that a duplication of Seaway facilities will not be desirable or economically justified until required by the pressure of increased shipping traffic on the St. Lawrence River facilities as well as on those connecting Lake Ontario and Lake Erie. The Canadian Government therefore proposes that it will not duplicate any part of the St. Lawrence Seaway project

*Continued*

feasibility of determining saturation point figure for number of ships which would be readily agreed to by both governments. Otherwise there would be no particular advantage in transferring future hassle on this point to present.

Another avenue worth exploring might be Pearson's statement to me on June 11 in Washington<sup>4</sup> that Canadian Government had no intent of duplicating facilities until such future time as growth of traffic made it economically necessary. He told me Canadian Government had already said this but if we wished he would put it in writing again and "pledge that Canada would not build duplicatory facilities until the economic justification was obvious." If Department considered this acceptable fall-back position key sentence might then read: "the Canadian Government therefore states that there will be no construction on duplicate locks by Canada in the Cornwall-Barnhart area until the economic justification therefor is obvious." Canadians might request similar assurances re duplication at Iroquois.

I fully realize problems posed for Executive Branch by Canada's desire dredge Cornwall north channel to 27 foot depth but for reasons which I expounded at June 12 meeting Washington<sup>5</sup> am convinced it not in US interests endeavor prevent Canada from carrying out this project. In my judgment US can rely on Canadian assurances that they do not intend construct duplicate facilities until required by increased traffic needs.<sup>6</sup> I consequently prefer as fall-back position in the event Canadians unwilling accept language as now drafted, approach outlined in immediately preceding paragraph based on Mr. Pearson's statement to me [that?] proposed St. Lawrence exchange might usefully include language which would provide that in the event of any disagreement regarding the security measures applied by either country to shipping passing through their part of the seaway, the disagreement would be referred to PJBD [IJC?] which would be requested recommend solution.

### **Merchant**

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in the international rapids section by the construction of additional facilities until such time as the two Governments agree that traffic conditions justify such additional facilities." (Airgram 17 to Ottawa, July 13; *ibid.*, 611.42321-SL/7-1356)

<sup>4</sup> Pearson was in Washington on June 11 attending a meeting in preparation for the North Atlantic Council which would meet in Paris on July 16. No record of the conversation concerning the St. Lawrence Seaway has been found.

<sup>5</sup> On June 12, at the Pentagon, Secretary of the Army Brucker met with the representatives of the Department of State, the St. Lawrence Seaway Development Corporation, and the Attorney General. No record of the meeting has been found in Department of State files. (Memorandum from Marselis C. Parsons, Jr., to Elbrick, June 26; Department of State, Central Files, 611.42321-SL/6-2656)

<sup>6</sup> The Department replied on July 9 that it preferred a broad approach instead of giving a specific number of ships as proposed by Merchant. (Telegram 8 to Ottawa; *ibid.*, 611.42321-SL/7-356)

**353. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, July 24, 1956—noon.*

43. While seeing Pearson July 23 on another matter, I asked him if he was prepared yet to discuss my letter of July 20<sup>2</sup> and enclosure of draft notes on 27 foot north channel. He replied in negative saying inter-departmental committee has it under consideration. He added that he thought they could agree in all probability to all points except sentence providing for agreement before any future construction duplicatory works. He said firmly this was a fundamental point Canadian Government could not concede. He added that of course they would never proceed in future without genuine consultation and they would give us all assurances that such works would not be contemplated until economically justified.

I pointed out that they were today seeking our agreement on north channel dredging to 27 foot depth which was essential predecessor action to any later works; hence I said I was unable to understand why if we agreed to dredging now, Canadian Government was unwilling to reinstate for future our present right to be a party to decision. I reiterated problems agreement to Canadian request created for us which explained firmness our position. Pearson concluded conversation with promise to consider all and talk to me when deliberations his inter-departmental committee were completed. I must confess I have little hope Canadians under any circumstances will accept verb "agree". They might, however, come up with some alternative language which would be worthy of our consideration.

**Merchant**

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<sup>1</sup> Source: Department of State, Central Files, 611.4232/7-2456. Confidential.

<sup>2</sup> Merchant's letter to Pearson, July 20, was a covering letter for the suggested texts of an exchange of notes concerning the channels north and south of Cornwall Island. (Despatch 68 from Ottawa, July 23; *ibid.*, 611.42321-SL/7-2356)

**354. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

Ottawa, August 3, 1956—5 p.m.

80. Pearson in August 2 letter to me (air pouched to Department August 2 D-95)<sup>2</sup> made following points re US draft exchange notes on Cornwall dredging transmitted to him under cover of my letter of July 20.

(1) US draft does not go very far meet Canadian wishes.

(2) Proposal that Canada not duplicate navigation facilities international rapids section without US agreement unacceptable. Canada attaches great importance same freedom action re duplication navigation facilities this section, subject same obligation consult, which US enjoys.

(3) Canada desires ensure excavation necessary 27 foot navigation in north channel done concurrently with south channel dredging.

(4) Work in both north and south channels requires IJC approval or agreement 2 governments. Canada prefers north channel dredging question be settled now by inter-governmental agreement.

(5) Seaway and power entities might reach definitive agreement re division responsibility and cost excavations either before or concurrently with exchange of notes.

(6) Canada unwilling make decision now as to whether costs north channel excavations other than compensatory should be included in toll base.

(7) Letter reiterates Canada has no present intention build canal and locks on Canadian side Cornwall.

Canadian draft exchange reverts to previous wording that 2 governments will not duplicate facilities without prior consultation. Canadian position as reaffirmed is disappointing but no surprise.

Pearson by evading request my letter July 20 to discuss US draft notes (therein enclosed) until inter-departmental decision of rejection now registered in reference letter, makes it difficult to further argue our case in face reaffirmed Canadian position. I am ready to do so but would appreciate Department checking with Castle and Secretary Brucker's office to ascertain any views they have in light Pearson letter and particularly whether Castle would consider it productive to come to Ottawa to join me in talking to Pearson.

**Merchant**

<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/8-356. Confidential.

<sup>2</sup> Not printed. (*Ibid.*, 611.42321-SL/8-256)

**355. Memorandum of a Telephone Conversation Between  
Guerin Todd, Assistant General Counsel, Department of  
the Army, and George Vest, Office of British  
Commonwealth and Northern European Affairs,  
Washington, August 28, 1956<sup>1</sup>**

SUBJECT

St. Lawrence-Cornwall Channels

Mr. Guerin Todd telephoned today with the following report:  
Secretary Brucker telephoned Ambassador Merchant in Ottawa this afternoon and told him that the problem of Cornwall Channels had become increasingly political here in the United States and therefore, he was having all legal aspects of the subject examined in detail by Lee Rankin in the Department of Justice and would probably discuss it with Attorney General Brownell. Mr. Brucker asked Ambassador Merchant to invite Canadian Transport Minister Marler to come to Washington with his advisors on September 13 to attempt to resolve the problems. Either Mr. Rankin or Mr. Brownell would join the discussions and he hoped Ambassador Merchant would be able to be present. He suggested that the chief American interested parties should get together on September 12 to iron out an American position to be discussed with the Canadians the next day. This group, according to Mr. Todd, was intended to be Messrs. Brucker, Merchant, Brownell or Rankin, and Castle.<sup>2</sup>

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/8-2856. Confidential.

<sup>2</sup> No record of an American group meeting has been found. Brucker, Merchant, Marler, and Heeney did meet on September 13; see *infra*.

**356. Memorandum of a Conversation, Washington, September  
13, 1956, 9:30 a.m.<sup>1</sup>**

**SUBJECT**

St. Lawrence Seaway-Cornwall Channels

**PARTICIPANTS**

Mr. Brucker, Secretary of the Army

Mr. George Marler, Canadian Minister of Transport

Mr. Heeney, Ambassador of Canada

Mr. Merchant, US Ambassador to Canada

At Mr. Brucker's invitation I participated in an off-the-record meeting with Mr. Marler who was attended by Ambassador Heeney. The meeting started at 9:30, prior to which I had about half an hour with Mr. Brucker who brought me up to date on developments relating to the Seaway. The meeting continued without interruption through lunch and until 2 o'clock when Mr. Marler left for the airport.

It was stipulated that there would be no publicity concerning the meeting, that it would be totally off the record and no notes taken. Mr. Brucker explained with, I felt, great impact the legal position on which we rested our conviction that Canadian permission was not required for our proceeding with dredging in the south channel. Mr. Marler also agreed to arrange on his return to Ottawa for agreement to proceed on certain peripheral operations such as the high bridge and dredging for its footings. There was a prolonged and frank discussion of the problem of the 27-foot Cornwall Channel which it was agreed had legal overtones but was essentially a political problem for which some solution must be found. Mr. Brucker called attention to the limited time available for reaching an agreement in this matter if we were to avoid losing part or all of the 1957 dredging season which begins about the first of April.

Mr. Marler will consider the complex of problems further and discuss them with his colleagues. He is hopeful that by the end of the first week of October he will be prepared to have another talk with Mr. Brucker which it was agreed would be similarly off the record, limited and private.

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/9-1356. Confidential.  
Drafted by Merchant.

**357. Telegram From the Department of State to the Embassy in Canada<sup>1</sup>**

*Washington, October 18, 1956—6:51 p.m.*

163. For Merchant. Secretary met with Secretaries Wilson, Humphrey and Brucker Oct. 17 to discuss St. Lawrence Seaway situation. Brucker explained Canadians believe we need their consent dredge south Cornwall channel despite our legal opinion to the contrary and that Canadians suggest dredging in north and south channels be carried on simultaneously and cooperatively to avoid impasse.

Consensus of meeting was that it might be possible create de facto situation enabling our side preserve its legal position and any possible damage claim, but at same time enabling work proceed.

At suggestion of other conferees, Secretary said he would examine feasibility of calling meeting with Canadian Ministers next week, including Howe and Pearson, to discuss foregoing. Conference if held might be publicly described as another of regular series of meetings to discuss relations in general. Request your comments on this plan and any alternative recommendation.

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/10-1856. Confidential. Drafted by Nugent, cleared with G and S/S, and approved and signed for Dulles by Beam.

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**358. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, October 19, 1956—4 p.m.*

182. Re Deptel 163.<sup>2</sup> Canadian St. Lawrence Seaway position as expressed to Brucker by Marler is result of cabinet decision and in my judgment Canadians will not retreat from it. Under circumstances I believe creation de facto situation enabling work proceed while preserving our right to damages if north channel dredging results in added costs for us in south channel seems to me by far best possible

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/10-1956. Confidential; Priority.

<sup>2</sup> *Supra.*

solution present impasse. I assume maintenance our rights to such damages and any other rights under 1909 treaty, if, contrary to Canadian expectations, flow in south channel appreciably affected, constitute legal position we wish preserve.

I see no advantage in large scale meeting between US Cabinet officers and Canadian Ministers.<sup>3</sup> Alternatively, Marler could be invited to meet without publicity with Brucker and interested US Cabinet Ministers. Howe in any event unavailable in Japan for three weeks.

To date publicity given here to US-Canadian disagreement north channel dredging sporadic and conflicting. Consequently I see no need as far as Canada concerned for any public announcement or publicity if agreement is reached for Canadian and US engineers to proceed with plans dredge north and south channels.

### **Merchant**

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<sup>3</sup> After consultation, the Departments of State and Defense agreed to accept the de facto situation without calling an additional meeting of U.S. and Canadian Cabinet officers. (Memorandum of conversation by Vest, October 29; Department of State, Central Files, 611.42321-SL/10-2956)

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### **359. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, November 13, 1956—5 p.m.*

222. Department's A-155 November 2.<sup>2</sup> Following is initial informal reaction of External Affairs to Embassy Note 126 November 7 which conveyed substance Department's A-155.

External sees US recognition de facto situation as framework in which Cornwall North and South Channel dredging can now proceed. Canada eager to complete documentation on arrangements and public announcement soon as practicable and in manner to do least damage and most good for US-Canadian relations.

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<sup>1</sup> Source: Department of State, Central Files, 611.42321-SL/11-1356. Confidential; Priority.

<sup>2</sup> A-155 to Ottawa, November 2, transmitted a verbatim text of a note sent by the Embassy to the Canadian Government as Note No. 126. (*Ibid.*, 611.42321-SL/11-256) This note and the Canadian reply, December 4, are printed in Department of State *Bulletin*, December 24, 1956, pp. 992-993.

External official believes it of doubtful value for US note to state that proposed Canadian action in North Channel not in accord with previous arrangements. This statement again brings legality of US and Canadian positions to fore and compels Canada to make rebuttal in reply to our note.

In order avoid airing legal positions in public and further exacerbation of issue External at moment not amenable public release of notes,<sup>3</sup> preferring simple announcement stating nature of work to be undertaken by both governments in Cornwall Channels.

Canadian reply to US note which expected latter part this week will probably request clarification paragraph 3 on reservation US rights. If Canada subject to claims for possible injuries sustained as result North Channel dredging, External feels it desirable make thorough study Canadian participation in South Channel dredging east to mile 109.7 in light such legal liability and in light possibility legal positions may receive public airing. Canadians appear convinced North Channel dredging can be undertaken in compensatory manner so long as close cooperation of engineers on both sides forthcoming.

I am in full accord with US position reserving our rights in event Canadian action should prove prejudicial to immediate or long-term US interests and hope Canadians will accept it without making counter-reservations which will complicate solution and plans for publicity.

While Governor Brucker has, I believe, given Marler assurances regarding cooperation among engineers to ensure insofar as practicable that North Channel dredging proves compensatory, it may be advisable to have this arrangement confirmed on Castle–Chevrier<sup>4</sup> level.

I believe it preferable to give entire matter minimum publicity and would accept simple announcements along lines suggested by External Affairs if this agreeable to Department, Defense and SLSDC. On our side, I believe copies of classified notes could be made available to interested members of House Committee on Public Works and Senate Committee on Foreign Relations in order to establish fact we are not acting surreptitiously and that we have reserved our rights to claim any future damages. This would still leave problem of explanations to journalists<sup>5</sup> but I am hopeful both sides could handle in manner mini-

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<sup>3</sup> On the next day, however, the Canadian Government agreed to publication of the notes. (Telegram 223 from Ottawa, November 14; Department of State, Central Files, 611.42321-SL/11-1456)

<sup>4</sup> Lionel Chevrier, President of the Canadian St. Lawrence Seaway Authority.

<sup>5</sup> The Department issued a press release on December 7; see Department of State Bulletin, December 24, 1956, p. 992.

mize differences. Pass foregoing urgently to Governor Brucker whom I will telephone tomorrow to elaborate.

**Merchant**

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**360 . Letter from Prime Minister St. Laurent to President Eisenhower<sup>1</sup>**

*Ottawa, January 11, 1957.*

DEAR MR. PRESIDENT: I have such happy recollections of that pleasant half-day you were kind enough to let me have with you in Augusta a few weeks ago<sup>2</sup> that I am venturing to write you this personal letter about a matter that has been giving me much concern.

I came away with the impression that you felt as I did, that the prosperity of your great country was quite intimately linked with that of our much less prosperous but rapidly-developing Canada. Though we are, of course, much more dependent upon what happens in the United States than your people are upon what happens up here, we nevertheless, on both sides of the line, have a better economic climate ourselves when that of the other country is also good.

It is natural and perhaps inevitable that certain things are done in some branches of our respective administrations that you and I do not always know about personally and do not always fit in with our ideas of what might be best for both countries. I am so grateful to you for what you have done in the past that I am venturing to bring to your attention a situation which I hope will prove an occasion for further gratitude.

For several months now there has been growing concern in Canada about the impact of United States surplus disposal activities upon the position of our western wheat producers.

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<sup>1</sup> Source: Department of State, Presidential Correspondence: Lot 64 D 174. Personal.

<sup>2</sup> Eisenhower had invited St. Laurent for an informal visit to Augusta, Georgia. The visit took place on December 11, 1956, when the President and the Prime Minister had lunch and played golf. (Eisenhower Library, President's Daily Appointments) They discussed the imbalance of trade between the United States and Canada, and Eisenhower informed St. Laurent that he had rejected a recommendation to increase the tariff on Canadian ground fish filets. (Despatch 573 from Ottawa, January 18; Department of State, Central Files, 742.00(W)/1-1857)

You may recall that, when the present surplus disposal programme was launched, you gave certain assurances that this programme would be administered in such a way as to avoid damage to the interests of friendly countries. These assurances were repeated from time to time by other United States officials and I believe that some of the laws relating to the matter contain safeguarding provisions along these lines. Nevertheless, in many cases the surplus disposal activities of the United States are causing definite and serious injury to Canadian wheat producers.

This matter was raised by Mr. C.D. Howe, Minister of Trade and Commerce, at the last meeting of the Joint United States–Canada Committee on Trade and Economic Affairs held in September 1955.<sup>3</sup> As a result of what was said by Mr. Howe, Mr. Benson arranged for officials of our two Governments to meet from time to time. These meetings have provided for useful exchange of views and there were occasions, I am told, when the policies of our respective countries were reconsidered in the light of what was said. The record, however, shows that the pace of U.S. surplus disposal of wheat has been stepped up rather than moderated since Mr. Howe first raised the matter with Mr. Benson.

The result is that the Canadian wheat producer, who is not subsidized, feels that he is being steadily squeezed out of markets by U.S. surpluses which are heavily subsidized or sold on non-commercial terms at the expense of your Treasury.

I know that the farm surplus problem is an extremely difficult one for you and your Administration, as it is for us. I know too that you are endeavoring to find a permanent solution that will avoid the recurrence of embarrassing surpluses. I am taking the liberty, therefore, of bringing to your attention what I am sure is an unintended result of the present activities of some of the United States agencies.

The main reason for this injury is the magnitude of the U.S. surplus disposal programme for wheat. In one way or another, through subsidy, through sales for local currency, through tied-sales guaranteeing a proportion of future wheat markets to the United States, through barter arrangements and otherwise, your wheat is being made so attractive to importing countries that they reduce their purchases from Canada and other exporting countries, which cannot afford to subsidize on such a tremendous scale.

As an indication of the extending scope of these surplus disposal activities, your people are now, I am informed, negotiating a most extraordinary contract involving the sale of United States wheat connected in some way with the payment for certain defense installations in France. Just the other day an announcement was made that the

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<sup>3</sup> See Document 348.

United States is prepared to subsidize sales of agricultural products to Poland.<sup>4</sup> These extensions of your surplus disposal activities, when added to the already large programme of government-assisted sales, are bound to produce an even more difficult situation for our wheat producers.

I would not ask you personally to look into the details of these operations but perhaps, if you had Mr. Gabriel Hauge<sup>5</sup> do so, he could give you an accurate picture of their probable repercussions. If you then felt that my concern is not unwarranted, perhaps a word from the White House to your side of the United States-Canada Committee of officials, who discuss together trade and economic affairs, would assist in avoiding consequences which, I am sure, are not intended and could be quite harmful to our common prosperity.

With renewed thanks for your kind hospitality to my son and daughter and me in Augusta and warmest personal regards,

Yours most sincerely,<sup>6</sup>

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<sup>4</sup> See Document 366.

<sup>5</sup> Gabriel Hauge, administrative assistant to the President and member of the Advisory Council on Economic Growth and Stability.

<sup>6</sup> Printed from an unsigned copy.

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**361. Letter From President Eisenhower to Prime Minister St. Laurent<sup>1</sup>**

*Washington, February 5, 1957.*

DEAR MR. PRIME MINISTER: Since Governor Adams' letter to you of January fifteenth,<sup>2</sup> he has proceeded with the course of action there outlined to evaluate for me the problem about which you wrote to me concerning the impact of our surplus disposal program on your western wheat producers. An oral report has been given to your Ambassador here for transmittal to you.

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<sup>1</sup> Source: Department of State, Presidential Correspondence: Lot 64 D 174. No classification marking. Delivered by the Embassy in Ottawa on February 11. (Despatch 648 from Ottawa, February 11; *ibid.*, Central Files, 742.13/2-1157)

<sup>2</sup> In his letter, Sherman Adams acknowledged, for the President, the receipt of St. Laurent's January 11 letter, *supra*. He expressed agreement with the Canadian Ambassador, when the latter delivered the Prime Minister's letter, that a review of U.S. wheat sales affecting Canada should be made. (Department of State, Presidential Correspondence: Lot 64 D 174)

A review of the transactions involving our foreign sales of wheat last year and those projected for this year has been made and has been discussed with me. In turn, I have given instructions to communicate my deep concern in the matter to United States representatives who participate with Canadian officials in periodic conferences on wheat export problems. In addition, my recognition of the complex nature of this problem is being brought to the attention of our Council on Foreign Economic Policy.

Needless to say, I am keenly interested in working toward our essential goals in this field with the fullest possible consideration of its impact on Canada. It may be unreasonable to hope that disagreement will be eliminated from all areas in which Canada is affected by our emergency surplus disposal program, but I want you to know that it is the intention of all of us here to reduce to a minimum the points at which our respective interests diverge.

We shall continue to keep your representatives informed through normal channels of developments in our surplus disposal program and will, I assure you, be prepared to review with Canadian officials those aspects of our policy which appear to jeopardize Canadian interests.

Sincerely,<sup>3</sup>

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<sup>3</sup> Printed from an unsigned copy.

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**362. Despatch From the Embassy in Canada to the Department of State<sup>1</sup>**

No. 695

Ottawa, March 1, 1957.

SUBJECT

United States Bases and Operating Facilities, Canada

*Summary*

There are no real problems, either with respect to the Canadian Government or the population, arising from the presence, activities, or conduct of United States forces in Canada. The major portion by far of United States forces in Canada is stationed on bases in the Province of

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<sup>1</sup> Source: Department of State, Central Files, 711.56342/3-157. Secret; Limited Distribution; No Distribution Outside Department. Drafted by Milton C. Rewinkel.

Newfoundland (which includes Labrador), and relationships there between those forces and local officials and the public are generally cordial and friendly.

Both the Government and the people of Canada are as a whole realistically aware of the continuing Soviet threat and have no illusions as to the long-term objectives of international Communism. Firmly committed to the principle that defense against this threat must be collective and continuing, they realize that the United States is at the same time the leader and chief bastion of the free world, as well as the number one target of the potential aggressor in any general hostilities, and that their continuing existence as a free and independent nation is tied to that of the United States, upon which they must in the final analysis rely for their defense.

The official Opposition to the firmly-established Liberal Government also accepts in principle the need for United States defense activities in Canada, but does harass the Government for political purposes on the issue of safeguarding Canadian sovereignty. Although numerically small and ineffectual, the Communists in Canada have succeeded in a few relatively unimportant instances, through distortion and misrepresentation, in stimulating unfavorable reports in the Canadian press concerning United States defense activities.

Given a continuing Soviet threat, it is estimated that for the foreseeable future the Canadian Government and people will accept United States defense activities on their soil and will in general support United States defense policies and requirements so long as the United States remains dedicated to the concept of collective security and provided that the present close United States-Canadian defense coordination continues.

This acceptance by the Canadian Government and people of United States defense activities is not influenced to any appreciable degree, on a national basis, by any economic benefits accruing from such activities in Canada, although in Newfoundland, where United States bases do contribute substantially to the economy of that province, local acceptance of United States operations is also motivated to a large extent by the economic benefits resulting therefrom.

Notwithstanding the basic soundness of present Canadian-United States relations, there is in this rapidly developing nation a growing consciousness of national destiny. As the population, industrial base and wealth of Canada increase, so will also the nationalism and sensitivities of its Government and people. The United States must be constantly attentive to this development and, in its own self-interest, continue to exercise the greatest consideration in all aspects of its relations with this country. While there are at present no Government objections or general local resentments with respect to United States defense activities in Canada, both the Embassy and United States

military commanders in this country are constantly on the alert to initiate actions or measures designed to forestall local irritations or criticism. Pursuant to these efforts the United States has, for example, during the past year taken the initiative in an agreement to fly the Canadian flag alongside the United States flag at all United States military installations in Canada,<sup>2</sup> thus forestalling virtually certain criticism from elements seeking instances of United States disregard for Canadian sovereignty.

In spite of the present satisfactory situation here, the growing feeling of nationalism in Canada could have dangerous potentialities, particularly if knowingly or unknowingly the United States takes any action which would appear to Canadians as an infringement on their sovereignty, [3½ lines of source text not declassified]

Because of Canadian sensitivity with respect to sovereignty, and in the best future interests of the United States, the Embassy suggests that consideration be given to the possible renegotiation with Canada of the 99-Year Leases on the bases in Newfoundland,<sup>3</sup> in order to equate them with periods of tenure at other United States installations in this country. This recommendation is made despite serious reservations to such a course on the part of United States military commanders in Canada.

Although the Canadians already participate fully in United States defense planning and operations in Canada, and do not appear to feel a lack of identification with the objectives of such efforts, the Embassy makes three recommendations by which it believes this sense of cooperation or unity of operations might even be heightened.

[Subparagraph a (4 lines of source text) not declassified]

(b) In order to present positive evidence that the joint defense of this continent is indeed mutual, it is recommended that an invitation be extended to the Canadian Government to station an RCAF Fighter Squadron on United States territory as part of the continental air defense system.

(c) In view of the unique and important Canadian-United States defense relationship, it is recommended that consideration be given to the resumption of Canadian attendance at the National War College.<sup>4</sup>

[Here follows an 18-page detailed analysis.]

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<sup>2</sup> Since the signing of two agreements by the U.S. Air Force and the Canadians, February and October 1956, the Canadian flag had been flown alongside the U.S. flag over all U.S. military installations in Canada. (Telegram 368 from Ottawa, January 30, 1957; *ibid.*, 711.56342/1-3057)

<sup>3</sup> This was in accordance with the terms of the protocol concerning the defense of Newfoundland, signed by the United States and Canada at London, March 27, 1941; entered into force the same day. For text, see 55 Stat. (pt. 2) 1560.

<sup>4</sup> From 1946 to 1950, Canadian officers attended the National War College in Washington. In 1950 the U.S. Joint Chiefs of Staff decided to terminate Canadian attendance because of many factors involving other NATO countries.

363. Letter From the President's Special Assistant (Randall) to the Secretary of State<sup>1</sup>

*Washington, April 1, 1957.*

DEAR FOSTER: I should like, if I may, by this letter to present to you an idea that has been determined to burst from my mind on to paper for some time, but which I have withheld sending to you because of the unspeakable complexity of your present responsibilities.

It is an idea that would, in my judgment, strikingly reestablish the President's leadership in the field of foreign economic policy.

Actually, it is not a new idea at all; it is only the timing that seems to me unique.

I suggest that this is the psychological time for the United States to propose economic integration with Canada.

My thought would be that we propose to do this in parallel with the establishment of the Common Market and Free Trade Area in Europe, and to do it in a similar manner.

We would proceed gradually with the same general time schedule that is being adopted over there, and would make special provisions for agriculture, food processing, or any other unusually sensitive segment, as is being done in Europe.

Britain could not possibly be heard to protest. She is herself breaking away from the Commonwealth, and therefore could not object if we draw closer to the leading member of the Commonwealth. Clearly, if economic integration of Europe is of value to the world, then economic integration of the North American Continent would have similar value.

The question of what to do about Mexico might arise, but I see no problem there. The United States could take the position that it would welcome the adherence of any of its neighbors, which was the answer Britain gave in Europe to similar questions. Actually, it might be very difficult for Mexico to join at the present time.

It might be thought that Canada would refuse our offer. I doubt it. I think that there would be great pressure of public opinion on her side of the border in support of the project. But, even if she should decline, our offer would in itself be an act of leadership.

To make sure that Canada would accept in the first instance, our proposal might be merely that the subject of economic integration be studied by a joint commission.

I think it possible that some of the leading protectionists in the United States might make an exception as to Canada and support this proposal. I recall particularly a speech made in Toronto by Crawford

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<sup>1</sup> Source: Department of State, Central Files, 411.4241/4-157. Confidential.

Grenewalt of DuPont, in which he said that, whereas he believed that imports from low-wage countries should be restricted, he would feel quite differently about the matter if we were dealing only with Canada. As you know, an association of nations for this purpose is permitted under the GATT.

One cogent fact is that the important mineral exports from Canada, like iron ore, now enter this country duty free.

I had occasion a short time ago to discuss this suggestion informally with Chris Herter and Doug Dillon, at which time I told them that I would, as soon as convenient, present the matter to you in this way.

I hope very much that this idea may receive your favorable consideration, and that suitable steps may be taken for its implementation.

Sincerely yours,

Clarence B. Randall

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**364. Briefing Paper Prepared in the Bureau of Economic Affairs<sup>1</sup>**

*Washington, April 9, 1957.*

**ECONOMIC INTEGRATION WITH CANADA**

The possibility of the economic integration of the United States and Canada has been suggested from time to time in the past. Studies of this matter were actually made on the staff level with the Canadians in 1948, but they did not lead to any concrete results.

What did emerge, however, was a clearer understanding of the magnitude of the problem. Economic integration is usually regarded as the forerunner of a much closer political association of the countries concerned. As such, it is often viewed with suspicion by those interested in preserving the political independence of their country. This feeling is heightened when the contemplated arrangement involves the integration of a small country with a large and powerful one. Since the end of World War II, Canadian nationalist spirit has certainly increased and there can be no doubt that the highest value is attached by Canadians to their complete independence of action in both domes-

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<sup>1</sup> Source: Department of State, Central Files, 411.4241/4-157. Secret. Drafted by James J. Blake on April 4. A covering letter from Herter to Randall, April 9, indicates that Herter was asked by Dulles to pass this paper on to Randall.

tic and international affairs. Related to this feeling is the frequently expressed concern about the extent of American ownership of basic Canadian resources and the sensitivity about undue American cultural influences as manifested in the recently enacted discriminatory tax on Canadian editions of American magazines.<sup>2</sup>

While this feeling should not be over-emphasized, it does have to be taken into account in considering any proposal for economic integration. It apparently played some role in the ultimate Canadian decision in 1948 not to pursue the integration studies further.

There are, of course, complex economic issues involved in any project of this sort. Canada is developing at a tremendous rate. The Canadians are interested in continuing this economic development in order to diversify and strengthen their economy, to attract immigrants, to raise their over-all standard of living and to strengthen their role generally in international affairs. They do not want to remain "hewers of wood and drawers of water." Their whole tariff structure is designed to ease the change from a largely raw materials and agricultural producer to one having a wide range of industries serving not only the Canadian but foreign markets as well. How these objectives would fit in with an arrangement requiring Canada to eliminate tariffs and other restrictions on imports from the United States is problematical and would have to be explored very carefully.

The agriculture side of the question is, of course, extremely difficult. The Canadians are deeply opposed to the restrictions we now impose on imports of farm products under our agricultural legislation. It is doubtful that they would seriously consider an integration proposal that would not open up our market to their farm exports just as much as we might wish them to open their market to our exports of manufactured goods.

Trade between the United States and Canada is already substantially free of restrictions. There are no controls on the movement of currency or capital in either direction, the respective tariffs are generally low, and import quotas are virtually nonexistent outside of agriculture. As a result, Canada is already the largest single market for American products. How much this relationship could be improved through formal "integration" is not clear.

For the foregoing reasons, it does not appear that the present time is appropriate to initiate a proposal for economic integration with Canada.

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<sup>2</sup> See Document 349.

**365. Memorandum of a Conversation, Department of State,  
Washington, April 9, 1957<sup>1</sup>****SUBJECT**

Canadian Reaction to Norman Case

**PARTICIPANTS**

The Acting Secretary  
Ambassador Arnold Heeney  
Mr. S. F. Rae, Canadian Minister  
C. Burke Elbrick, EUR

Ambassador Heeney called on the Acting Secretary at his own request for the purpose of informing the State Department at the highest level of the official Canadian reaction to the activities of the Senate Internal Security Sub-Committee. He said that as a result of the publication of Committee proceedings<sup>2</sup> which contained material involving the late Ambassador, E. Herbert Norman, public opinion in Canada had become inflamed and the Government felt it must take some action in response to popular appeal. He said that Parliament would be dissolved on Saturday<sup>3</sup> preparatory to general elections in June and the controversy caused by the activities of the Senate Committee will be a popular issue. The Ambassador said he could not over-emphasize the seriousness of the situation. He said that if the Committee continues its "wild attacks" on Canadian officials it will doubtless produce an explosion and relations between the two countries would suffer greatly.

The Ambassador said, as an example of the temper of Canadian Parliamentarians that a prominent member of Parliament (Alistair Stewart) is proposing to ask the Government to withdraw the Canadian Ambassador from Washington. Foreign Minister Pearson hopes to restrain him and avoid any such issue. The Ambassador said that he had learned from a Canadian correspondent last night that he was told by the counsel of the Senate Sub-Committee that the Committee's

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Elbrick. A marginal note on the source text indicates that the memorandum was approved by Hoover and a copy was sent by him to the White House.

<sup>2</sup> On March 14, the Internal Security Subcommittee of the Senate Committee on the Judiciary released to the press the record of its hearings which made allegations that the Canadian Ambassador in Egypt, E. Herbert Norman, had been a Communist. Heeney presented a note of protest on March 18. (Department of State *Bulletin*, April 9, 1957, pp. 694-695) Nevertheless, the subcommittee continued to make investigations affecting Norman. (Letter from Senator James O. Eastland to the Acting Secretary of State, March 22; Department of State, Central Files, 711.21/3-2257) Subsequently, Norman committed suicide in Cairo on April 4.

<sup>3</sup> April 13.

next Canadian "victim" would be Robert Bryce, Secretary of the Canadian Cabinet, who is alleged to have been a member of a Communist cell with E.H. Norman many years ago.

As for the story in the *New York Journal American* regarding events of 1951 when an officer of the State Department went to Ottawa to inform officials of the Canadian Government of certain information regarding Foreign Minister Pearson which had been made available to the Committee, the Ambassador said that he had talked to Pearson by phone last night. Pearson wished to make it very clear to the State Department that the Canadian Government is not requesting that any effort be made to suppress information or stories that may stem from the Committee's activities. Pearson, according to the Ambassador, said that the Canadian Government does not wish to give the impression that there is anything to hide. Apparently Pearson also informed the Ambassador that anti-Americanism in Canada is at an all-time high as a result of this affair.

The Foreign Minister expected to make a statement in the House of Commons today on this subject, but on Heeney's suggestion will delay the statement for 24 hours. Heeney will be instructed to present a note to the State Department tomorrow morning.<sup>4</sup> [10 lines of source text not declassified]. However, he said that Pearson feels that he must respond in some way to public opinion in Canada and that this is the only avenue open to him. The Ambassador said that cooperation in the field of security is of the greatest importance to both countries and it would be most unfortunate if anything occurred which might reduce the effectiveness of such cooperation.

The Acting Secretary said that Senator Jenner<sup>5</sup> of the Committee seems to be acting independently in this case and he is in a very unhappy frame of mind. He is anxious to rebut certain allegations that Pearson made about the Senate Sub-Committee in the Canadian House of Commons and there seems to be little, if anything, that we can do to control him.

The Ambassador wondered whether some public statement could be made and referred particularly to the President's press conference which usually takes place on Wednesday.<sup>6</sup> He said that ever since last week the Canadian press has been alleging that Foreign Minister Pearson himself is the real target of the Internal Security Sub-Committee. He said that in 1953 Secretary Dulles had volunteered to make a statement expressing confidence in Pearson when a similar revelation

<sup>4</sup> Heeney delivered the note the next day, April 10, about 2 hours before Pearson read it to the House of Commons in Ottawa. (Memorandum of conversation by Elbrick, April 10; Department of State, Central Files, 711.21/4-1057) The Canadian note is printed in Department of State *Bulletin*, September 2, 1957, pp. 385-386.

<sup>5</sup> Senator William E. Jenner of Indiana.

<sup>6</sup> April 10.

of information available to the Committee had been made.<sup>7</sup> The Ambassador said that he had no specific request to make of the State Department but he reiterated his concern over the critical state of relations between the two countries and the effect of any rift in those relations on the other members of the North Atlantic Alliance.

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<sup>7</sup> The Canadian note of March 18 contains two annexes which refer to similar allegations made by the subcommittee in 1951. For text, see Department of State *Bulletin*, April 29, 1957, p. 695.

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**366. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, April 12, 1957—2 p.m.*

521. For State and Agriculture. Associate Deputy Minister Trade and Commerce Mitchell Sharp today warned Embassy in strongest terms of Canadian Government's concern over Canadian Embassy Washington report that State Department considering favorably Polish proposal for 500,000 tons wheat for stockpiling.<sup>2</sup>

Sharp stated Canadian Government sympathizes with US political objectives in Poland but if Polish wheat proposal accepted it will "blow lid off" US-Canadian economic relations; mean end friendly discussion on wheat problems and result in "open warfare" with respect wheat sales.

Sharp pointed out Canadian Ministers up to now had used considerable restraint in commenting on US wheat disposal policies but announcement this deal would create such uproar Ministers would have no alternative but to "lambaste" US in coming election campaign.

Sharp described Canadian wheat position as "desperate" and said Minister Trade and Commerce, C.D. Howe, "furious" over latest proposed US action.

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<sup>1</sup> Source: Department of State, Central Files, 442.4841/4-1257. Official Use Only; Priority.

<sup>2</sup> The U.S. Government was considering the sale of wheat to Poland under Public Law 480 as part of economic aid to Poland. For documentation, see vol. xxv, pp. 582 ff.

*Embassy comment:*

Canadian position, as reported Embtel 500<sup>3</sup> is that having lost all peripheral markets, Canadian wheat is now being forced out of traditional markets by subsidized US wheat sales and US now contemplating step which would upset Canadian position in Iron Curtain markets which were developed by Canadians.

Acceptance Polish proposal would seem contrary US officials' statement at April 1 Canadian-US wheat meeting. According Department's memorandum of conversation of April 1<sup>4</sup> covering meeting, official "suggested US might make clear US was not going sell wheat to Poland".

If Polish proposal accepted strong reaction by Canadians certain as far as wheat concerned and resentment might adversely affect Canadian-US economic relations.

Thompson

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<sup>3</sup> In telegram 500 from Ottawa, April 3, Merchant reported the Canadian position as summarized in this telegram. In addition, he reported that he reassured the Canadians that the United States did not intend to " 'barge in unduly' on Iron Curtain wheat markets." (Department of State, Central Files, 442.0041/4-357)

<sup>4</sup> Not found in Department of State files.

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**367. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, April 15, 1957—noon.*

527. For State and Agriculture. Since my return from Washington where I learned of developing plans for providing Poland with substantial wheat stockpile, I have together with my staff been giving thought to form and content of presentation to Canadians which would maximize chance of Canadian acceptance and participation. Such chance I consider exceedingly slim and I remain firmly of opinion that if we later decide to proceed with operation now contemplated notwithstanding violent Canadian reaction we will risk grave consequences in our total relations with Canada. Bitterness over Norman affair and coming two months of heated election campaign provide unhappy background for any large scale US entrance into Polish

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<sup>1</sup> Source: Department of State, Central Files, 442.4841/4-1557. Confidential; Priority.

wheat market. In this connection see Embtel 521<sup>2</sup> and earlier related telegrams.

In this message I am making certain suggestions as to possible revision of proposal and form of consultation which, in combination, might give project best chances of success.

I took opportunity in informal discussion April 14 with Pearson to attempt to lay ground work for more open-minded consideration by Canadian Government of project than can be expected from Howe and other officials predominantly concerned with disposal of Canadian wheat surplus.

In accordance with assurances given me by Dillon April 12 I told Pearson that no final decision had been reached on project in US Government and that before such was done there would be full scale and thorough consultation with Canadian Government. I then went on to explain that our motivation was almost exclusively political and that disposal of wheat only incidental. I described rare opportunity we saw not only to give needed support to Gomulka in his edging toward greater independence but also radical result which would be achieved by substantial conversion Communist collective organization of agriculture to free market in important satellite with infectious effect this could be expected to have on other satellites and even within Russia itself. I said we were genuinely anxious to have substantial Canadian participation in operation and I added that personally I believed its effectiveness would be enhanced by economic coloration which Canada's participation would give. I emphasized stockpile aspect and apparent depletion Polish dollar resources for further cash or short-term credit purchases of wheat.

I concluded by saying that Washington was thinking of extremely easy financial terms which no doubt Canada would regard as shockingly unorthodox but that I earnestly hoped, in discussions of matter with Canadian Government, Pearson himself would reflect on this unique and fleeting opportunity in the political cold war. I urged that Canadian Government consider it in no sense American give away surplus operation in what has hitherto been Canadian wheat market in Poland.

Pearson listened attentively and said he was by no means unaware of political aspects of wheat deals with Poland. It had been for this reason that he had supported unprecedented easy credit terms to Poland in Canadian wheat deal recently concluded. We must appreciate, he said, that wheat is far more significant to Canadian economy than it is to us. He said he would however, give matter careful thought but his immediate reaction was that our surplus disposal policies were pressing on extremely sensitive Canadian nerve and pain would be

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<sup>2</sup> *Supra.*

accentuated during what he expected to be heated political campaign before elections June 10. He also said that great difficulty existed for Canada in considering extremely easy credit terms [and] vulnerability to demands by established friendly customers such as Pakistan for at least as good terms as Canada was willing to give Soviet satellite.

There was no opportunity to pursue the subject further on that occasion but I think small seed has been planted.

Turning now to question of how to maximize remote possibility of Canadian acceptance, I consider that regardless of persuasiveness with which US political objectives may be explained or levels on which presented, bitter Canadian resentment to proposed US Polish wheat stockpiling agreement cannot be overcome surely [*simply?*] by arguing importance political factors. Canadian acceptance will depend more on sound economic inducement and one on which Canadian Government could capitalize in election campaign than on understanding and agreement with our political objectives.

Embassy has not discussed possible solution with Canadians but considers economic inducement might include: (1) concurrent but separate Polish commitment to purchase for dollars substantial additional quantity (possible doubling of 150,000 tons already contracted for) Canadian wheat for delivery during 1957-58 marketing year; (2) determined and imaginative effort jointly to explore basis for significant Canadian participation in supplying wheat for Polish stockpiling. This will not be easy as it will require formula in not too serious collision with orthodox Canadian wheat disposal and export financing practices; and (3) obtaining from Poland assurance that stockpiled wheat will not be released except in emergency and then only after reaching agreement for such release with US and also Canada if latter participates in stockpiling.

In my opinion, importance Canadian concurrence and participation cannot be over stressed. I recommend US political objectives and desire for Canadian participation be presented in informal, unpublicized talks between Under Secretary Herter, Dillon and Butz on one side and Howe and Pearson on other. I believe that no time is to be lost and that it is important that talks be held in Ottawa. I think we can work out scenario which will avoid disclosure subject and purpose of visit. If this recommendation is acceptable I would appreciate suggestion possible dates. Election campaign poses problem for Pearson and Howe but I think timing can be worked out.

Meanwhile every effort must be made prevent leak Polish proposal to press as it is essential Canadian resentment not be further exacerbated pending further US-Canadian discussions.

**368. Telegram From the Department of State to the Embassy in Canada<sup>1</sup>**

*Washington, May 28, 1957—8:14 p.m.*

442. Hope conclude Polish agreement<sup>2</sup> late this week or early next week to provide:

- a. Eximbank component including about 100,000 MT wheat effective immediately.
- b. Interim Title I no wheat effective immediately.
- c. Subject to advance consultation with appropriate members of Congress additional Title I including about 400,000 MT wheat to become effective when Congress passes PL-480 legislation.

Every possible effort made persuade Poles satisfy Canadian desires. Poles have given general assurance US wheat will not displace Canadian sales but state emphatically cannot make definite advance commitment to Canadians, especially in view problem this would create re other countries. Dept considers US has fully carried out undertaking given to Canadians. Canadian Embassy (Ritchie) informed by Kalijarvi today.<sup>3</sup> Informing NATO tomorrow.

**Dulles**

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<sup>1</sup> Source: Department of State, Central Files, 442.4841/5-2857. Official Use Only. Drafted by Howard M. Gabbert and John M. Leddy; cleared with ITR, BNA, E, and W; approved and signed for Dulles by Leddy.

<sup>2</sup> An agreement with Poland was reached on June 7. For text, see Department of State *Bulletin*, June 24, 1957, pp. 1005-1008.

<sup>3</sup> No record of a conversation between Ritchie and Kalijarvi has been found in Department of State files.

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**369. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, June 11, 1957—5 p.m.*

639. Although premature predict full implications Canadian election results<sup>2</sup> for Canadian-US economic relationships, Embassy con-

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<sup>1</sup> Source: Department of State, Central Files, 742.00/6-1157. Confidential. Repeated to London.

<sup>2</sup> In the general election held on June 10, the Progressive Conservative Party led by John Diefenbaker defeated the Liberals but failed to win a majority in the House of Commons.

siders that irrespective political alignments there will be gradual veering away from traditional liberal trade policies and intensification of nationalistic feeling with following practical results:

1. Heightened protectionism both industrial and agricultural products manifested not by prompt drastic action but by increased sensitivity to domestic pressures and responsiveness to demands of vested interests. Cooling of attitude toward GATT might result.
2. Experimentation with tax and other policies to encourage increased processing in Canada of Canadian raw materials and increased Canadian participation in management and ownership of foreign-controlled enterprises in Canada.
3. Determined effort to develop closer UK and Commonwealth trade and financial ties in deliberate attempt reduce dependence on US particularly as source of imports as well as market for exports and as a source of investment capital.
4. Closer adherence to and support of UK policies re trade controls with Communist China and Soviet bloc.
5. Possible abandonment of traditional wheat export marketing practices which might involve establishment of two price system for wheat and more vigorous effort compete with US wheat exports on price basis, by extension long-term credits, by acceptance local currencies, barley, etc.
6. More nationalistic and less cooperative approach to problems involving boundary waters and export power.
7. In view uncertainties of situation there may be at least temporary slowing down of foreign capital movements into Canada and consequent lowering of premium on Canadian dollar.
8. Reasonable suppose months will elapse before new policies crystallized or old ones confirmed as administration undergoes progress of familiarization and education. Meantime delays in reaching decisions must be anticipated.

**Merchant**

**370. Memorandum of a Conversation Between Prime Minister Diefenbaker and the Ambassador in Canada (Merchant), Prime Minister's Office, Ottawa, June 22, 1957<sup>1</sup>**

Immediately upon receipt late Friday afternoon of the personal message of congratulations from President Eisenhower for delivery to the new Prime Minister, Mr. Diefenbaker,<sup>2</sup> I attempted to secure the earliest possible appointment in order to deliver it personally. The time was finally set for 10:30 Saturday morning. Although a Cabinet meeting was in process, the Prime Minister courteously said that when I arrived at his office he would excuse himself from the meeting in order to receive me.

On my arrival Mr. Benson sent word to the Prime Minister and I chatted with George Drew<sup>3</sup> who was waiting in the Prime Minister's outer office. Mr. Diefenbaker, on arrival, took me into his private office and I gave him a letter containing the text of the President's message explaining that I was under instruction to deliver it personally as early as possible. The Prime Minister read the message with visible appreciation and pleasure. "This is wonderful—really wonderful." He said that he would send a reply before his departure the next day for London but that he did want me to know how deeply grateful he was for the President's warm and friendly message.

At this point, his assistant, Mr. Benson, knocked on the door and brought in a telegram which he gave to the Prime Minister to read. The Prime Minister then handed it to me with the remark that he didn't know what protocol was in such cases but that since I was sitting there he wanted me to read it. It was a message of thanks from the Queen. The Prime Minister then said that, "the fact that within minutes of each other he had received these two personal messages was more than mere coincidence—it was prophetic." He went on to say that this was a remarkable symbol of the ties of Canada to both Great Britain and the United States. He felt very strongly about both.

The Prime Minister then started chatting on a variety of subjects in a thoroughly relaxed fashion and notwithstanding the fact that his chair was vacant in the Cabinet meeting in the next room. He started complaining over the difficulties of Cabinet making in Canada. "Your President has no such problems. He is free to select the best men for

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<sup>1</sup> Source: Department of State, Central Files, 742.13/6-2557. Confidential. Drafted by Merchant on June 24 and enclosed in a letter dated June 25 from Merchant to Howe. Copies were distributed to Dulles, Herter, Murphy, Elbrick, and to the White House. (Note from Joseph N. Greene, Jr., to Dulles, July 1; *ibid.*)

<sup>2</sup> Telegraphic transmission of Eisenhower's congratulatory message, June 21, is *ibid.*, 742.13/6-2157. Diefenbaker's reply, June 22, is *ibid.*, 742.13/6-2457.

<sup>3</sup> George Drew, leader of the Progressive Conservative Party until 1956, when he was succeeded by Diefenbaker.

each office." The Prime Minister went on to say that the requirements of geography, race and so forth which hedged in any Prime Minister in making his choice made it one of his most difficult tasks. He found it heartbreaking to have to explain to some old friends and extraordinarily gifted men that for reasons unrelated to their loyalty or ability it was just not possible for him to include them in the Cabinet.

He spoke of his coming trip to London. He said he was looking forward to it greatly but despite a desk full of briefing papers prepared for him, he had not yet been able to read a single paper or find time otherwise to prepare himself for the Commonwealth Prime Ministers' Meeting. He then spoke of the fact that eight months ago few people in Canada would have expected him to be what he was today. He said that his own faith had never wavered. He described the realistic accuracy of his personal estimates of the results before the 1949 and 1953 elections. Then he went on to say that when the last Gallup Poll came out two weeks or so before the election, he had remonstrated with the Gallup Institute, reminding them of his own past record for accuracy and prophecyng that the Conservatives would win 117 seats on June 10. He said that no one could campaign across the country and talk to as many people as he had without realizing how deep and broad the demand had become for a change in Government.

Mr. Diefenbaker then reverted to the President's letter which he was still holding in his hand and glancing over from time to time. He said please to assure the President that the bonds between our countries were very deep and that he was devoted to their maintenance. He went on to say that there is no anti-Americanism in Canada but, on the other hand, there is a deep resentment over our wheat disposal policies. He said it was important that I should appreciate that this was not confined to the prairies but extended from one end of Canada to the other. He said that Canada was being very bitterly hurt by our ruthless competition; that it was not just cut-price competition but that it was made even worse by "its beneficent aspects." (He did not elaborate on this point but I interpreted it to mean that the element of charity in the application of our PL 480 policies made it difficult for those who were hurt to criticize it as effectively as the actual facts warranted.)

Mr. Diefenbaker went on in his attack with growing emotionalism and eloquence. At the first pause, I broke in to say that while I realized this was not the time nor place for a thorough-going discussion of what was admittedly a problem, I did want to make two or three points. The first was that the United States recognized that its surplus disposal actions had a real impact in Canada. I said that the execution of our policies was designed to minimize any damage and that to this

end we maintained a process of full consultation. I said, secondly, we were accompanying our disposal actions with a large-scale domestic program designed to prevent the re-accumulation of future surpluses.

The Prime Minister interjected at this point that he recognized we were taking such steps and that our Government's courage deserved praise in many actions which were politically unpopular. He said in our efforts to reduce production we were way ahead of Canada.

I then referred to "tied sales" which he bitterly attacked. I pointed out that our whole design was to create new markets and increase consumption and that the provision in some agreements for specific amounts to be imported through commercial channels was designed to insure the legitimate commercial markets of exporters and to ensure PL 480 wheat was in fact an addition to consumption rather than a displacement of normal purchases through commercial channels.

From the glint in his eye I foresaw another onslaught so I hastened to add that I would like him to familiarize himself with the whole history of our Polish aid agreement. I said that I thought when he studied the record of consultation with Canada; the political purposes underlying the agreement; our exertions to obtain assurances by the Poles that they would continue to look to Canada for normal wheat purchases; and our genuinely expressed hope that Canada would join with us in providing the Poles with a stockpile, he would find the basis for a modification of his expressed views.

Mr. Diefenbaker said he was not familiar with the Polish matter but that he would make it a point to study it on his return from London. He then said that he would welcome the early opportunity of sitting down alone with me and spending an informal evening talking over frankly this surplus disposal problem and other problems in the relations of our two countries. I replied that I would welcome nothing more and was at his call and service for this purpose. He said that he would not be back from London for another two weeks and for the next ten days thereafter he would presumably be occupied with accumulated business but that soon thereafter he would get in touch with me to set a specific date. At this point I said that I knew he must return to his Cabinet and that I greatly appreciated the opportunity of talking with him as we had. He once more expressed his appreciation for the President's message and promised an early reply. On this note the interview closed.

Throughout our talk the Prime Minister's attitude was relaxed and friendly. He seemed fresh and alert and, at one point, remarked that he had thrived on the hard campaigning. He has warmth, eloquence and very real charm. I had the impression that he had deliberately seized the first opportunity for a long, informal talk with me (it lasted about forty minutes) with a view to helping to put Washington's mind at ease concerning future relationships with the new Govern-

ment. He was blunt and obviously felt deeply about wheat. In all other respects and on other topics he reaffirmed in words and attitude his friendliness toward the United States, his recognition of the linkage of our destinies and his basic assumption that there would be no change in the fundamental elements of Canadian foreign policy.

**Livingston T. Merchant**

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**371. Telegram From the Embassy in Canada to the Department of State<sup>1</sup>**

*Ottawa, July 10, 1957—4 p.m.*

28. External Under Secretary Leger cautiously intimated to me that Continental Air Defense Command Integration will be searchingly examined by Cabinet with certainty of delay in action and possibility of decision that draft agreement must undergo substantial alteration. I told him that General Foulkes, Chairman Joint Chiefs of Staff, had told me he was extremely encouraged over his recent lengthy discussion this subject with Defense Minister Pearkes. Leger indicated that Pearkes would carry some weight but would by no means control Cabinet decision on subject with such high political content.<sup>2</sup>

**Merchant**

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<sup>1</sup> Source: Department of State, Central Files, 742.5/7-1057. Top Secret.

<sup>2</sup> By the end of July, however, the Canadian Government decided in favor of establishing NORAD. See Document 376.

**372. Memorandum of a Conversation, Canadian Embassy,  
Washington, July 24, 1957<sup>1</sup>**

SUBJECT

United States–Canada Wheat Disposal Problems

PARTICIPANTS

Ambassador Robertson<sup>2</sup> of Canada

Mr. Mitchell Sharp, Deputy Minister for Trade and Commerce, Canada

Mr. A.E. Ritchie, Minister, Canadian Embassy

Mr. R.G.C. Smith, Commercial Minister, Canadian Embassy

Mr. Gwynn Garnett, Department of Agriculture

Mr. Willis C. Armstrong, E

Mr. John M. Leddy, E

Mr. C.W. Nichols, OR

This was an informal and exploratory discussion at the Canadian Embassy. The Ambassador, as well as Messrs. Sharp and Garnett, emphasized that they were uninstructed and that the discussions should be completely confidential and frank.

The issues which were posed for Canada by the U.S. disposal programs have clearly been sharpened by the Canadian election. The Canadian Government is faced with the necessity for having an "active" disposal program of its own. Mr. Sharp mentioned a possible objective of exporting 50,000,000 bushels more in 1957–58 than in the previous year. Some increase of Canadian exports, possibly as large as 50,000,000 bushels, might grow out of developments which are already occurring or factors which are already at work such as the tightening by the United States of the administration of its barter program and the limited amount of additional Title I authority in the extension of Public Law 480 for another year.<sup>3</sup>

The U.S. barter program has been brought to a virtual halt by the recent adoption of a requirement that the Department of Agriculture must be convinced of additionality. It is clear even in advance of PL 480 legislation that the \$1,000,000,000 new authority for Title I would

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<sup>1</sup> Source: Department of State, Central Files, 411.4241/7-2457. Confidential. Drafted by Nichols on July 25.

<sup>2</sup> Norman A. Robertson, the new Canadian Ambassador, presented his credentials on May 17.

<sup>3</sup> Reference is to the substance of an amendment to Public Law 480, August 13, 1957; for text, see 71 Stat. 345.

not sustain a volume equal to that in the past year in the case of wheat, especially when consideration is given to the need for emphasizing sales of other surplus commodities such as feed grains and oils.

The Cooley Amendment to PL 480<sup>4</sup> was described to Mr. Sharp and discussed as a new element which is likely to make Title I sales less interesting to some importing countries.

Mr. Sharp was not inclined to be so optimistic as others regarding the promise which these other factors have for increases in Canadian exports during the coming year although, of course, the assistance they yield will be most welcome. He spoke principally of the likelihood of better harvests in importing countries which are likely to reduce the total of international trade in wheat below the rather high figure of the past year. He recognized, however, that Canada might not feel the brunt of a decrease in European imports as much as some other wheat exporting countries.

Messrs. Sharp and Garnett commented at length on the desirability of maintaining the present general level of prices and were fully agreed upon the importance of doing this, as well as the absence of any benefit to Canada or the United States obtainable through action which would significantly undermine the approximate level of prices now existing.

Mr. Sharp thought that the subsidy on flour which Canada instituted earlier this year had made Canadian flour approximately competitive temporarily. He stated that Canadian flour exporters had expressed themselves as believing that they were not fully competitive but that the Canadian subsidy at the outset had been barely sufficient, or almost so, taking account of other advantages which they believe they have in competing against United States flour in principal foreign markets. Sharp said, however, that the price differential had recently become wider. Garnett said that he had personally tried to analyze this problem and had become convinced that the type of arrangement the U.S. has is reasonable in principle. He pointed out that much of the wheat which is used in milling U.S. flour for export is premium priced wheat, and this premium has to be reflected. Garnett stated, however, that he has found it very complicated to determine the exact correctness of the subsidies in terms of all different grades and locations of wheat and flour. He suggested that the Canadian Embassy should keep in close touch with Mr. Garthoff of the Department of Agriculture and try to work out with that office detailed figures which would be adequate to judge this question. He hoped that agreement could be reached upon the methods of analysis and that coordination in this

<sup>4</sup> An amendment proposed by Congressman Harold D. Cooley (D.-N.C.) was accepted and became part of Public Law 128. Under this provision, 25 percent of foreign currencies acquired under the farm surplus disposal program was earmarked for loans to U.S. or foreign firms to promote expanded markets for American products abroad.

matter would not be too difficult when United States and Canadian officials were using the same figures and were satisfied concerning their accuracy. Mr. Sharp seemed generally discouraged about the possibilities of coordinating in connection with the flour export subsidies, but agreed that it would be useful to maintain the contact which Garnett had suggested.

Garnett thought that the issue of U.S. marketings being made a condition of PL 480 agreements could be kept small and manageable. He thought that in general the requirements of the law and of the policy objectives could be satisfied mainly by requiring that quantities be purchased on a global basis since the United States would have an opportunity to compete in satisfying such requirements. It was pointed out in the discussion that the United States assumption underlying the negotiation of these provisions has been that the quantities would be purchased competitively on a commercial basis. The introduction of concessional programs by Canada or other wheat exporting countries would of course be a new element requiring some consideration in this connection.

Sharp said that the thinking in the Canadian Government as to the types of new disposal measures had not proceeded far. His own thinking included the possibility of gifts, and he mentioned particularly such countries as India, Pakistan, and Ceylon. He is concerned by the danger that special programs will be difficult to insulate from commercial exports and therefore appeared to have in mind that gifts to Commonwealth countries within the Colombo Plan area might be relatively easier to justify and less dangerous in their effect upon the attitudes of buyers in important commercial markets. He also thinks in terms of credit sales based on credits which might extend as long as five years, but he hoped that these would be at commercial rates of interest.

Sharp takes the personal view that it will be important for the United States and Canada to consult frequently and coordinate closely in connection with special wheat export programs. He stated, however, that neither he nor the other career officials in Canada are intending to take the initiative in suggesting continuation of the special wheat consultations which have been taking place over the past couple of years. He thought that it would be useful if the U.S. felt disposed to make a suggestion for consultation along the line of current conversation.

He believed that Secretary Dulles might have a favorable opportunity to do this in his meeting with the Prime Minister during the coming week-end.<sup>5</sup> There was some discussion that the United States might well make clear in suggesting the advisability of further talks

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<sup>5</sup> Dulles visited Ottawa, July 27 and 28. See Documents 374-377.

that U.S. officials would be prepared to come to Ottawa for the next meeting. If arrangements were in fact developed along that line, some opportunity probably would arise for the U.S. officials to become acquainted with some of the present Canadian Ministers. It is likely that this acquaintance and the discussions which could be expected to grow out of it would serve the purposes of better mutual understanding and protection against contradictory and conflicting actions by the two Governments.

It is not clear just when the U.S. Senate may act on the bill to extend PL 480, but the enactment of this legislation will quickly make it necessary for the United States to plan much of the coming year's operations. This is a subject of particular interest to Canada which could well be included in the agenda for the next meeting. Mr. Sharp recognized that the Canadian Government needs to develop in greater detail and more authoritatively its views toward new types of export programs and these would be of considerable interest to the United States.

The discussion was concerned almost entirely with wheat problems but did turn at one point to GATT; the prospects for continued cooperation by the United States and Canada in support of liberal policies for international trade; and the recent restrictions by Canada on imports of turkeys and other fowl.<sup>6</sup> Mr. Sharp assumed that the U.S. intends to remind the Canadian Government of its international obligations which were not observed in announcing the restrictions on poultry. He was told that this is the intention of the United States and that the emphasis in the U.S. representation is expected to be on the international obligations and the importance of their fulfillment.

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<sup>6</sup> The Canadian Government, without prior consultation, had imposed an embargo on U.S. turkey and other fowl. (Telegram 63 from Ottawa, July 22; Department of State, Central Files, 442.004/7-2257)

**373. Letter From the Secretary of State to the Chairman of the Council on Foreign Economic Policy (Randall)<sup>1</sup>**

*Washington, July 25, 1957.*

DEAR CLARENCE: I have just seen your memorandum of July 15<sup>2</sup> on the subject of US-Canadian economic integration. The State Department study to which you refer was essentially a statistical analysis.<sup>3</sup> It was not designed to take into account political judgments or to reflect my views.

We doubt that it is appropriate now to propose an economic integration of the United States and Canada. The Canadians are proud, and rightly proud, of their national independence and are eager to control their own destiny. Both we and the Canadians believe in liberal trade policies, but there might be Canadian concern that, because the United States economy at the present time is so much larger than that of Canada, the economic integration of both countries would in effect subject them to preponderant United States economic influence.

You suggest that "Even if the proposal were turned down by Canada, the making of it would of itself be valuable". Our relations with Canada are such that we would not want to confront Canada with proposals which we foresee in advance they would reject. We try to work together as good neighbors and not to embarrass each other.

If the United States is to attempt to develop a "common market" or a "free trade" area such as is being considered in Europe, we would also, I think, want to consider the other American Republics.

Sincerely yours,

**Foster**

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<sup>1</sup> Source: Department of State, Central Files, 411.4241/7-2557. No drafting information is given on the source text.

<sup>2</sup> Not found. In a July 17 memorandum from Randall to Sherman Adams, Randall expressed his disappointment that the Department of State would not support even a confidential discussion on the subject of economic integration with Canada by the Council on Foreign Economic Policy. (Eisenhower Library, Whitman File, Dulles-Herter Series)

<sup>3</sup> The study, made by the Office of Intelligence Research, has not been found.

**374. Memorandum of a Conversation, Prime Minister  
Diefenbaker's Residence, Ottawa, July 28, 1957<sup>1</sup>**

**PARTICIPANTS**

Prime Minister of Canada, John Diefenbaker  
Secretary of State, John Foster Dulles  
United States Ambassador, Livingston T. Merchant

**SUBJECT**

Recognition of Communist China

The Secretary said that he wanted to raise the question of United States policy with respect to Communist China and its recognition. He handed the Prime Minister a copy of his San Francisco speech on the subject<sup>2</sup> and said that this was the most comprehensive statement and explanation of United States policy on the matter. He said that he realized the Prime Minister had little spare time but that he greatly hoped that he would read it. The Prime Minister began leafing through it and said he would most certainly find the time; that he had read substantial extracts from the speech in the Paris *Herald Tribune* at the time he was in London for the Commonwealth Prime Ministers' meeting. He said that he was opposed under existing circumstances to recognizing Communist China. He said that his position was the same as he had stated it in 1954. He regarded recognition as a privilege and not a right and he saw no reason to strengthen the power and prestige of a hostile country in light of its behavior and attitudes. This, the Prime Minister said, would only weaken the forces of resistance to communism in countries neighboring to China.

The Secretary said that he emphatically agreed and sketched briefly the consequences which could be expected from such action in Japan, Formosa, the Philippines, South Vietnam, Thailand and elsewhere.

The Prime Minister said that soon after St. Laurent's visit to India two or three years ago, the Liberal Government had been on the verge of recognizing Communist China. In fact, he said, Mike Pearson had called him in for a private talk to ascertain whether or not Diefenbaker and the Conservative Party would support in Parliament a proposal for recognition. Mr. Diefenbaker said that, on the contrary, he would oppose such action by Canada. He said he then went on to tell Mr.

<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Merchant on July 30. See Documents 375 and 376 for memoranda of other parts of this conversation. After his visit to Ottawa, July 27-28, Dulles went to London for a meeting of the Subcommittee of the U.N. Disarmament Commission, which was held on August 2.

<sup>2</sup> For text of the Secretary's speech to the Lions International Convention in San Francisco, June 28, see Department of State *Bulletin*, July 15, 1957, pp. 91-95.

Pearson that he would oppose it in terms comparable to Mr. Mackenzie King's wartime statement about conscription, "Conscription if necessary but not necessarily conscription." By that he said he meant that he would not say that Communist China should never be recognized but that under circumstances existing at that time, it should not be. He said he felt the same way today.

The Secretary expressed agreement and gratification. He said that he had understood that Mr. Diefenbaker had taken this position in support of United States policy at the Commonwealth Prime Ministers' meeting and that he was glad he had done so. Mr. Diefenbaker nodded agreement.

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### **375. Memorandum of a Conversation, Prime Minister Diefenbaker's Residence, Ottawa, July 28, 1957<sup>1</sup>**

#### **PARTICIPANTS**

Prime Minister of Canada, John Diefenbaker  
Secretary of State, John Foster Dulles  
United States Ambassador, Livingston T. Merchant

#### **SUBJECT**

The Norman Case

The Prime Minister raised on his own initiative the question of a reply by the United States to the April 10 Canadian Note arising out of the Norman case and dealing with the question of exchanging security information.<sup>2</sup> He said that he didn't want to push us to the point of inconvenience but that he was awaiting our reply. The Secretary said that there had been some question in his mind as to whether the new Government would not in fact prefer that the whole matter be shelved and no reply given.<sup>3</sup> The Prime Minister replied that on the contrary he and his Government were interested in a reply as soon as it could be conveniently made.

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Merchant on July 30. See Documents 374 and 376 for memoranda of other parts of this conversation.

<sup>2</sup> See Document 365.

<sup>3</sup> It was the hope of the Department of State that after the Canadian election, the Canadian Government might not desire a reply to the April 10 note. (Memorandum of conversation by Nugent, June 13; Department of State, Central Files, 711.21/6-1357) Ambassador Merchant, however, informed the Department that the new Conservative government was expecting a reply. (Telegram 39 from Ottawa, July 11; *ibid.*, 611.42/7-1157)

The Secretary told Mr. Diefenbaker that he would look into the matter of the status of the reply and indicated that he thought one would be forthcoming in the not too distant future.

Mr. Diefenbaker then said he had taken the time the day before to read through the dossier on Ambassador Norman from start to finish. He said that there was no doubt in his mind that in 1935 or 1936 or thereabouts, Norman had been a communist. He said also that after reading the file, the most generous description he could give to the past Government's statement on the case and their replies to his questions in the House was that such statements were evasive, misleading and inaccurate. He then went on to say that he had read the full texts of the two notes which Norman had left at the time of his suicide and that they bore no resemblance to alleged texts printed by a certain American newspaper. He said that they contained no reference whatsoever to Emmerson<sup>4</sup> nor did they give any specific reason for his suicide but merely seemed to reflect that he was living in fear and could not go on.

Subsequently, the Secretary asked me whether the draft note<sup>5</sup> which he had in his briefing papers seemed to be satisfactory and I told him that I so considered it. After leaving the Prime Minister's residence, the Secretary considered the possibility of signing and dispatching the note immediately. I thought this might be tactically unwise and suggested that he wait a few days for its dispatch until he had returned to Washington.

<sup>4</sup> John K. Emmerson, Counselor of the Embassy in Paris, appeared at a hearing of the Senate Internal Security Subcommittee on March 21. During his testimony, Emmerson made references to Norman's past political activities. (Letter from Eastland to Herter, March 22; *ibid.*, 711.21/3-2257)

<sup>5</sup> On August 13, the U.S. reply was handed to the Canadian Ambassador in Washington by Deputy Under Secretary of State Murphy, who expressed the hope "that there would be no further official comment on this subject and that the matter would be allowed to subside." (Memorandum of conversation by Nugent, August 13; *ibid.*, 711.21/8-1357) The U.S. note of August 13 is printed in Department of State *Bulletin*, September 2, 1957, pp. 384-385.

**376. Memorandum of a Conversation, Prime Minister  
Diefenbaker's Residence, Ottawa, July 28, 1957<sup>1</sup>**

**PARTICIPANTS**

Prime Minister of Canada, John Diefenbaker

Secretary of State, John Foster Dulles

United States Ambassador, Livingston T. Merchant

**SUBJECT**

Common Command Arrangements for Continental Air Defense

The Secretary raised this subject with Mr. Diefenbaker, expressing his appreciation for the promptness with which the new Government had acted to reach a decision which seemed in our common interest. Mr. Diefenbaker said that he had approved it immediately when the proposal was presented to him in full. He said that he had long been disturbed over the fact that Canada might have an inadequate or no voice at all in setting in motion actions which rendered war inevitable. He said he doubted that there would be time for either Congress or Parliament to act if the Soviets launched a surprise attack across the Pole. He said that under such circumstances a decision which would set in motion defense [which] would, in a matter of minutes, involve both countries in hostilities. Consequently, he believed that it was essential that there be a high-ranking officer in a senior position in the USAF Headquarters where such a decision would presumably have to be reached.

(I have been subsequently reliably informed that Air Marshal Slemon, now Chief of the Air Staff, will be the RCAF officer named as the Canadian deputy.)<sup>2</sup>

**Livingston T. Merchant**

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<sup>1</sup> Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Merchant on July 30. See Documents 374 and 377 for memora of other parts of this conversation.

<sup>2</sup> On August 1, the United States and Canada issued a joint statement announcing that "The two governments have agreed to the setting up of a system of integrated operational control of the air defense forces in the Continental United States, Alaska and Canada under an integrated command responsible to the Chiefs of Staff of both countries." The text is printed in Department of State *Bulletin*, August 19, 1957, p. 306. On August 1, Canada also announced that Canadian Air Marshal C.R. Slemon would serve as deputy to Lieutenant General Earle Partridge, USAF, Commander in Chief of NORAD. (Despatch 89 from Ottawa, August 2; Department of State, Central Files, 740.00 (W)/8-257)

**377. Letter From the Secretary of State to the President<sup>1</sup>**

*London, July 29, 1957.*

DEAR MR. PRESIDENT: I had an immensely interesting two days at Ottawa. I met with Diefenbaker three times at the Embassy reception on Saturday, at his residence on Sunday afternoon and at the Embassy dinner Sunday evening.<sup>2</sup>

He is, I think, the kind of person we can get along with although I suspect that before he becomes fully aware of the perplexities of today's problems and until he has developed an adequate staff, there will be difficult moments. He has a sense of his power as Prime Minister, but I think is still inadequate in his understanding of the problems and in any staff organization.

There is no doubt but that they are much more Commonwealth minded than was the prior administration, but Diefenbaker shows a real awareness of the vital importance of working closely with the United States.

At the dinner Sunday evening the two other leading Ministers were present and they started out in a rather belligerent vein to the effect that "you had better know once and for all that we intend to work in the Commonwealth with the UK and that will be the premise of all of our action." However, as we talked frankly and vigorously a good deal of the belligerency disappeared and we were talking realistically about practical problems. I told them about the oil arrangement<sup>3</sup> and they are grateful that it will not hurt Canada. Their principal peeve is our wheat surplus disposal program, and arrangements such as with Brazil which bind it for years to come to purchase wheat in the United States as a condition to getting PL 480 wheat. They also talked at length about lead and zinc.<sup>4</sup>

They worry about the huge volume of United States capital which is acquiring control of their natural resources. They seem to have in their mind some possibility of a preferential tariff arrangement within the Commonwealth but recognize that this cuts athwart the UK plan for a European "free trade area".

<sup>1</sup> Source: Department of State, Central Files, 110.11-DU/7-2957. Secret. Transmitted in Dulte 2 from London, July 29, which is the source text, with the notation: "Eyes Only Acting Secretary for President from Secretary."

<sup>2</sup> July 27 and 28.

<sup>3</sup> A Special Cabinet Committee To Investigate Crude Oil Imports had been studying plans for limiting imported oil. Following its recommendation, however, Eisenhower decided on July 29 that U.S. restrictions did not apply to Canada.

<sup>4</sup> In order to assist the domestic lead-zinc industry which was facing falling prices, the administration proposed to increase lead-zinc import taxes on a sliding scale. Congress, however, took no action in 1957.

They said Sunday night that they felt that only you and I really believed in liberal trade policies and that the Congress, the country as a whole and any future administration would probably go toward increased protectionism. This frightens them because of their already serious adverse balance of trade with the United States.

I feel that my visit accomplished a great deal principally in enabling the leading members of the new government to blow off steam in a friendly congenial atmosphere, and I believe that Livie and I in the course of the conversations did a good deal to enlighten them and to make them realize that some of their offhand thinking called for deeper study.

We arranged to have a meeting of the Cabinet committee in Washington the first week of October,<sup>5</sup> and this was pleasing to them. It will probably be a somewhat rougher meeting than any heretofore. I think they feel that C.D. Howe was too soft with us.

I spoke to Livie about the possibility of your visiting Canada quite privately. He felt that the Canadians would resent it if you did not at least have one day of official doings. Therefore, I did not discuss this with Diefenbaker.

Too bad.

I dictate this enroute to London. We were somewhat delayed by engine trouble at Argentia.

Dulles<sup>6</sup>

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<sup>5</sup> The Joint U.S.-Canadian Committee on Trade and Economic Affairs met in Washington, October 7–8. Meetings with Cabinet Ministers, however, did not take place until 1958.

<sup>6</sup> Dulce 2 bears this typed signature.

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**378. Letter From the Chairman of the Council on Foreign Economic Policy (Randall) to the Secretary of State<sup>1</sup>**

*Washington, August 7, 1957.*

DEAR FOSTER: This is by way of reply to your letter of July 25,<sup>2</sup> which you dictated while you were in Ottawa, with respect to the subject of United States-Canadian economic integration.

I want to make absolutely sure that I understand your viewpoint.

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<sup>1</sup> Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Secret.

<sup>2</sup> Document 373.

My staff have suggested to me that implied in your letter is a request that the CFEP do not discuss this matter.

I had not so interpreted your meaning. Since the question has been raised, however, I could not, in good conscience, take any further step without being reassured.

I hope very much that this was not your meaning. I recognize clearly the sensitive political implications that are involved, but this is an important economic question also, and discussion of it, as such, ought not to be foreclosed, in my opinion. I hold the deep conviction that there are times when economic progress can be made only by the same sort of bold strategy which you have so often and so successfully employed in the area of political problems.

If such bold strokes may not be discussed within the CFEP, the Council would, in my opinion, be cut down in significance below the purpose which it was intended to fulfill.

I know that some in the State Department feel that placing this item on the agenda of the Council would run the risk of leaks. This, as I see it, is easy to handle. It can be left off the agenda, and I can substitute personal notification to the principals. Then, when discussion comes, staff can be eliminated from the room. You would then have left only those who attend Cabinet and NSC meetings.

I hope very much, therefore, that you will feel that it is proper for this question to be discussed at a Council meeting, and that you may find it convenient to be present in person and present your viewpoint.

Now let me add one or two detailed comments on your letter:

Be very sure that I had in no way interpreted the memorandum prepared by the State Department staff on this subject<sup>3</sup> as reflecting your personal views. It was merely a working document to form the basis for discussion in CFEP, prepared for convenience by the State Department staff because of the limitations of my own staff here.

Your point about the other American republics is one that we have often discussed, and it is my personal opinion that it would present no serious difficulty. An open invitation could be extended to any nation to join which wishes to, which is really the underlying principle of the proposed Free Trade Area in Europe.<sup>4</sup>

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<sup>3</sup> Document 364.

<sup>4</sup> On August 8, Dulles told Randall that it was his view that it would not be timely to discuss economic integration with Canada. This view was strengthened, continued Dulles, by his recent visit to Ottawa, when he learned that Canada's Conservative government desired closer economic cooperation with the United Kingdom rather than with the United States. (Memorandum of conversation by Dulles, August 8; Eisenhower Library, Whitman File, Dulles-Herter Series) Nevertheless, on November 1, Dulles authorized the Department to inform Randall that it had no objection to a discussion in a restricted session of the CFEP of closer trade relations with Canada, "in view of the British proposal for a common market with Canada and the extensive discussions of trade relations with the Canadians during the recent U.S.-Canadian Ministerial talks."

Sincerely yours,

Clarence

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(Memorandum from Dillon to Dulles, November 1; Department of State, Central Files, 411.4241/11-157)

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**379. Despatch From the Embassy in the United Kingdom to the Department of State<sup>1</sup>**

No. 611

*London, September 9, 1957.*

SUBJECT

U.K. Attitude Toward Mr. Diefenbaker's Proposals for (a) A Switch in Canada's Imports, and (b) A Future Full-Scale Commonwealth Trade and Economic Conference

*Summary*

At Mont Tremblant<sup>2</sup> from September 28 to October 1, the U.K. will take up with Canada bilaterally the possibilities for switching some proportion of Canada's imports from the U.S. to the U.K. The U.K. reception of this proposal of Mr. Diefenbaker's has been enthusiastic. The Embassy understands that the U.K. has a number of alternative plans which will be negotiated with Canada, and the U.K. is most hopeful that positive results will be achieved. The U.K. indicates that its proposals are within the terms of GATT.

The meeting of all Commonwealth Finance Ministers, which will take place at the same time, will consider (in addition to sterling and Free Trade Area problems) the Canadian suggestion for holding in the near future a full scale Commonwealth trade and economic conference. The U.K. Government's attitude toward this suggestion is quite the opposite of enthusiastic. Nevertheless, the Commonwealth Relations Office indicates that the U.K. will support the conference proposal as of help to Mr. Diefenbaker, if other Commonwealth members are generally interested. The U.K. does not expect that a conference could achieve any significant increase in intra-Commonwealth trade or in availability of capital to Commonwealth members.

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<sup>1</sup> Source: Department of State, Central Files, 442.006/9-957. Confidential.

<sup>2</sup> In Quebec.

The U.K. has opposed, as doomed to failure, any inclusion on a conference agenda of tariff preferences. This is not only because of the U.K.'s over-all commercial policies and the rules of GATT, but also because the U.K. has itself attempted without success in recent years to obtain concerted Commonwealth action on this subject. The newer members of the Commonwealth have not been interested in closer preferential ties. Moreover, it will apparently be difficult to maintain even largely intact present preferences in the Free Trade Area negotiations, much less to consider their increase. Without further tariff preferences, and with import controls used only to protect the balance of payments and already considerably relaxed, there would not appear to be any easy means available to a Commonwealth conference for enhancing intra-Commonwealth trade.

British officials indicate that a plausible basis for a conference may nevertheless be found in Free Trade Area matters (which are regularly discussed with Commonwealth representatives in London in any case), in reviewing Commonwealth development and investment, and in the other agenda items suggested by Canada.

There are some indications that, if Free Trade Area plans are not realized in the coming year, the U.K. might later reconsider fully the need and the basis for further Commonwealth economic talks.

#### *The Switch of Canadian Imports from the U.S. to the U.K.*

The U.K. expects to negotiate bilaterally with Canada on the switch proposal late this month (this subject will not be one for the Commonwealth Finance Ministers in general, or for any later Commonwealth Economic Conference). It has been indicated to the Embassy that Sir Frank Lee of the Board of Trade intends to be present to handle the main work under this heading.

The U.K. has welcomed this idea of Mr. Diefenbaker's to switch 15 percent (or some \$600 million f.o.b.) of Canadian imports from the U.S. to the Commonwealth. If such a switch could be carried out, it could mean a gross increase of over one-third in British dollar export earnings, or an increase of 6 percent in total exports.

While Mr. Diefenbaker's proposal had primarily a political motivation—to strengthen Commonwealth economic ties as a counterpoise to U.S. trade and investment interests in Canada—it is not clear from this end that Canada would take any positive steps to reach the political goal, which could only be done at some economic cost to Canada, unless there were at least a partial quid-pro-quo from the U.K. While the U.K. government is divulging very little information on this subject, it appears to the Embassy that the U.K. is counting on the necessity of offering Canada certain economic advantages in return for positive Canadian steps to help bring about the switch. Since Mr. Diefenbaker first broached the idea earlier this year, experts in the

U.K. government have been working on various proposals as to how Canada could carry out the shift, and what the U.K., for its part, could offer in return.

Both the Board of Trade and the Commonwealth Relations Office have indicated that in working on this subject the U.K. has assumed throughout a full adherence to the present terms of the GATT on the part of Canada as well as on the part of the U.K. It has also been indicated to us that nevertheless, there is a limited amount of elbow room within the terms of GATT which could be utilized to effectuate some trade shift.

It has been hinted that the Board of Trade may have three alternative proposals to make to Canada on this subject, one involving a small increase in U.K.-Canadian trade and the other two involving a substantial increase in this trade. On the U.K. side the small plan appears to involve some further relaxations of British restrictions on dollar imports, especially for products where Canada, rather than the U.S., would be the main supplier. The U.K. will not, of course, make details available at this time in advance of negotiations being undertaken with Canada.

Since British exchange controls limit U.K. investment in Canada, and since Canada would welcome increased British investment as a balance to U.S. investment, the British appear to be in a position to make an offer along these lines if Canada can increase its purchases from the U.K. sufficiently to make it financially feasible for the U.K. The British wish in any case to relax their controls on dollar trade and investment as soon as the balance of payments permits, and for this reason, whatever inducements of this nature are offered to Canada, they are not likely to be viewed as costly to the U.K. It does not appear, however, that the British can do anything significant to increase U.K. imports of Canadian wheat. Wheat is already on world open general license and in the hands of private importers. Well over half of British imports of wheat already come from Canada.

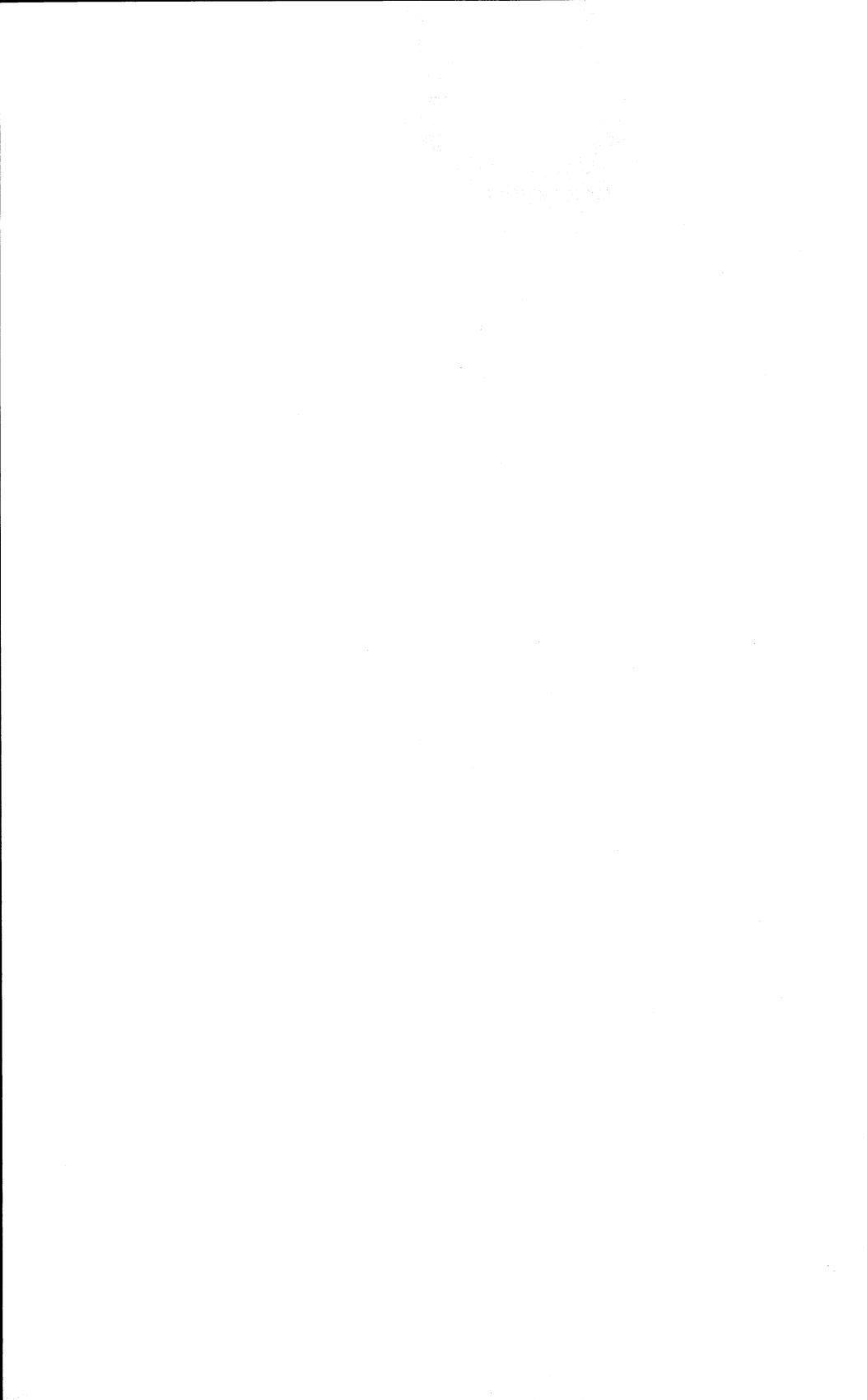
The U.K. is, of course, well aware of the difficulties for Canada in bringing about any shift in the source of its imports, given the fact that imports are in the hands of private Canadian businesses, the natural and cultivated advantages of nearness of U.S. suppliers, and given the desire to adhere to the terms of GATT. The U.K. would, therefore, not be wholly surprised if, in the event, nothing much transpired from the Diefenbaker switch proposal other than what can be accomplished through good will, increased advertising, and exhorting and advising British exporters. It is to be noted that the Board of Trade has intensified its activities of this sort in recent months. The staffing and work of the U.K.'s trade commissioners' offices in Canada have been under review. Publicity has been given through the press, through publications, and in the *Board of Trade Journal* to economic conditions and

export prospects in Canada. More-than-usual attention and careful arrangements for press coverage have been accorded to trade missions to Canada and to their conclusions.

At the same time it appears clear that the U.K. hopes that considerably more than this minimum will be accomplished. The U.K. seems to believe that certain steps are open to Canada while still maintaining GATT principles as to such things as tariff preferences, and that when the British proposals are put forward at Ottawa, the decision will be Canada's. It is not apparent whether, at the maximum, the U.K. would envisage any decrease in U.S. exports to Canada as U.K. exports increased, or merely a faster annual rate of increase in future U.K. sales as compared with U.S. sales.

[Here follows discussion of U.K. views on major economic issues relating to the Commonwealth.]

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