



LIBRARIES

UNIVERSITY OF WISCONSIN-MADISON

Foreign relations of the United States, 1958-1960. Eastern Europe; Finland; Greece; Turkey. Volume X, Part 2 1958/1960

United States Department of State

Washington, D.C.: U.S. Government Printing Office, 1958/1960

<https://digital.library.wisc.edu/1711.dl/G5OAT7XT7HRHX84>

As a work of the United States government, this material is in the public domain.

For information on re-use see:

<http://digital.library.wisc.edu/1711.dl/Copyright>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.

S 1.1: 958-60/v.10/pt. 2

FOREIGN
RELATIONS
OF THE
UNITED
STATES

1958-1960

VOLUME X

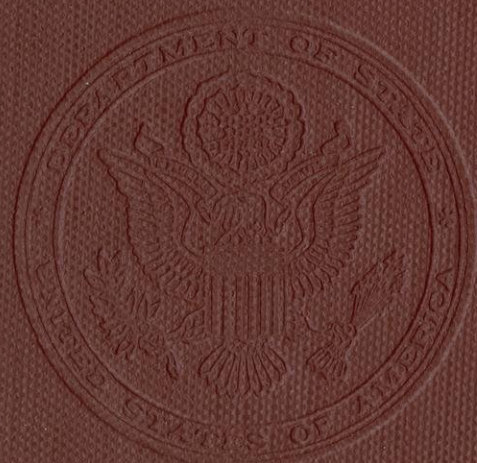
Part 2

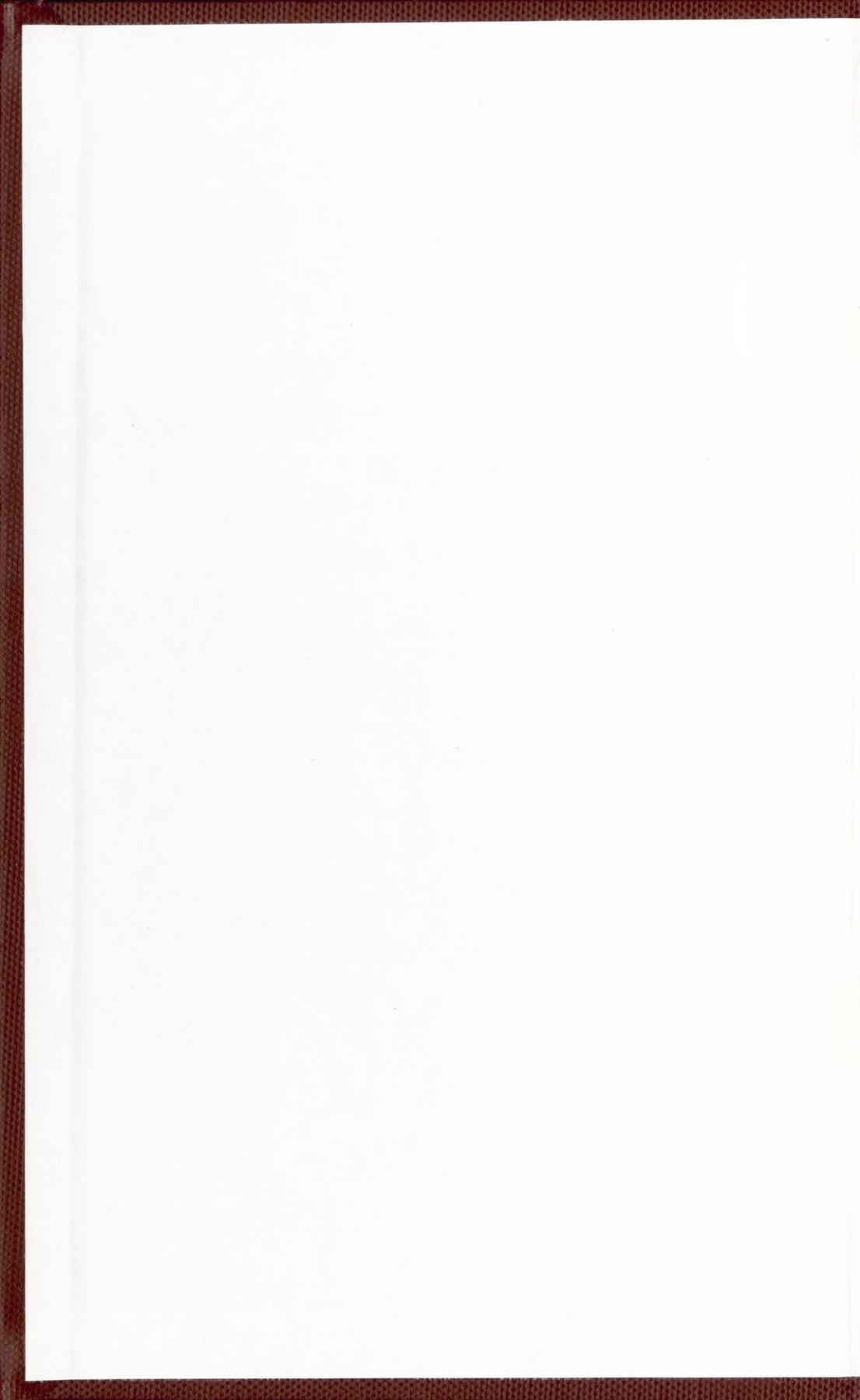
EASTERN EUROPE;
FINLAND; GREECE;
TURKEY



DEPARTMENT
OF
STATE

Washington





S. 1.1:958-60/v.10/PT.2

DOCUMENTS COLLECTION

APR 14 1994

University of Michigan - Flint Library

949018

DEPOSITORY





**Foreign Relations of the
United States, 1958–1960**

Volume X

Part 2

**Eastern Europe;
Finland; Greece;
Turkey**

Editors

Ronald D. Landa
James E. Miller
William F. Sanford, Jr.
Sherrill Brown Wells

General Editor

Glenn W. LaFantasie

DEPARTMENT OF STATE PUBLICATION 10112

OFFICE OF THE HISTORIAN

BUREAU OF PUBLIC AFFAIRS

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-9328

ISBN 0-16-041694-9

Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major 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 charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Bureau of Public Affairs, plans, researches, compiles, and edits the volumes in the series. This documentary editing proceeds in full accord with the generally accepted standards of historical scholarship. Official regulations codifying specific standards for the selection and editing of documents for the series were promulgated by Secretary of State Frank B. Kellogg on March 26, 1925. A statutory charter for the preparation of the series was established by Title IV of the Department of State's Basic Authorities Act of 1956 (22 USC 4351 *et seq.*), added by Public Law 102-138, the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993, which was signed by President George Bush on October 28, 1991.

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major United States foreign policy decisions and significant United States diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the United States Government, including facts which contributed to the formulation of policies and records providing supporting and alternative views to the policy positions ultimately adopted.

The statute confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded.

The volume presented here, compiled in 1981 and 1982, meets all the standards of selection and editing prevailing in the Department of State at that time. This volume records policies and events of more than 30 years ago, but the statute allows the Department until 1996 to reach the 30-year line in the publication of the series.

Structure and Scope of the Foreign Relations Series

This volume is part of a triennial subseries of volumes of the *Foreign Relations* series that documents the most important issues in the foreign policy of the final 3 years (1958–1960) of the administration of President Dwight D. Eisenhower. This subseries comprises 19 print volumes totaling more than 16,000 pages and 7 microfiche supplements presenting more than 14,000 additional pages of original documents.

In planning and preparing this 1958–1960 triennium of volumes, the editors chose to present the official record of U.S. foreign affairs with respect to Europe, the Soviet Union, and Canada in five print volumes. Part 1 of Volume X presents the record of U.S. policy toward Eastern Europe as a region, the Soviet Union, and Cyprus; Part 2, the record of U.S. policy with respect to East-West exchanges, Albania, Bulgaria, Finland, Greece, Poland, Turkey, and Yugoslavia. Volume VII (in two parts) documents U.S. policy on European economic and political integration, NATO, Canada, France, Italy, Portugal, Scandinavia, Spain, the United Kingdom, and the Vatican. Volume VIII presents the record of U.S. policy during the first half of the Berlin crisis through the end of the Geneva Foreign Ministers meeting in August 1959. Volume IX presents documents on U.S. policy toward Berlin following the Foreign Ministers meeting with particular attention to the abortive summit conference in May 1960; U.S. relations with the Federal Republic of Germany and Austria; and U.S. policy toward the German Democratic Republic.

The statute of October 28, 1991, requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation of all the major foreign policy decisions and actions of the United States Government. It further requires that government agencies, departments, and other entities of the United States Government cooperate with the Department of State Historian by providing full and complete access to records pertinent to foreign policy decisions and actions and by providing copies of selected records. The editors of this volume are convinced that it meets all regulatory, statutory, and scholarly standards of selection and editing, even though the research, compiling, and editing were completed in 1981 and 1982.

Sources for the Foreign Relations Series

The original research, compilation, and editing of this volume were done in 1981 and 1982 under the Department regulation derived from Secretary Kellogg's charter of 1925. This regulation prescribed that the

Foreign Relations series include "a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities," presuming that the records of the Department of State would constitute the central core of documentation presented in the series. The Department of State historians have always had complete and unconditional access to all records and papers of the Department of State: the central files of the Department; the special decentralized (lot) files of the policymaking levels; the files of the Department of State's Executive Secretariat, which comprehended the official papers created by or submitted to the Secretary of State; the files of all overseas Foreign Service posts and U.S. special missions; and the official correspondence with foreign governments and with other Federal agencies. Any failure to include a complete Department of State record in the *Foreign Relations* series cannot be attributed to constraints or limitations placed upon the Department historians in their access to Department records, information security regulations and practices notwithstanding.

Secretary Kellogg's charter of 1925 and Department regulations derived therefrom required that further records "needed to supplement the documentation in the Department files" be obtained from other government agencies. Department historians preparing the *Foreign Relations* volumes documenting the Eisenhower administration, including the editors of this volume, fully researched the papers of President Eisenhower and other White House foreign policy records. These Presidential papers have become a major part of the official record published in the *Foreign Relations* series.

Presidential papers maintained and preserved at the Presidential libraries include some of the most significant foreign affairs-related documentation from other Federal agencies including the National Security Council and the Central Intelligence Agency. All of this documentation has been routinely made available for use in the *Foreign Relations* series thanks to the consent of these agencies and the cooperation and support of the National Archives and Records Administration. Particular thanks are due to officials at the Dwight D. Eisenhower Presidential Library for their assistance in preparing this volume.

Department of State historians have also enjoyed steadily broadened access to the records of the Department of Defense, particularly the records of the Joints Chief of Staff and the Office of the Secretary of Defense. Selective access has been obtained to the records of several other agencies in order to supplement the official record of particular *Foreign Relations* volumes.

Completion of the declassification of this volume and the final steps of its preparation for publication coincided with the development since early 1991 by the Central Intelligence Agency, in cooperation with the Department of State, of expanded access by Department historians to

high-level intelligence documents from among those records still in the custody of that 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 is, however, using this expanded access, as arranged by the CIA's History Staff, for compilation of future volumes in the *Foreign Relations* series.

The List of Sources, pages XIII–XVIII, identifies the particular files and collections used in the preparation of this volume.

Principles of Selection for Foreign Relations, 1958–1960, Volume X

In selecting documents for Part 2 of this volume, the editors placed primary consideration on the formulation of policy by the Eisenhower administration toward East-West exchanges, Albania and Bulgaria, Poland, Yugoslavia, Finland, Greece, and Turkey. During the years 1958–1960, the Department of State worked closely with the White House in the formulation of U.S. policy toward East-West exchanges, the individual states of Eastern Europe, Finland, Greece, and Turkey. Secretaries of State John Foster Dulles and Christian A. Herter advised President Eisenhower in detail and had major roles in the deliberations of the National Security Council. The White House and National Security Council directed the preparation of reports based on interagency information on these areas. The memoranda of discussion and policy papers of the National Security Council with respect to basic U.S. policies toward these areas are presented as fully as possible. The Department of State prepared and coordinated exchanges of views and discussions of policy toward Cyprus with the British Government and its officers participated in the meetings between President Eisenhower and Premier Nikita S. Khrushchev in September 1959.

The editors have selected from Department of State, White House, and National Security Council records memoranda of conversation and records of meetings between the President and his principal foreign policy advisers. The editors had complete access to and made use of memoranda of discussion at National Security Council meetings and other institutional NSC documents included in the Whitman File at the Eisenhower Library, as well as more informal foreign policy materials in that file and in other collections at the Eisenhower Library. With respect to Presidential-level actions, these Presidential files were supplemented by NSC and White House documents in Department of State files. The editors have also included internal U.S. Government policy recommendations and decision papers relating to these areas.

In addition to Department of State, White House, and National Security Council records, the editors made use of declassified JCS files at the National Archives and Records Administration. Copies of classified

JCS materials were obtained from the Joint Staff on a request basis. The editors selected documents that indicated the policy recommendations of the Joint Chiefs of Staff regarding various major foreign affairs policies.

The editors did not seek to document U.S. intelligence operations in the area. The substance of important intelligence assessments are included in the political-strategic documents selected for publication here.

This volume was compiled before the development in 1991 of procedures to expand access by Department of State historians to the historical records of the Central Intelligence Agency. As those procedures were being established, the declassification and final preparation for publication of this volume concluded. The Department of State chose not to postpone the publication to search for and assess relevant material in the Central Intelligence Agency's files.

Editorial Methodology

The documents are presented chronologically according to Washington time or, in the case of conferences, in the order of individual meetings. 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. Texts are transcribed and printed according to accepted conventions for the publication of historical documents in the limitations of modern typography. A heading has been supplied by the editors for each document in the volume. Spelling, capitalization, and punctuation are retained as found in the source text, except that obvious typographical errors are silently corrected. 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. Words or phrases underlined in the source text are printed in italics. Abbreviations and contractions are preserved as found in the source text, and a list of abbreviations is included in the front matter of each volume.

Bracketed insertions are also used to indicate omitted 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. Entire documents withheld from declassification have been accounted for and are listed by headings, source

notes, and number of pages not declassified in their chronological place. The amount of material omitted because it was unrelated to the subject of the volume, however, has not been delineated. All ellipses and brackets that appear in the source text are so identified by footnotes.

The unnumbered first footnote to each document indicates the document's source, original classification, distribution, and drafting information. The source footnote also provides the background of important documents 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 the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts have been used when appropriate to supplement or explicate the official record.

Declassification Review

The declassification review of this volume in 1991 and thereafter resulted in the decision to withhold approximately 5 percent of the documents originally selected. The remaining documentation provides a full account of the major foreign policy issues confronting, and the policies undertaken by, the Eisenhower administration with respect to East-West exchanges, Albania and Bulgaria, Poland, Yugoslavia, Finland, Greece, and Turkey.

The Division of Historical Documents Review of the Office of Freedom of Information, Privacy, and Classification Review, Bureau of Administration, Department of State, conducted the declassification review of the documents published 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 the disclosure of which 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 decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments.

Advisory Committee on Historical Diplomatic Documentation

The Advisory Committee on Historical Diplomatic Documentation reviews records, advises, and makes recommendations concerning the *Foreign Relations* series. The Advisory Committee monitors the overall compilation and editorial process of the series and assists with any access and/or clearance problems that arise. Time constraints prevent the Advisory Committee from reviewing each volume in the series.

This volume has not been reviewed by the Advisory Committee.

Acknowledgments

The editors wish to acknowledge the assistance of officials at the Dwight D. Eisenhower Library, in particular David Haight, who assisted in the collection of documents for this volume.

Under the supervision of former Editor in Chief John P. Glennon and Charles S. Sampson, Ronald D. Landa selected and compiled the documentation on East-West exchanges and Albania and Bulgaria; William F. Sanford, Jr., compiled that on Finland; Sherrill Brown Wells that on Poland; and James E. Miller those on Yugoslavia, Greece, and Turkey. General Editor Glenn W. LaFantasie supervised the final steps in the editorial and publication process. Rita M. Baker and Vicki E. Futscher did the copy and technical editing and Barbara-Ann Bacon of the Publishing Services Division (Natalie H. Lee, Chief) oversaw technical production of the volume. Juniee Oneida prepared the index for Part 2.

William Z. Slany
The Historian
Bureau of Public Affairs



Contents

Preface	III
List of Sources	XIII
List of Abbreviations	XIX
List of Persons	XXIII
East-West exchanges	
Establishment of a program of exchange of information and persons with the Soviet bloc	1
Albania and Bulgaria	
Continuing non-recognition of Albania; resumption of diplomatic relations with Bulgaria	71
Poland	
U.S. policy toward Poland	105
Yugoslavia	
U.S. policy toward Yugoslavia	304
Finland	
U.S. policy toward Finland	478
Greece	
U.S. policy toward Greece	601
Turkey	
U.S. policy toward Turkey	737
Index	903

List of Sources

Unpublished Sources

Department of State

Indexed Central Files. The principal source of documentation for this volume was the indexed central files of the Department of State. Most of the documents were selected from the following files:

- 411.48: Trade and commerce between the United States and Poland
- 511.00: U.S. cultural affairs programs
- 611.60: Political relations between the United States and Finland
- 611.68: Political relations between the United States and Yugoslavia
- 611.69: Political relations between the United States and Bulgaria
- 748.00: Political affairs and conditions in Poland
- 760E.5-MSP: Military assistance to Finland
- 781.00: Political affairs and conditions in Greece
- 781.5-MSP: Military assistance to Greece
- 782.5-MSP: Military assistance to Turkey
- 786.00: Political affairs and conditions in Yugoslavia
- 786.5-MSP: Military assistance to Yugoslavia
- 881.10: Financial affairs of Greece
- 882.10: Financial affairs of Turkey

Lot Files. Documents from the central files have been supplemented by the lot files of the Department, which are decentralized files created by operating areas. A list of the lot files used in or consulted for this volume follows.

Athens Embassy Files: Lot 64 F 5

See under Washington National Records Center.

Bohlen Files: Lot 74 D 379

Records maintained by Charles E. Bohlen, 1942-1970.

Budapest Mission Files: Lot 75 F 163

Classified and unclassified files relating to Cardinal Mindszenty, 1956-1972, maintained by the Mission in Budapest.

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.

XIV List of Sources

Conference Files: Lot 64 D 560

See under Washington National Records Center.

Daily Summaries: Lot 60 D 530

Master set of the Department of State classified internal publication *Daily Secret Summary* and *Daily Top Secret Summary* for the years 1953–1958, maintained by the Executive Secretariat.

EE Files: Lot 57 D 514

National Security Council documents relating to Soviet and satellite vulnerabilities, maintained by the Office of Eastern European Affairs.

EE Files: Lot 67 D 238

Economic and political files relating to Yugoslavia, Czechoslovakia, and Poland for the years 1946–1965, maintained by the Office of Eastern European Affairs.

EE Files: Lot 76 D 232

Economic files relating to Eastern Europe and Poland, 1951–1960, including the U.S.-Polish economic talks, 1956–1957.

EE Files: Lot 79 D 55

Miscellaneous files pertaining to Hungary, 1945–1971, maintained by the Office of Eastern European Affairs.

Hungary Desk Files: Lot 75 D 45

Miscellaneous Hungarian files, 1949–1972, including material on the trial of Cardinal Mindszenty and his asylum in the Mission at Budapest.

INR Files: *Soviet Affairs*

Master set of the classified Department of State monthly publication, *Soviet Affairs*, December 1948–May 1959, maintained by the Office of Research and Analysis for the Soviet Union and Eastern Europe, Bureau of Intelligence and Research.

INR–NIE Files

Files of National Intelligence Estimates, Special Estimates, and Special National Estimates retained by the Directorate for Regional Research, Bureau of Intelligence and Research.

IO Files

Master files of the Reference and Documents Section of the Bureau of International Organization Affairs, comprising the official U.N. documentation and classified Department records on U.S. policy in the U.N. Security Council, Trusteeship Council, Economic and Social Council, and various special and ad hoc committees from 1946 to the present.

NEA/GTI Files: Lot 58 D 610

Files relating to Turkey, September 1949–May 1958, maintained by the Office of Greek, Turkish, and Iranian Affairs.

NEA/GTI Files: Lot 60 D 39

Files relating to Greece and Cyprus, 1955–1958, maintained by the Office of Greek, Turkish, and Iranian Affairs.

NEA/GTI Files: Lot 61 D 96

Files relating to Turkey, 1956–1958, maintained by the Office of Greek, Turkish, and Iranian 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 Executive Secretariat.

OCB Files: Lot 62 D 430

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

P Files: Lot 61 D 318

See under Washington National Records Center.

P/PG Files: Lot 60 D 605

See under Washington National Records Center.

P/PG Files: Lot 60 D 661

Subject files containing OCB and NSC documents retired by the Policy Plans and Guidance Staff in the Bureau of Public Affairs.

PPS Files: Lot 67 D 548

Subject, country, and chronological files, documents, drafts, and related correspondence of the Policy Planning Staff for the years 1957–1961.

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 the President and heads of foreign governments for the years 1953–1964, maintained by the Executive Secretariat.

Presidential Memoranda of Conversation: Lot 66 D 149

Chronological record of cleared memoranda of conversation with foreign visitors for the years 1956–1964, maintained by the Executive Secretariat.

Secretary's Memoranda of Conversation: Lot 64 D 199

Chronological collection 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.

SOV Files: Lot 69 D 162

Subject files of the Bilateral Political Relations Branch of the Office of Soviet Union Affairs on various aspects of Soviet-U.S. relations, 1943–1966.

S/P-NSC Files: Lot 61 D 167

Serial file of memoranda relating to National Security Council questions for the years 1950–1961, maintained by the Policy Planning Staff.

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.

XVI List of Sources

S/S-NSC Files: Lot 63 D 351

Serial master 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.

State-JCS Meetings: Lot 61 D 417

Top Secret records of meetings between representatives of the Department of State and the Joint Chiefs of Staff for the years 1951-1959, and selected problem files on the Middle East for the years 1954-1956, maintained by the Executive Secretariat.

USIA/IAE/E Files: Lot 64 A 536

See under Washington National Records Center.

USIA/IOP/C Files: Lot 70 D 398

See under Washington National Records Center.

Dwight D. Eisenhower Library, Abilene, Kansas

CFEP Chairman Records

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

Dulles Papers

Papers of John Foster Dulles, 1952-1959.

Hagerty Papers

Papers of James C. Hagerty, Press Secretary to the President, 1953-1961.

Herter Papers

Papers of Christian A. Herter, 1957-1961.

President's Appointments

From the White House Office Files, Records of the Special Assistant for Executive Appointments, 1952-1961. Daily appointment books for President Eisenhower.

Project Clean Up

From the White House Office Files, Records of Gordon Gray, Robert Cutler, Henry R. McPhee, and Andrew J. Goodpaster, 1953-1961.

Special Assistant for National Security Affairs Records

From the White House Office Files, Records of the Office of the Special Assistant to the President for National Security Affairs (Robert Cutler, Dillon Anderson, and Gordon Gray), 1952-1961.

Staff Secretary Records

From the White House Office Files, Records of the Office of the Staff Secretary, 1952-1961. Records of Paul T. Carroll, Andrew J. Goodpaster, L. Arthur Minnich, and Christopher H. Russell.

White House Office Files

Several White House Office collections, including Project Clean Up.

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, DDE Diaries, Ann Whitman (ACW) Diaries, NSC Records, Miscellaneous Records, Cabinet Papers, Cabinet Series, Legislative Meetings, International Meetings, Administration Series, International File.

Washington National Records Center, Suitland, Maryland**Record Group 59, General Records of the Department of State****Athens Embassy Files: FRC 64 A 845**

Lot 64 F 5: Classified and unclassified subject files of the Embassy in Athens, 1956–1958.

Conference Files: FRC 83–0068

Lot 64 D 560: Collection of documentation of official visits by heads of government and foreign ministers to the United States and of major international international conferences attended by the Secretary of State for the years 1958–1959, maintained by the Executive Secretariat.

P Files: FRC 64 A 867

Lot 61 D 318: Files of the Deputy Assistant Secretaries of State for Public Affairs, Robinson McIlvaine, E. Allan Lightner, Jr., and J. Burke Wilkinson, 1954–1959.

P/PG Files: FRC 72 A 248

Lot 60 D 605: Files of the Policy Plans and Guidance Staff, Bureau of Public Affairs, 1952–1959.

USIA/IAE/E Files: FRC 64 A 536

Lot 64 A 536: Miscellaneous files of the Office of Eastern European Affairs, U.S. Information Agency, 1955–1961.

USIA/IOP/C Files: FRC 72 A 5121

Lot 70 D 398: Alphabetical subject files containing Policy Guidance records as maintained by the Policy Guidance Staff, Office of Policy and Plans, U.S. Information Agency, for the years 1952–1967.

National Archives and Records Administration, Washington, D.C.**Record Group 59, General Records of the Department of State****OSS–INR Intelligence Reports**

Records of the Research and Analysis Branch, Office of Strategic Services, and the Office of Intelligence Research, Department of State, 1941–1961.

Princeton University Library, Princeton, New Jersey**Dulles Papers**

Daily Appointment Books, 1953–1959.

Published Sources

Documentary Collections and Periodicals

- Bevans, Charles I., ed. *Treaties and Other International Agreements of the United States of America, 1776–1949*. Washington, 1968.
- Major Addresses, Statements and Press Conferences of General Charles de Gaulle, May 19, 1958–January 31, 1964. New York, n.d.
- Royal Institute of International Affairs, Gillian King, ed. *Documents on International Affairs, 1958*. London, 1962.
- . Gillian King, ed. *Documents on International Affairs, 1959*. London, 1963.
- . Richard Gott, John Major, and Geoffrey Warner, eds. *Documents on International Affairs, 1960*. London, 1964.
- U.N. Office of Public Information. *Yearbook of the United Nations, 1958, 1959, 1960*. New York.
- U.S. Congress. Committee on Foreign Relations. *Executive Sessions of the Senate Foreign Relations Committee (Historical Series), 1959*, volume XI. Washington, 1982.
- U.S. Department of State. *American Foreign Policy: Current Documents, 1958, 1959, 1960*. Washington.
- . *Department of State Bulletin*. Washington.
- . *Documents on Disarmament, 1945–1959*. 2 volumes. Washington, 1960.
- . *Documents on Disarmament, 1960*. Washington, 1961.
- . *Toward Better Understanding*. Department of State Publication 6881. Washington, 1959.
- . *Treaties and Other International Acts Series (TIAS)*. Washington.
- . *United States Treaties and Other International Agreements (UST)*. Washington.
- U.S. National Archives and Records Administration. *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958, 1959, 1960–61*. Washington.

Memoirs

Note: The Department of State takes no responsibility for the accuracy of these memoirs nor does it endorse their interpretations.

- Bohlen, Charles E. *Witness to History, 1929–1969*. New York, 1973.
- Eisenhower, Dwight D. *The White House Years, Waging Peace, 1956–1961*. New York, 1965.
- Eisenhower, John S.D. *Strictly Personal*. New York, 1974.
- Khrushchev, Nikita S. *Khrushchev Remembers: The Last Testament*, translated by Strobe Talbott. Boston, 1974.
- Lodge, Henry Cabot. *As It Was: An Inside View of Politics and Power in the 50s and 60s*. New York, 1976.
- . *The Storm Has Many Eyes: A Personal Narrative*. New York, 1973.
- Micunovic, Veljko. *Moscow Diary*, translated by David Floyd. New York, 1980.
- Mindszenty, Jozsef Cardinal. *Memoirs*, translated by Richard and Clara Winston. New York, 1974.
- Nixon, Richard M. *Six Crises*. Garden City, NJ, 1969.
- Spaak, Paul-Henri. *Combats inachevés: De l'espoir aux déceptions, 1936–1966*. Paris, 1969.

List of Abbreviations

- AEC**, Atomic Energy Commission
AF, Air Force; Office of African Affairs, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
AFEX, Air Force Europe Exchange
AFL, American Federation of Labor
AGARD, Advisory Group for Air Research and Development
AKEL, Anorthotikon Komma Ergazomenou Laou (Progressive Party of the Working People of Cyprus)
AMAS, American Military Assistance Staff
ANTA, American National Theater Academy
ARMA, Army Attaché
ATAF, Allied Tactical Air Force
APFCO, Athens-Pireus Electric Company
APO, Army Post Office
ARA, Bureau of Inter-American Affairs, Department of State
AVH, Allam Vedelmi Hatóság (State Security Authority of Hungary)
AVO, Allam Vedelmi Osztály (State Security Department of Hungary)
BIS, Bank for International Settlements
BNA, Office of British Commonwealth and Northern European Affairs, Bureau of European Affairs, Department of State
B/P, balance of payments
BP, Baghdad Pact
BPC, Bondholders' Protective Council
CA, circular airgram; Office of Chinese Affairs, Bureau of Far Eastern Affairs, Department of State
CBS, Columbia Broadcasting System
CEMA, Council for Mutual Economic Assistance
CENTO, Central Treaty Organization
CF, Conference File
CFEP, Council on Foreign Economic Policy
CIA, Central Intelligence Agency
CINCEUR, Commander in Chief, Europe
CIO, Congress of Industrial Organizations
ChiComs, Chinese Communists
CINCEUR, Commander in Chief, Europe
CM, Common Market
CMC, Cyprus Mines Corporation
CNU, Committee of National Union, Turkey
COMSIXATAF, Commander, Sixth Allied Tactical Air Force
CPR, Chinese People's Republic
CPSU, Communist Party of the Soviet Union
CSSR, Czechoslovak Soviet Socialist Republic
CT, Country Team
CU, Bureau of Education and Cultural Affairs, Department of State
CY, calendar year
D, despatch
DCM, Deputy Chief of Mission
DD, destroyer
DDR, Deutsche Demokratische Republik (German Democratic Republic)
DEFREPNAME, Defense Representative, Naval Attaché, Military Attaché
Deptel, Department of State telegram
desp, despatch
DLF, Development Loan Fund
DOD, Department of Defense
DP, Democratic Party, Turkey
DS, Defense Support
E, Office of the Assistant Secretary of State for Economic Affairs
E/OT, Office of International Trade, Bureau of Economic Affairs, Department of State
EAD, Epitropi Apokatastaseos tis Dimokratias (Committee for the Restoration of Democracy)
ECOSOC, Economic and Social Council, United Nations
EDA, Enomeni Dimokratiki Aristera (United Democratic Left of Greece)

- EDFO**, Economic Development Financing Organization
EDMA, Eniaion Dimokratikon Metopon Anadimiourgias (United Democratic Reconstruction/Regeneration Front of Cyprus)
EE, Office of Eastern European Affairs, Bureau of European Affairs, Department of State
EEC, European Economic Community
EFTA, European Free Trade Area
Embdes, Embassy despatch
Embtel, Embassy telegram
EOKA, Ethniki Organosis Kypriou Agoniston (National Organization of Cypriot Fighters)
EPU, European Payments Union
ERO, European Regional Organization of the International Confederation of Free Trade Unions
EUCOM, European Command
EUR, Bureau of European Affairs, Department of State
EUR/RA, Office of Regional Affairs, Bureau of European Affairs, Department of State
EXIM Bank, Export-Import Bank
FAO, Food and Agriculture Organization
FAST(P), Familiarization and Short Term (Program)
FBI, Federal Bureau of Investigation
FDf, Finnish Defense Force
FDP, Freie Demokratische Partei (Free Democratic Party of the Federal Republic of Germany)
FE, Bureau of Far Eastern Affairs, Department of State
FO, Foreign Office
FonOff, Foreign Office
FTA, Free Trade Area
FY, fiscal year
FYI, for your information
GA, General Assembly
GATT, General Agreement on Tariffs and Trade
GDR, German Democratic Republic
GER, Office of German Affairs, Bureau of European Affairs, Department of State
GFR, German Federal Republic
GNA, Grand National Assembly, Turkey
GOC, Government of Cyprus
GOG, Government of Greece
GOT, Government of Turkey
GSEE, Geniki Synomospondia Ergaton Ellados (Greek General Confederation of Labor)
GTI, Office of Greek, Turkish, and Iranian Affairs, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
HEW, Department of Health, Education and Welfare
HG, Head of Government
HMG, Her (His) Majesty's Government
IAC, Intelligence Advisory Committee
IAEA, International Atomic Energy Agency
IBRD, International Bank for Reconstruction and Development
ICA, International Cooperation Administration
ICEM, Intergovernmental Committee on European Migration
ICFTU, International Confederation of Free Trade Unions
ICIS, Interdepartmental Committee on Internal Security
IDB, International Development Bank
IES, International Educational Exchange Service
IGY, International Geophysical Year
IIC, International Institute of Communications
ILO, International Labor Organization
ILU, International Longshoremen's Union
IMF, International Monetary Fund
INR, Bureau of Intelligence and Research, Department of State
INR/IRC, Office of Intelligence Resources and Coordination, Bureau of Intelligence and Research, Department of State
IO, Bureau of International Organization Affairs, Department of State
IPS, International Press Service, United States Information Agency
IR, Intelligence Report
ISA, Office of the Assistant Secretary of Defense for International Security Affairs
ITS, International Trade Secretariat
JCAE, Joint Committee on Atomic Energy (of the U.S. Congress)
JCS, Joint Chiefs of Staff
JUSMMAG, Joint United States Mission for Military Aid to Greece

- JUSMMAT**, Joint United States Mission for Military Aid to Turkey
- KGB**, Komitet Gosudarstvennyi Bezopasnosti (Committee for State Security of the Soviet Union)
- KKE**, Kommunistikon Komma Ellados (Greek Communist Party)
- L**, Office of the Legal Adviser, Department of State
- L/EUR**, Office of European Affairs, Office of the Legal Adviser, Department of State
- LA**, Latin America
- LCY**, Savez Komunistia Jugoslaviye (League of Yugoslav Communists)
- Legtel**, Legation telegram
- LS**, Division of Language Services, Department of State
- M**, Office of the Under Secretary of State for Political Affairs
- MAAG**, Military Assistance Advisory Group
- MAP**, Military Assistance Program
- MDAP**, Mutual Defense Assistance Program
- ME**, Middle East
- MFN**, most favored nation
- MGB**, Ministerstvo Gosudarstvenyi Bezopasnosti (Ministry for State Security of the Soviet Union)
- M/OP**, Operations Coordinator, Office of the Under Secretary of State for Political Affairs, Department of State
- MSA**, Mutual Security Act
- MSP**, Mutual Security Program
- MVD**, Ministerstvo Vnutrennykh Del' (Ministry of the Interior of the Soviet Union)
- NAC**, North Atlantic Council
- NATO**, North Atlantic Treaty Organization
- NBC**, National Broadcasting Company
- NEA**, Bureau of Near Eastern, South Asian, and African Affairs, Department of State, until August 1958; thereafter Bureau of Near Eastern and South Asian Affairs
- Niact**, Night action, communications indicator requiring attention by the recipient at any hour of the day or night
- NIE**, National Intelligence Estimate
- NSC**, National Security Council
- OASD/ISA**, Office of the Assistant Secretary of Defense for International Security Affairs
- OCB**, Operations Coordinating Board
- ODM**, Office of Defense Mobilization
- OEEC**, Organization for European Economic Cooperation
- OPA**, Omada gia mia Proletariaki Aristera (Group for a Proletarian Left)
- OS**, Outer Seven (members of the European Free Trade Association)
- OSP**, Off-Shore Procurement
- OSS**, Office of Strategic Services
- OT**, Office of International Trade, Bureau of Economic Affairs, Department of State
- PA**, Purchase Agreements/Procurement Authorizations
- PAO**, Public Affairs officer
- PEO**, Pan-kyprios Ergatiki Omospondia (Pancyprian Federation of Labor)
- PGOT**, Provisional Government of Turkey
- P.L.**, Public Law
- POL**, Petroleum, Oil, Lubricants
- Polto**, series indicator for telegrams from the Representative to the North Atlantic Treaty Organization and European Regional Organizations to the Department of State
- PPS**, Policy Planning Staff, Department of State
- PROAGs**, Project Agreements
- PX**, Post Exchange
- PZPR, PZR**, Polska Zjednoszona Partia (United Workers Party) (Poland)
- RA**, Office of European Regional Affairs, Bureau of European Affairs, Department of State
- RFE**, Radio Free Europe
- ref**, reference
- RG**, Record Group
- RPP**, Cumhuriyet Halk Partisi (Republican People's Party) (Turkey)
- RSFSR**, Russian Socialist Federated Soviet Republic
- RWP**, Romanian Workers Party
- S**, Office of the Secretary of State
- S/AE**, Secretary of State's Special Assistant for Atomic Energy and Outer Space
- S/EWC**, Secretary of State's Special Assistant for East-West Exchanges
- S/S**, Executive Secretariat, Department of State
- S/S-RO**, Reports and Operations Staff, Executive Secretariat, Department of State

XXII List of Abbreviations

- SAC**, Strategic Air Command
SACEUR, Supreme Allied Commander, Europe
SAK, Suomen Ammattiyhdistysten Keskusliitto (Finnish Confederation of Trade Unions)
SEATO, Southeast Asia Treaty Organization
SEF, Special East European File, United States Information Agency
SEK, Synomospondia Ergation Kypron (Confederation of Labor of Cyprus/Confederation of Cypriot Workers)
SHAPE, Supreme Headquarters, Allied Powers, Europe
SKDL, Suomen Kansan Demokraattinen Liitto (Finnish Peoples Democratic League)
SKP, Suomen Kommunistinen Puolue (Finnish Communist Party)
SNIE, Special National Intelligence Estimate
SOF, Status of Forces
SOFA, Status of Forces Agreement
Sov, Soviet
SOV, Office of Soviet Union Affairs, Bureau of European Affairs, Department of State
SPD, Sozialdemokratische Partei Deutschlands (Social Democratic Party of Germany of the Federal Republic of Germany)
TEA, Ta'gmata Ethniki's Amy'nis (National Defense Battalions)
TL, Turkish lira
TMT, Turk Mukavemet Teskilati (Turkish Resistance Organization) (Cyprus)
Topol, series indicator for telegrams from the Department of State to the Representative to the North Atlantic Treaty Organization and European Regional Organizations
TPSL, Tyovaen ja Pienviljelijain Sosialidemokraattinen Litto (Workers and Small Holders Social Democratic League of Finland)
TUC, Trade Union Congress (United Kingdom)
TUSLOG, The United States Logistics Group
U, Office of the Under Secretary of State
UAR, United Arab Republic
UK, United Kingdom
UN, United Nations
UNGA, United Nations General Assembly
UNSC, United Nations Security Council
UNTS, United Nations Treaty Series
USA, United States Army
USAF, United States Air Force
USAREUR, United States Army, Europe
USC, United States Code
USDA, United States Department of Agriculture
USEC, United States Mission to the European Communities
USEP, United States Escapee Program
USIA, United States Information Agency
USIB, United States Intelligence Board
USIS, United States Information Service
USMC, United States Marine Corps
USN, United States Navy
USOM, United States Operations Mission
USRO, United States Mission to the North Atlantic Treaty Organization and European Regional Organizations
USSR, Union of Soviet Socialist Republics
UST, United States Treaties
USUN, United States Mission to the United Nations
VOA, Voice of America
W, Office of the Under Secretary of State for Economic Affairs
W/CEA, Special Assistant for Communist Economic Activities, Office of the Under Secretary of State for Economic Affairs
WEU, Western European Union
WFTU, World Federation of Trade Unions
W/MSC, Office of the Special Assistant for Mutual Security Coordination
ZMW, Zwiasek Mloudziezy Wiejskiej (Rural Youth Polish Union)

List of Persons

- Ackerson, Garrett G., Jr.**, Counselor of the Legation in Budapest and Chargé d'Affaires ad interim
- Addis, John M.**, Head, Southern Department, British Foreign Office
- Adenauer, Konrad**, Chancellor of the Federal Republic of Germany
- Allen, George V.**, Director, United States Information Agency
- Allen, Sir Roger**, British Ambassador to Greece
- Allison, John M.**, Ambassador to Czechoslovakia, April 1958–May 1960
- Amery, Harold Julian**, British Parliamentary United Secretary of State for the Colonies, December 1958–October 1960
- Anderson, Clinton P.**, Chairman of the Joint Committee on Atomic Energy
- Atherton, Alfred L., Jr.**, Office of Greek, Turkish, and Iranian Affairs, Department of State, from February 1959
- Averoff-Tosizza, Evangelos**, Greek Minister of Foreign Affairs until March 1958 and from May 1958
- Barnes, N. Spencer**, member, Policy Planning Staff, Department of State
- Bayar, Celal**, President of Turkey until May 1960
- Beam, Jacob D.**, Ambassador to Poland
- Belcher, Taylor G.**, Consul General at Nicosia, July 1958–August 1960
- Benson, Ezra Taft**, Secretary of Agriculture
- Berger, Samuel D.**, Counselor of the Embassy in Greece from September 1958
- Birgi, M. Nuri**, Turkish Ambassador to the United Kingdom until September 1960; thereafter Permanent Representative to NATO
- Black, Eugene R.**, President of the International Bank for Reconstruction and Development
- Blood, Archer**, Office of Greek, Turkish, and Iranian Affairs, Department of State, until June 1960
- Boggs, Marion W.**, Deputy Executive Secretary, National Security Council
- Bohlen, Charles E.**, Special Assistant to the Secretary of State from December 1959
- Bowker, Sir Reginald James**, British Ambassador to Turkey until May 1958
- Bulganin, Nikolai Alexandrovich**, Chairman of the Council of Ministers of the Soviet Union until March 1958
- Burrows, Sir Bernard Alexander Brocas**, British Ambassador to Turkey from May 1958
- Cabell, Lieutenant General Charles P.**, Deputy Director of Central Intelligence
- Caccia, Sir Harold A.**, British Ambassador to the United States
- Calhoun, John A.**, Deputy Director, Executive Secretariat, Department of State, until September 1958; Director, September 1958–August 1960; Counselor for Political Affairs of the Embassy in Greece from September 1960
- Caramanlis**. *See* Karamanlis
- Cumming, Hugh, Jr.**, Director of Intelligence and Research, Department of State
- Cutler, Robert**, Special Assistant to President Eisenhower; member, Operations Coordinating Board; and Chairman, National Security Council Planning Board, through 1958

XXIV List of Persons

- De Gaulle, Charles**, French Prime Minister, June 1958–January 1959; thereafter President of France
- Denktash, Rauf**, a leader of the Turkish-Cypriot party
- Dillon, C. Douglas**, Deputy Assistant Secretary of State for Economic Affairs until June 1958; Under Secretary of State for Economic Affairs, July 1958–June 1959; thereafter Under Secretary of State
- Drndic, Ante**, Minister of the Yugoslav Embassy in the United States
- Dulles, Allen W.**, Director of Central Intelligence
- Dulles, John Foster**, Secretary of State until April 22, 1959
- Eisenhower, Dwight D.**, President of the United States
- Eisenhower, Major John S. D.**, Assistant Staff Secretary to President Eisenhower
- Eisenhower, Milton S.**, President of Johns Hopkins University
- Elbrick, C. Burke**, Assistant Secretary of State for European Affairs until November 1958
- Esenbel, Melih**, Secretary General of the Turkish Foreign Ministry, 1958–1960; Ambassador to the United States, April–December 1960
- Fagerholm, Karl-August**, Finnish Prime Minister, August–December 1958
- Ferras, Gabriel**, Director, European Department, International Monetary Fund
- Frederika**, Queen of the Hellenes
- Freers, Edward**, Director, Office of Eastern European Affairs, Bureau of European Affairs, Department of State, until May 1959; thereafter Counselor of the Embassy in the Soviet Union
- Gates, Thomas S., Jr.**, Secretary of Defense from December 1959
- Gleason, S. Everett**, Deputy Executive Secretary, National Security Council, until fall 1959
- Gomulka, Wladyslaw**, First Secretary of the Central Committee of the Polish United Workers' Party
- Goodpaster, Brigadier General Andrew J.**, Staff Secretary to President Eisenhower
- Goodyear, John**, Counselor for Political Affairs of the Embassy in Turkey until August 1959
- Gosnjak, Ivan**, Yugoslav Minister of Defense
- Gray, Gordon**, Director of the Office of Defense Mobilization until June 1958; thereafter Special Assistant to the President for National Security Affairs
- Greene, Joseph N., Jr.**, Special Assistant to the Secretary of State until summer 1959
- Gromyko, Andrei Y.**, Soviet Foreign Minister
- Gursel, Cemal**, President of Turkey from May 1960
- Hagerty, James C.**, Press Secretary to President Eisenhower
- Hall, Carlos C.**, Minister of the Embassy in Turkey until February 1959
- Harr, Karl G.**, Special Assistant to President Eisenhower for Security Operations Coordination and Vice Chairman, Operations Coordinating Board
- Hart, Parker T.**, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, Department of State, from October 1958
- Harvey, Mose L.**, Counselor of the Embassy in Finland
- Herter, Christian A.**, Under Secretary of State until April 21, 1959; thereafter Secretary of State
- Hickerson, John D.**, Ambassador to Finland until November 1959
- Hill, Robert B.**, Office of Eastern European Affairs, Bureau of European Affairs, Department of State, until July 1958; thereafter First Secretary of the Embassy in Yugoslavia
- Hope, A. Guy**, Consul at Istanbul until October 1958; thereafter Officer in Charge of Turkish Affairs, Department of State
- Houghton, Amory**, Ambassador to France

Howe, Fisher, Director, Executive Secretariat, Department of State, until October 1958
Hoyer Millar. *See* Millar

Inonu, Ismet, former President and Prime Minister of Turkey

Irwin, John N., II, Deputy Assistant Secretary of Defense for International Security Affairs until September 1958; thereafter Assistant Secretary of Defense

Isham, Heyward, Staff Assistant to the Special Assistant to the Secretary of State after November 1959

Jacobsson, Per, Chairman and Managing Director, International Monetary Fund

Jandrey, Frederick, Deputy Assistant Secretary of State for European Affairs

Johnson, Valdemar N. L., Acting Officer in Charge of Polish, Baltic, and Czechoslovak Affairs, Department of State

Jones, G. Lewis, Ambassador to Tunisia until June 1959; Assistant Secretary of State for Near Eastern and South Asian Affairs from July 1959

Jones, Owen T., Director, Office of Greek, Turkish, and Iranian Affairs, Department of State, until September 1960; thereafter Counselor for Economic Affairs and Director, United States Operations Mission, Embassy in Yugoslavia

Johnston, Eric, President of the Motion Picture Association of America

Kadar, Janos, Prime Minister of Hungary until January 1958; First Secretary of the Hungarian Revolutionary Socialist Party

Karamanlis, Konstantine, Prime Minister of Greece until March 1958 and from May 1958

Kardelj, Edward, Vice President of the Federal Executive Council of Yugoslavia and President of the Federal Assembly of Yugoslavia

Karjalainen, Ahti, Finnish Minister of Trade from January 1959

Katz, Abraham, Second Secretary and Economic Affairs Officer, Mission to the European Regional Organizations, from July 1959

Katz, Julius L., Economic Adviser, Office of Eastern European Affairs, Bureau of European Affairs, Department of State

Kekkonen, Urho, President of Finland

Khrushchev, Nikita S., First Secretary of the Central Committee, Communist Party of the Soviet Union; Vice Chairman of the Soviet Council of Ministers to March 27, 1958; thereafter Chairman of the Soviet Council of Ministers

Killian, James R., Jr., Special Assistant to the President

Kistiakowsky, George B., Special Assistant to the President for Science and Technology

Kohler, Foy D., Deputy Assistant Secretary of State for European Affairs until December 1959; thereafter Assistant Secretary of State for European Affairs

Kozlov, Frol R., Soviet First Deputy Premier from March 1958

Kutchuk, Mustafa Fazil, leader, National Turkish Party, Cyprus; Turkish-Cypriot representative to United Nations, November 1958, and to Cyprus independence conferences, February and September 1959; elected Vice President of Cyprus, December 1959

Kuznetsov, Vasilii V., Soviet First Deputy Foreign Minister

Lacy, William S.B., Special Assistant to the Secretary of State for East-West Exchanges

Lay, James S., Executive Secretary, National Security Council

Laingen, L. Bruce, Office of Greek, Turkish and Iranian Affairs, until October 1959; Officer in Charge, Greek Affairs, October 1959–August 1960

Lennox-Boyd, Alan T., British Secretary of State for the Colonies until October 1959

Leverich, Henry P., Deputy Director, Office of Eastern European Affairs, Department of State

Liatis, Alexis S., Greek Ambassador to the United States

Lister, George T., First Secretary of the Embassy in Italy

XXVI List of Persons

- Lloyd, Selwyn**, British Secretary of State for Foreign Affairs until June 1960; thereafter Chancellor of the Exchequer
- Lodge, Henry Cabot**, Representative at the United Nations
- Lychowski, Tadeusz**, Economic Minister of the Polish Embassy in the United States
- Lyon, Frederick B.**, Minister of the Embassy in Turkey until April 1958
- Macmillan, Harold**, Prime Minister of the United Kingdom and First Lord of the Treasury
- Makarios III, Archbishop of Cyprus**, Ethnarch and Primate of Cyprus; President of the Republic of Cyprus from August 1960
- Maleter, Pal**, Hungarian Defense Minister in Imre Nagy government, October–November 1956
- Mates, Leo**, Yugoslav Ambassador to the United States and Permanent Representative to the United Nations
- Martin, Edwin M.**, Deputy Assistant Secretary of State for Economic Affairs
- Matthews, H. Freeman**, Ambassador to Austria
- McCone, John A.**, Chairman of the Atomic Energy Commission
- McElroy, Neil H.**, Secretary of Defense until December 1959
- McKisson, Robert**, Officer in Charge, Balkan Affairs, Bureau of European Affairs, Department of State
- McSweeney, John M.**, First Secretary of the Embassy in Italy and Special Liaison to NATO until September 1958; Office of Eastern European Affairs, Department of State, September 1958–December 1959; Acting Deputy Director, Office of Eastern European Affairs, December 1959–June 1960; Director, Office of Soviet Union Affairs, from June 1960
- Melas, George V.**, Greek Ambassador to the United States
- Melas, Michael Constantine**, Greek Permanent Representative to the North Atlantic Council
- Melbourne, Roy M.**, Chargé of the Embassy in Finland
- Menderes, Adnan**, Prime Minister of Turkey until May 1960
- Menshikov, Mikhail A.**, Soviet Ambassador to the United States from February 1958
- Merchant, Livingston T.**, Ambassador in Canada until November 1958; Assistant Secretary of State for European Affairs, November 1958–August 1959; Deputy Under Secretary of State for Political Affairs, August–December 1959; thereafter Under Secretary of State for Political Affairs
- Mikoyan, Anastas I.**, Soviet First Deputy Chairman, Council of Ministers
- Millar, Sir Frederick R. Hoyer**, British Permanent Under Secretary of State for Foreign Affairs
- Miller, William K.**, Counselor of the Embassy in Finland
- Mindszenty, Jozsef Cardinal**, Primate of Hungary, resident in the United States Legation in Budapest from November 1956
- Minnich, L. Arthur, Jr.**, Assistant Staff Secretary to the President
- Mueller, Frederick H.**, Under Secretary of Commerce
- Murphy, Robert D.**, Deputy Under Secretary of State for Political Affairs until August 1959; Under Secretary of State for Political Affairs, August–December 1959
- Nagy, Imre**, Prime Minister of Hungary, October 24–November 4, 1956
- Nixon, Richard M.**, Vice President of the United States
- Niezic, Marko**, Yugoslav Ambassador to the United States from October 1958
- Norstad, General Lauris**, Supreme Allied Commander, Europe
- Novotny, Antonin**, President of the Republic of Czechoslovakia and President of the Politburo, Communist Party of Czechoslovakia
- Ochab, Edward**, Polish Minister of Agriculture

- O'Connor, Jeremiah J.**, Deputy Operations Coordinator, Department of State, March–July 1958; thereafter Operations Coordinator
- O'Shaughnessy, Elim**, Counselor of the Embassy in Yugoslavia until summer 1960; Counselor for Political Affairs of the Embassy in the United Kingdom from September 1960
- Paschalides, Ioannis**, Chairman of the Enomeni Dimokratiki Aristera and member of the Greek Chamber of Deputies
- Paul I**, King of the Hellenes
- Penfield, James K.**, Counselor of the Embassy in Greece until August 1958; Deputy Assistant Secretary of State for African Affairs from September 1958
- Persons, General Wilton B. (ret.)**, Deputy Assistant to the President, September 1953–October 1958; thereafter Assistant to the President
- Pissas, Michael**, Secretary of Synomospondia Ergation Kypron
- Pitblado, D. B.**, British Executive Director, International Monetary Fund
- Polatkan, Hasan**, Turkish Finance Minister until May 1960
- Popovic, Koca**, Yugoslav Minister of Foreign Affairs and member, Federal Executive Council
- Quarles, Donald A.**, Deputy Secretary of Defense until May 1959
- Rabb, Maxwell**, Assistant to President Eisenhower and Secretary to the Cabinet until fall 1958
- Rankin, Karl**, Ambassador to Yugoslavia from February 1958
- Rankovic, Alexander**, Vice President of the Federal Executive Council of Yugoslavia with responsibility for internal security
- Rapacki, Adam**, Polish Minister of Foreign Affairs
- Riddleberger, James**, Ambassador to Yugoslavia until January 1958; Ambassador to Greece, March 1958–May 1959; Director, International Cooperation Administration, from March 1959
- Roberts, Sir Frank**, British Permanent Representative to the North Atlantic Treaty Organization until May 1960
- Rountree, William M.**, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs until August 1958; thereafter Assistant Secretary of State for Near Eastern and South Asian Affairs
- Sarper, Selim**, Turkish Permanent Representative to the North Atlantic Council until spring 1960; Minister of Foreign Affairs from May 1960
- Scribner, Fred C., Jr.**, Under Secretary of the Treasury
- Seppala, Richard R.**, Finnish Ambassador to the United States from October 1958
- Sessions, Edson O.**, Ambassador to Finland, November 1959 to November 1960
- Sherer, Albert W.**, Officer in Charge of Polish, Baltic, and Czechoslovak Affairs, Office of Eastern European Affairs, Department of State
- Siscoe, Frank G.**, Counselor of the Embassy in Poland
- Smith, Bromley K.**, Senior Member, NSC Special Staff, through 1958; Executive Officer, Operations Coordinating Board, from 1959
- Smith, Gerard C.**, Assistant Secretary of State for Policy Planning
- Spaak, Paul-Henri**, Secretary General of the North Atlantic Treaty Organization
- Spasowski, Romuald**, Polish Ambassador in the United States
- Strauss, Lewis L.**, Chairman, Atomic Energy Commission, until June 1958; Secretary of Commerce, November 1958–June 1959
- Sukselainen, Viero Johannes**, Finnish Prime Minister from January 1959
- Sutterlin, James**, Office of Eastern European Affairs, Department of State, until September 1960

XXVIII List of Persons

- Thompson, Llewellyn E.**, Ambassador to the Soviet Union
- Thurston, Raymond L.**, Counselor and Political Officer, U.S. Mission to SHAPE, Paris
- Timmons, Benson E. L., III**, Director, Office of European Regional Affairs, Department of State, until June 1959
- Tito, Marshal Joseph Broz**, President of the Federated Republic of Yugoslavia
- Todorovic, Mijalko**, Vice President of the Federal Executive Council of Yugoslavia
- Törnngren, Rolf**, Finnish Minister of Foreign Affairs from January 1959
- Twining, General Nathan F.**, USAF, Chairman, Joint Chiefs of Staff, until September 1960
- Urgulplu, Ali Suat Havri**, Turkish Ambassador to the United States until December 1960
- Vedeler, Harold C.**, First Secretary of the Embassy in Austria, until November 1959;
Director, Office of Eastern European Affairs, Department of State, from December 1959
- Virolainen, Johannes**, Finnish Minister of Foreign Affairs until October 1958
- Voutov, Peter G.**, Bulgarian Permanent Representative to the United Nations
- Vukmanovic-Tempo, Svetozar N.**, Vice President of the Federal Executive Council of Yugoslavia with responsibility for economic affairs until April 1958; thereafter President, Federal Council of Yugoslav Labor Federation
- Warren, Fletcher**, Ambassador to Turkey until November 1960
- Washburn, Abbot**, Deputy Director, United States Information Agency
- Weeks, Sinclair**, Secretary of Commerce until August 1959
- Wharton, Clifton R.**, Minister in Romania, March 1958–October 1960
- White, General Thomas D.**, USAF, Chief of Staff, United States Air Force
- Whitman, Ann**, Secretary to President Eisenhower
- Wilcox, Francis O.**, Assistant Secretary of State for International Organization Affairs
- Williams, Murat**, Office of Greek, Turkish, and Iranian Affairs, Department of State, until June 1959
- Winiewicz, Jozef**, Polish Deputy Minister of Foreign Affairs
- Zaroubin, Georgi N.**, Soviet Ambassador to the United States until January 1958; thereafter Deputy Foreign Minister
- Zhukov, Georgi A.**, Chairman of the Soviet State Committee for Cultural Relations with Foreign Countries
- Zorlu, Fatin Rustu**, Turkish Foreign Minister until May 1960

EAST-WEST EXCHANGES

ESTABLISHMENT OF A PROGRAM OF EXCHANGE OF INFORMATION AND PERSONS WITH THE SOVIET BLOC

1. Memorandum From Secretary of State Dulles to President Eisenhower

Washington, January 17, 1958.

With reference to the exchange of students,¹ I found out that our current negotiations with the Soviets contemplate for the first year an exchange of 20 and for the second year an exchange of 40. The Soviets had originally proposed that the number be limited to five. By negotiation we got it up to the figures mentioned.

The Soviets also tried to insist that they should be divided into "blocs" of their own selection. We, I understand, obtained it that they should be allocated around at our discretion.

The Soviets like to keep them in groups so that they will watch each other.

In view of this still pending negotiation I would think it doubtful whether we should quickly press for a far larger number which we know in advance will be unacceptable. Perhaps that could come as a second negotiating step after the first one has been put into operation.

JFD

Source: Eisenhower Library, Whitman File, Dulles-Herter Series. Confidential.

¹ According to Dulles' memorandum of his conversation with President Eisenhower that day at 8:45 a.m., the President raised the possibility of a larger exchange of students "in the interest of accelerating the awakening of Russia." Dulles indicated he would "look into the attitude of the Russians as exhibited in relation to the current discussions we were having, where I thought that problems had come up, although on a lesser scale." (*Ibid.*, Dulles Papers, Memoranda of Conversation with the President)

The U.S.-Soviet discussions referred to by Dulles were those initiated in Washington on October 28, 1957, between the Secretary of State's Special Assistant for East-West Contacts, William S. B. Lacy, and Soviet Ambassador Georgi N. Zaroubin. See Document 2 and *Foreign Relations, 1955-1957*, vol. XXIV, pp. 267-268.

2. Policy Information Statement Prepared in the Department of State

EUR-279

Washington, January 29, 1958.

U.S.–SOVIET EXCHANGE AGREEMENT

Summary

(Confidential) A U.S.-Soviet agreement was signed January 27,¹ providing for a large number of technical, scientific, and cultural exchanges, including exchange of radio and television broadcasts. The agreement should be soberly portrayed as a mutually advantageous arrangement, reached after long and detailed diplomatic negotiation. In general, U.S. initiative should be emphasized. The agreement may be portrayed as evidence of the possibility of constructive action in certain fields, implicitly bringing out the point that this is most likely to be achieved by unhurried, detailed negotiation through diplomatic channels.

I. Background

(Confidential) The meetings had their immediate origin in a proposal of the United States Government made in June 1957 to exchange uncensored TV and radio broadcasts on world events. (See Department of State Press Release no. 594 of October 25, 1957.)² The Soviet Government agreed to discuss the United States proposal but in conjunction with discussion of other questions concerning the development of contracts.

The discussions were carried on at Washington since October 28, 1957, between representatives of the U.S. Government, headed by Ambassador W. S. B. Lacy, and a Soviet delegation headed by Ambassador Georgi N. Zaroubin.

Early in the talks, both sides agreed to avoid extensive publicity, and this agreement was generally adhered to. On January 10 Secretary Dulles said of the negotiation that it had "moved along rather well, on a quiet, unheralded basis, without limelight on it, a very good way to negotiate."

Source: Department of State, Central Files, 511.00/1-2958. Confidential. Transmitted as an enclosure to circular instruction CA-6459, January 29, sent to 99 diplomatic and consular posts.

¹ For texts of the agreement and a joint U.S.-Soviet communiqué issued on January 27, see Department of State *Bulletin*, February 17, 1958, pp. 243-247.

² *Ibid.*, November 18, 1957, p. 800.

The Soviets showed themselves hard bargainers, as expected. The Soviet proposals mainly concerned exchanges of delegations and individuals, with emphasis on a wide variety of industrial exchanges, presumably for the purpose of acquiring American industrial know-how. Principal U.S. objectives were to achieve a significant lowering of the traditional Soviet barriers to the free flow of information, and also, through visits of delegations to the U.S.S.R., to acquire knowledge of that country. Neither side succeeded fully in its principal objectives. The great majority of the Soviet proposals which were accepted were considered to be in the U.S. interest and would probably have been granted anyway in the ordinary course of events. On the other hand, the Soviets may have made some concessions in principle on American proposals, which if faithfully implemented, could be significant in improving the flow of information. These concessions were presumably motivated in part by the desire to achieve a formal agreement, which could be portrayed by them as evidence of the Soviets' having done away with the Iron Curtain, as an indication that the situation in Hungary has been accepted and that the Soviets are again respectable, and as an argument for other Free World countries to sign cultural exchange agreements with the Soviets. The Soviets may also regard the talks as the first step toward bilateral negotiations with the United States on other subjects.

II. Policy Considerations

(Confidential) The agreement, if implemented faithfully, will represent progress toward U.S. objectives. However, it is important to view it in perspective. Its importance should not be exaggerated, especially since it is in the Soviet interest to make it appear to the world that the Iron Curtain is a thing of the past. Furthermore, we must avoid any appearance of feeling that we have obtained the best of the bargain, since this could easily lead to difficulties in getting the Soviets to implement it.

It is advisable to portray the agreement soberly and objectively, as a mutually advantageous agreement, which will promote better understanding, but which is definitely limited in scope and represents relatively minor concessions by the Soviet Union from its general policy of shutting out foreign influences.

The negotiations are also evidence of U.S. willingness to deal with the Soviets in a constructive manner, which is a point worth emphasizing as a counter to charges abroad that the United States is rigid in its positions and does not really wish to negotiate with the Soviets. The agreements, if carried out, will also indicate the possibility of achieving constructive results in specific fields of activity by detailed, unhurried negotiations through diplomatic channels. Caution is required until we see whether the hopes aroused by the present agreements are vindicated by experience in carrying them out. Furthermore, undue hopes

should not be aroused that the present negotiations presage success in possible future negotiations on more difficult subjects, such as disarmament, which involve much greater problems of national security.

In general, it is desirable to portray the United States as taking the initiative in promoting exchanges, implicit in this being our confidence that our system can stand comparison and that removing barriers to the flow of information will work in our favor. Facts should be brought out which show that the negotiations were the result of U.S. initiative; that the United States has pressed for a freer flow of information (see Department of State Press Release no. 597 of October 28, 1957);³ that the United States desires a liberal implementation of the present agreement and its expansion to wider scope; and that the exchanges agreed to by the Soviets fall considerably short of the U.S. proposals.

Special policy considerations apply to certain areas, such as in Latin America and the Middle and Far East generally, where there is danger that the conclusion of this agreement between the U.S. and the Soviet Union will weaken opposition to entering into diplomatic relations with Communist regimes and having trade and cultural contracts with them. To such areas, it is desirable to avoid inflating the importance of the agreement or making it appear that exchanges between the Soviet Union and such areas might be a good thing. Mention may be made of the benefits to the Free World of opening up the Soviet Union to outside influences. The point may be made that countries developing such contacts should of course weigh their own resources and facilities for taking advantage of their opportunities and withstanding the massive propaganda efforts of the Soviet Union. This must be handled with great care to avoid offending the sensibilities of the small nations.

With regard to Poland and the Soviet satellites, there is the danger that the agreement will be taken to represent a tendency toward political accommodation by the United States with the Soviet Union, which might lead to the disheartening misconception that the United States will relax its stand against accepting the status quo in Eastern Europe. However, a positive factor is that, by the fact that the Soviet Union has decided to allow increased contacts with the U.S., the Eastern European peoples will be encouraged to press for more such contacts for their own countries and, in the case of Poland, to take advantage of the considerable opportunities already open.

Certain countries, including some NATO allies, are sensitive to any implication that the United States may negotiate with the Soviet Union without due attention to the interests of its allies. It may be desirable in

³This press release, as well as the opening statements made by Lacy and Zaroubin on October 28, are *ibid.*, pp. 800–803.

output to such countries to bring out the fact that the United States officially informed its NATO allies and others about the negotiations, both in advance and while they were in progress. It may also be pointed out that the published text and protocol represent the agreements in their entirety.

Terminology: Although the term "East-West" has been loosely applied to the talks, it is preferable to use other terms when feasible, such as "U.S.-Soviet exchange talks," especially in output to the Middle East and Far East, since we do not wish to imply that the Soviet Union speaks for the East or that the United States speaks for the West.

III. Treatment

(Confidential) *In general:* Output should be moderate in volume and factual and restrained in tone, portraying the agreement as mutually beneficial, having been reached after prolonged and detailed discussion. Point out features of benefit to the whole world, such as exchanges in the medical and academic fields. Avoid exaggerating the scope of the agreement with regard to reduction of Soviet barriers to the flow of information, putting these in perspective to make clear that much depends on how the agreements are implemented and that in any case major barriers continue in effect. Do not conceal the fact that the United States did not achieve all it had hoped for in the negotiations.

The agreement may be portrayed as evidence of the possibility of constructive action in certain fields, implicitly bringing out the point that this is most likely to be achieved by unhurried, detailed negotiation through diplomatic channels. To areas where appropriate, the point might be implied that the agreement shows that the United States is ready and able to negotiate constructively with the Soviet Union; reference may be made to the abolition of the U.S. fingerprinting requirement for visas;⁴ reference may also be made to statements by American officials concerning readiness to negotiate, such as by President Eisenhower in his State of the Union Message and by Secretary Dulles in his January 16 Press Club speech;⁵ facts should be brought out concerning U.S. initiatives.

⁴ On October 10, 1957, Secretary of State Dulles and the Attorney General authorized the publication of regulations to waive the fingerprinting requirement at the time of visa issuance, under certain conditions. For texts of the Department of State announcement and the new regulations, see *ibid.*, October 28, 1957, p. 682.

⁵ Extracts of the President's State of the Union Address, January 9, 1957, are *ibid.*, January 27, 1958, pp. 115-122. The Secretary of State's January 16 speech is *ibid.*, February 3, 1958, pp. 159-163.

IV. *Special Treatment*

(Confidential) *To the Free World*: To areas where sentiment is strong in favor of negotiations between the U.S. and the Soviet Union, output should give particular attention to the foregoing points, though moderate in tone and volume. To Latin America and the Middle and Far East, output should be factual, restricted in volume, and in low key; it should bring out facts which indicate that the situation of the U.S. with regard to exchanges is different from that of those countries, with due care to avoid offending the sensibilities of their citizens.

To the Soviet Union: Considerable attention should be given to the agreement, and the careful negotiations which brought it about. Bring out facts which counter Soviet propaganda charges that an American "Iron Curtain" has impeded exchanges. Call the attention of the Soviet populace to the American films, TV and radio programs, and other items which are supposed to be made available to them under the exchange agreement. Stress the opportunities for academic study in the United States and for visits by intellectuals and others.

To the Soviet Satellites and Poland: Output should be moderate in volume and tone. It should avoid any implication that the agreement represents a tendency toward accommodation by the United States to the status quo in Eastern Europe. It should bring out the facts which indicate that the Soviet Union is willing to allow increased contacts with the Free World and should encourage the desire of the listeners for similar contacts.

V. *Public Position*

(Unclassified) The text of the agreement was released January 27, under cover of a joint communiqué, together with two supplementary press releases. These are enclosed.⁶

⁶ The two press releases are not printed here; for texts, see *ibid.*, February 17, 1958, p. 247.

3. Paper Prepared in the Department of State

Washington, undated.

AN ESTIMATE OF THE PROBLEMS INVOLVED IN U.S.-U.S.S.R. STUDENT EXCHANGES

1. *Soviet Attitude*

During the course of the negotiations leading to the January 27 Agreement with the Soviets, the American delegation could obtain Soviet agreement for no more than 30 students for 1959–1960, which, nevertheless, was triple the number originally proposed by them. That the Soviets consider student exchange to be on an experimental basis is also indicated by their decision to reduce from 40 to 20 the number to come to the United States this year under our proposal to exchange students during the summer holiday. It seems highly unlikely that a new offer to exchange many more students than provided for in the Agreement of January 27 would be acceptable to the Soviets under conditions of current tensions or that the Soviets could physically house as many as 5,000–10,000 American students in their universities. A proposal for increased exchanges would probably be considered by the Soviets as propaganda.

2. *Internal Security and the Role of the Attorney General*

a. In order for visas to be issued to Soviet students for entry into the United States, the Attorney General would need to act favorably on requests from the Secretary of State to waive inadmissibility in the case of those students—presumably the overwhelming majority—who were members of a Communist youth organization.

b. The Attorney General has not been willing, to date, to accept internal security responsibility for Soviet-bloc visitors under the East-West exchange program.

c. The Attorney General has also taken the position that Soviet visitors under the exchange program must have “sponsorship” (an internal security function) arranged for them by the Department of State. The

Source: Department of State, Central Files, 511.613/3–2058. Confidential. The authorship of the paper is unclear. The source text was an enclosure to a brief memorandum of March 20 from Secretary Dulles to President Eisenhower, in which Dulles noted that he had asked “the Department to get up a memorandum of points that should be taken into account in connection with a possible large-scale exchange of students with the U.S.S.R.”

In a February 25 memorandum to the Executive Secretariat, Joseph N. Greene, Jr., referred to the President’s comments to Secretary Dulles on January 17 about increasing student exchanges with the Soviet Union (see the source note, Document 1) and said that the President had in mind an exchange of “upwards of ten thousand students.” Greene noted that Dulles wanted the Department’s recommendations on such a proposal. (Department of State, Secretary’s Memoranda of Conversation: Lot 64 D 199)

universities have consistently been reluctant or have refused to assume any security responsibilities for Soviet-bloc students in the belief that this is a governmental function.

d. Many universities are located in areas which are closed to travel by Soviet nationals. This would probably mean that we would need to lift our present travel regulations, since exceptions are difficult to make.

3. *Placement in Universities*

In view of the fact that our universities are already extremely crowded and that American applicants are being turned away, it may be that there would be public criticism for allotting places in American universities to Communist students in the event that the universities could be persuaded to admit them. Large numbers of Soviet students could be expected to have language difficulties, and the universities might be reluctant to accept students for whom they would have to make special provisions on account of language.

4. *Financial Problem*

The financial burden of increased exchanges would probably have to be met largely from public funds. The foundations have not yet felt free to underwrite exchanges with the U.S.S.R. It is estimated that it would cost roughly \$4,000 annually per student to send United States students to the U.S.S.R. This would cover travel, tuition, and living expenses. It is similarly estimated that it would cost roughly \$2,000 per student to bring Soviet students to this country. This would cover travel and tuition but not living expenses. In addition, there would be administrative costs for the Government in carrying out the program. If the United States were to pay the expenses in an exchange of a thousand students each way, an appropriation of eight or nine million dollars by Congress might be required.

5. *Effect in Third Countries*

A proposal for a large-scale increase of student exchanges might further erode resistance in underdeveloped countries to Soviet-sponsored student grants or exchanges. With reference to third countries in general, there is also the problem that the United States has no funds with which to make similar offers and is obliged, in fact, to turn down the bulk of applicants for grants from those countries. Even when grants are made, they often cover only part of the expense involved. So far as Eastern Europe is concerned, Poland and Yugoslavia have already expressed concern that we may be going further in the exchange field with the Soviet Union than we are prepared to go with them. It is United States policy to encourage exchanges with the satellites in order to encourage greater independence from the Soviet Union.

4. Memorandum of Conversation

Washington, June 24, 1958.

SUBJECT

U.S. Cultural Exchange Agreement with the Soviet Union

PARTICIPANTS

Dr. Hollington Tong, Chinese Ambassador
William S. B. Lacy, Special Assistant to the Secretary (S/EWC)
Mr. Clough, Director, CA

Amb. Lacy said that he was pleased to have an opportunity to explain to Dr. Tong the reasons we had entered into the cultural exchange agreement with the Soviet Union last January. There are two primary advantages we hope to obtain from the agreement—one you might call propaganda and the other intelligence. The first we can talk about publicly, but the second, although known to the Russians, we cannot discuss except within Government circles or with close friends—like the Chinese.

The older generation of Soviet intellectuals, technicians, bureaucrats and industrial managers, who recall the pre-Bolshevik days, recognize the falsity of the description of the outside world which appears in the Soviet press. However, this generation is rapidly being displaced by a new elite, increasing in numbers and importance, very few of whom have ever had the opportunity to go abroad. Because of the increasing dependence of the regime upon this elite group, it is essential to influence them in every way we can. Amb. Lacy said this had been personally impressed upon him by an elderly Soviet doctor who was here recently with a visiting group from the Soviet Union. This doctor had urged the importance of exposing the younger men, such as the other doctors in his group, to life outside the Soviet Union. Only in this way could they acquire an independent basis on which to judge the truth and falsity of the present Soviet press.

With respect to the intelligence purpose of the exchange, Amb. Lacy printed out that since the Russians also hoped to exploit it for this purpose, it became a battle of wits in the negotiations to see who could gain the greatest net advantage. We consider that, since the Soviet Union has access to tremendous quantities of printed technical materials in this country while we have no comparable source, we have obtained the balance of advantage. We sought permission from the Soviets to send our experts in those fields which were most important to us for intelligence purposes and about which we knew the least. The Soviets, of course, for-

mulated requirements on a similar basis. However, they were handicapped by having been tricked into the negotiations in the first place. Having assumed that our fingerprinting laws were an insuperable barrier to cultural exchanges, they presented a list of some 30 categories, including some which they did not at all want. They were shocked to discover that we were prepared to make changes in the fingerprint law which would permit exchanges, but by that time it was difficult for them to back out of the negotiations.

In deciding what types of cultural activities we will offer the Russians, we try to estimate the relative propaganda value. For example, we do not intend to send a ballet to the Soviet Union, because American ballet is not up to the Soviet level. Instead, we sent a symphony orchestra which is far better than any the Russians have. We think we have obtained a net advantage from this exchange. Although the Moiseyev Ballet Company has had a successful tour in this country, it is confronted with competing attractions wherever it plays, whereas the Philadelphia Symphony is likely to be the only entertainment in a given city in the Soviet Union and therefore has attracted tremendous attention. As to the people we sent to the USSR, we, of course, select our representatives very carefully for this exchange program, in order not to send people who might be unduly influenced by Soviet propaganda.

Amb. Tong inquired whether the Soviets would not soon realize they were not losers by the arrangement and therefore back out of the agreement. Amb. Lacy replied that this risk was always present, but so long as they are willing to continue we shall seek to have exchanges on a basis giving us the balance of advantage.

5. Letter From the Secretary of State's Special Assistant for East-West Exchanges (Lacy) to Secretary of State Dulles

Washington, July 25, 1958.

DEAR MR. SECRETARY: The Agreement between the United States of America and the Union of Soviet Socialist Republics on Cultural, Technical and Educational Exchanges has now been in force for six months. I think it timely, therefore, for me to report to you on the extent and nature of the execution of that Agreement.

Reciprocity is at the heart of the exchange Agreement with the Soviet Union. To the extent that the principle of reciprocity is well served, the objectives of the Agreement approach attainment; conversely, to the extent reciprocity is not achieved, the objectives I had in mind in negotiating and signing the Agreement are not reached.

I am happy to be able to report that there has been more than ample reciprocity attained as a result of the exchange Agreement; in fact, the exchanges to date in numbers of our delegations and groups dispatched to the Soviet Union are twice the number of Soviet delegations arriving in the United States. I am, of course, aware that one of our objectives is to expose Soviet citizens to the American way of life and this is best obtained by having numbers of Soviets arrive in this country for periods of stay. According to the schedules now agreed upon with the Soviet Embassy, however, twenty-two Soviet delegations and groups will arrive in the last six months of the year. In other words, although many more Americans are traveling to the Soviet Union than are Soviet citizens in the United States, nevertheless, true reciprocity in the exchanges will, in my opinion, be accomplished over the two-year period.

In order to give you a more detailed idea of the exchanges in the six months following the signing on January 27, 1958, of the US-USSR Agreement, I propose to identify exchanges under four separate headings: Science and Technology, Education, Cultural Manifestations and Athletics, and Information. Various sections of the Agreement, as you know, deal with each of these four major categories of exchange.

Science and Technology

Interchanges between specialists in science and industrial technology have been numerous. A 19-man delegation of American steel experts has surveyed the Soviet steel industry, and ten industrialists of the plastics industry have spent thirty days in the Soviet Union. Four agricultural delegations, organized by the Department of Agriculture, are presently in the USSR. Reciprocally, the Soviet delegations in steel and plastics are expected in the early fall, and at least three Soviet agricultural delegations will tour the United States in the late summer. A group of American women doctors visited the Soviet Union in May and June, and preparations are being made for exchanges of three medical delegations, to visit the US and USSR in the last quarter of 1958. Reciprocal exchanges in housing techniques, pharmaceutical manufacture, prestressed concrete, and automation have already taken place.

Since conclusion of the Agreement, Soviet nationals have attended 11 scientific meetings in this country, while American scientists have participated in four conferences in the Soviet Union. However, large American delegations of architects, astronomers and IGY scientists are attending international meetings in the USSR this summer. Dr. Detlev

W. Bronk, President of the National Academy of Sciences, will discuss further reciprocal exchanges of research scholars and scientists with the President of the Soviet Academy of Sciences in the near future. This is expected to lead to longer term research studies in both countries by Soviet and American scholars. Contacts between scientists, doctors, and technicians are a key element in the exchange program, whether that contact takes place in this country or in the Soviet Union.

Education

Four delegations of American scholars and educators have already visited the Soviet Union in the last six months. Eight American university presidents were included in a group investigating higher education. The Commissioner of Education and other HEW officials studied Soviet secondary education and have produced a widely publicized and important report.¹ A group of six American professors spent three weeks studying the teaching of the liberal arts and an equivalent delegation has discussed methods of instruction in the natural sciences with their Soviet colleagues. The reciprocal visits will take place in the fall when three Soviet delegations in education will be in this country, visiting our universities, colleges and schools.

Forty American undergraduates are touring the USSR this summer under the Agreement, and twenty Soviet youths are seeing many facets of life in this country. Six youth newspaper editors on both sides have already been exchanged. Plans are well advanced for the matriculation of twenty Americans in Soviet universities this fall. An equal number of Russians will study here in six or seven of our universities. Reciprocal exchange of students and educators is desired by both sides and can have lasting effects.

Cultural Manifestations and Athletics

Cultural and athletic exchanges have been more publicized than those taking place under other sections of the Agreement. The Moiseyev Dance Company had a successful American tour accompanied by excellent press notices. On the other hand, the Philadelphia Symphony Orchestra's concerts in the Soviet Union this spring were received, like the Boston Symphony the year before, "with great delight and enthusiasm". Three American artists, singers Blanche Thebom and Leonard Warren and conductor Leopold Stokowski have had successful appearances in the USSR, while two outstanding Soviet performers, pianist Emil Gilels and violinist Leonid Kogan, have toured this country. American participation in the Tchaikovsky Competition resulted in Van

¹ The 135-page report was entitled "Soviet Commitment to Education: Report of the First Official U.S. Education Mission to the U.S.S.R., With an Analysis of Recent Educational Reforms."

Cliburn's triumph which, more than any single cultural event, demonstrated the quality of American musicians to millions of Russians.² American men's and women's basketball teams, the Washington University crew, a hockey team, and a 70-member track and field team, chosen by competition, have been in the USSR, while Soviet wrestlers and weightlifters have competed here. All these events have been accompanied by expressions on both sides of appreciation and good will. In the cultural field it has been possible for communication to take place between many thousands of citizens of both countries.

Information

Conclusion of final agreement for exchanges of films is expected in September; agreement has already been reached on many points and lists of films have already been exchanged.

Exchanges of exhibits, including an exhibit on the peaceful uses of atomic energy, are under discussion. The Soviets have proposed a reciprocal exchange of an exhibit in "science, technology, and culture".

Arrangements have been concluded by HEW to exchange textbooks and university and school curricula.

The distribution of the magazines *Amerika Illustrated* and *USSR* has been improved and the "returns" have been cut drastically.

In radio and television, the American companies have submitted to the Soviet Embassy comprehensive lists of programs for sale or exchange. The Department has delivered documentaries on TV film for selection by the Soviets. Negotiations are in progress for individual TV program exchanges, including those of a political nature.

It is estimated that over 3000 tourists will visit the Soviet Union this summer. These include such prominent Americans as Adlai Stevenson³ and Charles S. Ryne, and Americans of every walk of life. No Soviet tourists have as yet come to the United States, but American Express has opened an office in Moscow to facilitate tourist traffic.

Negotiations for ad hoc, unscheduled, direct commercial air flights between the United States and the USSR will commence soon.

I propose, with your concurrence, to submit periodic reports on the execution of the Agreement.⁴

Faithfully yours,

William S. B. Lacy

² Documentation on Van Cliburn's victory in the Tchaikowsky International Piano Competition in April 1958 and his subsequent tour of the Soviet Union is in Department of State, Central File 511.613.

³ Stevenson described his visit to the Soviet Union in the summer of 1958 in *Friends and Enemies: What I Learned in Russia* (New York, 1959).

⁴ No subsequent reports by Lacy to Secretary Dulles have been found. In a short note to Lacy dated August 1, a copy of which is attached to the source text, Dulles said that he had read the report of July 25 with interest and found it "indeed an encouraging one."

6. Despatch From the Embassy in the Soviet Union to the Department of State

No. 145

Moscow, September 4, 1958.

REF

Desp. 57, July 28, 1958 (Housing); Desp. 68, July 31, 1958 (Science, Liberal Arts);
Desp. 79, August 7, 1958 (University Presidents)¹

SUBJECT

American Exchange Delegations in the Soviet Union—The Experience So Far

Members of American delegations to the Soviet Union under the exchange agreement have undoubtedly visited more Soviet enterprises, farms, and government institutions during the last ten months than all American officials taken together since the war. As indicated in the despatches under reference, and others to come, these delegations have been able to meet Soviet citizens and observe aspects of Soviet life heretofore virtually inaccessible to American officials. On the basis of their experiences it should prove possible to make a more reliable and detailed appraisal of Soviet science, technology, certain social institutions, and popular attitudes than has been possible heretofore.

The Soviet Performance

In general, the Soviet hosts have taken the delegations to most of the places that they have specifically requested to see and have opened up their factories, offices, and other institutions to a surprising extent, considering the nature of the Soviet system. Closed area problems are often encountered, however, and can only be overcome in certain cases, even when reciprocity in the US is offered. Soviet professional and technical people have often frankly and openly discussed their problems with their American counterparts. In most cases, no expense or effort has been spared to provide for the Americans' comfort and convenience within the limits of the sometimes inadequate facilities available. The American delegates have received a friendly reception everywhere, and Soviet hospitality has frequently been overwhelming. Political discussions have, as a rule, been scrupulously avoided by both sides, a practice which has helped to create a relaxed and felicitous atmosphere.

The American delegates' experiences have, by no means, however, all been favorable. Soviet authorities have generally tended to show the

Source: Department of State, Central Files, 511.61/9-458. Limited Official Use. Drafted by S.C. Blasier.

¹Despatch 57 is *ibid.*, 032/7-2858; despatch 68 is *ibid.*, 032/7-3158; despatch 79 is *ibid.*, 511.613/8-758.

delegates their best work and have frequently concealed weaknesses by what appears to be calculated efforts at deception. Sensitive of criticism from a more advanced industrial country which they are dedicated to overtake and surpass, the Soviets have frequently used all sorts of excuses, such as the unavailability of travel or hotel space, to deflect visits from certain cities or establishments. Pride, security considerations, and fear of adverse publicity abroad, which could have unfortunate repercussions on Communist propaganda, are probably responsible for their evasion or refusal of certain requests. The Soviet authorities have discouraged in various ways the delegations' contacts with ordinary citizens, and peasants in particular. Most of the delegations, with the possible exception of one or two of the many agricultural groups, have not succeeded in acquiring any very clear picture of life on a collective farm. In attempting to cut down opportunities for observing Soviet weaknesses, the authorities have also caused the delegates to spend more time in museums, exhibits, tourism, and banquets than has seemed warranted. Frequently, the delegations have succeeded in seeing a great deal only as a result of skillful negotiation of the itinerary and by insisting on tending to business.

The American Performance

The American delegates have consistently reflected great credit on the United States. Friendly, communicative, and poised, the delegates have put on a personal and professional performance usually outshining that of their Soviet hosts. The Embassy believes that the Americans, in combining easy friendliness and professional know-how, have inspired respect wherever they have gone. Applying themselves to their assignment at a pace that has sometimes caused their Soviet hosts to falter, the American delegates have generally taken a firm line in the face of Soviet efforts at evasion and deception. As a result, the delegations' visits have been very successful from both an intelligence and public relations point of view.

As anticipated, the delegations have acquired less scientific and technological information than the Soviet delegates are expected to acquire in the United States. In general, the United States is well ahead in most fields. Nevertheless, several delegations appeared to have learned some things which may be put to good use at home.

Some Suggestions for Advance Briefing

The Embassy is highly appreciative of the excellent job which the Department has generally done in briefing American delegations before their departure for the Soviet Union. In addition, the Embassy is well aware of the difficulties which confront the Department in this effort. All too often, it has proved almost impossible to assemble the delegates beforehand in Washington or New York in time to allow for even a short

briefing, to say nothing of the more comprehensive one which would be optimally desirable. What follows, therefore, is the drafting officer's prescription for a utopian approach, made in full consciousness of the obstacles thereto.

A comprehensive advance briefing on the Soviet scene, and particularly on information in the delegations' general field, such as the organization of industry or agriculture, as appropriate, is essential in order to permit the delegates to make the most of their visit and avoid wasting questions on subjects easily covered at home. Some delegates could have been more effective had they known in advance, for example, the difference between a collective and state farm. Members of one delegation, which was given a hasty briefing on the day before its departure from the United States, urged that future delegations, or at least those members residing in the Eastern part of the country, be brought to Washington for briefing two to four weeks in advance of their departure. The suggestion has been made that this briefing include a definition of the broader political purposes of the exchange. Some members, for example, have single-mindedly devoted themselves to what turned out to be the hopeless task of acquiring new information in specialized fields in which the Soviets were far behind. They might have been more effective had they been aware of the broader objectives of their visit.

Experience so far has shown that it is wise to make the delegations' wishes with regard to the itinerary and places to be visited clear to the Soviets and to reach an agreement (in writing, if possible) on the itinerary as soon as possible after arrival. In general, the Soviets have used evasive and deceptive tactics in the initial negotiations, seeking to restrict the delegations' movement without refusing their requests outrightly. The Soviet effort usually is directed toward keeping the delegations on the "tourist circuit." Since the Soviets are well aware of the prospect of reciprocal treatment in the United States, however, careful preparation of requests and polite but persistent pursuit of them have proved profitable. Usually, the Soviets can be persuaded to make substantial concessions. In addition, they have been responsive to requests for more time for professional discussions and visits, and less for banquets and merrymaking. Some museums and exhibits have also been successfully avoided.

If a delegation knows in advance that it is to be a guest of some Soviet host organization, which will pay all expenses, there is, of course, no point at all in the purchase by delegates from Intourist of any coupon booklets for meals and hotel accommodations, since the delegates' incidental expenses can be paid for in cash. However, even in the case of delegations which are to travel at their own expense, it is distinctly preferable, if this can be arranged, for delegates also not to buy Intourist coupon booklets unless, for some reason, the Soviet Embassy insists on the

purchase of such booklets before agreeing to issue visas. (This is the general practice with regard to tourists, but should not apply to any sort of delegation.) This reason for this advice is that the total cost of rooms and meals paid for in cash is generally less than the \$15.50 a day charged for first class Intourist service. Apart from that, luncheons and dinners are frequently provided free of charge by host organizations, thus further reducing the need for coupon books calculated on a three-meal-per-day basis.

Delegations would be well advised to designate one of their number as administrative officer. There is an endless series of petty, but time-consuming, problems of travel, accommodations, etc., which can best be handled if one member of the delegation is authorized to act on the delegation's behalf.

Many of the delegates have thought of ingenious ways to break the ice at banquets and in talks with Soviet citizens. Clever toasts, of course, are very appropriate and some of the musically inclined delegations have made a favorable impression singing American songs. Photographs of home, family and work, and small gifts, which are not likely to seem condescending, have proved useful in striking up conversations. The Department might also wish to consider lending one or two Polaroid cameras to each delegation, since the presentation of pictures taken on the spot has proved an excellent ice breaker. Chairmen of delegations should be prepared to make statements at the conclusion of visits to industrial establishments or cities, and certainly at the end of the trip, the latter statement sometimes having been prepared in advance in writing. Delegates should be cautioned beforehand, however, as regards toasts, that overly effusive remarks and rhetoric about Soviet-American friendship should be avoided when these exceed expressions of gratitude for actual courtesies and kindnesses, since the Soviets can and do exploit or distort such words.

Some Suggestions for the Reception of Soviet Delegations in the US

The Embassy hopes that every effort will be made to insure that the Soviet delegates receive a warm and friendly reception in the United States. While such a reception is necessary in order to achieve the political objectives of the exchange, the fact that the Soviets have done such an exemplary job in the particular aspect of hospitality here makes it all the more imperative. It is, of course, advisable that they be given an opportunity to form as favorable an impression of American life as possible and to see the advantages of the American political system. Since Soviet entertaining of foreigners is confined to public places and offices, visits to private American homes would be particularly useful, if not mandatory.

In order to insure satisfactory treatment of American delegations in the USSR, the Embassy recommends that Soviet refusals of American requests for visits to specific places here be fully reciprocated in the United States in comparable ways. Plans for the reception of each delegation should be carefully worked out in advance with one or more members of the corresponding American delegation to the USSR. Deletions from the Soviet itinerary which hurt and which correspond to Soviet refusals should be made so that the Soviets learn to expect repercussions in the United States of their treatment of American delegates here. Perhaps they should be told point blank that they cannot visit such and such American cities or institutions because the American delegates were denied an opportunity to see some specified Soviet city or institution. If the Soviets do not receive reciprocal treatment in this regard, the tasks of American delegations here are likely to be further complicated. The foregoing, of course, can apply only where the American visit to the USSR precedes the reciprocal Soviet visit to the US.

In order to achieve the objectives of the exchange, much attention will have to be devoted to the physical arrangements of travel in the United States. Many, if not all, Soviet tour directors have been highly qualified specialists in the delegations' field of interest and have, moreover, done a conscientious job in providing for their charges' physical comfort. The Soviet tour directors, however, have not generally had authority to change the itinerary and scheduled visits without consulting Moscow. This has created an unfavorable impression and complicated travel arrangements. Since the Soviet delegates will expect the Americans to follow the Soviet practice of showing only the best, it is recommended that the American tour directors have some reasonable discretion to visit suitable unscheduled points in the general area which a delegation may suddenly request (provided this avoids giving the Soviets a major unreciprocal advantage). This should create a good impression from a political point of view and reduce the suspicion that the itinerary includes only "show places."

The Soviet authorities have usually provided competent interpreters, including those capable of interpreting highly scientific discussions. When an interpreter has been found inadequate, the Soviets have generally found a satisfactory substitute. The importance of providing groups from the USSR with competent interpreters cannot be over-emphasized, and it is sometimes justifiable and useful for Soviet delegations to bring their own interpreters.

For the Chargé d'Affaires a.i.:
David E. Mark
First Secretary of Embassy

7. Memorandum of Conversation

Washington, December 5, 1958.

PARTICIPANTS

The Vice President

Yuri Zhukov, Chairman of the Soviet State Committee for Cultural Relations
with Foreign Countries

Mikhail A. Menshikov, Soviet Ambassador

Mr. Vakhrushchev, Interpreter

Andrew H. Berding, Assistant Secretary of State for Public Affairs

Edward L. Freers, Director, Office of Eastern European Affairs, Department of
State

Mr. Zhukov thanked the Vice President for the courtesies he and his wife had received from the many Americans they had met during their trip throughout the country.¹ He said that he was impressed by the fact that the treatment given to Soviet visitors in the United States was generous and friendly, in marked contrast to what was written about the Soviet Union in the American press.

The Vice President said that Americans in Russia had had the same experience. The important thing today was to reduce tension between our countries and find the path for working toward a resolution of our differences.

Mr. Zhukov asked if the Vice President had noticed Premier Khrushchev's response to the Vice President's remarks in London² about competing with the Soviet Union to abolish poverty rather than competing with it in war.

The Vice President said that Premier Khrushchev's remarks had been drawn to his attention but he had not yet been furnished with the actual text.

Mr. Zhukov said the text was published in *Pravda* on November 28. He pointed out that Premier Khrushchev fully endorsed the idea that the United States and the USSR should engage in economic competition, not in competition of armaments.

The Vice President said that statements made by Soviet leaders and positions taken by them appear very belligerent to the American people.

Source: Department of State, Central Files, 033.6111/12-558. Secret. Drafted by Freers and approved on January 6 by Brigadier General R. E. Cushman, Jr., Executive Assistant to the Vice President. A copy of a briefing paper for the Vice President to use for his conversation with Zhukov was sent to Cushman as an enclosure to a December 3 memorandum from Macomber. (*Ibid.*, 611.61/12-358)

¹ Zhukov was in the United States on an unofficial visit.

² Not further identified.

These are things that create tension. He did not intend his remarks to Mr. Zhukov in a critical way and realized that our statements and positions might also appear belligerent to the Soviet people. It is possible that the latter have the impression that we place too much reliance on power just as we have the impression the Soviets do. The important thing was to remove these belligerent attitudes. Mr. Zhukov agreed.

Mr. Zhukov mentioned that he had talked with a number of economists during his stay in the United States and was interested to learn that they were talking about programs of economic development projected 10 or 15 years in the future much as the Soviet planners were doing in connection with the new Seven Year Plan and the plan following that. All this formed the basis for peaceful economic competition and the elimination of the dreadful waste of expenditures for armaments. In the next 15 years both sides would spend something over 400 billion dollars for this purpose. This was appalling. If expenditures were cut off now, all these funds would go into economic development and the armaments already produced would in the space of the 15 years time be obsolete and needless. That is why it is important to hold high level meetings. Mr. Zhukov said friends he had talked with in America asserted that it was not possible to hold meetings behind closed doors. He did not believe this. What has happened is that we have been talking in other ways for two years and no progress has been made. A great deal of money has been spent by both sides during these two years.

The Vice President said that we fully appreciate the value of top level meetings for dealing effectively with basic problems. We certainly would not rule out this means of a peaceful settlement. However, we were concerned about the fact that if such a meeting were held and were unsuccessful, the state of tension in the world would be increased rather than decreased. This is why we held to the view that there should be preliminary negotiations to determine whether or not there were reasonable prospects of reaching agreement. This does not mean that we would expect to solve all the problems at one swoop, but we must be reasonably sure that agreement on some basic problems appeared likely. If there were any thought in Mr. Zhukov's mind that this meant waiting until 1960 for a top level meeting, such a notion was incorrect. If a reasonable formula were found which would offer prospects of success, we were willing at any time to consider the idea favorably. The Vice President said that he spoke for the President in saying this and that he knows that our NATO Allies felt the same way.

With regard to the disarmament problem, we placed great emphasis on control and inspection in a situation where mutual trust does not exist. Control and inspection would guarantee for us that the Soviets would live up to their agreement, and for them that we would, and this was the most reliable means of building confidence between us. This

was a two-way street. We would allow the same facilities for inspection to the Russians as they would accord us. The operation of control and inspection should be conducted in such a way as not to interfere with internal affairs. If there were agreement on inspection and control, this could lead not only to a cessation of nuclear tests but also to general disarmament measures as well. It was our hope that this would come about.

Mr. Zhukov said that it looked as if we would be proceeding along the lines we are following now. In any event, we would be engaging in economic competition. This itself would be helpful provided there was no interference in internal affairs of other countries.

The Vice President pointed out that we stood for no interference in the internal affairs of other countries. We realized that we had been charged with interference by others. On our part, we considered that the Soviet Union was interfering in other countries as, for example, in the Middle East where events are occurring as a result of stimulation from outside. Whether he should refer to the Soviet Government in this connection he was not sure—perhaps he should say, the Soviet Communist Party. In objecting to such interference, we were not working to maintain the status quo anywhere. It was our view that changes should be brought about by the working of internal forces and not as a result of outside stimulation.

Mr. Zhukov nodded and said this was the Soviet attitude also. Passing to another point, he said that if a top level meeting were not possible, it was useful in the Soviet view to continue the exchange of views at what he termed a middle level. He referred to the talks which Mr. Eric Johnston and Senator Humphrey had had recently with Premier Khrushchev.³ (It was clear he considered his own talk with the Vice President as in this category.)

The Vice President agreed that this was useful but observed that in addition to these talks with persons who could put forward only their private views, such as those mentioned, it was necessary to discuss issues on an official level.

Mr. Zhukov remarked that that is why Ambassadors Menshikov and Thompson occupy their posts. He mentioned that the opening of the Sokolniki Fair in Moscow next July would provide an occasion for an official visit to the Soviet Union and this would furnish another opportunity to exchange views. He hoped the Vice President could come.

³ Regarding Johnston's October 6 conversation with Khrushchev, see Part 1, Documents 56 and 57. Senator Humphrey's conversation with Khrushchev on December 1 is described in despatch 347 from Moscow, December 18. (Department of State, Central Files, 033.1100-HU/12-1858) Senator Humphrey's version of the conversation regarding Berlin is printed in vol. VIII, Document 84.

The Vice President remarked that Mr. Zhukov was carrying out a very important task in developing East-West exchanges and that he hoped his visit here had been an additional contribution to this work. The Vice President said that he had been the first in the administration to come out for a broad exchange of persons and ideas with the Soviet Union in his speech at Lafayette, Indiana, in 1955.⁴ The President fully supported this concept as well. The Vice President asked Mr. Zhukov to convey his personal greetings to Premier Khrushchev. He said that he admired the way Premier Khrushchev put forward his point of view and the way he handled the press.

Mr. Zhukov repeated his thanks for American hospitality and for the Vice President's courtesy in receiving him.

⁴ Nixon was apparently referring to his speech delivered at Lafayette College, Easton, Pennsylvania, on June 7, 1956. For text, see Department of State *Bulletin*, June 25, 1956, pp. 1043–1047.

8. Despatch From the Embassy in Poland to the Department of State

No. 274

Warsaw, January 29, 1959.

SUBJECT

Report on Cultural Activities for 1957–58 with Special Reference to the Educational Exchange and Cultural Presentation Programs

The purpose of this despatch is to summarize and appraise general program operations and services as they relate to the subject of educational exchange and cultural events in Poland. At the same time, a brief description is submitted of the developments in cultural policy of Poland that have been observed over the past year.

In the absence of an official educational exchange program and a cultural agreement, our operations in Poland are informal. Informational and cultural activities are conducted within the framework of the

Source: Department of State, Central Files, 511.493/1–2959. Official Use Only. Drafted by Frank J. Lewand. The Department of State was asked to pouch copies to Moscow, Prague, Berlin, Vienna, Paris, and London.

Press and Cultural Section of the Embassy and there is no identification of these with USIS. This despatch will deal mainly with a review of the principal events and activities of the cultural unit of the Press and Cultural Section over the past year.

Background:

Following the "thaw" of 1954-56 and particularly the events of October 1956, the situation in Poland provided opportunities for the resumption of cultural contacts with the West. The changed circumstances permitted the appearance of a number of Western cultural presentations and visas were issued to American professors, scholars, scientists and performing artists.

Contacts were resumed with the Ministries of Education and Culture, with educational officials, the general public and representatives of the theatrical and musical professions. The requests for information and assistance that came to the Embassy were almost more than could be taken care of but adjustments were rapidly made. This situation has continued with some variation.

Although the purpose of this despatch is not to outline changes in internal cultural policy over the past year, it may be worthwhile to refer to them in so far as they may affect our own cultural and exchange programs in Poland.

For over a year following the closing of *Po Prostu* in October 1957, and the banning of *Europa* before it even appeared, there have been cautious attempts by the Party to apply stricter controls over cultural and, in particular, literary life. The appointment of a new Minister of Culture, Tadeusz Galinski, in September 1958, afforded an opportunity to verbalize the principles of a "new" cultural policy.

The speeches at the XIIth Plenum¹ contained recommendations which would enable the Polish United Workers Party (PZPR) to assume its leading role in intellectual life and to control the most intransigent cultural forces. Those measures suggested ranged from "persuasion" to "administrative measures." No firm steps were taken at the Plenum and the statements of the Party's cultural spokesman, Jerzy Morawski and of Minister Galinski at the Wroclaw Congress of Writers in December² indicated that the regime was not prepared to adopt immediate and drastic measures against the dissident writers' group, although threats were uttered that it was necessary for cultural workers to favor "socialism" in a positive manner. Galinski went further in stating that the Party and

¹ The XII Plenum of the Central Committee of the Polish United Workers Party was held in Warsaw in October 1958.

² Regarding the Wroclaw writers' congress, see Intelligence Report No. 8005, April 27, 1959, Part 1, Document 17.

Government would use financial pressures as a means to persuade Polish intellectuals to pursue this line. It is yet too early to state whether measures aimed at stricter control will be carried into effect in the near future.

Despite the threats outlined above, culture in practice in Poland offers a livelier fare than in any other eastern country. The theater during this season has been offering a number of unusual plays, such as Kafka's "The Trial", Morzec's "Policeman", Camus' "State of Siege", and others. Outstanding also has been the number of books of foreign authors which have appeared in translation and are scheduled for publication.

Nevertheless, censorship (it is one of the "administrative measures" frequently referred to and which was decried in a resolution at the Wroclaw Writers' Congress) remains a potent weapon in the hands of the regime. The comparative freedom is circumscribed by several distinct limits. There can be no direct criticism of the Soviet Union or denial of the Communist system as such, and discussion of Stalinism and its present effects must be avoided. (It is also known that censorship operates to restrain the tone of criticism of the western countries, with the possible exception of Western Germany.)

We have been unable to determine that the above developments have had a direct negative effect on the operations of our cultural and exchange programs.

[Here follows a detailed description of educational exchanges; the Rockefeller and Ford Foundation programs; the P.L. 402 Foreign Leader program; visits by American specialists, government-sponsored as well as privately arranged performances by American artists; and an appraisal of the operations and services provided by the Embassy's staff to these activities.]

Recommendations for Program Improvement:

We greatly appreciate the cooperation of the East-West Contacts staff and USIA in supporting the development of cultural relations with Poland. Further expansion of the program, while desirable, is contingent on conditions outside this immediate field. The Ford and Rockefeller Foundation programs should be continued along present lines and the Foreign Leader grants under the P.L. 402 program offer the best investment of government funds in bringing effective results but further study and consideration may be given to increased participation in English language instruction and provision for a couple of specialist grants in the future.

A more continuous flow of cultural attractions should be offered to avoid the concentration of a number of American attractions over short periods. Artists, scholars, lecturers and prominent literary personalities should be encouraged to come to Poland. The British, whose citizens are

of course more accessible to Poland, have had much success with frequent visitors but it is believed more could be done to direct the attention of American distinguished personalities to Poland, should they plan to be in the vicinity.

Further consultations are necessary in order to determine the advisability of exploring additional technical and academic fields as for example, offering of fellowships in the field of management, architecture and engineering.

Summary:

Poland appears desirous of continuing and developing cultural contacts with the United States. Academic freedom prevails in most fields of academic learning and universities seem eager to receive capable American professors. Major American cultural presentations (ANTA) have been well received in Poland but it is essential that there be balanced flow of these attractions. The development of a "new" cultural policy has not resulted in the exclusion of American cultural presentations. The Polish population is friendly to the United States although certain officials have given the appearance of seeking to keep the volume of our cultural efforts within bounds. The programs of the Ford and Rockefeller Foundations should continue. By careful adjustment and persuasion we believe it possible to continue to conduct cultural activity between the United States and Poland within limitations for our mutual benefit.

For the Ambassador:
Frank G. Siscoe
Counselor of Embassy

9. **Memorandum of Discussion at the 407th Meeting of the National Security Council**

Washington, May 21, 1959.

[Here follow a paragraph listing the participants at the meeting and agenda items 1-6.]

7. *East-West Exchanges* (NSC 5607)¹

At the conclusion of the discussion on Iraq, the President adverted to the problem of trying to increase the understanding of Soviet

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by Gleason on May 21.

¹ For text of NSC 5607, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 243-246.

methods among the peoples of the nations in what the President described as the hinterland. The President thought that in recent conversations with foreign diplomats he had detected some slight evidence of greater independence of view on the part of the Soviet satellites. This, continued the President, reminded him that some two years ago he had made a suggestion that it might be desirable for the U.S. to invite perhaps 10,000 young Russian undergraduate students to the U.S. at our expense.² As he recalled, said the President, this suggestion received no support whatsoever except from Mr. J. Edgar Hoover. Nevertheless, the President said he really believed that one of the major problems in Iraq and other such countries was to find ways and means of getting the ordinary run of the people to put their trust in the U.S. He wished that we could do something along this line which was truly spectacular although he was glad to hear that it was proposed to bring 100 Iraqi students to the U.S. in the near future.

The President continued by stating that he still thought rather well of his idea of inviting some thousands of young Russians to study in the U.S. The President thought it was essential that we find some means of achieving a break-through to the Russian people. He expressed the opinion that we were overinsuring ourselves on our deterrent military capabilities. Our vast military expenditures are actually weakening our economy instead of enabling it to expand. On the other hand, some little money spent as the President suggested on these Russian students would add up to very little and might do some real good. Even Secretary Dulles had come round to some degree to sympathize with the President's idea. The Vice President reminded the President that he had also supported the President's idea when it was originally suggested two years ago. The President agreed.

Mr. Allen Dulles pointed out that the Soviets would probably not dare send 10,000 run-of-the-mill Soviet citizens to the U.S. for study. The President agreed that the Soviets might indeed fear the results of such an extensive visit but pointed out that even if the Soviets refused our invitation, the move would have great propaganda value. Furthermore, added the President, he was sure that there would be 7500 U.S. families willing to take these Russian students in.

The Vice President commented that the President's statement caused him to think that the time might well be at hand to re-examine the basic principles on which our policy with respect to East-West exchanges had been developed. According to the current philosophy of our East-West Exchange policies, all exchanges were conducted on a

² Presumably reference is to the suggestion that the President made to Secretary of State Dulles on January 17, 1958; see footnote 1, Document 1.

strict quid pro quo basis. We would accept a single Russian exchange provided the Russians would accept in return a U.S. exchange of some sort. It seemed, however, to the Vice President now that we should consider departing from this quid pro quo basis and make an offer to the Soviets on our own initiative. Of course, he continued, such an offer must not be too obvious in character. Nevertheless, it would be well to re-examine our East-West Exchange policy and take a new initiative now. The Vice President said that he had discussed this matter with Ambassador Lacy who was in charge in the State Department of the East-West Exchange Programs and Lacy has certainly been doing a fine job. Nevertheless, if we offered and the Russians refused to send us say 2000 of their students, such a refusal would put them on a very hot propaganda spot.

The President said that he was quite excited at the possible effect of an American indoctrination of 10,000 young Russian students in any given year.

The Vice President said that along with the idea of inviting the Soviet students, it might also be worthwhile to consider the feasibility of inviting a certain number of members of the Soviet managerial class who, he understood, were not as dedicated to the Communist ideology as many other Soviet citizens. If members of this managerial class could be invited to visit the U.S., on a selected basis, the results might be very effective.

The President commented that we have got to remember this fact. He said he believed that there would be sufficient concessions made at the meeting of the Foreign Ministers at Geneva³ to insure a subsequent meeting at the Summit. History might suggest that no results would derive from such a meeting but we would get at least some mileage out of it as we had at the last Summit meeting in Geneva in terms of the effect on world opinion of our "open skies" proposal.⁴ Could we not, continued the President, get some similar effect now if we were to try out his suggestion of bringing over some 10,000 Soviet students. This would constitute a counterpart to the "open skies" proposal at the last Summit Conference. The President expressed his conviction that Congress could be persuaded to provide the kind of money necessary to bring the Russian students over at our expense in our ships and he concluded that even as an experiment this would be worth a good deal of money.

Secretary Anderson suggested that the President's proposal should be enlarged to try to bring over 10,000 young Soviet students year after

³ For documentation on the Foreign Ministers Meeting at Geneva May 11–August 6, 1959, see volume VIII.

⁴ President Eisenhower advanced the "open skies" proposal at the Heads of Government meeting at Geneva July 18–25, 1955.

year instead of confining the matter to a one-shot attempt. The President agreed but said that he would settle gladly for a one-shot visit by these Russian students. Perhaps if the first visit were successful, plans could be made for follow-up visits in later years. After all, said the President, when he had originally made this proposal for a single year, only the Vice President and Edgar Hoover had seen any merit in it.

*The National Security Council:*⁵

a. Noted and discussed a suggestion by the President that consideration be given to the feasibility of bringing increased numbers of Russian undergraduate students to U.S. colleges and universities; and a suggestion by the Vice President for consideration of inviting, on a selected basis, increased numbers of members of the Soviet “managerial class” to visit the United States.

b. Requested the NSC Planning Board promptly to review existing policy on “East-West Exchanges” (NSC 5607).

[Here follow the remaining agenda items.]

S. Everett Gleason

⁵ Paragraphs a–b constitute NSC Action No. 2091, approved by the President on May 25. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

10. Memorandum of Discussion at the 408th Meeting of the National Security Council

Washington, May 28, 1959.

[Here follow a paragraph listing the participants at the meeting and discussion of unrelated subjects.]

At this point the President actually left the meeting. Subsequently and after the conclusion of the discussion on South Asia, Mr. Gray brought before the members of the Council the suggestion by the President and the Vice President, made at last week’s Council meeting,¹ with respect to the wisdom of inviting some thousands of Russian students and a selected number of members of the Russian “managerial class” to visit the U.S. in the course of a year. Mr. Gray indicated that he had

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by Gleason on May 28.

¹ See Document 9.

planned to propose the creation of a committee of Council members headed by the Vice President to advise the President on the wisdom of this proposal. Mr. Gray reminded the members of the Council that the President has specifically insisted that he did not want an elaborate staff operation to decide this question but instead wanted the opinions of his principal advisers. Moreover, continued Mr. Gray, he had specifically asked the President whether the President had been correct in stating at last week's Council meeting that Mr. J. Edgar Hoover had supported the President's suggestion for bringing over the Russian students when the President had made this suggestion a couple of years ago. The President had replied that Mr. Hoover had indeed supported this proposal. Mr. George Allen corroborated this fact as a result of a question which he had himself put to Mr. Hoover.

Mr. Gray then said that he felt that the members of the Council had an obligation to provide an expression of their own opinions to the President. Accordingly, he invited the members of the Council to think this matter over as individuals and to report their views to the President at a later meeting of the National Security Council.

Mr. Stans suggested that each member of the National Security Council should provide Mr. Gray with his views on this matter which Mr. Gray could then transmit to the President. Mr. Gray said he thought well of Mr. Stans' suggestion.

Mr. Allen Dulles wondered whether consideration could be given to this problem at a luncheon meeting of the Operations Coordinating Board. Secretary Dillon said that the State Department was already hard at work on determining their view of this problem. Secretary Dillon also noted that the President might feel the need to be able to make a dramatic move at a Summit Conference if such a conference were to follow the present meeting of the Foreign Ministers. Secretary Dillon felt reasonably sure that the President was thinking about his suggestion for inviting the Russian students in the context of a possible announcement at a Summit Conference.

Secretary McElroy suggested the desirability that the Department of Health, Education, and Welfare would have useful views on the practicality of the President's suggestion. Mr. Gray replied that he agreed that Secretary Flemming would have to be brought into the act but again warned that the President did not wish anyone to undertake a big staff study of his proposal and therefore had invited each member of the Council to think the matter over, consult privately, and give him their views. [Here follows discussion of unrelated subjects.]

11. Memorandum From the Director of the U.S. Information Agency (Allen) to the President's Special Assistant for National Security Affairs (Gray)

Washington, June 5, 1959.

REFERENCE

Your Memo of June 1¹

1. After a good deal of thought, I have come reluctantly to the conclusion that a proposal to bring a large number of Soviet students to the United States, in a one-way exchange, would do us rather more harm than good in world opinion.

2. I think we may assume that the Soviet Government would not accept, so the question of the propaganda value of the proposal is the real issue. The Soviet Government was reluctant to allow even the 20 Soviet citizens to study in the U.S. who are now here, and then only on a strictly reciprocal basis. In fact, even the present arrangement will run into severe difficulties if any Soviet student returns to the USSR and expresses pro-democratic or pro-U.S. views.

3. If a proposal were made for a large number of Soviet students to come to the U.S. without any mention of more American students going to the USSR, the Soviet Government would immediately denounce it because of the lack of reciprocity. National pride alone would force the Soviets to object, aside from other considerations.

4. It can be argued that such a one-sided proposal would have a propaganda advantage for us from the very fact of its being declined. The latest issue of the Soviet magazine *USSR* (copy attached)² carries on page 17 an open letter from a Soviet student addressed to American youth. It praises the exchange idea and claims that Soviet students are anxious to learn to know American students better, in order to develop better understanding. We could take them up on this by proposing that 10,000 of them come here, at our expense, to study for a year in Ameri-

Source: Eisenhower Library, Project Clean Up. Confidential.

¹ In his June 1 memorandum to the Vice President, the Acting Secretary of State, the Secretary of the Treasury, the Acting Secretary of Defense, the Attorney General, and the Directors of the Central Intelligence Agency and the U.S. Information Agency, Gray recalled the May 21 NSC discussion on East-West exchanges and the suggestion by the President to bring increased numbers of Soviet undergraduate students to American colleges and universities and the Vice President's suggestion to invite members of the Soviet "managerial" class to visit the United States. Gray asked the addressees to advise him of their personal judgments as to the merits of these two suggestions. (Department of State, Central Files, 511.613/6-159)

² Not found attached.

can universities. If they decline, we could expose their assertions for what they are—pure propaganda.

5. This approach has a good deal of appeal. However, unless we offer reciprocity from the start, I believe our proposal would rather quickly backfire against us. We ourselves would be accused of engaging in a propaganda exercise. People in third countries such as Britain, France, India, etc., would not expect the USSR to agree to a one-way exchange in our direction. Even though world opinion were convinced, as it might well be, that the President had made his proposal in good faith, everybody would think he had made a one-sided offer in confidence that it would be declined, and most people would at least understand, and perhaps even sympathize with, the Soviet refusal.

6. The Open Skies proposal made at Geneva in 1955 was excellent for the very reason that it was reciprocal. If the President makes any proposal about student exchange, I think it should be a reciprocal offer from the start.

7. I believe it would be a good idea for the President to make a dramatic offer of an exchange of 10,000 students in each direction.

8. Such an offer, even if strictly reciprocal, would be refused by the USSR on one ground or another since the Soviet Government will not dare run the risk of having a large number of Soviet students exposed to a free society. It can be argued that the President would expose himself as a propagandist by making even this offer, since he would have every reason to expect, when he made it, that it would be refused. While I recognize some validity to this argument, I believe, on balance, that a reciprocal proposal would have many more advantages than disadvantages, at least in the eyes of third countries. It would show our confidence in the superiority of our system, and if by any remote possibility it were accepted, we would gain handsomely in the exchange.

9. It might be difficult to persuade the American people to support the suggestion that thousands of Americans might be permitted to study under the Communist system. However, since the likelihood of acceptance is practically nil, little harm would be done and we would reap advantage in world opinion for having made a courageous offer towards easing world tensions.

George V. Allen

12. Memorandum From Acting Secretary of State Dillon to President Eisenhower

Washington, June 16, 1959.

SUBJECT

Proposal to Invite up to Ten Thousand Russian Students to the United States

In considering your suggestion that the United States might invite up to 10,000 Russian students to come here for a year of college education, it is my opinion that the public relations effect of such an offer would be good in the United States and would also be generally well received abroad.

There are, however, two specific foreign policy problems which such a program would raise which may make it advisable to consider some modification in the numbers involved. The first consideration is the effect of such an offer on countries which presently desire to send more students to the United States and are prevented from so doing by lack of funds or other obstacles. This would apply with particular force to Poland and Yugoslavia. In view of the NSC policy to encourage contacts between Poland and the West¹ it would seem essential to accompany any offer to the Russians with a commensurate offer to Poland. The same considerations would apply in the case of Yugoslavia and possibly to a lesser degree in the case of certain other Eastern European satellites. It would also appear desirable to make available some additional scholarships for students from underdeveloped countries, so as to avoid any implication that we are less interested in their needs than in a program with the Soviet Union.

The second consideration is the effect of such a proposal on our present exchange program with the Soviet Union. The Soviet Union would undoubtedly look upon such an offer as primarily a propaganda move on the part of the United States, and it is possible that this would lead them to halt or slow down the present modest exchange program. However, my personal view is that the difficulty that we might have with our present exchange program with the Russians probably is not a sufficient reason in itself to decide against going ahead with a dramatic proposal such as you have in mind. Nevertheless, it is an element that should be taken into consideration in reaching a final decision.

Source: Eisenhower Library, Project Clean Up. Confidential. A copy was sent to Gray under cover of a memorandum of June 16 from Dillon. (Department of State, Central Files, 511.613/6-1659)

¹ See Document 46.

All things considered it is my personal opinion that an offer to bring, say, 2,000 to 3,000 Soviet students to the United States on a one-time basis, paralleled by an enlargement of our facilities for receiving Polish and Yugoslav students as well as students from the underdeveloped countries having in mind a total one-year program of around 5,000 from all sources, would be the best course. I believe such an offer to the Soviets would have a publicity impact almost the equivalent of a larger number and would be helpful in terms of our relations with other countries.

Douglas Dillon

13. Memorandum [*text not declassified*] to the President's Special Assistant for National Security Affairs (Gray)

Washington, June 19, 1959.

SUBJECT

Expanding Soviet-American Student Exchange

REFERENCE

Memorandum on East-West Exchanges by Mr. Gordon Gray, dated 1 June 1959¹

1. [3-1/2 lines of source text not declassified] The United States Intelligence Board's Committee on Exchanges has informed the Department of State that as a general rule, it believes any exchange of students on a long-term basis should redound to the benefit of the U.S. This finding is based on a judgment of the importance of exposing Soviet youth to our way of life and permitting American youth to exercise a broadening influence on Soviet youth. The Committee's conclusion is very widely shared by other governmental and private experts on Soviet-American exchange.

2. [2-1/2 lines of source text not declassified] Assuming that the primary goal of any proposal to the USSR is in fact to maximize the number

Source: Eisenhower Library, Project Clean Up. Secret.

¹ See footnote 1, Document 11.

of exchanges and not to propagandize an anticipated Soviet rejection, it is necessary that the proposal be presented in the manner best calculated to insure its acceptance. The Soviets from the outset have been very reluctant to send large numbers of their students to study in the West and less reluctant but still wary of receiving large numbers of Western students in the USSR. Since there are approximately 45,000 students from more than 75 countries already on over-crowded U.S. campuses, a proposal to increase that number suddenly by a very large number of students would present a most serious problem to American educators. It seems necessary and desirable, therefore, that the number of persons presently involved in the exchange be kept to a point where (a) it would not be unreasonable to expect the USSR might accept the proposal, (b) where U.S. educators could strongly endorse it, and (c) where Soviet rejection of the proposal could be used in U.S. propaganda to demonstrate continued Soviet opposition to genuine free exchange of ideas and persons. Faced with the identical problem, United Kingdom officials recently made a judgment that this number was 300 persons; the Soviets rejected a UK proposal on this basis and agreed to only twenty. It may be that an exchange of 200 persons each way would be the best proposal, but a final conclusion on numbers and manner of presentation would require thorough examination.

3. In order to introduce certain elements of the President's ideas it might of course be stated in connection with any present proposals that we view them as only modest beginnings and look forward to the time when several thousand students from each country could carry on studies in the other.

4. In addition to the basic problem mentioned in the above paragraph, I wish to emphasize exchange of *graduate* students primarily, if not to the exclusion of undergraduates. Both governmental and private experts favor graduate student exchange with the USSR because of practical academic problems and the general level of maturity of U.S. undergraduates.

5. We are not here considering the security problem involved in a large student exchange with the Soviet Union because this burden falls primarily on other departments and agencies which have responsibility for internal security. We would of course continue as in the past, within the scope of our ability and responsibilities, to extend help to them by furnishing any information which might be available from foreign sources with respect to Soviet exchange students. However, it must be recognized that in most cases we would not have records on relatively young students coming from the Soviet Union. There is also the problem of effecting a most careful selection of the American students who are to go to the Soviet Union so that their deportment would be of a character to enhance our national reputation in the Soviet Union. Also in most

cases it would be important, if not essential, to select students who had a working knowledge of the Russian language, and it is not always easy, in the present stage of Russian language training in this country, to find large numbers of students with such qualifications who are desirous of carrying on studies in the Soviet Union. Another problem is that of securing *adequate financing* for an expanded program in view of the limited government funds presently available. U.S. support for the present program comes almost equally from the Ford Foundation and the Department of State's International Educational Exchange Service.

[*less than 1 line of source text not declassified*]

14. Memorandum of Meeting Between President Eisenhower and His Special Assistant for National Security Affairs (Gray)

Washington, July 13, 1959, 10:30 a.m.

[Here follows discussion of unrelated subjects.]

3. I reported to the President on my final roundup with respect to the unilateral offer on the part of the U.S. to bring large numbers of Russian students to this country. I summarized for the President the attached statement, indicating the positions of the various agency heads.¹

The President then said that he had started on this idea about three years ago when the colleges and universities weren't full.

Source: Eisenhower Library, Project Clean Up. Top Secret. Prepared by Gray on July 16.

¹ The attached statement, which was in the form of a table, is not printed. It indicated that all nine of the individuals and agencies queried (Departments of State, Defense, and the Treasury; the Central Intelligence Agency; the Bureau of the Budget, the U.S. Information Agency; the Office of Civil Defense Management; the Attorney General; and the Vice President) favored the idea of inviting Soviet students to the United States. All except the U.S. Information Agency favored a unilateral offer, with the Central Intelligence Agency and the Bureau of the Budget expressing qualified support for a unilateral offer. The U.S. Information Agency favored a reciprocal arrangement. The table also summarized some of the responses received. Copies of memoranda to Gray on this subject from Attorney General Rogers, dated June 11, and from Deputy Secretary of Defense Gates, dated June 12, are *ibid.*

Had his advisers agreed with him at that time the undertaking would have been a practicable one. Now he fears that the pressures on educational institutions from our own population is such that we might not be able to handle the Russian students. As an example he cited the fact that Barnard College has found it necessary to rent a hotel to accommodate its students.

I indicated to the President that I felt that my mission was accomplished and that I would do nothing further unless there was some indication from him.

I also reported to the President that only the Vice President seemed still to favor bringing increased numbers of the “managerial class” to the U.S.

[Here follows discussion of unrelated subjects.]

15. Editorial Note

Vice President Richard M. Nixon visited the Soviet Union July 23–August 2 and took part in the opening of the U.S. exhibition at Sokolniki Park in Moscow on July 25. The visit resulted from the invitation extended to the Vice President by Georgi Zhukov during their conversation in Washington on December 5, 1958 (see Document 7). Documentation on the Nixon visit to Moscow is in Part 1, Documents 92–107.

On his return to the United States, Nixon visited Poland, August 2–5; see Documents 73–79.

16. Report Prepared in the Department of State

INR Report 8100.3

Washington, August 1959.

US-SOVIET EXHIBITS A SUCCESSFUL EXCHANGE

The first exchange of exhibitions between the United States and the Soviet Union ended on September 6 with the closing of the American fair in Sokolniki Park in Moscow. The Soviet exhibition had closed in New York on August 10. An estimated 2.5 to 3 million Soviet citizens visited the US exhibition during its 43-day run, while the Soviet exhibition was seen by well over a million Americans during its somewhat shorter run. Despite certain negative aspects of the exchange, both sides viewed the outcome as successful.

The Soviet Exhibit

The Soviet Union appeared to be well pleased by the favorable reaction to its exhibition, which was seen at the New York Coliseum from July 25 to August 10. The Soviet press generally approved of the reception accorded the exhibit, though it did take issue with those US commentators who pointed out that many of the goods on display were not representative of what was generally available in the USSR.

Main Features. The focal point of the exhibition was the central area dominated by the heroic statue of a steel worker and a collection of sputniks. Simplicity and terseness contributed to the effectiveness of the relatively few propaganda slogans on view. These were devoted for the most part to three central themes: (1) peace and good relations with foreign countries; (2) Soviet economic progress; and (3) the social benefits of the Soviet system.

The inclusion of consumers' goods in the exhibit struck a light note and was well received by the US press. Soviet correspondents were quick to report that Russian fashion models were getting front-page pictures in American newspapers while sultry Italian movie stars were being relegated to small notices on the inside pages. Despite their good press, the consumers' goods displays had perhaps the least impact upon American visitors, who for the most part were well aware that the merchandise shown was not what was being offered to the Soviet consumer.

Audience. The Soviet exhibition differed most strikingly from its American counterpart in Moscow in the degree to which it was accessible to the public. Tickets could be bought at the Coliseum box office (adults \$1, children 50 cents) by anyone. Moreover, those Americans who did not visit the exhibit had ample opportunity to become ac-

quainted with it through extensive and generally favorable newspaper reports. Because of its novelty, the relatively small exhibit, with only about 15,000 square yards of floor space, commanded an unprecedented amount of space in the American press.

The US Exhibition

The American fair in Moscow enjoyed considerable success in spite of strenuous and concerted Soviet efforts to discredit it. While the attitude of the Soviet Government remained officially correct, Soviet propagandists conducted a well-planned campaign to belittle the exhibition in the eyes of the Russian people. The campaign, which began some weeks before the opening of the fair, expanded significantly after July 25, the opening date, and the volume of propaganda continued thereafter at a high level until the announcement of Khrushchev's acceptance of President Eisenhower's invitation to visit the United States.

Soviet Propaganda Handling. The Soviet propaganda effort proceeded along two main lines: (1) disparagement of the fair as a whole and of certain exhibits in particular, and (2) an increased emphasis in the Soviet press on the more negative side of American life, i.e., unemployment, bad housing, slums, etc. Attempts to discredit the fair itself began with an attack on the model house, which in a press conference was described by Ambassador Menshikov as beyond the means of the average American and by the Soviet press as no more like the home of a typical American worker than the Taj Mahal is like the home of a worker in Bombay. The Soviet press also seized eagerly upon criticisms in the United States leveled against the art exhibit and the racial integration portrayed in the fashion show.

With the opening of the fair, Soviet propaganda moved into high gear. Continuing to play upon the theme that the goods on display were obtainable only by the rich, the press attacked the fair for showing only the favorable side of American life. A typical technique employed was to print alleged criticisms of the fair by Soviet citizens, usually with a certain amount of "positive" comment on some particular exhibit thrown in to lend plausibility. Citizens were invariably described as "disappointed" by the failure of the fair to present a balanced picture of American life and to show the "technical achievements" of the United States. Criticism of a harsher sort was daily expressed by agitators planted on the grounds outside the fair, in the streets, and reportedly in the factories. Agitators in large numbers also entered the fair grounds, where they stationed themselves near the various exhibits in order to embarrass the guides and other Americans present with "loaded" questions. The sharpness and volume of agitation fell off after the announcement of Khrushchev's forthcoming American visit but did not cease altogether.

Harassment. Propaganda was supplemented by various kinds of obstructionism and harassment. Soviet authorities requested the removal of a considerable number of books from the display, including such innocuous items as the *World Almanac*, on the grounds that they contained "anti-Soviet propaganda." They also insisted on the removal of a photograph (made in 1946) from the "Family of Man" exhibit of a Chinese child holding an empty rice bowl.

Ticket distribution, which was entirely under Soviet control, was handled through local Party organizations in such a way as to favor individuals of political reliability. Ticket booths in Moscow were deliberately uncooperative in providing information on where tickets could be obtained, and tickets went on public sale only during the second week of the fair. "Public sale," as it turned out, meant sale to those whose names appeared on an approved list, and conversations with Soviet citizens revealed that not everyone was eligible to receive this favor.

Measures designed to distract attention from the fair were also carried out. The Soviet Government opened a new fair of its own—in another part of Moscow—which exhibited and sold a wide range of consumers' goods and foodstuffs (some of which had previously been in short supply in the city), while the existing Soviet exposition of economic progress was expanded. In addition, a special exhibit of Soviet automobiles and household appliances was set up next to the US area in Sokolniki Park.

Restrictions on Soviet People. The variety of measures inaugurated by Soviet authorities to counteract the effects of the American fair and the degree of control instituted over Soviet visitors to the fair shows clearly the limits which the Soviet Government sets on "free exchanges" with the West. Even on the fair grounds the Soviet citizen was not free from surveillance and control. Instances of police intimidation of Soviet citizens were directly observed on a number of occasions, and by the end of the first week four arrests had been reported of individuals seen to have been speaking long and freely on political subjects with the guides. Known KGB agents were in constant attendance. The Soviet Union is clearly not ready to permit the kind of free competition with the West so often advocated by Khrushchev.

Public Reaction. Popular Soviet reaction to the exhibition was one of intense interest and general approval. Soviet visitors displayed enormous curiosity not only about the exhibits but about all facets of American life, and the American Russian-speaking guides, who were called upon for information on every conceivable subject, themselves became objects of interest and approval. The Negro guides made a distinct impression upon the visitors, since their appearance and obvious educa-

tion conflicted strongly with the stereotype of the American Negro created by Soviet propaganda.

Disappointment at the absence of heavy machinery and other tangible examples of American technical achievements appeared to be to some extent genuine. Accustomed to such exhibits in their own country, Soviet citizens apparently hoped for a similar display of American technology. Also disappointing to Soviet visitors was the apparent lack of focus of the fair as a whole. While the aim of showing the wide variety of elements that go to make up American life may have been achieved, the effect upon the Soviet citizen, who is used to having things spelled out, may have been somewhat perplexing. A further criticism voiced by some of the visitors was the relative lack of emphasis upon religious life in the United States.

American automobiles and color television appeared to be two of the most popular exhibits at the fair, with Circarama a close third. Visitors invariably asked detailed questions about costs, amount of working time required to earn the purchase price, waiting period required, etc. The model house, the fashion show, the IBM question-answering machine and Pepsi-Cola were all extremely popular exhibits. The book corner proved to be a highly frequented area, the most popular works being books on art, architecture, and the sciences. Evidence of the interest shown by Soviet citizens in Western books was the rapid disappearance of books (some 600 the first day). Losses from the bookmobile were so high that the exhibit had to be closed until a new shipment of books could be flown in.

17. Editorial Note

As a result of an invitation extended by President Eisenhower in June 1959, Premier Nikita S. Khrushchev and a party of nearly 100 persons visited the United States September 15–27. Among those accompanying Khrushchev were Foreign Minister Andrei Gromyko and Georgi Zhukov, Chairman of the State Committee for Cultural Relations with Foreign Countries. Khrushchev spent September 15–16 in Washington, journeyed to New York on September 17, where he addressed the U.N. General Assembly the following day, and then visited California, Iowa, and Pittsburgh. He returned to Washington on September 24 and spent September 25–27 at Camp David, Maryland, before returning to the So-

viet Union. Documentation on most aspects of the visit is in Part 1, Documents 108–139. Documentation regarding discussion of the Berlin issue during the Khrushchev visit is in volume IX, Documents 12–18. The documentation that follows pertains to discussions during the visit on exchanges between the United States and the Soviet Union.

18. Memorandum of Conversation

Washington, September 15, 1959.

SUBJECT

Exchanges of Information

PARTICIPANTS

Yuri Zhukov, Chairman of the State Committee for Cultural Relations with Foreign Countries
 Yuri Volski, Counselor, Soviet Embassy
 Soviet Interpreter (name unknown)
 S/EWC—Ambassador W. S. B. Lacy
 CU—Mr. Robert H. Thayer
 CU/EWC—Mr. Frederick Merrill
 SOV—Nathaniel Davis
 USIA—Mr. George V. Allen, Director
 USIA—Mr. Turner B. Shelton, Motion Picture Service, Director
 USIA—Mr. Joseph B. Phillips, Assistant Director for Europe
 USIA—Mr. Walter R. Roberts, Deputy Assistant Director for Europe
 USIA—Mr. James L. Halsema, Director of Planning
 USIA—C. Robert Payne, Special Assistant to the Director
 LS—Mr. Daniel Wolkonsky—interpreter

Mr. Zhukov called on Mr. Allen at 4:30 PM Tuesday following an earlier conversation in Ambassador Lacy's office.¹ Mr. Zhukov opened the conversation by referring to the radio and television aspects of the exchanges. He said that the Soviets were ready to make forward strides and try new ideas and informed Mr. Allen that, from today, the Voice of America was not being jammed. He said that this was an experiment—

Source: Department of State, Central Files, 511.61/9-1559. Confidential. Drafted by Davis and cleared in draft by Payne and Halsema.

¹ A memorandum of this conversation, during which Zhukov and Lacy discussed details of a number of exchange programs, is *ibid.*, Conference Files: Lot 64 D 560, CF 1472.

whether the Voice of America would cease pursuing the cold war and be the real voice of America. Mr. Zhukov then mentioned Radio Baikal, Radio Free Russia and Radio Caucasus. In this regard he said that the Soviet Government hoped the American Government would put a stop to these transmissions and, if so, the Soviets were ready to stop jamming altogether. Mr. Zhukov said: "We are ready to establish altogether normal relations in radio." He observed that jamming and broadcasting efforts designed to break through jamming were a waste of money on both sides. Mr. Zhukov amplified his conception of normal relations by describing them as like the exchanges of information between the Soviet Union and the Eastern European countries or as between the United States and its allies. He said such normal relations would enable the US and the Soviet Union to send objective information to the other country in the other country's language in the same way it is sent to other countries throughout the world. He referred to the exchange of *Amerika* and *USSR* magazines as a pattern which might be followed in radio broadcasting.

Mr. Zhukov said the Soviet Government was also prepared to implement the so far dormant article in the exchange agreement concerning radio-television exchanges on political subjects. Mr. Zhukov said that he envisaged an exchange of broadcasts from time to time between the Soviet and American Heads of Government. He said that these recorded speeches might be presented on television, on the radio and in newsreels. Mr. Zhukov also indicated Soviet willingness to show American newsreels.

Mr. Zhukov said that the Soviet side was prepared to accept the American proposal to increase the circulation of *Amerika* and *USSR* magazines to 77,000. He also said that the Soviets were prepared to accept the American proposal to open library centers to the extent of reading rooms in the Moscow and New York public libraries with American and Soviet books on deposit. In this regard he made it clear that these books would be non-political and selected by the host government from lists submitted by the other government. He also said that the centers would be managed by the host government.

Mr. Zhukov summed up by asserting that the thought in all these proposals of his was that it was time to stop the cold war. He suggested that the American side should think over these Soviet proposals and weigh them during the period when the Khrushchev party was on tour. Mr. Zhukov suggested that the American side might then give its point of view to him when he returned from the tour. Mr. Zhukov said that if the American side preferred to continue the cold war that would be "O.K." with the Soviets as well. Jamming would go on and each would call the other bad names. This, said Mr. Zhukov, would not be profitable for either of our countries. If the American side was ready to normalize

relations in the field of exchanges of information, however, the Soviet side was willing to go very far.

Mr. Zhukov then mentioned two or three American proposals which he said the Soviet Government had for the time rejected because it was necessary to go step by step. The first of these was the elimination of travel restrictions, which Mr. Zhukov characterized as an internal matter. The second was the unrestricted distribution of magazines and newspapers. In this regard Mr. Zhukov noted that the Soviets were importing over 554,000 copies of American publications already each year. Another such issue was that of censorship for correspondents' outgoing news despatches. Mr. Zhukov said that he could provide many examples where the free opportunity to report had been wrongly exploited. At this point Mr. Allen asked whether Zhukov meant the correspondents accompanying Nixon, and Zhukov replied that these were not the only examples he could cite. In conclusion, Mr. Zhukov reiterated the Soviet desire to stop the cold war.

Mr. Allen thanked Mr. Zhukov for his presentation and promised to study his proposals seriously. He requested clarification concerning some of Mr. Zhukov's proposals including the possibility of a radio-television-film exchange between Heads of Government, asking whether Mr. Zhukov envisaged special programs or the transmission of primarily domestically-oriented or generally-oriented statements and materials. As an illustration, Mr. Allen asked whether Mr. Zhukov would have in mind the exchange of remarks which had just taken place at the airport. Mr. Allen mentioned his concern that the unpleasantness concerning exchanges of translations that had occurred at the time of the Nixon-Khrushchev exchange be avoided.

Mr. Zhukov said newsreels of the exchange at the airport could be exchanged tomorrow. He went on to say that what he had in mind was perhaps a speech to the Soviet Union by the President after his visit and by Khrushchev to the American public summing up his impressions. An alternative idea might be an exchange of speeches on New Year's Day.

Mr. Allen mentioned that USIA was preparing a 30 minute color film concerning the Khrushchev visit and would be happy to exchange films on this subject. Zhukov replied that the Soviets were also making a film about the Khrushchev visit, but would be interested in seeing the Americans' work.

Mr. Allen asked whether Mr. Zhukov had any particular subjects in mind for the exchange between the Heads of Government. Zhukov replied that that was for the Heads of Government themselves to decide. He added that we should take the initiative on the lower level as well and cited the "Youth Wants to Know" television exchange as an example of a good one. In this regard Mr. Allen mentioned "College Press Conference" as reaching a more adult audience than "Youth Wants to

Know". Mr. Zhukov said what he wanted at this point was not a discussion of details but an understanding in principle as to what each side was ready to do. Mr. Allen commented that both sides seemed to be coming close to agreement.

Mr. Zhukov then reverted to his thesis that the cold war should be ended, adding that the Soviets should not use their opportunities to promote the establishment of communism or the Americans the establishment of peoples' capitalism.

Mr. Allen then reverted to the question of reading rooms and asked whether they would be rooms in public libraries. Mr. Zhukov said that it was necessary to go step by step and that a reading room in an established library would be the first one. Mr. Allen pointed out that it would be difficult on the American side to have the Soviets passing on the suitability of books and alluded to our difficulties in the Sokolniki Exhibition which we wished to avoid in the future. In reply Mr. Zhukov said that certain books at the US Exhibition called for the extinction of the Soviet system and their leaders and another book accused Mr. Khrushchev of having killed 100,000 Ukrainians. Apparently this was a book by Varshavski (spelling uncertain) of the Chekhov Publishing House. "You would not have tolerated similar books in our Exhibition in New York." Mr. Zhukov said that both Ambassador Thompson and Mr. McClellan had agreed to take out these books when they were drawn to their attention. Mr. Allen suggested that a way around this difficulty might be to have the Soviet libraries request certain American books. Mr. Zhukov replied that his idea was that the Embassy of each country would present certain offerings. Mr. Allen commented that the idea was interesting but perhaps not very important as the Library of Congress already had at least 50,000 Soviet books. Zhukov replied that Soviet libraries had millions of books in the English language but that new publications were needed. Mr. Allen asked in what language the offering should be. Zhukov replied that either Russian or English was acceptable but that translating books into Russian would be expensive, while many Soviet readers could understand English.

Mr. Allen asked whether the *Life* magazine on his table would be acceptable. Zhukov replied that when *Life* stops running propaganda, it would be accepted. He went on to indicate that at the start the exchange should be limited to books. Mr. Allen noted that the US Government cannot tell *Life* what to print and Zhukov responded that this was one reason why he proposed that only Government-controlled channels of information should be used in exchanges.

The discussion shifted to Mr. Zhukov's comments about stopping or continuing the cold war and Mr. Allen observed that he did not like to hear Mr. Zhukov putting the choice in terms of peace or war. Zhukov acknowledged that the situation might continue as at present, but went

on to say that the Soviets believed cold-war to be outmoded. He alluded to the cessation of jamming of VOA and said that the Soviet people would now judge VOA for themselves. He suggested that the Americans could now see what the Soviets write and say about the Voice of America to judge their reaction. Mr. Allen congratulated Mr. Zhukov on the Soviet decision to lift jamming noting that the American Government had made a decision not to jam 10 years ago and had, of course, never jammed Soviet broadcasts. (At this point Mr. Allen had a radio turned on in order to try and pick up a Radio Moscow broadcast to the United Kingdom, but reception was not good.) He went on to say that what concerned him was Mr. Zhukov's black and white presentation and observed that it was unrealistic to believe that what Mr. Zhukov described as the cold war would end tomorrow. He noted that either Government would not remain silent if the other Government did something it did not like. Mr. Zhukov replied that he believed the Heads of Government were for cooperation and agreed that the actions of the Heads of Government were not the province of himself and Mr. Allen, whose role was much more modest. Mr. Allen asked if that meant that the Soviet press and radio would never criticize NATO and Mr. Zhukov replied that it would depend on what NATO did. Mr. Allen said that he agreed and his point was that Governments cannot agree to end the cold war unless they can agree on all things which cause a cold war. Mr. Zhukov replied that normalization of State relations is a very big enterprise and, of course, relations cannot be changed overnight. However, a major task of cultural and informational ties is to promote a normalization of relations—and not to worsen them. While the effects might not be radical at first, they could result in a favorable impact on public opinion. Mr. Zhukov said he hoped his proposals would be weighed carefully. He repeated that they were minimum proposals and that he was open to further ideas as the Soviet Government could go still further. Above all, Mr. Zhukov said, we can go further in the field of radio.

In summing up, Mr. Zhukov said that the Soviet Government considered the radio-television exchanges, the *Amerika-USSR* magazine circulation and the reading room proposals of the United States Government as agreed. Mr. Allen remarked, with respect to the reading rooms, that we at least seemed close to agreement.

With respect to jamming Mr. Zhukov indicated, when asked by Mr. Allen, that the Soviet Government did not envisage a public statement on this subject. The Soviets intended to see what would happen. If the results were negative, jamming would be resumed. Mr. Allen then gave Mr. Zhukov a copy of the USIA news release announcing that the Soviets had stopped jamming VOA Russian-language broadcasts. The discussion then reverted to non-official situations and Mr. Allen asked what the Soviet view was concerning Radio Free Europe and Radio Lib-

eration [*Liberty*]. Mr. Zhukov said "All these were established for the purpose of overthrowing Soviet power". Mr. Zhukov returned to the subject of Radio Baikal and Radio Caucasus, saying that Radio Baikal emanated from Okinawa and Radio Caucasus from a ship near Rhodes. In the ensuing discussion, Mr. Zhukov read some excerpts from Radio Caucasus broadcasts which indicated that it was an NTS station, purportedly giving directions to an underground in the Soviet Union. Mr. Zhukov said that Radio Free Russia emanated from Frankfurt and went on to say that he could publish all of the material at hand but did not wish to continue the cold war by doing so. Mr. Allen noted that these stations were not under his control and said he was not certain that the United States had anything to do with these stations. He questioned whether any of them emanated from a ship near Rhodes, as the only ship of that kind was a USIA ship which transmitted only VOA broadcasts.

19. Memorandum of Conversation

Camp David, September 26, 1959, 4:40 p.m.

SUBJECT

Bilateral Issues

PARTICIPANTS

United States

Secretary of State
Amb. Thompson
Mr. Gates
Mr. Merchant
Mr. Kohler

USSR

Mr. Gromyko, Soviet Foreign
Minister
Mr. Sobolev, Soviet Permanent
Delegate to the UN
Mr. Soldatov, Head of American
Section Soviet Ministry of Foreign
Affairs
Mr. Zhukov, Chairman of Soviet
State Committee for Cultural
Relations with Foreign Countries

(Subsequently joined by Ambassador Lodge, Ambassador Menshikov, Mr. Lacy and Mr. Allen)

[Here follows discussion of unrelated subjects.]

Mr. Gromyko then asked if it would not be possible to negotiate a cultural convention. The Secretary explained that in the field of cultural

relations we had entered into no conventions with any country. This involved ratification by the Senate and otherwise presented difficulties. He said, however, that we were entirely willing to sign an agreement on specific exchanges, as Mr. Gromyko knew.

There was some brief general discussion of the state of the talks between officials in Washington on the matter of exchanges. Mr. Zhukov, Mr. Allen and Mr. Lacy, who then joined the group, entered into this discussion.

Mr. Allen referred in particular to the exchange of reading rooms. He said that we were entirely willing to have the Soviet Government open such a room, staff and run it in New York City, provided we had similar facilities in Moscow. Mr. Zhukov, however, had said that they were not yet ready to take this step but that agreement had been reached on the establishment of a book repository in established libraries in New York and Moscow respectively. It was hoped that the next step would be agreement by the Soviets to permit an American librarian to function in the United States book repository in Moscow who would know the material and be able to answer questions and locate information on specific subjects. The Soviets, he said, had indicated that this might be a possible future development.

Mr. Gromyko then looked at a draft paragraph¹ jointly agreed by Messrs. Lacy and Zhukov on the subject of exchanges for possible inclusion in a communiqué. Mr. Gromyko said that he would study it and give the Secretary his reaction later.

[Here follows discussion of unrelated subjects.]

The Secretary then referred to the question of jamming and asked Mr. Allen to report on this. Mr. Allen said he had discussed the matter with Zhukov yesterday.² He had told Mr. Zhukov that we agree that radio broadcasting stations should identify themselves. The US did not like clandestine stations and was prepared to use its influence, as far as circumstances permitted, to curtail clandestine operation. Mr. Zhukov had said he would refer the question back to his government in the light of Mr. Allen's remarks. Mr. Gromyko said that jamming was not a separate question. It was part of the overall international picture and of the general question of exchanges. It could not be considered as a separate matter. Mr. Allen said that he had reported that he had asked Mr.

¹ No copy of the text of this draft paragraph has been found.

² No record of a conversation concerning radio broadcasting between Allen and Zhukov on September 25 has been found. Allen was apparently referring to his conversation with Zhukov earlier on September 26 in which Zhukov inquired whether Allen had a reply to the proposals Zhukov had made on September 15. The language of the memorandum of conversation between Allen and Zhukov on September 26 suggests that there were no other conversations on this subject between September 15 and 26. (Department of State, Conference Files: Lot 64 D 560, CF 1475)

Zhukov for any Soviet criticism of the Voice of America broadcasts, stressing that we would welcome their views and find them useful. Mr. Gromyko said that jamming was not a cause of international tensions but a result. He said the Soviet side was not prepared to undertake continuous review of VOA broadcasts. This would result in volumes of comments. The US should rather take the necessary measures to change and improve these broadcasts. He believed that the question had been discussed at length between Mr. Allen and Mr. Zhukov.

Mr. Zhukov said that he had proposed to Mr. Allen that all hostile broadcasts be terminated so that the broadcasts would contribute to better relations. Specifically he had suggested that the hours of broadcasting between the two countries be curtailed reciprocally to three hours per day and that they have a positive and constructive character.

Mr. Allen said that he had not understood Mr. Zhukov to say this yesterday. He had thought Mr. Zhukov was talking about direct exchanges of specific hours of recorded broadcasts.

Mr. Zhukov repeated that in the discussion in Mr. Allen's office yesterday he had suggested that the VOA limit its broadcasts in Russian in the USSR to three hours per day and that the Soviet Union limit its broadcasts in English to the United States to the same time period.

Mr. Allen commented that this was an interesting proposal which he had not previously understood but which he was willing to consider. He added that perhaps the Russians had noted that in fact the VOA was increasing its broadcasting in English throughout the world and had actually decreased in such languages as Russian, Ukrainian and Uzbeki. Mr. Zhukov commented that it was useless to broadcast in these languages (apparently referring to the two latter). Mr. Allen said that he did not want to leave the impression that we were concerned as to how much the USSR broadcast to the United States in English or any other language. This could be 24 hours a day as far as we were concerned.

Mr. Soldatov, who had been interpreting at points for Mr. Zhukov, said he wanted to clarify that the proposal was that there be only three hours of broadcasting a day and that it be constructive in content. Mr. Zhukov said that we had succeeded in reaching agreement between the two countries with respect to the distribution of our magazines, why could we not reach similar agreement with respect to broadcasting.

Mr. Allen said that the magazine agreement had been good as regards the increase in quantities but that there were other points unsettled. For example, the United States wanted to have a much better follow-up on sales in the USSR, i.e., where, in what places and in what quantities, similar to the follow-up that the USSR is able to have with respect to its magazine sales in the US.

[Here follows discussion of unrelated subjects.]

20. Memorandum of Conversation Between Secretary of State Herter and the President's Special Assistant for National Security Affairs (Gray)

Washington, October 3, 1959.

SUBJECT

Voice of America

I talked to Gordon Gray last night and to George Allen this morning with respect to the subject matter of the attached memorandum from Gordon Gray.¹ The issue that this paper poses is entirely different from the issue raised in the Zhukov-Allen talks,² in which Zhukov suggested the possibility of unjamming the Voice of America in return for our closing down certain black radio stations. [1 line of source text not declassified]

The question posed in Mr. Khrushchev's remarks to the President related to the unjamming of VOA provided the programs carried by VOA carried no criticism of the Soviet Government or material tending to undermine the government or separate it from the Soviet people. On this latter question George Allen tells me that he is making a very careful study of his programs now, but that some difficult policy matters are arising which will have to be isolated carefully and then presented to the President. In the meanwhile George Allen has asked the VOA to watch its programs carefully with a view to eliminating as much provocative material as possible.

C.A.H.

Source: Department of State, Central Files, 511.614/10-359. Secret.

¹ Dated October 2, not printed. In it Gray said that President Eisenhower had asked him on September 30 to inform Herter and Allen that at the Camp David talks Khrushchev "had indicated that the Soviet Union would not jam what he referred to as legitimate broadcasts of the Voice of America. Mr. Khrushchev indicated that the Soviet Union would jam broadcasts which were calculated to defy the Soviet Government to the Soviet people and calculated to derogate the Soviet Government or to divide the Soviet Government and the Soviet people." The President said that he wished the United States to take some initiative in this regard.

² See Document 18.

21. Intelligence Report Prepared by the Bureau of Intelligence and Research

No. 8142

Washington, October 30, 1959.

CONTACTS BETWEEN THE FREE WORLD AND THE
SINO-SOVIET BLOC—A REVIEW

Abstract

Current Status of Contacts

Since the death of Stalin the Soviet Union has expanded exchanges with the free world countries from virtually zero to a current total of approximately 2,000 exchanges of delegations and over 75,000 tourists visiting the USSR each year. While free world exchanges with the Eastern European satellites have increased, because of the generally pro-Western orientation of their populations, the governments of these countries (with the exception of Poland) have been hesitant in expanding exchanges with the West. Chinese Communist exchanges with the free world are carefully controlled and selected so as to be of maximum usefulness to the regime.

Impact of Contacts

Increased contacts with the free world have introduced some fresh ideas into the thinking of the top Soviet leadership and intelligentsia and have brought the Soviet image of the outside world a little closer to reality. In the European satellites, foreign contacts, though exploited by the regimes, have helped counteract distorted images of the West and have assuaged the popular demand for relief from the effects of Moscow-imposed ideology. The relatively limited exchanges between free world countries and Communist China have done little to lessen antagonism toward and distrust of the free world in general and the US in particular.

Exchanges with the Soviet bloc have been generally supported by the countries of Western Europe, but there is no indication that such contacts have made a deep impression or have modified the basic ideas of the people. In the countries of free Asia the effect of exchanges with the Sino-Soviet bloc has varied. Returning visitors have often been impressed by Communist Chinese "progress," especially in Indonesia,

Source: National Archives and Records Administration, RG 59, OSS–INR Reports. Secret; Noform. A title page, a table of contents, and the 28-page body of the report are not printed. A note on the cover sheet indicates that the report is not a statement of Departmental policy.

and by Soviet technological achievements. Others, however, have been critical of communist methods and have been disillusioned by recent aggressive moves by Communist China.

Among the countries of the Middle East, exchanges with the Soviet bloc have aroused interest and curiosity but have resulted in few positive gains for the Soviet side. Emerging African nations have felt flattered by Soviet attentions, and exchanges may have helped create a favorable image of the bloc in the eyes of their people.

The effect of Soviet bloc exchanges upon Near Eastern countries (those which have diplomatic contact with the bloc) has varied widely, ranging from strongly pro-Soviet responses to insignificant and even negative reactions. Here the political orientation of the governments appears to be the determining factor. Soviet bloc propagandists in Latin America have made a good impression upon some student groups and upon artistic and intellectual circles. However, the impressions of non-communist members of delegations traveling to the bloc appear to have been generally negative.¹

¹ In Intelligence Report No. 8181, "The Impact of Study in the USSR on Free World Students," December 18, the Bureau of Intelligence and Research further concluded that large numbers of free world exchange students in the Soviet Union, especially those from underdeveloped countries, were "dissatisfied with their conditions of study and disillusioned by Soviet life as they see it" and were returning home "convinced that the Soviet system is not one their country should emulate." (*Ibid.*)

22. Editorial Note

On November 21, Ambassador Llewellyn E. Thompson and Chairman of the State Committee for Cultural Relations with Foreign Countries Georgi A. Zhukov signed in Moscow an Agreement on Cooperation in Exchanges in the Fields of Science, Technology, Education, and Culture for 1960-1961. The agreement was the result of negotiations that had begun in Moscow on November 4. For text of the joint U.S.-Soviet communiqué and a statement issued by the Department of State on November 21, see Department of State *Bulletin*, December 7, 1959, pages 848-849. The text of the agreement and a memorandum on exchanges in atomic energy signed in Washington on November 24 are printed *ibid.*, December 28, 1959, pages 951-959.

The different positions that the two sides had taken on the various exchange issues in the preliminary talks earlier in the year preceding the formal negotiations were summarized in *Sino-Soviet Affairs*, November 1959, page 8. (Department of State, INR Files) In appraising the negotiations and the significance of the signed agreement, the Bureau of Intelligence and Research noted:

"The new agreement provides for a considerable increase in the exchange of industrial and technical delegations, including specialists in a number of diverse fields. Educational exchanges are to be significantly broadened, scientific contacts are to be further encouraged, and general approval is given to cooperation in the utilization of atomic energy for peaceful purposes (specific conditions being covered in the special US-USSR agreement on this subject). Another notable provision is that dealing with public health and medical science, which envisages cooperation between medical institutes and individuals of both countries and includes the possibility of joint studies on the problems of cancer, poliomyelitis, and cardio-vascular illnesses.

"Exchanges will be continued in a number of fields, such as agriculture, sports, the performing arts, and cinematography, and efforts will again be made to promote the exchange of radio and television broadcasts—a provision of the 1958 agreement which was never implemented. Both countries will further endeavor to encourage tourism and facilitate travel of 'representatives of cultural, civic, youth and social groups.' The two sides made virtually no progress in expanding exchanges of publications and in arranging direct air flights between the two countries." (*Sino-Soviet Affairs*, December 1959; *ibid.*)

23. Letter From the President's Special Assistant on Science and Technology (Kistiakowsky) to Secretary of State Herter

Washington, November 24, 1959.

DEAR MR. SECRETARY: I enclose a statement¹ that expresses the views of the President's Science Advisory Committee and its Science and Foreign Affairs Panel on the problems resulting from the restrictions placed on Russian scientists visiting the U.S.

The major points of this statement are:

a) the restrictions appear to our scientific and academic community as forcing them into a position in which their traditional freedoms are curtailed; in time there may be a reluctance to participate in exchange programs;

Source: Department of State, Central Files, 511.613/11-2459. Confidential.

¹Not printed.

b) U.S. national objectives are not being adequately served because the restrictions do not project the correct image of America to Russian visitors;

c) "reciprocity" in scientific exchanges cannot be measured by quantitative case-by-case evaluation, but requires scientific judgment of many examples;

d) the closed area policy limits the effectiveness of scientific visits to the U.S. and hampers U.S. science in its international scientific activities;

e) the success of a scientific exchange from the point of view of U.S. scientists depends on whether the American in the USSR is able to do the research and meet other scientists of interest to him. A university negotiating an exchange should be in a position to insist on satisfactory conditions for the American in the USSR or to withdraw from the exchange. Restrictions on the visiting Russian are essentially irrelevant once the basic conditions of the exchange are satisfactory.

Four proposals are made:

1) that procedures be established to judge the "equivalence" of U.S.-USSR scientific exchanges on an overall basis and with the help of scientifically-competent people;

2) that closed-area restrictions on scientists be lifted for a limited period of time as an experiment to induce similar Russian action;

3) that if the temporary suspension fails, American scientists who are hosts to Russian visitors have greater leeway to use their own judgment in arranging visits;

4) that major attention be given to advising universities as to how to negotiate for satisfactory conditions for their representative in the USSR, rather than to setting restrictions on Russian scientists after arrival in the U.S.

I concur in this statement of the situation and am forwarding this to you in hope that the Department of State will be able to act on these proposals. I would make one further personal observation that I believe present national policy would allow more liberal rules governing scientific exchanges with the USSR than those now in effect. I realize the difficult position of the State Department staff in attempting to make the overall scientific judgments required, but I believe there are ways, such as those suggested above, for solving that problem.

Members of the President's Science Advisory Committee and I are of course available for further discussions on this subject.²

Yours sincerely,

G. B. Kistiakowsky

² In a December 4 letter to Kistiakowsky, Herter replied that the issues raised in his letter would be carefully examined and that he would be given the Department of State's comments as soon as practicable. (Department of State, Central Files, 511.613/11-2459) No further correspondence from the Department of State to Kistiakowsky on this subject has been found.

24. Memorandum From the Assistant Secretary of State for Policy Planning (Smith) to Secretary of State Herter

Washington, February 9, 1960.

SUBJECT

Use of "East-West" to describe Soviet Union vis-à-vis Free World

1. I have thought for some time that our conventional use of the term "East-West", to describe a relationship between the USSR or the communist bloc and the nations of the free world, carries a very considerable balance of disadvantage for us. I find more and more agreement on this point.

2. In the first place, use of this term in such phrases as "East-West relations", "East-West contacts", the "East-West conflict", etc., implies that the Soviet Union is the representative, or spokesman, of the entire East—all of Asia at least. This is not true; but it is a concept the Soviets will do all possible to promote, and we give them gratuitous help by reiterating a phrase that tends to confirm it.

3. In the second place, in the context of current rivalry, there is a tendency for us to give a deprecatory content to the "East" half of the equation. This is not always palatable to our Asian friends, even though the more sophisticated are aware that they are "Easterners" in a different sense.

4. In addition, when this term or an equivalent is used we are really trying to express a contrast between two systems, not two geographic entities. With the phrase cited, the connotation is thus inaccurate as well as disadvantageous.

5. I realize that a term so embedded in current usage, and one so convenient, is not easy to change. It would also be difficult to find an equivalent that would have the proper semantic flavor but not be long and clumsy. Further, the concept so often comes into play in contexts where an invidious connotation would be undesirable, that it would probably be impractical to encourage the wide use of such terms as "communist-free world contacts".

6. Despite the above difficulties, it might be worth trying to introduce more appropriate terminology. If a satisfactory single-phrase equivalent could not be found, multiple substitutes might be tried. For example, "East-West contacts" could be "communist contacts"—look-

ing from our side of the picture; "East-West relations" might be "relations with the Soviets" or "... with the communist bloc";¹ the "East-West conflict" would perhaps be "communist-free world conflict", since an invidious touch would be less out of place in a framework of "conflict". Various other alternatives could doubtless be found.

7. Perhaps the simplest approach would be re-name those areas where the phrase is a matter of official terminology—such as "East-West Contacts Staff"; to direct departmental officers to avoid the term wherever possible, and use those substitutes appearing most appropriate to them; and to encourage senior officials to take particular care, in preparing material likely to reach a mass audience, to use alternative phrasing with the hope it might gradually be taken over by non-governmental media.²

¹ Ellipsis in the source text.

² Attached to the source text is a copy of a February 18 memorandum indicating that Secretary Herter approved the recommendations contained in this memorandum.

25. Paper Prepared in the U.S. Information Agency

Washington, March 21, 1960.

THE EXHIBIT PROGRAM IN 1960–61 FOR THE SOVIET AREA

The Cultural Agreement signed in Moscow in November 1959,¹ and those under discussion with Rumania and Poland² provide a

Source: Department of State, OCB Files: Lot 61 D 385, USSR & Satellites—General 1959–1960. No classification marking. Copies of the paper were distributed to the Operations Coordinating Board Assistants under cover of a March 21 memorandum from the Board's Executive Assistant, Charles E. Johnson, a copy of which is attached to the source text. According to a March 23 memorandum from O'Connor to Berding and Martin, in which the preliminary and informal notes from the OCB's luncheon meeting that day were quoted, the paper was used as background by Abbott Washburn, Director of USIA, in briefing the Board on plans for exhibits in the Soviet bloc. According to the memorandum, the members expressed "full and enthusiastic support for the exhibits but expressed no judgment as to costs or sources of additional funds." (*Ibid.*)

¹ See Document 22.

² The negotiations with Romania led to an agreement concluded on December 9, 1960; see Document 30. No cultural agreement was concluded with Poland.

means of vastly increasing our direct approach to the population in these areas, through the medium of Exhibits. The Agreement with the Soviets includes provision for the exchange of three exhibits, theirs on the subjects of medicine, children's books and children's creative arts, and ours on plastics, medicine, and transportation. The Rumanians and Poles have each indicated a willingness to receive four exhibits over the next two years, the subjects of which are not yet defined.

Effectiveness of the Exhibit Approach

Our experience in Moscow last summer was thoroughly convincing evidence of the effectiveness of the exhibits approach in the Communist area. Not only are exhibits a medium of mass communication which is apparently more acceptable to Communist governments than other media, but as a means of communications in this controlled situation, they are highly effective. Exhibits have at least one outstanding advantage over other media in that they provide a stage setting for the person-to-person approach. An attendance of 2,700,000 was only a fraction of the audience reached through the Moscow show. The many visitors which each of the American guides talked to were, in turn, channels of communication to thousands of others.

Further, the impact on the public was greatly reinforced by the appearance and content of the Exhibition itself. Real objects add immeasurably to the credibility of words. There is no question that the emphasis on consumers' goods was the one most calculated to appeal to the public's interest at that time.

Besides results in good will, there are clear indications that the visions of opulence enjoyed by the average American did, as we had hoped, stir the public to want, and the regime to provide, more for the consumer. In the period since the Exhibit, there has been a rash of Soviet government activity to improve the quality and quantity of their own products and services for the retail market. There is good reason to believe that in giving the public and officials an eye-ful of the exhibit was effective in reinforcing certain liberalizing tendencies in the economy.

Applying the Experience Gained at Sokolniki

From last summer's experience, much has been learned that will be useful in increasing the effectiveness of exhibits in the Soviet area. A few of these considerations may be mentioned:

1. *Geographical Spread*

Attendance at Sokolniki was predominantly (80–90%) Muscovite. This resulted from the relative immobility of this population, and also from the relative scarcity of tickets which made it difficult for transients to obtain them. We want to reach a much broader geographical base this

time. It was for this reason that we negotiated on the basis of three smaller exhibits in the Soviet Union for calendar years 1960 and 1961. Our intention is to circulate them widely. The present plan is to have the first of the three, Plastics, go to Leningrad, then to Moscow, Tiflis, and Baku, spending a month in each location, with a month between showings to allow for moving the exhibit. The other exhibits will follow at six month intervals and each may overlap the preceding one by a month or two. Transportation will visit Odessa, Kharkov, Irkutsk, and Khabarovsk. Medicine will go to Kiev, Rostov-on-Don, Stalingrad and Tashkent. (East-West Contacts is now setting up discussions with the Soviets on the question of routing.)

2. *Interests of the Soviet Public*

Certain subjects, adaptable to exhibit treatment, apparently have built-in appeal for the Soviet audience. Plastic products, medicine, transportation, were chosen with this in mind. That is, subjects of natural interest will be used as the best vehicles for conveying our objectives.

There is a risk of over-simplifying in abbreviating objectives, but we might say that plastics, building on the Soviet public's interest in technology for the consumer, gives us an opportunity to show how American private industry emphasizes convenience and quality for the consumer, as well as industrial uses. Plastics also dramatize color, variety, good design, in contrast to the drabness of Soviet products.

Transportation will show not only by what modern means Americans travel, but also how freely and in what numbers they move about. (Our evidence suggests that the Soviet public today shows more active discontent over restrictions on their travel than over almost any other limitation on freedom.)

Medicine, medical cures and technology are of great interest to this public. There is evidence that in this field they are highly satisfied with their own socialized system. We intend to show them what we have achieved in medical science, both in technology and care, and also something about the social security and private insurance, which protect our people while allowing free choice and fullest development of resources.

3. *Over-Attendance*

A major logistics problem is involved in handling the crowds who will want to attend. Despite the tremendous capacity of the exhibit at Sokolniki, there was never room for all who wanted to enter. We do not anticipate that the full potential audience can be taken care of in the 1960-61 exhibits either, but we are planning exhibit design and traffic control with capacity attendance in mind. Souvenirs will be distributed after exit. Guides will be posted at entrance and exit to talk to waiting crowds, and to reduce bunching in conversation groups in the interior.

4. *Souvenirs*

This Soviet public is souvenir-crazy. They are more avid for paper handouts than any we have encountered. The American Exhibition buttons, of which we dispensed millions and never had enough, have been seen in some of the most remote corners of the Soviet Union.

The appetite for souvenirs is useful to us. The button was a prestige symbol for the wearer, as was the possession of catalogues such as the one on art and the folders on automobile models. These objects are passed around, widening the circles of people who have had contact with America.

We want to give them as much as possible to take away (while recognizing that the Soviet government will not permit distribution of goods of commercial value). In the plastics exhibit, for example, operating machines will turn out pliofilm bags, cups and lapel buttons for every visitor. These will be distributed to the crowds as they leave. There will also be a catalogue, part of which we should like to print in English to add to its prestige value.

5. *Guides*

The tremendous contribution made by the Russian-speaking, American guides at Sokolniki has been recognized by every observer. Our feeling is that with guides in attendance the impact of the exhibit is more than doubled. To contemplate having exhibits in the Soviet Union without guides would be unthinkable. Our present plan is to have 25 guides in attendance with each of these circulating exhibits. This would allow for 7 or 8 to be on duty at any one time. This number is more modest than the ideal simply because of the expense involved. Although the Moscow experience indicates that some abuses of the Soviet public by their own militia may occur, we plan to count heavily on local militia-men for crowd control.

The Plastics Exhibit

The 5,000 sq. ft. exhibit is being designed to convey two major points:

1. The plastics industry has had a phenomenally rapid growth, and will continue to grow at an accelerated pace. The industry is an example of the progressive, expanding U.S. economy.
2. The exhibit will show thousands of consumer products and help to increase Russian consumer pressures on the Soviet economy.

The exhibit will open with a brief history of plastics and the growth of the industry in the United States. The many types and properties of modern plastics will be demonstrated through the use of three machines producing souvenir items for distribution. Subsequent sections will

show examples of the use of plastics in the home, in industry, science, and medicine. A special section will show plastics in the arts, music and architecture. Other categories will be recreation and travel.

The final section will show some uses of plastics envisaged for the future and estimate the future growth of the industry to 1970.

[Here follows information on the estimated cost of the three exhibits in the Soviet Union.]

26. Memorandum of Conversation

Washington, April 25, 1960.

SUBJECT

U.S.-U.S.S.R. Exchange Talks

PARTICIPANTS

Mr. Georgi Zhukov, Chairman, State Committee for Cultural Relations

Mr. Yuri Volsky, Counselor, Soviet Embassy

Mr. Georgi Bolshakov, Assistant Information Secretary, Soviet Embassy

S/EWC—Ambassador William S. B. Lacy

CU/EWC—W. Paul O'Neill, Jr.

SOV—N. Davis

LS—Alexander Logofet

Eisenhower-Khrushchev Visits.

Mr. Zhukov presented Mr. Lacy with a copy of *Face to Face with America* about Mr. Khrushchev's trip to the United States for which Zhukov and the other co-authors received a Lenin prize. Mr. Zhukov hoped that a similar book would be written about President Eisenhower's trip to the U.S.S.R.¹ Mr. Zhukov said that the Soviets hoped the President's visit would be a new way of bringing our two countries closer. We in the Soviet Union realize, he continued, that elections are close but we look upon the President not as a member of a Party but as a representative of the American people. We will do our best to make his trip comfortable and useful. We think his trip over Siberia will be useful.

Source: Department of State, Central Files, 511.61/4-2560. Official Use Only. Drafted by O'Neill and cleared by Davis in draft.

¹ President Eisenhower was intending to visit the Soviet Union in June.

The President will spend the night at Lake Baikal which will be the great tourist center of the future. We want the world to see the real Siberia.

Later in the conversation Mr. Lacy thanked Mr. Zhukov for his remarks about the President, observed that the President was looking forward to the visit with great anticipation and said that he knew the Soviets would do everything to see that it was a great success as was Mr. Khrushchev's visit here. Mr. Zhukov replied that the President's visit would be even more successful. Mr. Lacy said that through these exchanges come our best hope for greater understanding and lasting peace.

Problems of Scientific Exchanges.

Mr. Zhukov referred to his discussion this morning with Mr. Siscoe² during which he drew the latter's attention to "some difficulties" in the Exchange program. He said that this doesn't mean that we don't approve of exchanges for on the whole we believe it is a good program. The most important thing now is to arrange direct contacts between our scientists. Noting that he had promised Mr. Siscoe some facts regarding Soviet complaints about scientific exchanges, Mr. Zhukov handed two documents to Mr. Lacy,³ asking that they not be considered as official since they were only his personal notes. Mr. Zhukov requested that these problems regarding scientific exchanges and visits be discussed with the Soviet Embassy after the papers had been read. The substance of the Soviet position, Mr. Zhukov said, is that the Soviets receive many American scientists as tourists, open many doors and show them whatever they want, but Soviet scientists have not had the same opportunities since the U.S. side considers them as officials under the Exchange Agreement.

Mr. Lacy observed that part of the trouble on the U.S. side was that we have no tourist mechanism similar to the Soviets and that we have had to appeal to private groups such as American Express.

Mr. Zhukov then said he had promised Mr. Siscoe a list of the institutions which have been shown to American scientists. Mr. Lacy replied that this would be very helpful. Zhukov added that the Soviets want to normalize relations between scientists of the two countries.

Summit Meeting.

Noting that an exchange agreement had recently been signed with France, Mr. Zhukov said that perhaps at the Summit Meeting⁴ we can

² A memorandum of this conversation is in Department of State, Central Files, 511.61/4-2560.

³ Not found in Department of State files.

⁴ The meeting of the Heads of Government of the United States, France, the United Kingdom, and the Soviet Union was scheduled to begin in Paris in May 16.

move even further. He recalled that President Eisenhower had suggested an International Health Year and thought it would be a good idea if the Department took the initiative in having this concept put forward at the Summit talks. The Soviets thought the time had come when the efforts of all the world's scientists should be brought together to solve the world's problems. While it was unrealistic to have joint efforts to build rockets, there were many other fields. For instance the Soviets considered the IGY and the Antarctica agreements as very successful. The exchange field is much easier to work in than the political area, Zhukov continued, and the Soviets would like to discuss further cultural cooperation at the Summit Meeting. Beforehand both sides should think over what can be done. Zhukov then suggested that Ambassador Thompson visit him before the Paris talks so that proposals can be talked over. Mr. Zhukov went on to expand his belief that a great deal can be accomplished through cultural relations. He paid tribute to the work of Ambassador Lacy and former Ambassador Zarubin as having made possible the road to Camp David and now the Paris meetings. He thought both sides should consider how to use the cultural fields to build greater trust. Already the fear each side had before the exchange agreements were signed that it would be attacked by the other one had disappeared.

Mr. Zhukov digressed to say what a great success *My Fair Lady*, which he had seen before his departure, was having in Moscow. Then he again urged the U.S. side to submit proposals for increased exchanges.

Mr. Lacy said that he shared Mr. Zhukov's desire to increase exchanges; that there are problems in the scientific field but that he thought we were about to overcome them. Mr. Lacy said he was particularly anxious to increase exchanges in the medical field and that the President was interested in this area. The United States side, did, however, have some difficulty in finding suitable people for these exchanges. A short time ago there had been a meeting at the White House⁵ to discuss the problems hindering a speed-up of this kind of exchange, Mr. Lacy said, and he believed the results would soon be seen.

Mr. Lacy said he was particularly interested in the Radio-TV exchanges which Mr. Zhukov and Mr. Allen had discussed on April 23⁶ since these exchanges were the original proposals made by him to Ambassador Zarubin.

Mr. Zhukov subsequently returned to the subject of the Summit Meeting asking if the U.S. would have any proposals to put forward in

⁵ This meeting has not been further identified.

⁶ A memorandum of this conversation is in Department of State, Central Files, 511.61/4-2360.

the cultural field. Mr. Lacy replied that he knew of none and promised to let Ambassador Thompson know so that Zhukov could be informed. The latter said that the Soviet side would await U.S. initiative with interest. Mr. Zhukov also asked if Mr. Lacy had a list of persons in the cultural field who would accompany the President to the Soviet Union. Mr. Lacy replied in the negative saying he would cable the American Embassy in Moscow when he knew.

Miscellaneous.

Mr. Zhukov stated that the better our two people live the more they can help others. If results can be achieved in the disarmament field the French idea of allocating a certain percentage of our budgets to helping under-developed countries can be considered. It is now a realistic prospect. We are gradually approaching the day when this will be possible because the heads of four great governments have established personal contacts. How to do it is the problem. In principle, agreement already exists.

Mr. Zhukov observed that 1960 will bring the second American summer in the U.S.S.R. with the President's visit, visiting artists, showing of U.S. films and a large number of tourists. He said that new auto tours and camping trips had been arranged for for tourists and that the Soviets are now building motels. The Soviets would try to send more tourists to the U.S. but the main problem was money, the cost for a 12-day trip being 6500 rubles. Mr. Zhukov claimed that the Soviets have no administrative restrictions on their tourists going abroad and that when an agreement is signed for direct air flights it may be easier for these tourists to come to the U.S. He then returned to the idea (which he had put forth during the exchange negotiations in Moscow in November, 1959) that a more advantageous rate of exchange for Soviet tourists could be arranged, perhaps by some of the U.S. tourist agencies establishing special rates. Mr. Lacy thought that in any case American tourist agencies would be able to reduce the costs. He then informed Mr. Zhukov of our message to Moscow⁷ stating that we were ready to begin negotiations on direct air flights in the near future.

As he left, Mr. Zhukov said he hoped he would meet Mr. Lacy at the Summit Meeting or in Moscow with President Eisenhower.

⁷Not further identified.

27. Editorial Note

On May 1, a U-2 airplane used by the U.S. Government for high-altitude reconnaissance of the Soviet Union was shot down near Sverdlovsk. The pilot, Francis Gary Powers, parachuted to the ground and was picked up by Soviet authorities. On May 5 Premier Khrushchev announced that an American plane had been shot down, but said nothing about the fate of the pilot. Khrushchev finally announced on May 7 that Powers was alive and had confessed the plane's reconnaissance mission. Documentation on the U-2 crisis is in Part 1, Documents 147-156.

The summit conference, which began in Paris on May 16, broke down after one session, when Khrushchev insisted that President Eisenhower condemn the U-2 overflight program and publicly apologize to the Soviet Union. Khrushchev also withdrew the invitation to the President to visit the Soviet Union. When Eisenhower refused to accede to Khrushchev's demands, Khrushchev announced that he would not participate in the talks. Documentation on the abortive Paris summit meeting is in volume IX.

Although the subject of East-West exchanges was not raised during the one session of the summit conference on May 16, a number of briefing and background papers on this subject were prepared for the conference. A paper entitled "Cultural Exchanges and Freedom of Information" is at Tab E of the section pertaining to the U.S. position on East-West relations in the Briefing Book for the conference. (Department of State, Conference Files: Lot 64 D 559, CF 1675) A number of separate background papers on specific aspects of East-West exchanges, all dated May 11 and prepared by the U.S. Information Agency, are *ibid.*, CF 1669.

28. Report Prepared by an Ad Hoc Interagency Committee

Washington, June 15, 1960.

IMPORTATION OF COMMUNIST PROPAGANDA

Conclusions

The nature and methods of the conflict with the communist bloc and international communism have undergone major modifications since basic guidelines in this field were established in 1954,¹ though the conflict itself continues.

With reference to the present screening program, the following general considerations are significant:

—Criteria for the propaganda screening process are easily established only in those instances in which the propaganda is clearly in conflict with existing law, [i.e., advocating treason or insurrection or not marked as to country of origin].² Criteria suitable for screening propaganda which supports communist cold-war strategy but does not conflict with existing law are less easily established due to changes in both United States and communist policy and tactics. The establishment of such criteria, to be effective, would require high level policy guidance on a continuing basis.

—Propaganda not specifically identified as to foreign origin can be more insidious and sometimes more effective than that which is clearly identifiable.

—The program has had definite though declining value as a means of obtaining an intelligence informational product which may, however, be adequately provided for now by other mechanisms.

—Should the program machinery be dismantled, its re-establishment in the event of a shift in security requirements, such as an

Source: Department of State, Central Files, 511.60/6–1560. Confidential. The 42-page body of the report and the 25 pages of annexes are not printed.

According to a memorandum of February 14, 1961, from Kohler to Secretary of State Dean Rusk, the Committee was established on August 21, 1959, at the direction of the Planning Board of the National Security Council. Its task was to study the question of the importation of Communist propaganda and to make recommendations to the Board. The Committee included representatives from the Departments of State and Justice, the Customs Bureau, the Post Office Department, the Central Intelligence Agency, the U.S. Information Agency, the Interdepartmental Committee on Internal Security, and the National Security Council. The Committee was chaired by Richard D. Kearney of the Office of the Department of State Legal Adviser.

According to a memorandum from Secretary Rusk to President Kennedy on March 13, 1961, the report was considered by the NSC Planning Board on July 20 and August 19, 1960, at which time the Board agreed that further action on the report should be deferred until late 1960. (*Ibid.*, 511.60/3–1361)

¹ Not further identified.

² Brackets in the source text.

intensification of the cold war or a major shift in United States or bloc policy, could be accomplished, though with difficulty.

—The program has provoked some public complaints that constitutional liberties are being impaired. On the other hand, objection to the receipt of communist propaganda through the mail has been indicated by some addressees. It is by no means certain that the courts, in the four pending law suits discussed in the body of the Report, will sustain the legality of the program as presently conducted.

—The program is a relatively inexpensive operation.

The Committee considers that two broad interests must be weighed in determining future policy in this field:

I. Internal—The extent of any threat to the national security which would result from delivery of material now withheld.

II. External—The extent of damage to our national objectives abroad by the withholding of material other than that covered by existing legislation.

Internal

The screening program for communist propaganda entering the United States has devolved since 1954 to a point where it excludes only a small portion of the totality of communist propaganda which is projected at the United States by way of all media and carriers. It is possible for material similar to that excluded to be disseminated internally. The total communist propaganda effort supports the global communist offensive. It is in part designed to further the aims and purposes of the communist movement in this country. The impact of communist propaganda upon recipients in the United States cannot be readily ascertained or precisely measured. From the point of view of internal security, a program of control of the influx of propaganda into the United States is consistent with an over-all program of measures which seek to neutralize the communist effort in the United States.

A definitive evaluation of the effect of the propaganda now withheld if it were released to the addressees is not feasible, given present measurement techniques. Quantitatively, its total effect may be considered to be as minimal as its proportion to the total volume of communist propaganda which reaches residents of the country at the present time.

The Committee has been unable to conclude that delivery to addressees of material presently withheld on the basis of the current screening program would effect such a change from the present situation that an additional threat of significance to the national security would result.

External

We are engaged in a total national effort to produce evolutionary changes within the bloc and to orient uncommitted nations to the free world. In this endeavor, a vital element is the stimulation of a free flow

of information. Another important element of our effort is the projection of an image of the United States including the open society aspect of our national conduct. The knowledge that we ourselves maintain what is loosely considered a “censorship” program impairs the effectiveness of our presentation abroad.

*Adequacy of N.S.C. Action No. 1114*³

The objectives of N.S.C. Action No. 1114 do not require reformulation. Procedures for implementing these objectives should be revised in accordance with the following recommendations.

Recommendations

The Committee recommends that:

1. The present program of controls (described in detail in the Committee Report as based on the Foreign Agents Registration Act) under which decisions may be made to withhold delivery, destroy as non-mailable, or proceed to forfeit printed material coming into the United States from communist-dominated areas or communist sources in other areas, should be terminated;

2. The procedures under which printed material coming into the United States from communist-dominated areas or communist sources in other areas is examined should be maintained; such examination should be adequate to:

(a) Identify, and permit the taking of requisite action against, material advocating or urging treason, sedition, insurrection or forcible resistance to any law of the United States (18 U.S.C. 1717; 18 U.S.C. 957; 19 U.S.C. 1305, see Exhibit 9).⁴

(b) Ensure that communist propaganda material is marked with the English name of the country of origin in accordance with 19 U.S.C. 1304 (Exhibit 9) without regard to dollar value of the individual item.

(c) Make available at the request of interested agencies of the Government, appropriate exemplars and statistics covering material processed. Should changes in the intensity and nature of the communist propaganda be detected possibly constituting a significant danger to the national security, the information should be brought to the attention of the ICIS.

If the foregoing recommendations are approved, N.S.C. Action No. 1365b⁵ should be rescinded as no longer applicable.

³ Dated May 13, 1954. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council) NSC Action No. 1114–b is quoted in *Foreign Relations, 1955–1957*, vol. XXIV, p. 207.

⁴ Exhibit 9 is included among the annexes to the report, which are not printed.

⁵ Taken by the NSC at its 243d meeting on March 31, 1955; see *Foreign Relations, 1955–1957*, vol. XXIV, pp. 208–210.

The Committee considers that the above recommendations will (1) provide continuing information regarding the intensity and nature of communist propaganda imported into the country on which to base policy decisions, should it be decided that such inflow constitutes a significant danger to the national security, (2) provide necessary protection against illegal forms of propaganda, (3) continue the availability of intelligence information, (4) retain a portion of the assembled skills, thus providing ability to increase the intensity of screening if necessary, (5) eliminate some legal problems for the Treasury and Post Office Departments, and (6) be in accord with the over-all United States policy toward the communist bloc.

29. Despatch From the Embassy in the Soviet Union to the Department of State

No. 45

Moscow, July 18, 1960.

REF

Embtels 2581, 2854, 2979, Airgram G-713¹

SUBJECT

American Culture in the Soviet Union

During a period when relations between the United States and the Soviet Union were seriously strained on the political level, American culture, as represented by performing artists from the United States, quite paradoxically was spread throughout a large part of the country and enjoyed a phenomenal critical and public success. There was a plethora of outstanding American talent performing in Moscow and some of the outlying provincial centers: *My Fair Lady* had 21 performances in Moscow (April 18 to May 5), 19 performances in Leningrad (May 10 to 24) and 16 performances in Kiev (May 30 to June 12). Isaac Stern gave recitals and orchestral concerts in Moscow, Leningrad, Kiev, Odessa, Vilnius, Riga, Minsk and Tashkent between April 22 and May 27, climaxing his tour with marathon performances in Moscow on

Source: Department of State, Central Files, 511.61/7-1860. Official Use Only.
Drafted by Hans N. Tuch.

¹None printed.

May 26 and 27 when he played nine violin concertos in three concerts, all to critical and popular applause. Roberta Peters, in the words of one critic, "sang her heart out" in Moscow, Baku, Tbilisi, Erevan and Leningrad and "conquered the hearts of her listeners". And Van Cliburn is presently causing near riots of popularity wherever he shows his face and, almost as an afterthought, is playing very well indeed.

The highlights of the appearances of these artists and *My Fair Lady* have already been reported in the communications under reference. But these could not convey an impression of the sum impact which the American artists made on the Soviet public. This impact was multiplied quantitatively by radio and TV broadcasts of the recitals and performances in several of the above mentioned cities. The programs and vital statistics of each artist's tour are given in Attachment I and critical notices from Soviet papers (both vernacular and Russian) are appended in Attachment II.²

It is one of the strange contradictions of Soviet society that at the same time when Premier Khrushchev wrecks a Summit Meeting, when he heaps invective on the President of the United States and the American Government, and when the press is full of anti-American propaganda, the Soviet public can react so enthusiastically and genuinely to these artists. Not once did the American artists feel that the political pressures and tensions of the period affected their popular reception, their treatment by Soviet authorities or the general success of their tour. On the contrary, they thought—and the Embassy shares this belief, that to some extent the political situation may have had the opposite effect from the one that could have been expected: namely a feeling that "in spite of everything, let us continue to be friends and let us show you that we mean it."

The public adulation of Van Cliburn, about which much has already been written, can at least in part be attributed to a kind of mass hysteria which expresses itself in the United States usually by the excesses of bobby-soxers in relation to the current pop-singer favorite or by middle-aged ladies running after someone like Liberace. Only in this case, the adulation comes from females between the ages of 15 and 65 and actually has very little to do with Mr. Cliburn's considerable and noteworthy abilities as a pianist. One has the impression that even if he were to play only chopsticks with two fingers, his "audience" would cry "Vanya" just as eagerly, pelt him with flowers, clutch at his clothes, follow him down the street and stand in front of his hotel waiting patiently for a friendly wave from his window. As remarkable and as genuine as this popularity is, it has little to do with musical ability. Cliburn, how-

² Neither attachment is printed.

ever, does perform with taste and musicality and with near technical perfection which is recognized by Soviet musical authorities. Following is the translation of only one critique, chosen at random from the many attached clippings, to illustrate that Cliburn is judged not only as a matinee idol but also as a musician:

[Here follows an extract from an article published in *Trud*, June 11, 1960.]

Huge crowds, long ovations and thousands of disappointed music lovers who were unable to purchase tickets were the rule of almost all the concerts by Stern, Cliburn and Peters. The latter was, of course, virtually unknown in the Soviet Union before her arrival. However, the news of her artistry, musicality and lovely personality quickly spread and preceded her to every city where she was to appear. In Erevan the crowd which mobbed her after her recital almost became a physical danger to her and had to be restrained by force. In Leningrad the ovations and calls for encores lasted so long (45 minutes) that Miss Peters nearly missed her train back to Moscow. She gave encore after encore. Finally when she had to change her clothes to rush to the station, hundreds of people waited at the hotel entrance for her and bade her farewell with applause, bravos and cheers. Some athletic admirers even ran after the car to the station to beg a final autograph and give her a departing hug. Following is an excerpt from one of the many glowing critical reviews which Miss Peters received:

[Here follows an extract from an article by A. Orfenov published in *Soviet Culture*, May 19, 1960.]

Among the many attributes of Miss Peters as an artist, her musical taste and technical perfection stand out. She sang German Lieder, French, Italian and American songs, operatic and oratorio arias in different and appropriate musical styles and in their original languages. As an encore, to the delight of her audiences, she sang two Russian songs in near-perfect Russian with an expressiveness which testified to the fact that she understood and felt deeply the words she was singing. The only disappointment generated by her appearances in the Soviet Union was her inability to stay longer, to give more concerts and to appear in opera performances. She was repeatedly invited to return for another tour.

Isaac Stern, popular and recognized for the great artist that he is, again performed with tremendous public and critical success to which the following review will testify:

[Here follows an extract from an article by Galina Barinova published in *Sovietskaya Kultura*, May 28, 1960.]

Stern had the advantage of speaking Russian fluently and thereby being able to get into contact with and penetrate Soviet musical circles which are ordinarily closed to Americans who come to the Soviet Union.

His personal friendship with Oistrakh, Kogan, Gillels and their families enabled him to learn much about what is going on among artists in this country and to gain insight into a certain stratum of Soviet society. He was most liberal in responding to requests for encores, additional concerts and demands upon his time.

The above report can give but a superficial impression of the impact which the American musicians and the *My Fair Lady* troupe made on Soviet audiences during the spring of this year. The Embassy can only recommend a continuation and an intensification of this program. It is believed that outstanding young American individual artists, who come here at little expense to the U.S. Government, often have as great an impact as large musical or theatrical ensembles. This is not meant to detract from the success of the *My Fair Lady* presentation or from such groups as the New York Philharmonic. It does mean, however, that if it is possible to increase the exchange of individual performers who come here on their own and supplement the occasional spectacular presentation which the Government is able to afford only rarely, U.S. culture will increasingly be recognized for what it really is: a vital, many-sided, free, expressive and multi-talented force which is part of our way of life. It is important, however, to keep the quality of the individuals as high as was maintained in the cases of Peters, Stern and Cliburn and the group of young actor-singers in *My Fair Lady* who impressed not only artistically but also as intelligent American citizens.

Edward L. Freers
Chargé d'Affaires ad interim

30. Editorial Note

On December 9, Assistant Secretary of State for European Affairs Foy D. Kohler and Romanian Minister George Macovescu concluded negotiations held in Washington by exchanging diplomatic notes providing for a program of exchanges and visits between the United States and Romania in 1961 and 1962. The visits and exchanges were to be in the fields of graduate study, science and industry, the performing arts, sports, and tourism. Also provided for was cooperation in the fields of motion pictures, exhibits, books and publications, and radio and television. For texts of the Department of State press release issued on December 9 and the notes exchanged, see Department of State *Bulletin*, December 26, 1960, pages 968–972.

ALBANIA AND BULGARIA

CONTINUING NON-RECOGNITION OF ALBANIA; RESUMPTION OF DIPLOMATIC RELATIONS WITH BULGARIA

31. Draft Paper Prepared by N. Spencer Barnes of the Policy Planning Staff

Washington, May 19, 1958.

CONSIDERATIONS OF POLICY TOWARD ALBANIA AND BULGARIA¹

A. Summary

Albania and Bulgaria have the following basic characteristics in common, all of which apply with considerably more strength to the former than to the latter:

Among Eastern European countries under Soviet domination they are the least advanced economically and culturally, smallest in terms of population, most remote from the center of Soviet power and most "Stalinist" in regime attitudes. They are not occupied by Soviet troop units, and both have a background of territorial and other disputes with their neighbors. Neither maintains diplomatic relations with the United States.

Source: Department of State, PPS Files: Lot 67 D 548, Europe (East). Confidential. This draft paper was apparently discussed at the Policy Planning Staff meeting on May 25; see footnote 1 below and Part 1, Document 1, footnote 1. Discussion at the August 25, 1957, Policy Planning Staff meeting focused on how the views and recommendations of the Policy Planning Staff on long-range foreign policy could best be presented. It was decided that a series of fairly brief, cleared staff papers should be prepared on major fields of policy for wider distribution. This is presumably one of those papers. A copy of the minutes of the August 25 meeting is in Department of State, PPS Files: Lot 70 D 190, Minutes of Meetings.

¹This paper is intended as a supplement to the paper dated November 7, 1957 and entitled: "Considerations of US Policy Toward the Communist States in Eastern Europe Exclusive of the USSR." [Footnote in the source text. The November 7, 1957, draft paper, also drafted by Barnes, and a June 27, 1958, draft paper by Barnes entitled "Long-Term Trends in the Soviet European Satellites" were combined and condensed by him to produce the revised paper, "Policy Toward the Communist States of Eastern Europe Exclusive of the USSR" dated August 26, 1958. The June 27 and August 6 papers are printed in Part 1, Documents 9 and 11.]

Recent developments have indicated a relatively high degree of stability in regime leadership, and of consistency in subservience to Moscow. Widespread popular dissatisfaction exists, but passive and evidently somewhat less acute than in the more advanced satellites. A slight improvement has been noted recently in a chronically unsatisfactory economic situation.

United States policy toward these countries will by definition be that of policy vis-à-vis the satellite bloc. Policy objectives can be effectively pursued only through resumption of diplomatic relations. While minor adverse repercussions might conceivably follow such resumption, it would be unrealistic to determine courses of action vis-à-vis Albania and Bulgaria, not by policy toward Eastern Europe in general and these countries in particular, but instead by policy toward more remote areas. To delay taking steps toward recognition because of a series of "temporary situations" in other parts of the globe would be equivalent to nullifying a decision to take these steps.

Following resumption of diplomatic relations, courses of action should parallel those toward the satellite areas as a whole, but with special emphasis on promoting better relations with adjoining countries not under Soviet domination and on breaking down the barriers to contact with and influence from the free world.

B. General Considerations

1. *Underlying Factors Applying to Both Countries.*

Albania and Bulgaria, despite the considerable differences between the two, have certain common features which distinguish them from the other Soviet satellites:

Geographically, neither has a common border with the Soviet Union—a situation enjoyed elsewhere in the Bloc only by East Germany, and there more than compensated for by military occupation. Neither of the two states adjoining Albania, and only one of the four adjoining Bulgaria, are under Soviet domination. In addition, there are no Soviet military units as such in these two countries—though many Soviet "advisors". Czechoslovakia shares the latter privilege, but in contrast is largely surrounded by Soviet power.

Economically, culturally and in terms of population these countries are the smallest and most backward in the bloc, with Albania's population about 80% and Bulgaria's about two-thirds peasant. Their economies depend to an appreciable extent on credits from the USSR. Both have a long record, extending to date, of exacerbated political relations with their non-satellite neighbors. The Albanian Government and its people have feared dismemberment from Yugoslavia, Greece and Italy, and the fear is still active with respect to the former two. The Albanian

Moslem minority in Yugoslavia is an added source of friction. Bulgaria's relations with Yugoslavia have been cool, particularly since failure of the South Slav Federation concept in 1948, and the Macedonian question has been a persisting source of aggravation. Bulgaria also has a background of territorial disputes with Greece and Turkey, though these issues are not active at present.

In both countries the local Communist regimes appear unusually firmly entrenched. Albania paid little more than lip-service to de-Stalinization following the Soviet XXth Party Congress. Bulgaria has gone farther with agricultural collectivization than any other satellite. In turn, both regimes have been extremely close and consistent followers of policies made in Moscow. While popular dissatisfaction has been reported, it is probably less intense than in the more advanced satellites which have stronger traditional ties with Western Europe. Bulgaria's historical friendship with Russia is also a factor in this connection.

Thus in respect to both regimes and peoples, tendencies toward independence or antagonism toward the USSR are intrinsically weaker than in other satellites, and to some extent offset by unsatisfactory relations with their nearer neighbors. Nevertheless, these tendencies exist as a potential; and in neither country are armed forces considered entirely reliable—except for security troops—although they would probably resist aggression from any Balkan source.

From the standpoint of relations with the United States, Albania and Bulgaria are the only two integral states in Europe (excluding East Germany) which have no diplomatic ties with this country. The United States has had an informal diplomatic mission in Albania for only one and a half years, and a Legation in Bulgaria for two and a half years only, out of the last nineteen.²

2. *Underlying Factors Differentiating the Two Countries.*

Most of the common characteristics listed above apply with considerably more force to Albania than to Bulgaria. The former is a good deal smaller and less populous, more backward in every way, more isolated geographically from Moscow, more Stalinist and on worse terms with its neighbors. Ethnically, the Albanian people are different from the neighboring Greek and Slavic peoples, while the Bulgarians are predominantly Slavic. In consequence there is an anti-Russian bias with the Albanian which is largely absent with the Bulgarian. The Albanians are about 70% Moslem, 20% Orthodox and 10% Eastern Orthodox in reli-

²Charges of espionage and interference with internal Bulgarian affairs were made against the Minister in Sofia, Donald R. Heath, by the Bulgarian Government and led to the suspension of U.S.-Bulgarian relations on February 20, 1950. See footnote 1, Document 39.

gion. Religion is thus a stronger potential force in Bulgaria, though the Church is largely state-controlled.

3. *Current Developments*

(a) *Albania*

The political situation in Albania has remained relatively stable in recent years. Occasional reports of dissension in the top leadership have not been substantiated, and if they exist have been efficiently sublimated. It appears that Party First Secretary Enver Hoxha and Prime Minister Mehmet Shehu, at the head of the nine-member Politburo of the Albanian Workers' Party, have enjoyed an effective concentration of power since shortly after the 1948 decision to take Moscow's rather than Belgrade's cue. This decision evidently prompted both by the expectation that Tito's regime would fail to weather the Kremlin's displeasure, and by local resentment over Yugoslav domination, was followed by extended purges as the presently ruling clique consolidated power. Moreover, though on a lesser scale, purges have continued practically to date and pro-Tito elements have not been rehabilitated. Two Party founders and ex-Politburo members, Jakova and Spahim, were purged in 1955 for pro-Tito activities; Madame Gega, also a former Politburo member, and her husband General Ndreu, a World War partisan hero, were executed in 1956; General Plaku, former Deputy Minister of Defense, fled to Yugoslavia in 1957; and a group of army officers were arrested last February.

The ruling clique has continued to follow Moscow closely in both internal and foreign policy. It has in fact leaned over backward in the direction of Communist orthodoxy. No appreciable relaxation of police pressures has been observed and the amnesty decree of November 1957 excluded political prisoners.³ De-Stalinization and collective leadership were honored by little more than the surface gesture of Hoxha's relinquishing the premiership to Shehu, and Albania has lagged in implementing the Kremlin-inspired move to "normalize" relations with Yugoslavia. A sort of pendulum movement has been noted in the latter area, protestations of a desire for better relations and minor gestures of implementation alternating with renewed recrimination and moves calculated to increase tension. For examples of the latter, a brochure by Hoxha in September of 1957 repeated the old charges against Tito, and the Yugoslav Minister in Tirana recently absented himself for a considerable period in protest against harassment of his Legation. No genuine good will has been observed on either side, and most recent signs have pointed toward exacerbation rather than reconciliation. At the same

³ On November 28, 1957, Albania amnestied minor non-political offenders in prison except those arrested for theft.

time, soundings have been taken on resuming diplomatic relations with both Greece and Turkey, with success recently reported in the latter case and accompanied in the former by such moves of cooperation as mine-sweeping in the Corfu Channel. The Rumanian initiative of 1957 of Balkan cooperation was favorably received,⁴ and an Italian-Albanian reparations agreement was concluded in July, 1957. Efforts to deal directly with British and American authorities in connection with forced plane landings also appear to be feelers in the direction of broadened contacts. Attempts to use the Moslem tradition to propagandize Arab states have been intensified in the last few months.

The Albanian economy has continued to limp along, achieving a kind of semi-viability largely through Soviet assistance. It has been estimated that the Soviet bloc countries have been giving Albania a subsidy of some \$15 to \$20 million annually, largely in grants but partly in long-term loans. In April of 1957 Moscow canceled a debt of \$105 million contracted before 1956, and granted a foodstuffs credit of \$7 million. East Germany has both extended credits and canceled debts, and other bloc nations have shown financial generosity. More recently a Soviet grant of \$40 million for increasing mining, agricultural and food production, plus a good crop year and new discoveries of oil, contributed to the decision to deration foodstuffs (clothes and shoes were derationed in 1956) and to expand economic plan goals pointed at attaining greater economic self-sufficiency. Substantial quantities of agricultural machinery were imported from the USSR last year. The planned budget for 1958 is some 60% over 1957, which probably reflects a kind of hidden inflation resulting from higher wages, pensions, etc., as well as Soviet bloc credits and intensive development of the mineral industry. Foreign trade has been very largely with the bloc since the war.

The standard of living has remained the lowest in the Balkens, despite a slight improvement in recent months; and it is believed the derationing move, while helping the peasants, hurt the urban worker. Agricultural collectivization has been pushed more intensively since 1955, with about 60% of the arable land now collectivized as against 40% then, and a 1960 planned goal of 85%. Partly on this account, but probably more as protest against regimentation and repressive police activities, the latent but widespread dissatisfaction with the regime has persisted, extending even into Party ranks. Party members are now

⁴Romanian leaders, in their talks with Bulgarian Party leaders in Sofia March 28-April 4, 1957, stressed the necessity for bloc unity. Both countries proclaimed that peaceful coexistence was the basis of their foreign policies and called for consolidation of economic, political, and cultural cooperation among the Balkan states of Romania, Bulgaria, Yugoslavia, Albania, Greece, and Turkey. Documentation on this question is in Department of State, Central File 760.00.

counted at about 48,000 (3.5% of the population) but of these the majority are opportunists rather than members of conviction. There seem to have been no signs of active resistance to the regime since 1953, however, probably largely due to decreased Yugoslav support.

(b) *Bulgaria*

The Bulgarian regime has to date followed Moscow's lead on international issues, and Moscow's example in internal affairs, very closely. While not showing the resistance of Albania to "de-Stalinization," it has tended to go more slowly in any moves toward liberalization, to re-intensify police severity more quickly when excuse offered, and to lag somewhat behind in "normalizing" relations with Yugoslavia, than the other satellites. Relative stability has been maintained within the top Party and Government leadership, although minor shifts have taken place.

Bulgaria showed a certain reflection of the Soviet XXth Party Congress line in 1956, with a few political prisoners released, espousal of collective leadership voiced and the rehabilitation of some so-called "Titoists". Premier Chervenkov, a conspicuous Stalinist, relinquished his position to Anton Yugov.⁵ Security measures were quickly tightened again, however, after the Hungarian Revolution, and some labor camps, previously closed, were reopened. A purge of unreliable party elements took place at this time and later in the first months of 1958. Several thousand residents of Sofia were expelled from the city, presumably partly on security and partly on economic grounds. Following the Molotov–Malenkov–Kaganovich ouster in July of 1957, a shakeup eliminated one Politburo and two Central Committee members. These men, however, were if anything more liberal than Stalinist, and their replacements were identified with the "hard line". The conclusion is thus indicated that the occasion offered an opportunity to eliminate pockets of potential opposition in the name of Party unity, rather than to change the complexion of regime policies. During the post-July period Chervenkov again faded into obscurity for a short while but began to re-assume prominence in the fall. Meanwhile, Tudor Zhivkov as Party First Secretary, and Anton Yugov as Premier, appear to have retained effective control of the Party and Government apparatus.

Relations with Yugoslavia have been oscillating, deteriorating early in 1957 and showing some relaxation later in the year. Various surface measures to improve relations have alternated with intensified ideological disputes. These have generally been directed against revi-

⁵ Vulko Chervenkov was leader of the Communist Party of Bulgaria 1949–1954, when he was succeeded by Todor Zhivkov, and was Premier of Bulgaria January 23, 1950–April 17, 1956, when he was succeeded by Anton Yugov.

sionism from the Bulgarian side and dogmatism from the Yugoslavs, with periodic mutual recriminations over Macedonia. No great friendliness has appeared on either side, although antagonisms have been less pronounced than between Belgrade and Tirana. Relations with both Greece and Turkey have been rather cool, despite the fact that Sofia periodically voices an ostensible desire for improvement. In the former case inability to agree on reparations has been a bar to closer cooperation; Greek demands and Bulgarian offers have come closer together, in the neighborhood of \$4-5 million, but have not yet met. Negotiations on the return of ethnic Turks to Turkey were recently opened. Bulgaria also came out strongly for the Rumanian proposal on Balkan collaboration in September of 1957, and in fact Premier Yugov had espoused similar ideas early in the year. Several indirect *démarches* have been made toward resuming diplomatic relations with the US. One obstacle has been an apparent unwillingness to retract or apologize for the charges directed against Minister Heath. However, an unofficial report has quoted Foreign Office officials as stating that this would not be an insuperable barrier.

While there have been no signs of active resistance to the regime, there is little doubt that latent opposition and a good deal of mild, passive resistance still exists. One of the few noticeable effects has been the behavior of Bulgarian writers—something reminiscent, though on a much smaller scale, of the situation in Hungary in late 1955 and 1956. Criticism of several well-known writers, from high Party sources, based on divergence from the Party line, was followed by dismissals from literary organs when the accused refused to recant. This ferment continued during late 1957 and early 1958. By now the regime appears to have re-established effective control, though it may be assumed the spirit of opposition has by no means died out.

The economic situation, while never good, has shown some improvement in recent months. Plan targets are said to be generally overfulfilled and 1957 was an excellent crop year. Since early 1956 the regime has attempted to make life easier for the consumer, with wage and pension increases, some liberalization in the labor code and abolition of compulsory agricultural deliveries in certain areas. The recently announced Plan for 1958-1962 still gives major emphasis to heavy industry, however, and unemployment continues to plague the economy. The unemployed number about 10% of the non-agricultural labor force. As one move to combat this situation, about 15,000 workers were recruited last year for work in the Soviet Union, and about 4,000 in Czechoslovakia. Some of them have returned, reportedly unenthusiastic over conditions they found. Bulgaria has received considerable economic aid from the USSR; and it was stated that three loans aggregating 570 mil-

lion rubles had been granted since early 1956. Foreign trade is almost 90% with the Soviet bloc and nearly half with the USSR.

C. Policy Objectives

Major US policy objectives toward Albania and Bulgaria will be the same as toward the satellite area as a whole, namely:

1. Long-range: Fulfillment of the right of the peoples in the two countries to enjoy representative governments which rest on the consent of the governed, exercise full national independence and participate as peaceful members of the Free World community.
2. Short-range: The peaceful evolution of these countries, first toward national independence and secondly toward internal freedoms.

D. Courses of Action

1. *Courses Common to Both Countries*

(a) It is obvious that active promotion of policy objectives listed will be severely handicapped as long as diplomatic recognition is not accorded. Some influence may perhaps be exerted through media, in particular broadcasting, or indirectly through diplomatic representations of friendly countries. But this will be minimal. While it is true that the presence of US diplomatic missions is unlikely to exert a determinant influence on Albanian or Bulgarian developments, it seems clear that it is the only channel which can be appreciably effective. In all other Soviet-dominated areas a conscious decision has been taken to maintain diplomatic relations; and the same arguments would seem to hold for Albania and Bulgaria—perhaps even a bit more strongly due to the wider separation of these areas from the center of Soviet power. In support of this view the following reasoning may be advanced: The satellites in Eastern Europe certainly represent the softest spots in the armor of Soviet hegemony. Soviet apprehension over this area is expressed constantly. Yugoslavia has proven independence possible for an ex-satellite. Poland has shown that it is possible for even a Soviet-occupied satellite to take steps toward independence. As time goes on this trend can go further, could encompass Albania and Bulgaria. An American Legation in Sofia or Tirana would offer at least some opportunities for assisting the trend, as well as producing useful information which we do not now have. In addition to such practical advantages, the symbolism involved in diplomatic recognition can easily be, and very easily be presented as, that of American and Western interest and influence expanding into Eastern Europe rather than that of US acquiescence in Soviet colonialism. We now have missions in Rumania, Czechoslovakia and Hungary, and no one is deluded thereby into thinking the US approves of Soviet domination.

On the other hand, certain arguments are sometimes advanced against recognition. For examples:

(i) It will be unpopular with the peoples of these countries, who are basically anti-regime, due to the connotation of greater respectability for the governments. This theory, however, runs counter to deductions based on experience in other satellites, namely that the peoples suffer no illusions as to US attitudes but do welcome the physical presence of US representation.

(ii) It may create an impression in certain third countries, particularly in Latin America, that the US is inconsistent in recognizing Soviet-dominated regimes while urging resistance to Soviet penetration in other countries. But here, in the first place, it seems doubtful that the effects of recognition would be much greater than present effects of recognizing other satellites. In the second, it is doubtful whether the precedent would in fact be a determinant factor in influencing any Latin American state's recognition of the USSR or its satellites, since other considerations would probably be overriding. In the third place it is also doubtful whether the fact of such recognition would represent very great aid to pro-communist elements in areas far removed from the locus of Soviet power, in view of the fact that Soviet diplomatic representation has produced few converts in areas much closer to the USSR. Furthermore, even if there should be slight marginal repercussions, the notion that US courses of action toward Albania or Bulgaria should be determined, not primarily by US policy toward Albania or Bulgaria but rather by US policy toward other more distant areas, appears quaintly unrealistic. US policy toward Eastern Europe as a whole, and toward these two countries in particular, should certainly be a more logical determinant of US action toward the countries concerned than should US policy toward South America or East Asia. In addition, once the decision has been made in principle, it would appear unwise to permit implementation to be successively delayed by a series of "temporary" situations in other parts of the world. There will always be such "temporary" situations somewhere; and allowing them to delay implementation of a determined policy would be equivalent to sabotaging the policy.

(iii) The record of past harassment does not argue well for the future of US Missions in these countries. Harassment, however, in one degree or another, has been chronic in iron curtain posts; and it may be presumed that, if the regimes in question desire to resume relations, they will not go unusually far out of their way to undermine the result once achieved. Nevertheless, some satisfactory assurances that US Missions will be permitted to carry out their normal functions should be a precondition to recognition.

(b) Following diplomatic recognition, courses of action should be similar to those regional courses laid down as current policy directions, and include:

(i) Encouragement of any tendencies toward nationalism, independence or liberalism, with appropriate exploitation of the Yugoslav and Polish example.

(ii) As an almost equally important action target, the promotion of better relations with Yugoslavia, Greece and Turkey. Closer relations

with immediate neighbors should tend to act as a counterpoise to Soviet influence.

(iii) Efforts to re-orient trade patterns toward Western trading partners, with elimination of obstacles to normal trade relationships. Economic aid might be considered at some later date, but this should probably be held in reserve and used if at all only following tangible evidence of increased independence rather than in advance as an inducement.

(iv) Gradual expansion of other contacts of all kinds—cultural, informational, exchange and tourist.

(v) Avoidance of premature efforts to stimulate dissidence or disorder, or to stir up populations against regimes. This should emanate naturally from a recognition of the fact that evolution toward national independence is possible, whereas violent attempts to change the internal status quo would probably bring Soviet repression.

(vi) Efforts to coordinate policies toward these countries within NATO.

(vii) Discreet encouragement of elements whose first loyalty is to Sofia or Tirana rather than to Moscow, particularly in connection with any tendency on their part to reduce Soviet influence gradually.

(viii) Efforts to promote internal liberalization, and to gain Albanian and Bulgarian support of other US aims, but only subject to higher priority objectives and to the extent unlikely to provoke Soviet repression.

2. *Courses Vis-à-vis Albania*

(a) With Albania, the formal reason for not re-establishing full relations after the war was the Albanian unwillingness to recognize the validity of certain pre-war treaties with the US. The more important reason, however, appears to have been the generally antagonistic attitude of the regime and its expression in harassment of the US Mission. Assuming the Albanian desire to resume relations at present is genuine, the formal obstacle would presumably not be difficult to overcome, and the question of harassment has been treated above.

(b) Following resumption of relations, concentration of effort would appear desirable on:

(i) Cooperating with other Western missions in counteracting Albania's long isolation from the non-Soviet world.

(ii) Exerting influence, in both capitals, toward settling the Greek-Albanian dispute over Northern Epirus.

(iii) Promoting a more satisfactory *modus vivendi* with Yugoslavia, in particular in respect to the relationship of the Albanian Government and the Albanian minority in Yugoslavia.

(iv) Encouraging Albanian-Italian rapprochement.

(v) Promoting closer relations with Turkey, based to some degree on religious affinity.

(vi) Encouraging an attitude of independence through emphasis on the racial and religious differences between Albania and a Slavic and atheistic USSR.

3. *Courses Vis-à-Vis Bulgaria*

(a) In respect to Bulgaria, the circumstances under which diplomatic relations were broken off in 1950 have represented a bar to recognition. However, since the Bulgarian Government has indicated a desire to resume diplomatic relations with the US, it is reasonable to suppose that a way around this road-block may be found. Retraction of charges made against the US Minister at the time, an apology, or some formula which carried the essence of retraction while avoiding too much loss of face through self-repudiation, appears not improbable.

(b) Following assumption of diplomatic relations, concentration of effort would appear desirable on:

(i) Encouraging better relations with Yugoslavia, based on proximity, race and tradition, and promoting any tendency to follow Yugoslavia's example.

(ii) Encouraging improved relations with Greece and Turkey, including the settlement of such problems as that of the ethnic Turks in Bulgaria and the reparations dispute with Greece, and also maximum exploitation of the religious affinity with the latter.

(iii) Encouraging nationalism, in particular through stressing the Polish example of relative Soviet restraint toward semi-independence.

32. **Editorial Note**

NSC 5811/1, "U.S. Policy Toward the Soviet-Dominated Nations in Eastern Europe," was adopted by the National Security Council on May 22 and approved by the President on May 24. It stated that U.S. policy was to maintain and develop popular pressures on the current regimes and accelerate evolution toward independence from Soviet control. It claimed that the existing ferment in Eastern Europe offered new opportunities to influence the dominated regimes through greater U.S. activity, both private and official, in such fields as tourist travel, cultural exchange, and economic relations.

NSC 5811/1 is printed in Part 1, Document 6.

33. Memorandum From Acting Secretary of State Herter to President Eisenhower

Washington, August 30, 1958.

SUBJECT

Resumption of Relations with Bulgaria¹

You will recall that on May 24, 1958 you approved NSC paper 5811/1, "United States Policy Toward the Soviet-Dominated Nations in Eastern Europe".² This paper provides that we should seek through negotiations to reestablish diplomatic relations with Bulgaria, subject to appropriate conditions and suitable guarantees. Such action would be consistent with our general policy toward Eastern Europe, also outlined in NSC 5811/1, of further projecting United States influence in that area and would serve to demonstrate the continuity and vitality of this policy.

On December 2, 1957 the Polish Embassy, representing Bulgarian interests in the United States, approached the Department to inform us orally that the Bulgarians desired to discuss a resumption of relations.³ A reply has been delayed primarily because of third-country problems affecting Latin America. These difficulties have been resolved.

I now propose that we respond affirmatively to the Polish inquiry by indicating to the Polish Ambassador our readiness to entertain a formal Bulgarian initiative for negotiations looking toward the resumption of United States-Bulgarian relations. We would also indicate to the Poles that the basic conditions which we would require the Bulgarian Government to meet before any resumption of relations are the withdrawal of the charges made in 1950 against former Minister Heath⁴ and the receipt of assurances that the United States mission in Sofia could function normally without harassment.

Source: Eisenhower Library, Whitman File, International File. Secret. The source text bears the President's initials. A copy of this memorandum in Department of State files indicates that it was drafted by Thomas F. Hoctor of the Office of Eastern European Affairs, and initialed by Leverich, Kohler, Hoctor, and Robert M. McKisson, Officer in Charge of Balkan Affairs. (Department of State, Central Files, 611.67/8–3058)

¹ On August 12, Herter telephoned Kohler to say he had "strong reservations about the question of the resumption of relations with Bulgaria." After discussion, they decided to delay the matter until Congress adjourned. Herter suggested that meanwhile a memorandum be prepared for the President on the subject. (Memorandum of telephone conversation, August 12; Eisenhower Library, Herter Papers, telephone conversations)

² See Part 1, Document 6.

³ A copy of the memorandum of conversation between Henryk Jaroszek, Counselor of the Polish Embassy, and Edward L. Freers, Director of the Office of Eastern European Affairs, is in Department of State, Central Files, 611.69/12–257.

⁴ See footnote 2, Document 31.

I would plan to consult key Congressional leaders before replying to the Poles.

If you approve, we shall proceed with the steps outlined.

Christian A. Herter

34. Instruction From the Department of State to All Diplomatic and Consular Posts

Washington, March 31, 1959.

CA-8405. Subject: Resumption of US-Bulgarian Relations. Reference: Circular Telegram No. 1087, March 25, 1959.¹

Background:

The US-Bulgarian agreement to resume diplomatic relations which was reached on March 24 and announced March 27 results from a Bulgarian approach on December 2, 1957 through the Polish Embassy in Washington.² (Poland has been the Bulgarian protecting power in the US.) After careful consideration, including an assessment of the probable impact of resumption upon the various countries with which we maintain friendly relations, the Department concluded that both Free World interests and US national interest, as reflected in our policy toward Eastern Europe, would be served by such a step. Accordingly, on October 13, 1958 the Polish Embassy in Washington was notified of US

Source: Department of State, Central Files, 611.69/3-3159. Confidential. Drafted by Hctor; initialed by Leverich, Hctor, and Kohler; cleared by L, ARA, FE, NEA, and AF; and approved by Kohler.

¹ Circular telegram 1087 announced that the U.S.-Bulgarian agreement to resume diplomatic relations was initialed in Washington on March 24. (*Ibid.*, 611.69/3-2559)

² No copy of the March 24 agreement has been found in Department of State files. For text of the March 27 press release on the resumption of diplomatic relations, see Department of State *Bulletin*, April 13, 1959, p. 512. No record of the March 24 meeting between Kohler and Voutov at which the agreement was initialed has been found in Department of State files. Regarding the Bulgarian approach, see Document 33.

willingness to enter negotiations.³ At the same time, the US conveyed our conditions for resumption, namely (1) withdrawal of the charges of espionage and interference with internal Bulgarian affairs which were made against the former US Minister in Sofia, Mr. Donald R. Heath, which led to the suspension of US-Bulgarian relations on February 20, 1950, and (2) the receipt of Bulgarian assurances that a US mission in Sofia would be permitted to function normally without harassment. The Bulgarian Government indicated its willingness to discuss these conditions, and accordingly conversations began in New York on March 4⁴ and terminated successfully in the agreement of March 24, 1959.

Policy Considerations:

The Department gave careful consideration to the timing of the resumption of relations with Bulgaria in the light of current international conditions. We are, of course, fully cognizant of the character and status of the Bulgarian Government as a Soviet-dominated regime. The Department was equally aware, however, of the continuing aspiration of the Bulgarian people for a greater measure of national independence and freedom and considered it in our interest to do what we can to encourage these aspirations. Events of the past several years in Eastern Europe, particularly in Poland and Hungary, have demonstrated not only a deep-seated popular antipathy to Soviet-Communist rule and ideology, but also the fundamental weaknesses of Soviet imperialism. There is continuing evidence that even within the Communist bureaucracies there exist elements which would prefer, and under appropriate conditions may seek, a larger measure of national independence rather than continued total subservience to the Soviet Union. In the light of these considerations, the Department is mindful that, in resuming relations with the Bulgarian Government, the US is also enlarging the possibilities of greater contact with the Bulgarian people. The US may be enabled by this means to give broader and more consistent effect to US

³ A copy of the memorandum of conversation between Leverich and Rudolf Heller, First Secretary of the Polish Embassy, is in Department of State, Central Files, 611.69/10-1358.

⁴ Heller informed Leverich on November 13, 1958, that the Bulgarian Government was willing to discuss the U.S. conditions for resumption of diplomatic relations. (Memorandum of conversation, November 14, 1958; *ibid.*, 611.69/11-1458) In a procedural discussion in Washington on January 27, 1959, Freers and Voutov agreed to hold negotiations in New York the week of March 2. Freers indicated Kohler would be designated the chief negotiator for the United States. (Memorandum of conversation; *ibid.*, 611.69/1-2759)

The negotiations between Kohler and Voutov in New York on March 4 and 6, which produced draft memoranda of understanding, are summarized in telegrams 736 and 741 from USUN, March 5 and 7. (*Ibid.*, 611.69/3-559 and 611.69/3-759) No copies of the draft or final memoranda of understanding or the agreement of March 24 have been found in Department of State files.

policies in Eastern Europe generally and to project its influence more actively in Bulgaria specifically. The Department does not consider in these circumstances that it would be to the advantage of the US to treat the Bulgarian nation simply as an appendage of the Soviet Union or to determine the nature and course of our relations with Bulgaria solely by the state of our relations with the Soviet Union. We believe that our action at this time in resuming diplomatic relations with Bulgaria will, in the light of the foregoing considerations, contribute to the advancement of our policy aims with respect to Bulgaria and the other nations of Eastern Europe and is in harmony with the general conduct of our foreign policy.

Treatment by Addressee Posts:

Should diplomatic or other officials of Free World nations approach you with requests for information or comments concerning the resumption of US-Bulgarian diplomatic relations, you may, at your discretion and in the light of the local situation, use such parts of the foregoing exposition as are suitable. Inquiries directed by diplomatic or other officials of Soviet-dominated countries should be dealt with by a recital of the factual material contained in the Background Section above.

In conversation with officials of Soviet-dominated nations reference should not be made to policy considerations.

Establishment of US Mission in Sofia:

According to a schedule which is purely tentative at this time, we envisage sending an advance party of two or three officers who would visit Sofia for a short period in early May to ascertain the physical and administrative needs of a US mission. We would hope, following this, to establish a US mission in Sofia during the summer of this year.

Herter

35. Draft Paper Prepared by N. Spencer Barnes of the Policy Planning Staff

Washington, June 15, 1959.

IMPLICATIONS OF KHRUSHCHEV'S VISIT TO ALBANIA¹

Summary and Conclusions

The significance of Khrushchev's recent visit to Albania was highlighted by the level of Soviet representation, time spent, intensive propaganda output, heavy military overtones and slavish adulation shown by the Albanian leadership. The intent was evidently to demonstrate Soviet determination to hold Albania, against any internal or external attempts to detach it from Moscow's empire, by all force necessary.

It is believed that this attitude represents a change; that inclusion of Albania in the Warsaw Pact² represented a calculated risk, but that the USSR would previously have backed down if confronted by internal insurrection backed by a Western hands-off ultimatum.

Reasons for the change are probably to be found in the missile balance. Faced by the prospect of NATO missile bases and atomic stockpiles in neighboring areas, the Soviets are trying to avoid this development through promoting a nuclear-and-missile-free Balkan area. Should such efforts fail they will probably install missile bases in Albania and perhaps Bulgaria. This will make these countries considerably more of an asset, militarily and in terms of prestige, to the Soviets, and a liability to NATO and Yugoslavia, than before. There will be a greater Soviet incentive to hold the area, and Western or Yugoslav incentive to detach it. Current Soviet stress on defense of Albania, and the slackening off in anti-Yugoslav propaganda, doubtless reflect apprehension as well as warning.

Source: Department of State, PPS Files: Lot 67 D 548, Albania. Confidential. According to a handwritten note on the source text, this paper was discussed at the Policy Planning Staff meeting on June 23. The minutes of the meeting read as follows: "After considerable discussion it was agreed that more information should be received before taking a position on the alternatives set forth in the memorandum. This information will come from replies to be received from telegrams sent to Rome and Belgrade." A copy of the minutes is in Department of State, PPS Files: Lot 70 D 190, Minutes of Meetings.

¹ See Document 36.

² On May 14, 1955, the Soviet Union and the Eastern European Communist nations signed a multilateral treaty of "friendship, cooperation, and mutual assistance" at Warsaw, which was ratified by all signatories on May 30. See *Foreign Relations, 1955–1957*, vol. XXV, pp. 33–34.

Once missile sites are in place in Albania the Soviets are likely to put enough force in the country to insure against a local take-over; and to apply the same criteria to this country as the West does to Berlin in respect to invasion, namely: to treat it as an area indefensible by conventional forces in limited action, but which protectors are committed to defend by strategic nuclear strikes if necessary. A bluff is possible; but no more probable than a US bluff over free-world outposts. Albania and Bulgaria will be more firmly cemented into Moscow's empire than at present, chances of a Polish or Yugoslav-type evolution correspondingly reduced, and tension and danger of war increased.

These prospects have important enough implications for future developments in Europe to suggest two policy conclusions: First, that a thorough, serious and objective study be made of military, political and psychological pros and cons of missile and nuclear proliferation in the Balkans compared to mutual agreement on restrictions in certain areas. Secondly, for the sake of information and channel of influence the 1958 NSC directive to reestablish US diplomatic relations with Albania when appropriate³ should be implemented.

1. *Significance and Meaning.*

There is good reason to think that Mr. Khrushchev's late visit to Albania had significance. As evidence are the facts that:

- a) The Soviet delegation included highest-level representation: Mr. Khrushchev himself, together with N. A. Mukhitdinov, Party Praesidium and Secretariat member most closely concerned with Moslem areas.
- b) Mr. Khrushchev spent more time on this visit than he has on any other visit to any European country in the "socialist camp" for several years.
- c) The Soviet press and radio devoted space and attention to this visit at least comparable to that accorded any other bilateral manifestation of bloc solidarity in the last few years.

Beyond the significance in terms of general country-to-country relations, there were unusually strong military overtones. These included:

- a) The presence of the Soviet Defense Minister Malinovsky, and the coincidental appearance of the Chinese Defense Minister Peng Tehuai.
- b) The emphasis given to missile bases.
- c) The stress laid on defense of Albania.
- d) The symbolism in Grotewohl's⁴ presence and Khrushchev's return via Budapest, pointing up the two countries where Soviet armed force has been used to suppress insurrection.

³ For text of NSC 5811/1, see Part 1, Document 6.

⁴ While in Albania Khrushchev had talks with East German Premier Otto Grotewohl.

In addition, the Albanian leadership presented a picture of fawning subservience rare even in satellite annals: The adulation poured on all things Soviet, and Mr. Khrushchev in particular, by Hoxha, Shehu et al., would have satisfied Stalin at the height of his personality cult.

It is evident then, that the Kremlin has tried to create a very definite impression. It would seem to be this: That the USSR fully intends to use all force necessary to hold Albania as an integral part of the Soviet empire, against any internal or external attempts to detach it.

Such efforts suggest a significant change in the Soviet attitude toward Albania. It is true that the Albanian Government has always played the role of a willing satellite; and Albania was included in the Warsaw Pact. But recent developments show a different enough emphasis to indicate more than casual factors. An attempt to analyze these factors, and to estimate what change has taken place, is outlined below.

2. *Previous Situation.*

Albania's position to date within the Soviet empire, since the defection of Yugoslavia, can be briefly characterized as follows:

Its government has obediently followed Moscow in domestic and foreign policy. It has been perhaps the most conservative of satellite regimes in the sense of holding closely to Stalinist norms. It does not enjoy broad support; but despite considerable popular dissatisfaction there have been few recent signs of overt resistance and the regime appears firmly entrenched. This has been due both to maintenance of severe police controls and to unsatisfactory relations with the country's neighbors, in turn tending to undercut opposition to native leadership. Economic conditions have been poor, requiring continuous help from the rest of the Soviet bloc. The standard of living, though rising slowly, is still very low.

Geographically, the country is unique among satellites in being separated from the rest of Moscow's domain by intervening states. It is small in area and population and has very limited defense capabilities.

Against this background, it seems reasonable to estimate the Kremlin's previous attitude toward Albania as resting on a calculated risk, along with the belief that, should the unexpected occur, it would be possible to disengage without too great loss. Moscow evidently assessed Albania as worth keeping as an outpost of communism and of Soviet power, despite its vulnerability and despite its being an economic liability; and the Kremlin was prepared to risk its prestige through inclusion of Albania in the Warsaw Pact. This decision probably resulted from a calculation somewhat along the following lines:

It would not be worth risking global war to hold Albania for the Soviets. But conversely, the small value of the country, in any terms, made it unlikely that either its neighbors or the Western power complex

as a whole would accept the risk either, along with the onus of initiating war. In consequence, Moscow probably decided that there was slight danger of direct attack. Had it come, it would have precipitated a difficult decision for the Kremlin. But the latter presumably believed: (a) that the risk of attack from the NATO area was negligible; (b) that an attack from Yugoslavia or Greece, while less unlikely, was still improbable; and (c) that should the latter take place, it would be possible to send satellite forces against the aggressor, strike an attitude of moral outrage, and trust that an agreement based on the approximate status quo would materialize rather than total war. As a last-ditch position the Soviets might have backed down, thus depending on the prevailing international situation.

At the same time, Moscow probably weighed the possibility of losing Albania through internal revolt or a coup d'état backed by subversion from abroad as, though still unlikely, considerably more of a possibility than loss through direct attack. And this apprehension must have increased after the Hungarian revolution. Such a situation, if the West had then announced it would not intervene unless the Soviets did, but would counter force with force, would have confronted Moscow with a distinctly unpleasant choice. It would have meant, either: (a) losing Albania, with attendant loss of prestige; (b) committing armed forces to what would probably have been a losing fight in limited, conventional war; or (c) committing all its military facilities, with attendant probability of invoking World War III. Faced with such a choice, it is believed that the USSR would have backed down, accepted the loss of the area and covered the loss of face with the pose that, though "provoked by domestic and foreign enemies of the people and supported by misguided masses", the episode was still internal in a sense which did not warrant invoking the Warsaw Pact. This would, of course, have been exactly the opposite conclusion from that applied to the more accessible and strategically valuable Hungary.

3. *Reasons for Change.*

If, as seems probable, the recent spotlight on Albania means a change in the Soviet attitude toward this country, there must be fairly compelling reasons. It is suggested that the most plausible reasons are the following:

First, the Kremlin genuinely does not like the prospect of NATO missile bases in Italy, Greece and Turkey. Whatever the drawbacks to present generation IRBM's, such bases will to some extent multiply the sources of potential atomic attack on the Soviet Union—and the Soviets are not quite sure the West will never strike first; will multiply targets the Soviets must eliminate if they make a first strike, as well as destroying the possibility of the host nation's neutrality and ensuring its bitter

enmity if they should strike; and provide a definite gain—particularly in Turkey—for an enemy in terms of missile range. Also, as time goes on the process of hardening, dispersal and improvement in missile design should increase the threat.

If Moscow so assesses the presence of missile bases in the neighboring NATO countries, as a real though perhaps not major threat, it should try to prevent their establishment. Propaganda has, and will be, used. But there is little to suggest it will be successful. In consequence, the threat of Albanian missile bases is being brought into play. The Soviets probably think this gambit does afford some real leverage. Missiles and atomic warheads in Albania are, in a sense, the counterpart of NATO capabilities in southeastern Europe. Albania is small, but it has over 10,000 square miles, and a very respectable number of missiles can be installed in this space. The Soviets would gain a multiplicity of attack points, and of targets the West would have to destroy. It would gain range of several hundred miles compared to Soviet bases, providing added utility for the Soviet stock of shorter-range missiles. The gain in range would be considerably less compared to possible locations in other satellites. But it seems quite probable that Moscow would prefer not to scatter missiles in more satellite areas than necessary; and that in choosing, they would select areas where the internal situation was least likely to get out of hand. It should require less Soviet strength to insure against local seizure of bases in a country as small and weak as Albania than in, say Hungary, or to a lesser degree in other satellites. Further, while it is impossible to foresee in advance just how the situation would unfold, it seems conceivable that in a crisis the USSR might find Albanian bases useful as a kind of pawn, the threat of using which might inhibit the use of missiles from one or more neighboring NATO countries on a *quid pro quo* basis.

So, on the whole, the Soviets probably consider Albanian missile bases as a real, if limited, asset, and an equally real liability for the West.

4. *Current Soviet Strategy.*

They are now using the stick of this asset/liability, along with the carrot of a nuclear-and-missile free Balkan and/or Adriatic area, in an effort to prevent installation of NATO missile bases. Probably they would accept some sort of deal whereby elimination of Albanian bases were traded against similar concessions in another part of the area. Or they might play this card against concessions on Berlin. They must, however, have serious doubts that the West is prepared for such a deal. There have certainly been no indications to date that it is. Should no deal be possible, the Soviets will have the choice of proceeding with their threat or of forgetting the whole thing. The second course would mean exposure of recent threats as groundless, involving a sacrifice in pres-

tige and future credibility, and would leave the atomic missile field in the Balkan area free for NATO. The Kremlin must already have given thought to this problem. If the tentative decision had been to admit a bluff later, it seems doubtful the Soviets would have gone out of their way recently so to commit their prestige. Nevertheless, a bluff is of course possible; and its likelihood presumably depends on pros and cons of the alternative.

The alternative involves—if no “deal” arranged in the meantime—proceeding in fact to establish missile bases in Albania. The presence of such bases—probably attended by expansion of submarine facilities—would add considerable value to that piece of real estate. The military value of the bases and missiles themselves would be consequential. In addition, Soviet prestige would be far more heavily committed than at present. The Soviets would want a high degree of assurance that the bases—and so the country—could be held. They would probably put enough Soviet force into Albania to insure effectively against danger through internal action—something not too difficult. They would also realize that, as Albania gained value as an asset to them, it would become a greater liability to the West and neighboring countries. Even more than NATO, Yugoslavia would presumably have serious misgivings over the acquisition by its small and unfriendly neighbor—despite their being under Soviet control—of military capabilities more destructive than those of Yugoslavia itself. Just the prospect of such capabilities should worry the Yugoslavs; and, judging by latest reports, this is precisely what is happening.

Both the rise in Albania's value occasioned by the bases, and to a somewhat lesser degree the anticipation of such a rise due simply to the threat, should thus increase chances of an effort to detach Albania from Moscow's empire. The overtones of Khrushchev's visit suggest that Moscow is quite aware of this; that there is at least some apprehension on this score; and that a strong effort is being made to forefend such action through giving warning of the consequences. The Kremlin has taken the risk of threatening installation, and may easily be prepared to take that of actual installation, of missile bases. It should consequently try to minimize chances of its calculation misfiring, first by expressing determination to hold Albania, as a deterrent; and secondly by damping down the anti-Yugoslav campaign as an inducement. Both these moves are already underway.

Moscow must, however—unless the threat of installations be a pure bluff—have considered at least the possibility that the calculation will misfire; that in one way or another, before or after bases are in place, perhaps at a time of general crisis, the Albanian Government may come under pressure which could lead to military action. In so considering, either this possibility has been written off as too improbable to worry

about, or else plans of how to cope with the situation have been considered. Certainly, taking into account the addition to Albania's strategic value which would have been created, Moscow should be much less likely to retire from the area with no more than an attempt at face-saving than it was before. An additional reason for willingness to take greater risk now may be the Kremlin's assessment of an increasingly favorable change in the overall East-West power balance.

5. *Prospective Situation.*

It must be assumed that the Soviets—while capable of making mistakes—are able to make fairly realistic judgments of the situation they say they will create. Publicly, Khrushchev recently stated that: "anyone who tries to encroach on the frontiers of Albania . . . will have to deal with the full might of the socialist camp"; and "any imperialist infringement of Albania's freedom and independence will inevitably suffer complete failure. Now, when we dispose of such perfected techniques, we can support you with sufficient strength even without sending troops directly into Albanian territory".⁵

The implication is clear that, while the Kremlin recognizes the difficulty in bringing adequate conventional forces to bear on a military action in Albania, without first violating Yugoslavian or Greek neutrality and thus threatening expansion of the conflict into global war, it may now be prepared to initiate "limited atomic war" by sending missiles directly against the forces or the homeland of any nation which invades Albania. The assumption presumably is that this threat should be adequate to deter; that if not it could be followed up by a small-scale, essentially warning though appreciably destructive nuclear/missile attack; and that the only situation under which the USSR risked serious retaliation would be one where the US had decided on global war anyway—a decision which they would expect to depend on more weighty considerations than simply the aim of detaching Albania.

In essence the changed Soviet attitude, the new decision made or pending, would mean that the Soviets were preparing to apply the same criteria to Albania as those the US applies to Berlin: an area which we know can not be directly defended against determined attack, but which we say we will protect through strategic bombing or total war if necessary. It seems reasonable to believe that this is now—or will be if no agreement on a nuclear-free area militarizes—the case, and that it was not the case before; that the possibility of Albania following the Yugoslav—or even Polish—example has existed, but will be ruled out in the future, leaving only the Hungarian way open as a protest against satel-

⁵ Ellipsis in the source text. Reference is to a speech by Khrushchev at Shkodar, Albania, on May 27. For text, see *Pravda*, May 28, 1959.

lization; and that Khrushchev's visit to Albania has forecast the change. As stated above, the Kremlin may still be bluffing. But the likelihood of its bluffing here seems no greater than that of the US bluffing in Berlin or Iran, or Turkey or South Korea. It seems more reasonable to think that the Kremlin is preparing to use such force, including missiles, as thought necessary to defend Albania—even though this would usher in a period of uncertainty as to whether and which side might first decide global war were imminent and make a first nuclear strike against the enemy's heartland. As a possible alternative the Soviets might counter a move against Albania by seizure of one or more of the free world's exposed outposts. This would also raise tension to or beyond supportable limits.

6. *Policy Alternatives.*

If the above analysis is substantially correct, it would seem to leave two courses of action open to the US:

The first would be to pay no attention to the Soviet threats and proceed as presently planned with programs for missile sites and atomic stockpiles in any NATO areas deemed appropriate.

The second would be to promote some quid pro quo for Soviet abandonment of their Albanian—and perhaps Bulgarian—missile projects.

7. *Factors Affecting Decision.*

Current policy, as well as Soviet preference for the alternative, strongly suggests adoption of the former course. There are other cogent arguments for it; and it may be the preferable choice. The decision, however, would seem to have an important enough bearing on future developments in Europe as to warrant a thorough, serious and objective study of pros and cons. It is suggested that the following factors are among those which might be taken into consideration:

a) *Military*

(i) The addition to Soviet military capabilities which would be furnished by missile installations and atomic warheads in Albania, and secondarily in Bulgaria. This would take into account gain in range (accuracy of strike, ability to use stocks of short-range missiles, etc); and increase in number of bases (added bases for offensive strike, and of targets for removal by the West). These added capabilities could be adjusted for estimated future effects of hardening, dispersal and improved design. The comparison would be with the effectiveness of missiles located only in the USSR, or in the USSR and other satellites outside the area considered.

(ii) The same factors applied to missile bases in Greece, Italy and Turkey, separately and in combination, in comparison with effectiveness of NATO missile capabilities located outside these respective areas.

It may be noted in this connection that strictly from the standpoint of geography and range when set against available alternative site areas, a de-missiled "Balkan Peninsula" alone would restrict Soviet capabilities more than Western; if Italy were added the restriction in range would be about equal; and if Asiatic Turkey were included the West would lose considerably more.

The general consideration might also be noted that mutual restrictions in military effectiveness of NATO members and Soviet satellites usually tend to give a differential advantage to the Soviets due to comparative unreliability of satellite forces. This would be largely counteracted here, however, by the fact that missile and/or atomic capabilities would almost certainly remain under strictly Soviet rather than satellite control.

Still another military factor could involve tactical atomic weapons. The net military balance might be different depending on whether only missile bases were considered for exclusion from a given area, or all atomic capabilities.

b) *Political*

(i) The effects of a firmer Soviet grip on Albania, and to a lesser extent perhaps Bulgaria, which may be anticipated from installation of Soviet-controlled missiles. This would include a probable sharp reduction in chances for Soviet influence to ebb from the Balkans, or of satellite progress toward the Polish or Yugoslav model; a general tendency toward freezing lines between antagonistic power blocs, with inhibitions to spread of influences across bloc boundaries; and an overall increase in tension in the area. The above might be compared with estimates as to what opportunities would otherwise exist for an eventual "softening" of the bloc through increased influence from its closer neighbors and from the West.

c) *Psychological*

The question as to whether the will to carry out NATO obligations in a crisis on the part of such nations as Greece, Italy or Turkey, would be adversely affected by not having atomic-equipped missiles located on their own territory. Also, whether the threat of missile attack from Albania could neutralize an otherwise more powerful element in the NATO complex, such as Italy.

Courses of Action.

If a careful study of all factors should indicate a net loss to the West from any mutual denial of missile facilities and/or atomic capabilities, the Soviet threats should certainly be brushed off. If the reverse, it

should not be difficult to stimulate a unilateral Greek offer to refuse missile bases or atomic stockpiles, conditional on an Albanian agreement to do the same; or to broaden the area by extension to Bulgaria and Rumania on one side and an appropriate counterpart on the other; or to throw some type of limited non-aggression pact, e.g. between Albania and Italy, onto the scales. Probably no deal offered would satisfy the Soviets, and they would certainly bargain and propagandize for a better one. But they might settle for a region that would appear to give a net overall advantage to the West.

In any event, regardless of pros and cons of policy, the prospective increase in Albania's strategic importance should put an added premium on carrying out the directive contained in NSC 5811/1 of May 24, 1958, which states: "When appropriate, recognize and establish U.S. diplomatic relations with Albania, subject to certain conditions, including a guarantee of correct treatment of U.S. diplomatic personnel and satisfactory settlement of the question of the validity of pre-war treaties between Albania and the United States." The action should now be appropriate; even the limited gain from information and analysis of local conditions, plus the channel for doing business and exerting any influence possible, that a US Mission would provide should certainly be worthwhile. Albanian authorities have several times in the past hinted at a desire to renew diplomatic relations. They may or may not be prepared for the move now, but there are numerous indirect ways of finding out with no embarrassment to the US.

36. Editorial Note

Premier Khrushchev and a high-level Soviet delegation visited Albania May 25-June 4. Intelligence Report No. 8080, dated August 14 and entitled "Khrushchev's Trip to Albania, May 25-June 4, 1959," provides an analysis of Khrushchev's visit. (National Archives and Records Administration, RG 84, OSS-INR Reports) According to Intelligence Report No. 8080, during his trip Khrushchev devoted a great deal of attention in his public speeches to the participation of Albania's neighbors, Greece and Italy, in Western defense efforts, specifically, their acceptance of U.S. missile bases. He employed the tactic of threatening them with Soviet missile strength and bloc countermeasures and proffering a "peaceful" alternative of a zone free of missiles and nuclear weapons. In his May 30 speech in Tirana, Khrushchev noted Italy's acceptance of U.S. missile bases and asserted that "if Greece takes the same dangerous road, the Soviet and Albanian Governments will be obliged

to come to an agreement on the installation on Albanian territory of missile launching bases directed against Italy and Greece." In other statements, he indicated that Soviet missile bases might also be established in Bulgaria.

In telegram 65 to Rome (93 to Paris), July 7, Herter asked for Foreign Office views on the meaning of Khrushchev's statements on Albania in light of Barnes' two interpretations presented in his paper (Document 35). (Department of State, Central Files, 661.00/7-759) Ambassador Zellerbach replied on July 8 stating that Italian Foreign Office Balkan Head Fenzi believed that Khrushchev's statements were part of a Soviet psychological campaign against Greek and Italian rocket bases, and were designed to encourage and reassure the Albanian Communist regime. Zellerbach reported that the assumption of the Italian Foreign Office had always been that Albania had guaranteed frontiers as a member of the Warsaw Pact and that these frontiers would be defended by nuclear war if necessary. (Telegram 108 from Rome, July 8; *ibid.*, 660.67/7-859)

Ambassador Houghton replied on July 9 that French Foreign Ministry official Millot concluded that the question of the installation of missile bases in Albania was not necessarily related to Khrushchev's repetition of his pledge to support Albania against any attack and that the establishment in Albania and elsewhere in the bloc of missile bases would depend upon the construction of U.S. missile bases in Greece and Italy. Millot concluded that the guarantee of military aid under the Warsaw Pact and the establishment of missile bases were not necessarily related. Houghton also reported that Millot believed that Khrushchev repeated the military aid guarantee to reassure Albanian leaders and to impress the Albanian population. (Telegram 145 from Paris, July 9; *ibid.*, 661.00/7-959)

37. Editorial Note

Although NSC 5811/1 had recommended that the United States recognize and establish diplomatic relations with Albania when appropriate and subject to certain conditions, a July 15 Report of the Operations Coordinating Board showed that no progress had been made toward that goal. The report stated that the Albanian authorities had shown no clear or direct interest in the establishment of relations with the United States and that "there had been no progress in the achievement of our objectives with respect to Albania." NSC 5811/1 and the OCB Report are printed in Part 1, Documents 6 and 19.

38. Telegram From the Legation in Bulgaria to the Department of State

Sofia, March 14, 1960, 4 p.m.

48. Pass USIA. In colorful ceremony at Bulgarian National Assembly in Sofia today, Monday, Minister Edward Page Jr., presented his credentials to President Dimitur Ganev, marking formal resumption diplomatic relations between US and Bulgaria after lapse ten years.¹

Several thousands Bulgarian citizens quickly gathered in Assembly Square by time cavalcade automobiles headed by open touring car in which sat Minister Page and Director of Protocol of Bulgarian Foreign Office Jordan Stefanov arrived in front National Assembly building shortly before 11 o'clock (0400 hours East) this morning.

After band had played national anthems of two countries, American Minister in formal attire reviewed honor guard Bulgarian soldiers with fixed bayonets in Assembly Square. Soldiers were resplendent in uniform of scarlet tunic crossed in front with white braid, wearing silver helmets and blue trousers tucked into black boots. Members Legation staff and their families stood nearby and watched brilliant ceremony as did large crowd spectators massed in Square and crowded at windows and roof tops of buildings fronting on Square.

In presentation room of National Assembly, Minister Page met Mister Ganev, who is Chairman of Presidium of National Assembly; Foreign Minister Karlo Lukanov, Secretary of Presidium T Daskalov and cabinet chief Lyuben Damyanov.

"It is my hope that this occasion, which marks the full resumption of diplomatic relations between United States and Bulgaria, will inaugurate a new and constructive phase in the relationship between our two countries," declared Minister Page. He said he would endeavor to strengthen ties of friendship between the two peoples and to develop and broaden interchanges in cultural, economic and other fields.

In his response, Mister Ganev said his Government is looking forward to improvement of economic and cultural relations with US.

After completion remarks by 61 year old President Ganev, American Envoy then introduced him to Counselor of Legation Charles G.

Source: Department of State, Central Files, 611.69/3-1460. Official Use Only; Priority.

¹Page's appointment as Minister to Bulgaria was announced on November 23. (Memorandum from Herter to Eisenhower, November 13; *ibid.*, 123—Page, Edward, Jr.) Page arrived in Sofia on March 7 where he was met by Counselor-designate Charles G. Stefan who had arrived in Sofia prior to Page. (Telegram 43 from Sofia, March 7; *ibid.*, 611.69/3-760)

Stefan, Colonel George Markovich, Air Attaché, and other officers of Legation staff. After Minister was introduced to Bulgarian officials, Mister Ganev and Minister Page withdrew to adjoining room for brief talk and refreshments.

On leaving National Assembly, Minister stopped in front of guard of honor and called out "dovizhdane voynitsi" (goodbye soldiers). Troops responded spiritedly "dovizhdane gospodin Minister" followed by prolonged cry "hurrah" which lasted without break until American delegation departed from Square.

Minister Page, accompanied by Mister Stefanov, Mister Damyanov, Mister Christo Kolev of Protocol Office and Legation officers went to Minister's residence for reception. Mrs. Page was hostess to party aided by wives of Legation officers.

Earlier in day large crowd stood in front newly refurbished eight-story Legation building at one Stambolisky Boulevard in downtown Sofia and watched as American flag for first time was broken out and fluttered smartly from flag pole.

After reception at residence Minister returned to Legation and with his wife and staff watched while Legation seal was nailed above building's entrance.

(Pickup advance text Page presentation statement.² Will file soonest when available full text remarks by President Ganev.³ Only American press coverage was *Life* photographer but strong turnout Bulgarian newsreel, press photographers and reporters. Pouching Legation film of ceremony to IPS today. Please pouch SEF wireless file including back issues commencing March 7 and thereafter until wireless bulletin receiver installed and functioning.)⁴

Page

² Text of Page's presentation statement has not been found in Department of State files.

³ Text of Ganev's remarks has not been found in Department of State files.

⁴ For text of the Department of State press release announcing the resumption of U.S.-Bulgarian diplomatic relations on March 14, see Department of State *Bulletin*, April 4, 1960, p. 542.

39. Telegram From the Legation in Bulgaria to the Department of State

Sofia, April 7, 1960, 5 p.m.

69. I had about one hour's conversation with Prime Minister Yugov afternoon April 6. Foreign Minister Lukanov was present.

I opened conversation by remarking that I felt resumption US-Bulgarian relations had been marked by understanding, friendly and cooperative attitude on both sides, that I wished to thank the Foreign Office and other Bulgarian authorities for their helpfulness in establishment our Mission here. I continued that it was my hope that this constructive beginning would be continued and that we could always have frank and friendly discussions on all problems affecting our two countries. Yugov replied by thoroughly agreeing with me and stating his desire for friendship, understanding and cooperation. After brief exchanges of good will, I stated that, although my visit was of a courtesy, and not business nature, I would like to broach two problems which concerned me.

(1) Reference Deptel 27, March 28.¹ I said that I was troubled about the Shipkov case, that I had no intention of reviving controversy regarding circumstances of the case but wished to raise matter on humanitarian grounds. I said that I felt act of clemency in releasing Shipkov, who was well remembered by US Government and public, could only react favorably to Bulgarian standing in US and would create very good impression there and, I thought, other Western countries. I endeavored to impress on Yugov that I had no intention question or interfere in domestic juridical processes in Bulgaria and was basing my approach purely

Source: Department of State, Central Files, 611.69/4-760. Secret.

¹ Telegram 27 concurred in Page's proposal to raise informally with Yugov the Shipkov case and recommended that the approach rest primarily on humanitarian grounds. (*Ibid.*, 611.69/3-2860) Michael (Mikhail) Shipkov was the senior Bulgarian employee of the Legation in Sofia when he was arrested and interrogated by the Bulgarian security police in August 1949. Following his release he was concealed in the Legation. Throughout the rest of that year, the Legation tried to secure permission from the Bulgarian Government for Shipkov to leave Bulgaria. Documentation on this issue is printed in *Foreign Relations*, 1949, vol. V, pp. 326 ff. Shipkov eventually left the Legation in early 1950 but was captured by the Bulgarian police on February 14. The Legation's last formal communication to the Bulgarian Foreign Ministry, dated February 20, 1950, is printed *ibid.*, 1950, vol. IV, pp. 517-525. On February 21, the Sofia press published the text of an indictment charging Shipkov and four other Bulgarian citizens with espionage and other anti-State activities. The indictment, which described the accused as agents of American intelligence, implicated 16 former and current members of the American Legation, including Minister Heath.

on humanitarian grounds. In conclusion I asked compassionate reconsideration Shipkov case.

Yugov replied he not aware this matter and requested Lukanov look into it immediately. Lukanov said he also unaware. I gave him some facts re charges, date arrest and punishment. Yugov stated he naturally could not give me immediate answer but that matter would be reconsidered.

In thanking Yugov for his interest, I felt that I may possibly have received favorable reception to my approach. I earnestly request Department give no publicity at this time to this subject.²

(2) In thanking Bulgarians for their helpfulness in establishment US Mission Sofia I again mentioned our housing needs. He sympathetically pointed out population Sofia had over doubled in last few years and asked Lukanov's comments. Lukanov stated large seven-story apartment house for diplomatic corps would be completed end year which should fulfill our needs and pleaded patience. Said Foreign Office doing all possible assist Legation.

Remainder conversation was in general terms on desire improve economic, cultural and other relations with US and was conducted in most friendly atmosphere. I had general impression that Yugov was somewhat of a "bourgeoisie nationalist" and a leader not fully inclined to toe Soviet line. For example, on mentioning my tour duty Soviet Union and travels that country he seemed to brush aside alleged Soviet industrial achievement with remark "we different people, we give more attention our schools, hospitals, housing and needs common mass. Industry important but improvement living conditions Bulgarian people uppermost in our minds." He expressed desire receive information on Federal Housing Administration regulations and practices in US which I said I would obtain.

In conclusion, I feel my initial conversation Yugov may have paved way, barring Moscow censures, for possible future constructive discussions. For it is my opinion that he personally would like to see as close relations with US as is permitted under Communist criteria. I must add, however, that my feeling thus far is that Yugov is not "boss in Bulgaria", that position having been taken over by Todor Zhivkov, a very tough 100 percent Moscow Communist.

Page

²No further documentation on the results of this démarche has been found in Department of State files.

40. Memorandum of Conversation

Washington, April 8, 1960.

SUBJECT

Courtesy Call on the Under Secretary by the Bulgarian Minister¹

PARTICIPANTS

The Under Secretary
Dr. Peter G. Voutov, Bulgarian Minister
Mr. Clement E. Conger, U/PR
Mr. Moncrieff J. Spear, EE

After expressing his pleasure at being in the United States, Dr. Voutov described at some length his rather extensive travels throughout the United States. Mr. Dillon said he hoped that some of Dr. Voutov's colleagues in the Bulgarian Government would also have an opportunity to get acquainted with this country.

Dr. Voutov then replied that after his travels he was now ready to settle down to work on the problems between the United States and Bulgaria. In this connection, he was aware of Mr. Dillon's particular interest in economic matters and it was his hope that it would be possible to negotiate the outstanding claims between Bulgaria and the United States in order to facilitate an expansion of trade between the two countries. The discussion turned at this point to a review of the various commodities involved in US-Bulgarian trade.

Dr. Voutov next referred to his calls on some of the cabinet officers, and he reported that Secretary of Agriculture Benson had expressed a hope to visit Bulgaria this summer in order to study the Bulgarian cooperative movement.² In conclusion, Dr. Voutov said that he would be returning to Sofia for three months' leave and consultation in June.

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Moncrieff J. Spear and approved by McKisson and in U by Robert C. Brewster, Dillon's Special Assistant, on April 11.

¹ Voutov, who was appointed Minister of the People's Republic of Bulgaria, presented his credentials to President Eisenhower on January 15.

² No records of Voutov's calls on Cabinet officers have been found in Department of State files. Telegram 59 from Sofia, March 24, noted Bulgarian press reports of Voutov's conversations with Cabinet officers Mueller, Benson, and Flemming. In telegram 26 to Sofia, March 28, the Department of State replied that Voutov's calls on the Secretaries of Agriculture and Commerce were strictly courtesy visits. In a March 15 protocol call at HEW, Voutov expressed to Secretary Flemming his interest in a visit to the National Institutes of Health and his hope for exchanges in the fields of health, education, and welfare. The telegram stated that Flemming made no commitment and noted that formal negotiations for exchanges should be handled through diplomatic channels. Copies of these telegrams are in Department of State, Central Files, 511.69/3-2460.

41. Editorial Note

The July 27 Operations Coordinating Board Report on NSC 5811/1 stated:

“We do not recognize and do not have diplomatic relations with the Albanian regime. Consequently, there has been no progress toward the achievement of our objectives with respect to Albania, and there is unlikely to be any until such time as the Albanian regime undertakes some clear-cut initiative seeking recognition and the establishment of diplomatic relations.”

NSC 5811/1 and this OCR Report are printed in Part 1, Documents 6 and 30.

42. Memorandum of Conversation

Washington, September 26, 1960.

SUBJECT

United States-Bulgarian Relations

PARTICIPANTS

Dr. Peter G. Voutov, Bulgarian Minister
EUR—Mr. Foy D. Kohler
EE—Mr. Moncrieff J. Spear

Following his return from consultation in Bulgaria, Dr. Voutov called on Mr. Kohler on September 26, 1960 at his request to discuss the travel of Mr. Todor Zhivkov around the United States and to review US-Bulgarian relations. (The discussion of Zhivkov's travel is reported in a separate memorandum of conversation.)¹

Source: Department of State, Central Files, 611.69/9–2660. Confidential. Drafted and initialed by Spear and initialed by Kohler and Vedeler.

¹ A copy of the memorandum of conversation, dated September 26, is *ibid.*, 320/9–2660. Zhivkov, First Secretary of the Bulgarian Communist Party, was in the United States to attend the 15th Session of the U.N. General Assembly September 22–December 20. No records of his travels in the United States or of any talks with U.S. officials have been found in Department of State files.

Financial and Cultural Negotiations

Dr. Voutov opened the conversation by expressing his hope for expansion of US-Bulgarian economic relations. He said that he was aware of the obstacles, including the tariff problem, which would involve Congressional action. However, he believed that first "other" hurdles should be removed. In reply, Mr. Kohler said that we had contemplated negotiations on "remaining problems", and would start our preparations and hope to be ready for informal talks in two or three weeks, if the Bulgarians were agreeable. Dr. Voutov replied that the Bulgarians would be ready by the middle of October for preliminary discussions. At that time it could be decided whether to hold the negotiations here or in Sofia.² Mr. Kohler said that he would designate Mr. Vedeler and Mr. Katz as the US representatives, and Dr. Voutov responded that Mr. Tatev and Mr. Chterev from the Legation would be the Bulgarian negotiators.³

Mr. Kohler then added that if all went well with the economic talks, it might be possible to discuss arrangements in the cultural field some time in November, after Mr. Siscoe had returned from leave. Dr. Voutov was agreeable to this. He and Mr. Kohler then reviewed a number of recent exchanges between Bulgaria and the US, and Dr. Voutov observed that such exchanges need not always be on a basis of strict reciprocity. To this Mr. Kohler replied that as a matter of principle we had always felt that formal cultural arrangements between governments should not restrict other, private efforts in the field.

Status of Missions

Referring to the agreement which he and Mr. Kohler had signed on the resumption of US-Bulgarian relations, Dr. Voutov said that he and his Government felt that US-Bulgarian diplomatic representation at the Legation level was an anachronism and did not correspond to the state of our relations. Now that a year and a half had passed since the agreement had been signed, he felt that this matter should be reconsidered.

Mr. Kohler replied that he would take note of Dr. Voutov's statement. Personally, he was sympathetic to his argument, and he hoped that it would be possible to consider the question before too long.

² Department of State officials met informally with Bulgarian officials in Washington on November 22 when the latter stated their readiness to initiate financial claims discussions. U.S. officials suggested January 10, 1961, as a possible starting date. (Telegram 153 to Sofia, November 25; *ibid.*, 611.6992/11-2560) No other negotiations took place between U.S. and Bulgarian officials in the fall of 1960.

³ Christo Tatev was Counselor and Kiril Chterev was the First Secretary of the Bulgarian Legation in Washington.

Consular Complaints

Dr. Voutov next launched into a long series of complaints about Bulgarian difficulties in obtaining US visas. He cited three specific cases:

1. The case of the Bulgarian representatives to the World Forestry Congress, who only got their visas at the last minute;
2. The Bulgarian delegate to the Cuban Communist Party Congress, who was refused a transit visa; and
3. The restrictions on a Bulgarian journalist who was given a transit visa to cover the UN General Assembly.

With regard to the last case, Dr. Voutov reported that when the Bulgarian Foreign Minister had first heard of it in New York, his initial reaction was to order the Bulgarian Foreign Ministry in Sofia to restrict American correspondents at the Plovdiv Fair to the Plovdiv area. Dr. Voutov had prevailed on him to withhold this action until the Legation could find out from the Department what was involved. It was explained to Dr. Voutov that this was required by US visa laws, but that we were prepared to take the matter up with the Immigration Service if the Legation would let us know where the Bulgarian journalist wanted to travel outside the midtown New York area. Nevertheless, Dr. Voutov objected that our restriction was discriminatory.

In a general reply to Dr. Voutov's complaints, Mr. Kohler said that he had been unaware of any Bulgarian visa problems, and would look into the matter. In general he felt that such things should go smoothly.

43. Editorial Note

In a memorandum to the President dated November 10, Secretary of State Herter recommended that, in view of the positive development of U.S. relations with Romania and Bulgaria in recent months, the Legations at Bucharest and Sofia be raised to Embassy status at an early date. The President rejected the suggestion. See Part 1, Document 34.

POLAND

U.S. POLICY TOWARD POLAND

44. Editorial Note

On February 15 in Washington, the United States and Poland signed an economic agreement, which was composed of two separate agreements. Under the first agreement, the United States provided Poland with a credit through the Export-Import Bank of \$25 million. For text of this agreement, see Department of State *Bulletin*, March 3, 1958, pages 350-353. Under the second agreement, the United States agreed to a sale of agricultural surpluses of \$73 million under Public Law 480, the Agricultural Trade Development and Assistance Act of 1954, as amended. (68 Stat. 455) For text of this agreement, see 9 UST 199. Documentation on the negotiations leading up to this agreement is in Department of State, Central File 411.4841.

45. Memorandum of Discussion at the 362d Meeting of the National Security Council

Washington, April 14, 1958.

[Here follow a paragraph listing the participants at the meeting and agenda items 1-2.]

3. *U.S. Policy Toward Poland* (NSC 5608/1; Appendix to NSC 5608/1; NSC 5505/1; NSC 5616/2; NSC 5705/1; NIE 12-58; NSC Actions Nos. 1775, 1781 and 1862; NSC 5704/3; NSC 5706/2; NSC 5726/1;

NSC 5607; NSC 5802/1; NSC 5808; Memo for NSC from Executive Secretary, same subject, dated April 11, 1958)¹

General Cutler then turned to the proposed new policy on Poland (NSC 5808). He stated the first major policy decision reflected in the new paper, in the following words: "The U.S. should continue to accept and work through the present Gomulka regime as a means of promoting a gradual evolution in Poland toward greater freedom and independence." General Cutler's exposition of the Planning Board's thinking on this subject provoked no discussion,² and the Council agreed with the Planning Board decision.

General Cutler raised the second major policy decision reflected in NSC 5808 in the following terms: "The level of U.S. economic aid to Poland, which will best serve U.S. interests, should be approximately as at present, though the U.S. should be prepared to increase the level should significant opportunities arise which would move Poland towards internal freedom and national independence."

In this case, likewise, the Council accepted the Planning Board decision without comment. Accordingly, General Cutler moved on to the third major policy decision in NSC 5808, which he stated as follows: "The U.S. should continue and further extend the distinctions we make between Communist Poland and the Soviet-dominated Communist nations of Eastern Europe, in our policies and programs relating to East-West trade, East-West exchanges, port security, consular representation [*less than 1 line of source text not declassified*]."

After explaining the Planning Board's reasoning in making this decision, and after summarizing reports from the Department of Justice on expanded Polish espionage and intelligence activities, General Cutler called on Secretary Dulles to speak particularly to paragraph 28-a,³ dealing with the future levels of economic and technical aid to Poland.

¹ NSC 5608/1, July 18, 1956; NSC 5616/2, November 19, 1956; and NSC 5706/2, March 8, 1957, are printed in *Foreign Relations, 1955–1957*, vol. XXV, pp. 216–221, 463–469, and 584–588, respectively. NSC 5705/1 was not declassified. NSC 5505/1, January 31, 1957, and NSC 5607, June 29, 1956, are printed *ibid.*, vol. XXIV, pp. 20–22 and 243–246, respectively. NSC 5705/1 was not declassified. For text of NIE 12–58, see Part 1, Document 2. NSC Actions No. 1775, 1781, and 1862 are in Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council. NSC 5704/3, September 16, 1957, is printed in *Foreign Relations, 1955–1957*, vol. X, pp. 495–498. Copies of NSC 5726/1, December 9, 1957; NSC 5802/1, February 19, 1958; and NSC 5808, March 25, 1958, are in Department of State, S/S–NSC Files: Lot 63 D 351. The April 11 memorandum transmitted the views of the JCS on NSC 5808. (*Ibid.*)

² In Cutler's briefing paper, April 14, he discussed revisions of NSC statements of policy on Poland and Yugoslavia, and noted that the revisions indicated that U.S. policy was to assist a Communist country to retain its independence or seek to decrease dependence on the Soviet Union. Copies of this briefing paper and another almost identical one are in the Eisenhower Library, Special Assistant for National Security Affairs Records, Chron–1958.

³ Paragraph 28-a of NSC 5808 was not amended in NSC 5808/1, Document 46.

Secretary Dulles replied by stating that while there was a deviation in some respects by the Gomulka regime from the usual Soviet line and while such deviations ought to be encouraged in our own interests, this deviation did not go so far as to suggest that the Polish Government's intelligence services were not coordinated by the Soviet Government. There was no doubt that the Soviet Government did coordinate the Polish intelligence services. Accordingly, we must exercise just as much vigilance vis-à-vis Polish agents as we did with Soviet agents. Nevertheless, the shift that has occurred in Poland since Gomulka had taken over was significant and deserved to be encouraged. There was no doubt that the Soviet Union regarded the satellite areas as the most sensitive in the world from its own point of view. They regard the satellite areas as areas of greatest danger to the USSR. That was why they were pressing in their maneuvers for a Summit Conference to induce the United States to accept the permanence of Soviet domination of Eastern Europe. Eastern Europe may well turn out to be the Achilles' heel of the Soviet Union. Just as purely defensive policies alone rarely succeed in achieving their objectives, so we must be alive to opportunities to capitalize by more positive U.S. policies toward the Soviet satellites. Foreign trade, where there has already been a tendency on our part to relax some of our restrictions, offers just such an opportunity for the United States to take the offensive and exploit Soviet Bloc vulnerabilities.

Mr. Allen Dulles pointed out that the CIA had some responsibility, in coordination with the State Department, with respect to the policy of Radio Free Europe's broadcasts to Poland. This had never proved to be an easy task. Radio Free Europe had to walk a tightrope to avoid, on the one hand, fomenting outbreaks in Poland which would cost Polish lives and, on the other hand, to avoid giving the Poles the impression that the United States had abandoned hope of their ultimate liberation. Mr. Allen Dulles went on to say that some of his people in the CIA feared that this proposed new policy on Poland might force a drastic change in Radio Free Europe's policy with respect to broadcasts to Poland. Mr. Allen Dulles did not quite think he shared this view, because it seemed to him that the proposed new policy paper provided a broad mandate for the broadcasts.

Secretary Dulles said that he had one thing to add to his previous remarks which he had overlooked. He pointed out that while paragraph 28—a dealt primarily with the problem of increasing trade with Poland, the objectives of paragraph 28 were primarily political rather than strictly economic. He therefore hoped that in the implementation of this paragraph, special consideration could be given to the views of the Department of State.

General Cutler then said that he wished to raise the question of the applicability to Poland of the special limited-distribution Appendix to

the U.S. policy with respect to the Soviet satellites (NSC 5608/1), dealing with the problem of how to treat violence and manifestations of discontent to the Communist regimes in the satellite nations. General Cutler pointed out that both State and CIA thought that this Appendix should no longer apply to Poland. Defense, on the other hand, thought that the Appendix should continue to apply. General Cutler asked Secretary Dulles to speak first to this problem.

Secretary Dulles indicated that, generally speaking, he thought that the new policy paper on Poland would render the Appendix obsolete as far as Poland was concerned, although he had no very strong feelings on the matter.

Asked for his opinion by General Cutler, Secretary Quarles stated his belief that, in general, the new policy paper on Poland had gone about as far as we could, and perhaps a little too far, in pointing up our change of view on Poland. Certainly he could see nothing in this Appendix which was inconsistent with the proposed new policy paper. He too, however, stated that he did not regard the issue as a fighting matter. Mr. Allen Dulles expressed himself as not caring very much one way or another, as long as a clear decision was reached, though on the whole he thought that the Appendix should continue to apply to Poland.

The President spoke in favor of having the Appendix continue to apply to Poland. Secretary Dulles said that he was not necessarily opposed to this, but he would like to study the wording of the Appendix before making up his mind. A copy of the Appendix was provided to Secretary Dulles to read.

Meanwhile, the President pointed out that while we were trying to do our best to encourage Poland to break away from the Soviet Union, we must not have any illusions on the point that Poland was still essentially a satellite of the USSR.

General Cutler then turned to the fourth of the major policy decisions recommended by the Planning Board in NSC 5808, dealing with "the nature of the U.S. response to imminent or actual Soviet military action against Poland." [2 lines of source text not declassified]

[1 paragraph (17-1/2 lines of source text) not declassified]

General Cutler likewise pointed out that the Joint Chiefs of Staff had recommended deletion of paragraph 38,⁴ on the ground that this paragraph was an incomplete representation of the consideration set forth in Annex A as being the basis for paragraphs 38 and 39. He called on General Taylor to expand on the views of the Joint Chiefs. General Taylor said he had nothing to add to the written views, and he personally could not see much hope in any of the actions proposed to be taken

⁴ [text not declassified]

by the United States in the event of Soviet military action against Poland. In response, General Cutler explained the great difficulties foreseen by the Planning Board in the contingency of Soviet military action against Poland. These difficulties were applicable whether we took positive action ourselves or avoided taking any positive action.

Asked for his opinion on the inclusion of paragraph 38, Secretary Dulles said that the paragraph struck him as pretty negative in tone, and not altogether suitable for inclusion in a policy paper, inasmuch as it did not really concern itself with policy guidance.

Secretary Quarles said he was inclined to favor the views of the Joint Chiefs of Staff with respect to paragraph 38, not so much because what it says was wrong, but because it was so negative in tone and because it did not constitute policy guidance. He was inclined, therefore, to agree with a suggestion from General Cutler that paragraph 38 be removed from the policy paper proper and put in the Appendix.

The President said that he could not see that the inclusion of paragraph 38 did any harm, although of course it wasn't possible in a policy paper to cover all the contingencies which might arise in the event of Soviet military action against Poland. The President perceived no objection to transferring paragraph 38 to the Appendix. However, after brief further discussion, it was agreed to omit paragraph 38 altogether.⁵

At the end of the meeting, Secretary Dulles said that he had now reread the words in the special limited-distribution Appendix to NSC 5608/1, and he saw nothing in this Appendix which made it inapplicable to Poland.

*The National Security Council:*⁶

a. Discussed the draft statement of policy on the subject contained in NSC 5808; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of April 11, 1958.

b. Adopted the statement of policy in NSC 5808, subject to the deletion of paragraph 38.

c. Agreed that the provisions of the special limited-distribution Appendix to NSC 5608/1 should continue to apply to Poland.

d. Noted without dissent the Secretary of State's observation that the views of the Department of State should be given special consideration in implementing the policy guidance set forth in paragraph 28-a of NSC 5808, because of its primarily political objective.

⁵ Paragraph 39 of NSC 5808 was renumbered paragraph 38 of NSC 5808/1, Document 46.

⁶ Paragraphs a-d and the Note that follows constitute NSC Action No. 1896, approved by the President on April 16. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

Note: NSC 5808, as amended by the action in b above, subsequently approved by the President; circulated as NSC 5808/1⁷ for implementation by all appropriate Executive departments and agencies of the U.S. Government; and referred, together with the action in d above, to the Operations Coordinating Board as the coordinating agency designated by the President. The action in c above, as approved by the President, subsequently circulated to all holders of the Appendix to NSC 5608/1.

S. Everett Gleason

⁷ Document 46.

46. National Security Council Report

NSC 5808/1

Washington, April 16, 1958.

U.S. POLICY TOWARD POLAND

General Considerations

U.S. Interest in Poland

1. The Communist nature of the Gomulka regime, and its close association with the USSR for ideological and geopolitical reasons (including membership in the Warsaw Pact),¹ prevent achievement of a really independent Poland in the foreseeable future. Nevertheless, the limited independence gained by Poland since the establishment of the Gomulka

Source: National Archives and Records Administration, RG 218, JCS Records, 092 (9–14–49), Sec. 14 R–13. Secret. A covering note from Lay to the NSC, also dated April 16; a table of contents; financial appendix; Annex B, “U.S. Trade With Poland–Danzig 1947–1957;” and Annex C, “Legal Limitations on Trade With and Assistance to Poland,” are not printed.

¹ On May 14, 1955, the Soviet Union and the Eastern European Communist nations signed a multilateral treaty of “friendship, cooperation, and mutual assistance” at Warsaw, which was ratified by all signatories on May 30. See *Foreign Relations, 1955–1957*, vol. XXV, pp. 33–34.

regime in October, 1956² serves U.S. interests by (a) tending to weaken the monolithic character of the Soviet Bloc; (b) impugning the alleged universality of certain aspects of Soviet Communism; (c) contributing to ferment in Eastern Europe; and (d) providing new opportunities to project Western influences in Poland. Because of the influence which its example exerts on other Communist nations in Eastern Europe, Poland's ability to maintain its present semi-independence will be a key factor affecting future political developments in that area.

2. The United States wishes to avoid any situation which might lead to retrogression in Poland, harsher Soviet policies in the other Satellites or serious risk of general war. Consequently, U.S. interests currently are best served by a semi-independent Poland with a potential for evolving toward full independence by gradual means not jeopardizing the gains already made. Experience has shown that U.S. policy toward Poland can be pursued effectively through the Polish Government, as well as directly with the Polish people, through such means as aid, trade and information programs. The Polish bureaucracy still contains important non-Communists.

The Polish Internal Situation

3. The Polish internal situation continues to represent a basic and significant deviation from the Soviet pattern. The gains of October 1956 have not been seriously threatened except in one sector, freedom of the press. Nevertheless, the initial liberalization trend has been checked and the regime has made clear that it will not tolerate activity ultimately threatening to itself. Because of strong anti-Communist and anti-Russian popular views, preoccupation with the difficult task of earning a living, and disappointment over the regime's failure to achieve material improvement in the economic situation, popular enthusiasm for Gomulka has waned from the emotional high point of 1956.

4. Economic difficulties, popular discontent, and Party factionalism pose a chronic threat to regime stability and force Gomulka to do a delicate balancing act to alleviate pressures from all dissatisfied elements. Nevertheless, the Poles apparently continue to regard the Gomulka Government, though Communist, as an improvement on its post-war predecessors and, in any event, as the only present alternative to a return to a more repressive regime subject to greater Soviet influence.

² Wladyslaw Gomulka was elected to the Central Committee and to the position of Party First Secretary by the Eighth Plenum of the Central Committee of the Polish Communist Party on October 19, 1956. During this Plenum, Khrushchev, accompanied by top Soviet political and military figures, arrived unannounced in Poland, put Soviet forces stationed in Poland on alert, and tried to prevent Gomulka and his supporters from gaining power. When Gomulka refused to talk, the Soviet delegation left and the Polish Central Committee resumed its session.

5. Gomulka's concessions to the anti-Communist bulk of Poland's population do not indicate renunciation of basic Communist aims. For example, current permission for peasants to return to private farming does not signify abandonment of the ultimate goal of collectivization; and the *modus vivendi* with the Church does not bespeak repudiation of the anti-religious aim of Polish Communism. These concessions constitute an admission that coercion has failed to promote popular acceptance of Communism in Poland and reflect a hope that this goal can be accomplished by persuasion.

6. Barring an acute economic crisis, the Gomulka regime has a better than even chance of surviving internal threats to its position and retaining its relative freedom from direct Soviet control. Soviet repression in Hungary probably continues to be a deterrent to popular uprisings in Poland, although serious disturbances might result if the Government were forced to impose curbs on developments which it considered threatening to its control of the situation. These could lead to Soviet intervention and a disastrous reversal in the gains made thus far by the Polish people.

7. The abuses inflicted on the Polish economy during nearly 12 years of Soviet domination have taken a heavy toll and have been reflected in a low level of consumption and public welfare. Except for one area—agricultural output, where the prospects are now considerably brighter than they were prior to October 1956—the main elements in Poland's economic predicament continue to be: (a) the lack of many important industrial raw materials, underexploitation of those available, and a shortage of foreign exchange to pay for imports; (b) the inability to raise substantially the production of coal; (c) an inadequate supply of consumption goods in both absolute terms and in relation to the population's purchasing power; and (d) a critical shortage in housing. Among the serious immediate problems confronting the Polish economy are inflationary pressures and social problems exerting an adverse influence on production, such as widespread pilferage of socialized property, workers' discontent, corruption, speculation, and rising alcoholism.

8. Poland's continuing reliance on the Soviet Bloc for the major share of its foreign trade—60 percent of Poland's trade is with the USSR and other Soviet Bloc countries—limits Poland's ability to achieve greater independence. U.S. policy objectives in Poland would be advanced by a reorientation of Polish trade with the West. Representatives of the Polish Government have stated that they desire to increase the volume of their trade with the West. The Free World share in total Polish trade has risen from 30 percent in 1954 to about 40 percent in 1956. The Poles have recently concluded trade agreements with Soviet Bloc countries involving substantial increases in the volume of trade, especially with the USSR. Under these agreements, the Poles apparently contem-

plate the maintenance for the next three years of the approximate present 60-40 ratio for Soviet Bloc and Free World shares of total Polish trade, thus limiting the opportunity for further increasing the percentage share of Polish trade with the West.

9. U.S. economic aid has had a psychological influence in Poland by concretely demonstrating our interest in and concern for the welfare of the Polish people, and has added to Poland's relatively independent status in the eyes of world opinion. U.S. economic assistance (relatively smaller than Soviet Bloc economic assistance) also has aided Gomulka's efforts to stabilize his position and to maintain his semi-independence from Moscow, by giving the regime an enhanced status, a freer hand, and an improved bargaining position with the USSR. Moreover, the prospect of such U.S. aid may be a factor encouraging any other Satellite leaders who may desire to follow the Polish example. Gomulka's efforts to improve Polish living standards and thereby strengthen his regime are also aided by the economic assistance which Poland is receiving from the USSR and Satellite countries, even though this assistance is less directly oriented toward improvement of the welfare of the Polish people than are the U.S. credits.

Poland's Relations With the West

10. The Polish Government's policy of seeking improved relations with the West, particularly the United States, appears to be based principally on: (a) the advantages of a certain amount of non-Communist international identification as a factor in seeking to further Poland's national independence; (b) the psychological desirability of making concessions to strong popular demands in Poland for more identification with Western countries and cultures; (c) the desire for substantial Western economic aid; (d) the desire to maintain a sufficient trade relationship with the West to provide a greater variety of resources to the economy and to enhance Poland's bargaining position in economic negotiations with the USSR and Soviet Bloc countries; and (e) the desire to profit from the advanced technology of the West. The Polish Government seeks especially to establish a receptive attitude in Western governments on the question of aiding Poland economically.

11. The policy of seeking improved relations with the West is likely to continue. The Polish Government is sensitive to the danger of Western influence to Polish Communism and is alert for opportunities to combat this threat in ways not prejudicial to the aims stated above. Gomulka's assurances to the Soviet Union concerning U.S.-Polish relations are balanced by Polish pledges to the United States that Poland's independent status has not been impaired by developments in Soviet-Polish relations.

12. U.S. relations with Soviet-dominated Communist Poland from 1945 to late 1956 generally followed the trend of U.S. relations with the USSR and other countries of the Soviet Bloc. U.S. policy since October 1956 has sought to encourage the renewed struggle of the Polish people toward internal freedom and the evolution of the Polish Government toward national independence.

13. Since October 1956 the United States has agreed to provide Poland \$55 million in loans under Section 401 of the Mutual Security Act³ and \$138 million in agricultural surpluses under P.L. 480. This aid was provided under agreements signed on June 7 and August 14, 1957⁴ for assistance amounting to \$95 million, and on February 15, 1958 for \$98 million.⁵ Present legal limitations restrict the types of assistance which can be provided to Poland, to sales under P.L. 480, Title I, and to dollar assistance within the \$30 million annual limitation under Section 401 of the Mutual Security Act. The Battle Act⁶ rules out consideration of all other U.S. credits, and the Johnson Act⁷ precludes credits by private American banks to Poland (beyond normal short-term commercial facilities).⁸ Provision of other types of assistance or private credits to Poland would require amendment of the Battle Act, and review of the applicability of the Johnson Act to Poland, and might be facilitated by encouraging Poland to refund its obligations by negotiating agreements with its creditors.

14. The following additional measures were taken by the United States in connection with the 1957 U.S.-Polish economic negotiations: restrictions on transmitting U.S. obligations (e.g., Social Security bene-

³ The Mutual Security Act of 1954 permitted the United States to furnish assistance to friendly nations to promote the security of the United States. Section 401 provided a special fund, not to exceed \$150 million, to be used at the discretion of the President whenever he determined that such use was important to the security of the United States. (68 Stat. 832)

⁴ For text of Surplus Agricultural Commodities Agreement between the United States and Poland signed at Washington on June 7, 1957, and entered into force that same day, see 8 UST 799. For text of the Agreement Amending the Surplus Agricultural Commodities Agreement of June 7, 1957, between the United States and Poland, signed at Washington on August 14, 1957, and entered into force that same day, see 8 UST 1289.

⁵ The \$95 million consisted of (a) \$65 million under P.L. 480 and (b) a loan of \$30 million provided through Section 401 of the Mutual Security Act. The \$98 million consisted of (a) \$73 million under P.L. 480 and (b) a loan of \$25 million provided under Section 401. [Footnote in the source text. See also Document 44.]

⁶ The Mutual Defense Assistance Control Act, called the Battle Act, signed October 26, 1951, embargoed the shipment of arms or strategic materials to nations or combination of nations that threatened the security of the United States. (65 Stat. 644)

⁷ The Johnson Debt Default Act, signed April 13, 1934, prohibited financial transactions with any foreign government in default in its obligations to the United States. (48 Stat. 574)

⁸ See Annex C. [Footnote in the source text.]

fits) to Polish citizens were lifted; U.S. voluntary agencies were encouraged to establish programs in Poland; and measures were taken to liberalize controls on U.S. exports to Poland and otherwise to facilitate U.S.-Polish trade.

15. The United States has also shown its interest in the Polish people by promoting greatly-expanded U.S.-Polish cultural relations, including: (a) a significant information program in Poland, conducted without identification as a USIA operation and with tacit consent of the Polish Government; (b) broad exchanges of official and private persons; (c) an agreement⁹ for distribution of a Polish-language edition of "America" magazine; (d) an information media guarantee agreement to facilitate the purchase by Polish consumers of motion pictures and publications through U.S. commercial channels; and (e) U.S. trade exhibits at the Poznan fair and trade information missions in Poland. Promotion of the U.S. point of view in Poland has been facilitated by a new receptiveness of the Polish Government to information from the West. In this connection, cessation of jamming by Poland has increased significantly the audibility, and thus the effectiveness, of the Voice of America (VOA) and Radio Free Europe (RFE), although interference in Poland still is encountered from Soviet, Czech, and East German jammers.

16. Improved U.S.-Polish relations have also made possible: (a) an agreement in principle to negotiate a lump-sum settlement to compensate U.S. owners for property nationalized or otherwise taken by Poland; (b) greatly increased possibilities for U.S. Embassy personnel in Warsaw to contact and get information from Polish officials; (c) regular U.S. Air Force flights from Germany to Warsaw in support of the U.S. Embassy there; (d) permission for claimants to U.S. citizenship to leave Poland in greater numbers; (e) a somewhat more receptive attitude toward admitting persons whom the United States wishes to deport to Poland; and (f) Polish assurances that goods of U.S. origin, obtained by Poland either directly or via third countries, will not be transhipped or reexported to other countries without the prior approval of the Government of the United States.

Poland's Relations with the Sino-Soviet Bloc and Yugoslavia

17. Strong Soviet displeasure expressed personally by Khrushchev in Warsaw, and the threat of Soviet armed intervention during the October 1956 upheaval, failed to maintain the previous Soviet-dominated regime in Poland.

18. The Polish regime assesses its independent foreign policy potential in terms of: (a) Poland's geographic position; (b) the continued

⁹ Negotiations are at an advanced stage—agreement is expected soon. [Footnote in the source text.]

presence of Soviet troops in Poland and East Germany;¹⁰(c) the lesson of the Hungarian revolution;¹¹ (d) Poland's vital economic dependence on the USSR; (e) the need for Soviet support in combatting what Poland envisages as a resurgent Germany; (f) the need for Soviet support of the Oder-Neisse line as Poland's western border; (g) Poland's membership in the Warsaw Pact; (h) the Communist nature of the Gomulka regime; and (i) sensational Soviet scientific successes having military implications.

19. Poland's insistence on pursuing its "own road to socialism" has related principally to internal Polish affairs, and Poland has generally followed the USSR's lead on international issues. Nevertheless, it has faced up to Soviet displeasure by taking a stand of limited independence in matters such as its relations with the United States, Yugoslavia, Communist China, and Israel. Moreover, while admitting Poland's secondary role, the Polish Government has sought to increase its influence in international affairs, particularly in the field of disarmament and relaxation of tension. Although its position on these issues follows the Soviet line closely, and admittedly is coordinated closely with the USSR, Poland's claims to initiative may have some validity when the proposals also serve Polish purposes.

20. The Gomulka regime has sought support from Communist China and Yugoslavia for its assertion of the right to pursue its own internal road to "socialism". Reported Chinese support now appears to have been withdrawn, but continued Yugoslav backing on this point appears assured because of its basic importance to Tito's own regime. While the Polish and Yugoslav deviations from Soviet Communism are not parallel in many respects, close relations and ideological affinity are mutually beneficial to Gomulka and Tito in their relations with the Kremlin. The recent Polish-Yugoslav treaty of economic cooperation¹² may prove to be a significant step in developing closer relations between the two countries.

¹⁰The USSR has 2 divisions (35,000 men) and a 2,000-man security force in Poland, and 22 divisions (350,000 men) and a 10,000-man security force in East Germany. Polish forces include: an army of 18 divisions (250,000 men) and security forces numbering 45,000; an air force of 34,000 men with 675 jet day fighters, 20 all-weather jet fighters, 85 jet light bombers, and 10 jet attack fighters, and a Navy of 10,450 men with 2 destroyers, 9 submarines, and 102 minor vessels. [Footnote in the source text.]

¹¹Reference is to the Soviet intervention in Hungary on October 24 and November 4, 1956; see *Foreign Relations, 1955–1957*, volume XXV.

¹²Reference is to an agreement signed on February 20 by representatives of the Governments of Poland and Yugoslavia which provided for the establishment of a permanent Yugoslav-Polish Committee for Economic Cooperation. The Committee's task was to exchange experiences in planning systems and economic organizations in the two countries, to discuss economic cooperation between the two countries, and to recommend ways to expand trade between them.

21. Soviet pressure, containing the constant threat of intervention, in combination with Gomulka's determination to maintain his Communist regime in power, has checked the initial liberalization trend in Poland's internal affairs. The USSR has, however, acknowledged the strong antipathy of the Polish people toward Russians and Communism by exercising pressure in more sophisticated ways. The USSR has also: (a) made concessions such as withdrawing many of the "advisers" previously imposed openly on Poland; (b) under Polish pressure, redressed to some extent previous Soviet economic exploitation of Poland; (c) agreed formally that Poland should share in controlling Soviet troops still on Polish soil; (d) extended substantial economic aid; and (e) sought to keep Poland heavily dependent economically on the Soviet Bloc. As long as the Polish people continue successfully to resist Soviet efforts to reverse the gains made in Poland since October 1956, USSR short-term policy objectives probably will be concentrated on keeping Poland's experiment within manageable bounds, so as to minimize its effect on the Soviet Bloc and to prevent an explosion requiring intervention by the USSR.

Objectives

Short-Term Objectives

22. Conditions in Poland enabling, through Western influence, the promotion of peaceful evolution toward internal freedom and national independence, the reduction of the Polish contribution to Soviet strength, and the weakening of the monolithic front and internal cohesiveness of the Soviet Bloc.

23. Greater political, economic and social orientation of Poland toward the West, and diminution of Soviet influence in Poland.

Long-Term Objectives

24. Eventual fulfillment of the right of the Polish people to live under a government of their own choosing, which maintains peaceful and stable relations with neighboring states, and participates fully in the Free World community.

Major Policy Guidance¹³

25. Recognize that U.S. interest requires a distinction in certain cases between the treatment accorded Poland and that accorded Czechoslovakia, Hungary, Albania, Rumania, and Bulgaria.

¹³NSC policies on the Soviet Bloc (including NSC 5726/1, "U.S. Civil Aviation Policy Toward the Sino-Soviet Bloc", December 9, 1957) will continue to apply to Poland except as modified by this policy or by exceptions in the policies concerned. [Footnote in the source text. A copy of NSC 5726/1 is in Department of State, S/S-NSC Files: Lot 63 D 351, 5726 Series.]

26. Take all feasible steps to promote and encourage in Poland an evolution toward greater internal freedoms and national independence, avoiding actions likely to provoke retrogression within Poland or the use of force by the USSR against Poland.

27. a. Be prepared to furnish, at Polish request, economic and technical aid to Poland at approximately current program levels for the purpose of encouraging Poland to pursue policies which would contribute to the attainment of U.S. objectives; being prepared to increase the level of aid to Poland should significant opportunities arise which would move Poland toward internal freedom and national independence.

b. To the extent possible without prejudicing these primary purposes, design such assistance to: (1) reduce Polish economic dependence on the USSR and other countries of the Soviet Bloc; (2) reach those sectors of the Polish economy where it is likely to be of the greatest benefit to the Polish people; (3) contribute to the development of free economic forces within Poland; and (4) provide to the Polish people the maximum visible evidence of the source of the aid.

c. In any event, in extending assistance avoid actions which could be interpreted as unreserved endorsement of the Gomulka regime on the one hand or which, on the other hand, would encourage attempts to overthrow that regime by violence.

d. Seek appropriate changes in legislation in order to relax present restrictions on the provision of economic aid to foster the development of Polish internal freedom and national independence.

28. a. Encourage increased trade with Poland consistent with "U.S. Economic Defense Policy" (NSC 5704/3).¹⁴ In accordance with paragraph 13 of such policy, make available to Poland from Western countries strategically-rated goods, including embargo-type items, on a case-by-case basis as such goods are shown to be reasonable and necessary to the Polish civilian economy (as determined in each case by reference to the stated civilian uses, and with due consideration to the strategic risk involved).

b. Seek relaxation of the present restrictions on private U.S. credits to Poland and encourage the extension of such private credit.

c. Extend most-favored-nation treatment to Poland at an appropriate time, and thereafter consider supporting Poland's application for membership in GATT.

29. Seek to orient Poland toward the Free World by:

¹⁴NSC Action No. 1865-c directed the review of this policy. [Footnote in the source text. For text of NSC 5704/3, see *Foreign Relations, 1955-1957*, vol. X, pp. 495-498.]

a. Promoting closer relations between Poland and selected Free World countries and between Poland and Yugoslavia, provided Yugoslavia continues to maintain its independence from the USSR.

b. Encouraging selected Free World countries to expand their trade with, and to furnish economic aid to, Poland.

c. Supporting Poland's inclusion in UN specialized agencies and, in general, supporting Polish candidates for UN offices in preference to candidates of Czechoslovakia, Hungary, Albania, Rumania, and Bulgaria.

d. In determining whether to support a possible Polish application for membership in the International Monetary Fund and the International Bank for Reconstruction and Development, take into consideration, in addition to the usual factors, not only the desirability of providing a certain amount of non-Communist international association for Poland but also the possible adverse impact of Polish membership on the institutions themselves.

30. Subject to the effective implementation of ICIS-indorsed security requirements applicable to the East-West Exchange Program:

a. Make a special effort to increase scientific, economic and cultural contacts and exchanges between the United States and Poland under U.S. policy on "East-West Exchanges" (NSC 5607).¹⁵

b. Invite Polish leaders to the United States for official visits and be prepared to send U.S. leaders to Poland on official visits. In order to give the Polish Government sufficient leeway to judge the advisability of such visits vis-à-vis Poland's relations with the USSR, extend the invitations in a manner designed to make it possible for the Polish Government to refuse without publicity or embarrassment.

31. As feasible, strengthen the U.S. information and cultural program in Poland.

32. Continue application of "U.S. Policy on Defectors, Escapees and Refugees from Communist Areas" (NSC 5706/2)¹⁶ to Polish nationals, except that:

[1 paragraph (4-1/2 lines of source text) not declassified]

b. Avoid publicity concerning Polish defectors, escapees and refugees unless such publicity would produce a net advantage to the United States.

33. Treat Polish flag vessels in the same manner as vessels bearing the flag of Soviet Bloc countries, except that, under appropriate security safeguards consistent with "U.S. Policy on Continental Defense" (NSC

¹⁵NSC 5607, June 29, 1956, is printed *ibid.*, vol. XXIV, pp. 243-246.

¹⁶NSC 5706/2, March 8, 1957, is printed *ibid.*, vol. XXV, pp. 584-588.

5802/1, paragraphs 14 and 19),¹⁷ including adequate internal security procedures for the processing of ships' personnel seeking temporarily to enter the United States via Polish vessels:

a. Polish flag passenger vessels should be permitted to enter the port of New York.

b. Polish flag cargo vessels should be permitted to enter major port areas where facilities for boarding, searching and surveillance are available (including New York) for the specific purpose of taking on cargo to be shipped to Poland under the terms of any economic agreement between the United States and Poland.¹⁸

34. Cultivate good working relationships with Polish officials and, to the maximum extent feasible, exploit Polish Government channels in taking U.S. actions designed to benefit the Polish people.

35. If the United States should establish consulates in Poland, be prepared on a reciprocal basis to permit Poland to establish consulates in the United States.¹⁹

36. Avoid placing the Polish Government in positions where it would feel compelled to make public statements affirming solidarity with the USSR, while at the same time recognizing that the Polish Government may from time to time be forced to make such statements in order to maintain its delicate balance vis-à-vis the USSR.

37. Utilize opportunities for cooperation in the unclassified peaceful uses of atomic energy, including the exchange of information and the training in the United States of Polish scientists in non-sensitive fields under appropriate security safeguards to be developed by ICIS. Exercise discretionary authority as regards the licensing for export to Poland of reasonable quantities of materials and equipment obviously intended for:

a. Basic research and instruction in the atomic energy field (including cooperation under any eventually-concluded agreement for U.S. assistance in furnishing Poland with a research reactor, nuclear fuel therefor, and/or related laboratory equipment).

b. Medical, agricultural or civilian industrial use.

[1 paragraph (17 lines of source text) not declassified]

[Annex A (4 pages of source text) not declassified]

[Appendix (1/2 page of source text) not declassified]

¹⁷NSC 5802/1, "U.S. Policy on Continental Defense," February 19, 1958, is scheduled for publication in volume III. A copy is in Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5802 Series.

¹⁸Paragraph 33 was deleted from NSC 5808/1 on June 29, 1960; see Document 104.

¹⁹Justice, IIC and ICIS representatives wish to point out that increased internal security hazards would result from the establishment of Polish consulates in the United States. [Footnote in the source text.]

47. Editorial Note

Poland was discussed at the Department of State-Joint Chiefs of Staff meeting on June 27 at 10 a.m. in the Pentagon. General Nathan F. Twining, Chairman of the Joint Chiefs of Staff, Admiral Arleigh A. Burke, Chief of Naval Operations, and General Thomas D. White, Chief of Staff of the U.S. Air Force, were among those representing the Joint Chiefs; Robert D. Murphy and G. Frederick Reinhardt headed the Department of State contingent. Robert Amory, Deputy Director of Intelligence of the Central Intelligence Agency, and S. Everett Gleason, Deputy Executive Secretary of the National Security Council, also attended the meeting. A Department of State summary of the substance of the discussions, which was not cleared with the Department of Defense, reports the following:

"Mr. Amory said that Allen Dulles desired the Joint Chiefs to be aware of the build-up of pressure on Gomulka in Poland. It would be unlikely that the Poles would bow before Soviet pressure. A greater danger of conflict exists in Poland than in the Middle East, in the view of CIA.

"Admiral Burke asked whether the Poles would accept assistance. Mr. Amory replied that if the Soviets attacked Poland, the Poles would probably count on disorder in East Germany despite the presence of large Soviet forces there.

"General White said that a paper should be prepared regarding the danger of conflict in Poland and the counter-measures which the United States might take. Mr. Amory noted that the NSC policy paper does not really meet this problem.

"In reply to Admiral Burke's question, Mr. Amory said that the Soviets have been cutting down on delivery of spare parts and ammunition to Poland; Polish reserve supplies are probably low. Mr. Amory noted that Gomulka and the Polish Army Command have largely cleaned out the pro-Rokosovski elements from the Army and therefore pro-Soviet sympathizers in the Polish Army would be few.

"Admiral Burke said he thought the United States should get together a military assistance package for possible use in Poland." (Department of State, State-JCS Meetings: Lot 61 D 417, Vol. VI)

No record has been found in Department of State files of any followup on General White's suggestion that a paper be prepared on the dangers of a conflict in Poland or of Admiral Burke's suggestion that a military assistance package be put together for possible use in Poland.

48. Telegram From the Embassy in Poland to the Department of State

Warsaw, July 8, 1958, 5 p.m.

34. In call on Deputy Foreign Minister Winiewicz on other matters I referred to press reports of Soviet pressures on Poland to impose conformity and invited his appraisal.

Winiewicz gave discursive and general reply. Said bases Polish policy were development domestic socialism and maintenance alliance with USSR. Press reports which speculated on Polish-Soviet relations could only be harmful. Poland's basic position on Hungarian revolution well known and defined some time ago. Latest events in Hungary¹ had come as surprise shock but had to be treated as internal affair as stated by Gomulka in Gdansk speech.² Present intention is not to change either Poland's domestic or foreign policies. Polish leaders disagreed ideologically with Tito but wished state relations to remain same. Winiewicz mentioned however Poland had declined send delegation to Yugoslav freedom celebration on July 4 for fear of involvement in compromising political statements by Yugoslavs. Since Winiewicz mentioned in passing Naszkowski's observations on President's press conference (Embtel 1832 June 20),³ I said Prime Minister had made similar remarks to me which had given me opportunity to say we had also right to take exception to certain references to US in Polish public statements (Embtel 23 July 5).⁴ Winiewicz replied these were in part due to disappointment

Source: Department of State, Central Files, 611.48/7-858. Confidential.

¹ On June 16, the Hungarian Government announced the execution of ex-Premier Imre Nagy and three of his chief associates during the revolt of October and November, 1956.

² In a speech at Gdansk on June 28, Gomulka condemned Nagy as a "revisionist" but avoided labeling him a traitor. At the 371st NSC meeting on July 3, Allen Dulles noted that Gomulka's speech "was the result of tremendous pressure applied by Khrushchev." (Memorandum of discussion, July 3; Eisenhower Library, Whitman File, NSC Records)

³ In telegram 1832 from Warsaw, June 20, Beam reported that Acting Foreign Minister Naszkowski had expressed to him "deep shock" at the President's June 18 press conference. (Department of State, Central Files, 700.5611/6-2058) At that conference, the President made the following statement: "I would give aid to anything that I would think would help to weaken the solidarity of the Communist bloc." For the complete transcript, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958*, pp. 478-488.

⁴ In telegram 23 from Warsaw, July 5, Beam reported that Prime Minister Jozef Cyrankiewicz had deplored the President's June 18 press statement and hoped such statements could be avoided in the future. The Ambassador said he replied that all official U.S. statements were motivated by good will for Poland. (Department of State, Central Files, 611.48/7-558)

with rejection Rapacki Plan⁵ and were consequence of sharpening of cold war. Said we must read between the lines. I answered American public not be so adept at this practice and had cause for affront. Explained our programs and policies toward Poland did not depend on conformity between our two systems but assumed US and Poland countries friendly to each other. He said this was certainly the purpose of the exchanges we had been discussing and corresponded to his government's wish to develop relations further.

In conclusion Winiewicz said that just as he hoped he could count on me to transmit his government's views to our authorities, I could count on him to make known our views to his country's leaders.

While skeptical of results it may produce on hard core party leadership, we believe it would do no harm if Department could make similar point with added emphasis with Polish Embassy in connection with talks latter apparently intends to initiate in connection with new economic program.⁶

Beam

⁵The Rapacki Plan called for the establishment of a denuclearized zone in Poland, Czechoslovakia, the German Democratic Republic, and the Federal Republic of Germany; see Part 1, Documents 1 ff. Foreign Minister Rapacki first proposed the plan to the U.N. General Assembly on October 2, 1957; see *Documents on Disarmament, 1945-1959*, vol. II, pp. 889-892.

⁶See Document 52.

49. Airgram From the Embassy in Poland to the Department of State

Warsaw, July 25, 1958.

G-43. One test by which to measure the last six months ending roughly with the Polish National Holiday on July 22 when outward political activity normally pauses, is to examine how well the Gomulka program has stood up and how successful Poland has been in maintain-

ing its identity as a different kind of communist state. The best that can be shown from our point of view is that the last six months have been a holding operation with no evidence that a further liberalizing evolution in regime policy is in process or in prospect.

It is difficult to believe that Gomulka and the important Centrists who now support him intended a significantly greater deviation from Bloc norms than now obtains in Poland. He would doubtless claim that a "stabilization of October" has been achieved under Party control on the limited basis of his consistently held views. He would not regard as a defeat the retrogression which has taken place in matters with which he is not identified.

The most obvious retrenchment (starting almost a year ago) has been in the field of intellectual life (as opposed to the strictly academic) which receives special notice since it is advertised by some of the most articulate groups active in Poland today. It is the writing intelligentsia, mostly with Party ties, who are discouraged with tightened press controls, censorship and bans on foreign authors. Their frustration is all the greater because the public repudiates the newly officially boosted products. Neither press freedom nor intellectualism per se are of course among Gomulka's main preoccupations.

An assessment of the key points of the Gomulka program is a pertinent measure of his success or failure to date. Many of them were instituted as emergency measures to adapt communism to Poland's internal needs and its international situation. The main elements are:

Status of the Secret Police. Gomulka has still refrained from invoking the police or "administrative measures" to curb individual private expression, although he would no doubt use the police to save the regime. Academic freedom notably prospers, although under a new sense of general caution, the circulation of ideas is carried out through lectures, discussion and mimeographed bulletins rather than published works. Poles going abroad speak freely and are apparently a disruptive element in Iron Curtain countries where they boast of the comparative freedoms enjoyed in Poland today.

Church and State. The main balance between the Government and the Catholic Church continues, based on the agreement of December 1956.¹ Relations are subject however to recurrent strains due to new Church efforts to obtain additional concessions (return of *Caritas*, a daily newspaper, etc.) which the regime resolutely opposes. There is some apprehension, not as yet general, that the Government may counter

¹ Reference is to the agreement of December 6, 1956, between Gomulka and Stefan Cardinal Wyszyński, Primate of Poland, which established a *modus vivendi* between the Government of Poland and the Catholic Church.

Church moves by using loopholes in the 1956 agreement to promote, by gerrymandering on the local level, an increase in the number of schools where there is no religious teaching.

Agriculture. With the sale of additional land to farmers, agricultural policy based on private ownership is unlikely to change. Possibly for the record, more official statements have been made recently that complete socialization of agriculture is the ultimate goal but for the time being the process is likely to be pushed through development of cooperatives and agricultural circles, without touching land ownership. Larger farm incomes have been offset by higher prices for fertilizers and building materials, which have been made more readily available. Total abolition of compulsory deliveries apparently awaits the formulation of new tax laws in 1959 designed to keep farm incomes in proportion to urban wages.

Economic. Rigid planning and control continue to be the norm, with public announcements that private enterprise ultimately will be tolerated only in so far as socialist sectors are unable to meet the country's requirements.

Some slight improvement can be noted in the living standard largely generated by increased agricultural production, primarily livestock. Per capita industrial efficiency remains unimpressive and housing shortages acute.

The Eleventh Plenum² recognized the basic problems of low productivity and overstaffing, and promulgated a limited counter program. Efforts however to liquidate over-employment have not been pursued vigorously.

Polish economists state that the principal 1958 task is strengthening market equilibrium and maintaining currency value. Some success has been achieved and consumer stocks although inferior in quality are in greater volume. Additional industrialization remains a principal objective.

Organizational changes in industrial management have been made to transfer control functions to factory combines but not to decrease ministerial overall supervision. Other highlights first half 1958 include Gomulka's discouragement of strikes and relegation downward of Workers' Councils. Wage freeze still in effect except for isolated categories. Contemplated reform of prices and wages has apparently been deferred until 1959.

²The Eleventh Plenum of the Central Committee of the United Workers Party (UWP), which met at a plenary session February 27–March 1, adopted a resolution on economic policy for 1958 that included proposals for radical changes in the organization of industry and emphasized that in 1958 the rise in wages in industry must be closely linked with the increase in production. (Department of State, INR Files, *Soviet Affairs*)

While trade officials emphatically claim interest in expansion Western trade, recent emphasis on Soviet Bloc trade relations creates the likelihood that the share of the Bloc in total trade will increase.

Relations with Western Countries. Poland's shrewd policy of normalization of relations and maintenance of beneficial contacts with the West has been adhered to. While Gomulka is known to have little understanding or sympathy for the West, he seems to tolerate the policy for its realistic advantages, among which can be enumerated: opportunities for alternative outlets to ease the economy and make it less dependent on the USSR; enrichment of technical experience; establishment of a protective Western interest in Poland's future; enhancement of prestige to permit Poland to play a limited role in international affairs; and finally, the promotion of a relaxation of East-West tensions from which Poland hopes to abstract benefit as a small state in its delicate geographical position. The fact that contacts with the West are popular within Poland probably plays only a secondary role in the Party's thinking and indeed serves as a curb to completely free exchanges.

Polish officials privately profess that their effort toward normalization has so far been disappointing. They bear less ill will against the West for some of the new obstacles to trade caused by Western payment difficulties, than for what they regard as abrupt rejection of Poland's diplomatic initiative as represented by the Rapacki Plan. There are some who hoped the Plan could be maneuvered to lead to Soviet troop withdrawals, it being said that since Hungary showed the West would not use force, it should try diplomacy. This egocentric view fails to appreciate that the West's security interests take precedence over its relations with a single state.

Nevertheless as long as Poland is permitted to do so it is likely to retain the "opening to the West" as an important element of policy, with special attention to opportunities for outside support, represented at this particular time by the hope of obtaining further credits from the United States.

An inherent countervailing factor to Poland's development of Western relations lies in the other key point of policy discussed immediately below.

Bloc Solidarity. The shift in emphasis from "the Polish road to socialism" to "Bloc solidarity" which accelerated from the beginning of the year had been made explicit in Gomulka's more frequent professions of Bloc allegiance and in the price he has shown himself willing to pay for that purpose in recent weeks.

In brief the regime has eschewed any gesture which seems openly to put it at odds with the Soviet Union. Illustrations are: adherence to the

November Moscow Declaration;³ censure of Tito for "undermining socialism"; renewed approval of the suppression of the Hungarian Revolt as a betrayal of socialist unity; and instantaneous endorsement of Soviet policy on the Middle East.

On the other hand tacit and quiet nuances of difference with Soviet policy continue, as for instance Poland's explanation of its motives and scope of initiative in the development of the Rapacki Plan; refusal to approve the Nagy execution; disregard of Soviet strictures on the general subject of accepting U.S. credits; Poland's calmer and businesslike attitude toward Yugoslavia; and its policy of Western contacts.

Against local Yugoslav complaints that they could have done more, the Poles assert with some evidence for support that they occasionally argue the Soviets out of extreme positions; they are probably boasting when they say they have succeeded in moderating internal Soviet trends by Polish examples.

The geographical and military compulsions against Poland's straying far outside the Bloc are too obvious to mention but have been especially sharpened by the warning of the fate of the revolutionary leaders in Hungary. Added to this however are very real reasons for the maintenance of the Soviet alliance, among them: Germany's division and containment, which for many Poles means peace is at least half won; the profitable economic relationship for which Poland sees no immediate Western substitute; the feeling Poland has a constructive role to play in the Bloc; and the possible hope that professions of loyalty will condone and protect Poland's internal deviations.

The Party and the Polish Road to Socialism. A continuing threat to Gomulka's position and program has been his inability to organize the Party as a cohesive group and the effective force he said he would rely on to carry out communist aims instead of by use of "administrative methods". This is the basic reason he has not convoked the long overdue Party Congress. A subsidiary reason of especial moment now, which probably also caused the cancellation of the Party Plenum planned for July, is that a Congress called under present pressures would have to produce a program either meaningless or possibly offensive to the Soviets, like that of the Yugoslavs.

The Gomulka program is a pragmatic one, as acknowledged in a heretical private remark by a leading theoretician who hoped however for the day when it could be given formal doctrinal basis. For the present

³ Reference is to the declaration published on November 21, 1957, in Moscow by 12 members of the Sino-Soviet bloc following a conference of the bloc leaders November 14-16. The declaration reaffirmed the revolutionary nature of the world Communist movement and the Soviet Union's leadership of the bloc.

Gomulka seems satisfied with his reported precept: "do much, talk little". The Polish road to socialism in essence represents, rather than a platform, Gomulka's compromise with the conflicting forces within the country and the Party, as well as from the outside. It is an expedient which it is now inexpedient either to define or to talk about. Its eclipse is also a sign of Gomulka's distancing himself ideologically from Titoism in favor of the advantages of Bloc solidarity.

The Party is still unpopular, opportunistic and demoralized, with its organization dependent on a bureaucracy to whom all kinds of special favors are due. The small but still active Natalin Group⁴ who can be controlled in auspicious times remain secure in their tenure by Soviet support and openly claim to represent the interests of the Soviet alliance and the limits of socialist permissibility. They are an auxiliary instrument through which Soviet pressures can be stepped up.

Against his enemies Gomulka has been aided by defenses such as the following: his present indispensability, since no other figure for the time being appears equipped or willing to assume his tasks; his national prestige which almost attains popularity when it becomes known he is pressed by the Soviets; his public acceptability as the best available alternative; and finally the Party's hesitancy to put public discipline to the test by a return to "pre-October".

Conclusion. As to the future it is the view of informed opinion, which we share, that Poland will do well enough if not pressed too strongly from either side (East or West). Gomulka seems to be giving the Soviets satisfaction in supporting their foreign policy, safeguarding their military position and maintaining outward Bloc unity. While the Soviets can hardly be pleased with the Polish internal pattern which stands as a signpost of comparative freedom within the Bloc, they may continue to be willing to concede it within limits to the necessities of Polish nationalism and capacity for inflammatory reaction.

As to Soviet pressures, it is difficult to find specific evidence among the Diplomatic Corps and informed Polish officials as to how they are being applied. There is a feeling that Poland's present attitudes, sensitive to a tightening of the international situation, could in large part be anticipatory and shaped in the hope of gaining credit with the Soviets for making the necessary accommodations, and with the West, by the appearance of being forced to yield. Realistically, it is recognized that a major threat to the Soviet Union's security interests would probably cancel out the risks restraining intervention in Poland.

Most Poles seem reluctant to face up to the prospect of Gomulka's departure from the scene through illness or natural death. This prospect

⁴The Natalin faction of the Polish United Workers Party, or the Stalinist faction, opposed liberalization and the more independent course favored by Gomulka.

is generally considered a political disaster which would open up unpredictable but generally dark possibilities. Our best guess on present evidence is that Ochab would return as First Secretary and that the Party leadership would at least proclaim continued dedication to the program of the Eighth Plenum "turning point".⁵

Among many Poles, conservatism passing by way of disillusionment is taking the place of the fond hopes of 1956 which have been deferred to a better day (foreseen by few) when the Soviet Union itself benefits by an evolution still resisted by the Polish leaders. At the same time, most Poles continue to oppose the communist system passively, through apathy and indifference to the Party and its exhortations, through devotion to their Church, and through an individualistic concentration on their private interests. Although there has been mounting deception with the idea that the West could completely liberate Poland from Soviet influence, the Poles will continue to look to the West for friendship and understanding, for cultural and intellectual encouragement, for economic and technical assistance.

Department please pass as desired.

Beam

⁵ See footnote 2, Document 46.

50. Memorandum by George F. Kennan

IMPRESSIONS OF POLAND, JULY, 1958

I.

The visitor to Poland today (and especially the visitor who has some acquaintance with conditions in the Soviet Union) is struck with four things:

(1) How much the Poles are getting away with, in terms of departure from accepted Soviet patterns of "socialism";

Source: Eisenhower Library, Whitman File, DDE Diaries. No classification marking. Kennan, former Ambassador to the Soviet Union March 1952–July 1953, was the George Eastman Visiting Professor at Balliol College, Oxford, on leave of absence from the Institute for Advanced Study at Princeton. He sent this memorandum, which bears neither date nor place of origin, to Allen Dulles. Under cover of a memorandum of August 3, Dulles sent it to Goodpaster and wrote that he thought the President would be interested in reading it. He stated Kennan had visited Poland in July and had sent him this memorandum of his impressions. The source text bears Eisenhower's initials, apparently indicating that he had seen it.

(2) What possibilities for success, economically, this Polish version of Socialism has, if the present agricultural revival continues and if the semi-demoralization of Polish labor, and of the youth, can be overcome;

(3) How widely emancipated is the Polish intelligentsia from Marxist-Leninist ideological principles and from illusions about the nature of Soviet power, how firmly oriented towards the West it is, and how uninhibited in the oral expression of its thoughts and feelings; and finally

(4) How little any of this means that Poland is, or will be in any near future, in a position to shake off communist political control or to dispense with the official military-political orientation on the Soviet Union.

II.

By way of amplification, let me say the following:

(1) In agriculture, in particular, the present Polish situation bears no resemblance to any Soviet example. The complete freedom of speech that prevails today in Poland has nothing to do with the Soviet concept of a communist dictatorship. Even the Polish Communist Party differs strikingly from its Soviet counterpart, and particularly in those very features of internal discipline and conspiratorial exclusiveness which have at all times constituted the most distinctive attribute of the Bolshevik Party and which caused its original separation from the other Russian Social-Democrats. What exists in Poland today is actually in many respects the most acute sort of revisionism, masked only by a brave show of anti-revisionist fervor on the part of the party leaders.

(2) As to Poland's economic situation and prospects, only the experts could, of course, give a well-founded opinion. But I was much impressed with the obvious evidences of an upsurge of sturdy, rigorous individualism in the countryside, following the abandonment of collectivization; and one would think that some of this spirit of free enterprise must make itself felt in related branches of Polish economic life. Recalling the speed with which the Soviet economy suddenly became firm and successful in the mid-fifties after decades of experimentation and semi-failure, one wonders whether Poland, with agriculture clearly on the road to recovery, may not be on the eve of a similar change. It is true that as of today the Polish economy shows a number of imbalances, and has its pathetic aspects; and certainly labor discipline, as well as the distributive process generally, will have to show great improvement before this change can occur. But I can see no reason why the Polish brand of socialism, operating for the first time on a firm agricultural base, should not eventually produce results which would approximate, if not equal, those of some of the western welfare states.

(3) The extraordinary freedom of expression and discussion which characterizes present-day Poland is too well-known to require

much description. Almost no effort is made to conceal from the foreigner the distaste felt for Russian cultural and social influences; and no occasion is missed to emphasize Polish preference, within the limits of an obsessive nationalism, for western ways and concepts. Terror seems really to be a thing of the past—momentarily, at least—for the great mass of educated Poles; and they discuss with startling frankness, before strangers and before each other, the problems presented by their relationship with the Soviet Union and the demands which this relationship still placed on them. It would be a very difficult thing today, after all that has transpired, to press these people into that blend of frightened silence and ritualistic incantation which was the refuge of the Soviet intelligentsia in the Stalin era.

(4) Despite all of this, there could be no more ill-founded assumption than that Poland is on the road to self-emancipation from the Soviet orientation and of escape from those narrow but important restraints on which Moscow still insists.

It must be remembered, first of all, that this sophistication, these pro-western inclinations, and this general disillusionment with Marxism-Leninism, which mark the state of mind of the intellectuals, are in no way shared by Gomulka and a number of those around him. Despite the lenience shown in certain respects, Poland continues to be run by convinced communists, who have no intention of taking the country out of the "camp of Socialism". And while the attitude of the people towards these leaders is ambivalent, with many variations and contradictions, there is nothing today to suggest that they are faced with any serious, organized movement of revolt.

Beyond this, there are two objective factors which bind Poland tightly to the Soviet orientation. There is, first, the fact of the Warsaw Pact and of the presence of Soviet garrisons within the country by agreement with the Polish Government. The example of Hungary has demonstrated the implications of these arrangements. And secondly there is the question of the western borders.

Having abandoned hope for the recovery of the eastern regions lost to Russia, the Poles view their own retention of the areas taken from the Germans as a matter of life and death. Were these areas to be forfeited there would, they feel, be too little left to Poland to permit it to be a viable state, and the result would be equivalent to another partition. They are extremely nervous about this question, because they are well aware (though they rarely admit it) that this new frontier settlement in the west is an unnatural and extreme one, into which the Russians lured them precisely for the purpose of rendering them more dependent on Russia. They have to recognize today that they have not been capable of bringing these areas back to anything like their former populousness and prosperity, and that the depressed state of this region is a serious argu-

ment against the perpetuation of the present arrangement. Finally, they are acutely aware that no major West-German party has yet publicly committed itself to an acceptance of the new frontiers and that none, in the circumstances, could afford to do so. They appreciate that nothing short of the most formal and unequivocal acceptance of the new arrangement by all important elements of German political life could prevent the growth in Germany of a massive demand for frontier revision in future years. All this being the case, their hopes for the future are constantly haunted by their memories of the past; and it is only in the Russian orientation that they see, for the time being, any protection against the dangers that loom on their horizon. Those people were right who saw in the new frontier settlement, in 1945,¹ the creation of an anomaly which would mortgage Polish independence to the Russians for many years to come.

III.

While the purpose of this memo is not to make recommendations for policy, I cannot refrain from pointing out the following implications of the situation I have described.

In the absence of a withdrawal of Soviet forces from Poland, of a general security treaty which could supersede the Warsaw Pact, and of an unequivocal German acceptance of the new frontiers, the best the West can hope for with respect to Poland is that the relative liberties and immunities which the Poles now enjoy should continue for so long a time that they come to be considered as rights and that any withdrawal of them would appear as a preposterous injury. This will not in itself bring liberation from Russian hegemony in matters of foreign policy; but it should permit a new generation of Poles to grow up in an atmosphere of relative intellectual freedom, and it should create a situation which could scarcely fail to work in western interests if and when the present pattern of European alliances comes again into motion. Talk of "liberation" and, in general, tactics designed to embarrass the precarious relationship now prevailing as between the Polish people, the Gomulka government, and the Soviet government, can, to the extent they are successful, have only one effect: which is to cause a tightening of the reins of the communist dictatorship and a crushing-between-the-upper-and-nether-millstones of those moderate and essentially pro-western elements whose courage and ingenuity had so much to do with winning the privileges Poland now enjoys.

¹ At the 1945 Potsdam Conference, the Oder-Neisse line was established as a temporary frontier by the Protocol of Proceedings of the Berlin (Potsdam) Conference, August 1, 1945. For text of this Protocol, see *A Decade of American Foreign Policy: Basic Documents, 1941-1949*, pp. 28-39.

These moderate Poles are inclined, for the moment, to see their own best hopes for salvation in a general reduction of international tensions. From this they hope for a greater latitude of action for themselves and a less jealous and nervous supervision from the Russian side. For the continued absence of a relaxation of tensions they blame us in considerable degree, and particularly our China policy which they feel has had much to do with turning China into the anxious protagonist of Stalinist principles which she now appears to be.

The suggestions that international tensions ought to be reduced for *their* sake reflects the egocentricity to which Poles always tend; and the hopes which they place in such a development are no doubt exaggerated. But it is clear that increased general tension will always tend to jeopardize the privileges they have already received and to narrow their latitude for independent action.

In these circumstances, the best chances for American policy towards Poland would seem to lie, for the moment:

(1) In the cordial, but not over-eager, cultivation of cultural contacts and exchanges of all sorts;

(2) In the avoidance of anything that suggests that our policy towards Poland is designed to increase difficulties between the Polish and Soviet governments;

(3) In the avoidance, so long as the present leniency is shown with respect to domestic conditions in Poland, of statements and propaganda designed to make trouble between the population and the Gomulka government; and

(4) In anything that can be done on the wider international plane to break the rigid patterns of bipolarity, to reduce tensions, and to permit the Poles to play something more resembling an independent role in international affairs.

George F. Kennan²

²Printed from a copy that bears this typed signature.

51. Editorial Note

Adlai E. Stevenson, former Governor of Illinois and Democratic Party candidate for President in 1952 and 1956, visited Warsaw August 8–12, following a visit to the Soviet Union. During his stay, he talked with Foreign Minister Adam Rapacki and Deputy Minister of Foreign Affairs Jozef Winiewicz on August 9, and with Stefan Jedrychowski, Chairman of the Planning Commission of the Council of Ministers, and Franciszek Modrzewski, Deputy Minister of Foreign Trade, on August 10.

In despatch 39 from Warsaw, August 12, Ambassador Beam reported the details of Stevenson's visit and noted Stevenson's remarks that his conversations with Rapacki were agreeable but seemed to bring forth nothing new. Rapacki had complained about the abrupt tone and manner of the U.S. rejection of the Rapacki Plan and said it discouraged Polish initiative in foreign affairs. Stevenson also reported that Rapacki viewed the Eastern and Western positions on German reunification as irreconcilable and foresaw no progress toward a solution. Rapacki had complained to Stevenson about the general posture of the United States in international affairs and asserted it was making a mistake in confronting the Soviet Union with inflexible courses of action. Rapacki believed this made it impossible for Khrushchev to risk his prestige by accommodating himself to Western policies.

Beam reported that in his talk with Jedrychowski, Stevenson had inquired about the workings of the CEMA. Jedrychowski had restated the standard Polish line that CEMA was a logical Eastern camp cooperative organization but that Poland did not intend it to block development of better trade relations with the West and in particular with the United States. Beam concluded that Stevenson's visit "made a favorable impression upon the various Poles and foreign diplomats whom he saw and seemed to accomplish a useful purpose." (Department of State, Central Files, 032–Stevenson, Adlai/8–1258)

For a selection of Stevenson's diary entries and letters about his visit to Poland, see *The Papers of Adlai E. Stevenson*, volume VII, pages 279–288. Documentation on Stevenson's visit to the Soviet Union is in Part 1, Documents 53–54.

52. Memorandum of Conversation

Washington, August 26, 1958.

SUBJECT

U.S. Displeasure over Polish Statements about the U.S.

PARTICIPANTSPolish Ambassador Romuald Spasowski
EUR—C. Burke Elbrick
EE—Valdemar N. L. Johnson

Mr. Elbrick opened the substantive part of the conversation by saying that he had asked Ambassador Spasowski to call at the Department to inform him of the Department's displeasure over certain statements made publicly by Polish leaders and media against the United States.

Mr. Elbrick recalled that Ambassador Beam had already advised the Polish Foreign Office of our displeasure concerning these statements.¹ He speculated that the Polish Ambassador might have been informed of Ambassador Beam's remarks but he stated that, in any event, the Department wished to advise him directly of our views on the subject.

Mr. Elbrick noted with satisfaction the improvement in U.S.-Polish relations since October 1956 and expressed hope that this trend would continue. He referred in this connection to Ambassador Spasowski's meeting last December with Mr. Dillon, when the Ambassador, in replying to Mr. Dillon's questions about Poland's attitude toward the U.S., had said that the Polish Government's policy continued to envisage the establishment of closer relations with the U.S.² In contrast with this statement, Mr. Elbrick observed, high officials of the Polish Government and officials and organs of the Polish United Workers' Party subsequently had made a number of public statements impugning U.S. motives and describing U.S. policy in an offensive and apparently unfriendly tone. He said that we recognized the fact that our Governments held differing views on various issues and that these differences could logically be expected to be reflected in public statements of Polish leaders and Party organs. The remarks with which we were displeased, however, went far beyond the mere recording of disagreement with

Source: Department of State, Central Files, 611.48/8-2658. Confidential. Drafted by Johnson and initialed by Elbrick.

¹ See Document 48.

² For the memorandum of this conversation, December 24, 1957, see *Foreign Relations, 1955-1957*, vol. XXV, pp. 701-702.

U.S. policies by making repeated and gratuitous public references to the allegedly undesirable nature of U.S. policy in general. Mr. Elbrick said that we did not view such statements as contributing to the aim of closer relations between our two countries and that we wondered whether they represented in fact the considered policy of the Polish Government.

Ambassador Spasowski said that he could assure Mr. Elbrick that the policy of the Polish Government, as stated in December to Mr. Dillon, had not changed and that the Polish Government continued to follow a policy of developing closer relations with the U.S. He stated his observation in this connection that certain circles in the U.S. opposed the establishment of better relations with Poland and he noted a parallel in Poland where certain factions did not favor closer relations with the U.S. With reference to divergencies of public opinion in the U.S. concerning relations with Poland, the Ambassador said that serious problems had been raised for the Polish Government in relations with its neighbors by public statements made in the U.S. by persons favoring economic aid to Poland for the specific purpose of causing difficulties between Poland and the Soviet Union. As an example of this type of statement, he referred to remarks made by President Eisenhower on June 18 at a press conference where, the Ambassador said, the President had stated an aim of economic aid to Poland as being the creation of difficulties between Poland and the Soviet Union.³

Mr. Elbrick said that he did not believe that this was what the President had said on this occasion. He added that the President had made no charges against Poland and that his remarks could not be considered as a parallel to the repeated unfriendly Polish statements to which Mr. Elbrick had referred previously. Mr. Elbrick said that we were not fully informed about the opinions of various factions within Poland, to which the Ambassador had alluded, but we had noted that the Polish people sometimes expressed their opinions in violent ways. He stated his impression that the Polish people were not anti-American, an apparent fact which gave us further difficulty in understanding the gratuitous references made by Polish leaders to U.S. policy. He noted in this connection that we were registering displeasure specifically about statements made by Polish leaders and not about the opinions or public views of factions within Poland.

The Polish Ambassador said that complexities in Poland's international affairs were an important part of the question under discussion. Mr. Elbrick replied that we realized this fully. Ambassador Spasowski proposed that the Department should judge Polish attitudes by facts rather than public statements. He said that facts demonstrated the im-

³ See footnote 3, Document 48.

provement in U.S.-Polish relations and he referred specifically to certain developments in support of this point. He selected as an outstanding example the fact that Poland continued to be interested in further economic aid agreements with the U.S. He said that he was not in a position to make a formal presentation on this subject now, but he could assure us that the Polish Government had reached a decision to request the U.S. in the near future to resume talks looking toward another economic agreement. He stated that the Polish Government wished to avoid having this subject become a public issue in the U.S. in connection with the forthcoming elections and he implied that the formal approach to the Department would not be made before the elections or, if so, that the Polish Government would wish to begin the negotiations without publicity. He implied further that the Polish Government's decision to enter into renewed economic talks represented an independent move by Poland in the face of Soviet displeasure with economic aid agreements between Poland and the U.S. Ambassador Spasowski also referred to the continuing exchange program and the forthcoming ceremonies in Jamestown commemorating the 350th anniversary of the landing of the first Poles in America as examples of improved U.S.-Polish relations.

In addition to implied difficulties with Poland's neighbors, Ambassador Spasowski said that the Polish Government faced some serious internal difficulties, particularly with the Church. He set forth in some detail a presentation along the lines of the position taken by the Polish Government in the Polish press on this controversy. Mr. Elbrick observed that this was an internal Polish affair but that it was followed with great interest outside of Poland and that moves against the Church such as those taken by the Polish Government at Jasna Gora⁴ were bound to have repercussions in many countries. The Ambassador agreed that this was true but expressed the conviction that the issue would be solved.

Ambassador Spasowski asked if the statements cited by Mr. Elbrick had been made by Gomulka. Mr. Elbrick replied that they had been made by a number of Government and Party leaders, including Spychalski, Jarosiewicz and Cyrankiewicz, and that we would give the Ambassador detailed examples, if he wished.

⁴ Bishop Zdislaw Golinski of Czestochowa asserted that State and secret policemen had invaded the Jasna Gora Pauline monastery housing shrine July 21, 1958, and had confiscated all church archives and records. Spokesmen for Stefan Cardinal Wyszyński said on July 28 that police had ransacked his office on Jasna Gora and beaten protesting priests and pilgrims. Reports of these incidents were printed in *The New York Times*, July 29, 1958. Documentation on these incidents is in Department of State, Central Files 848.413 and 749.00.

Ambassador Spasowski said that he would inform his Government of the substance of Mr. Elbrick's remarks.

(On leaving Mr. Elbrick's office, Ambassador Spasowski was questioned by two representatives of the press who asked for information concerning the subject of his meeting with Mr. Elbrick, observing that the subject must have been of some importance since the meeting lasted 45 minutes. The Ambassador replied that the conversation had concerned U.S.-Polish relations in general and that he was not in a position to comment further.)

53. Memorandum of Conversation

Washington, September 11, 1958.

SUBJECT

Matters to come before 13th GATT Session

PARTICIPANTS

Mr. Eric Wyndham White, Executive Secretary of the GATT¹

W—Mr. Dillon

E—Mr. Beale

OT—Mr. Frank

OT—Emerson M. Brown

Matters of special interest that will come before the 13th Session and which were discussed at the meeting with Mr. Wyndham White on September 11, 1958, are as follows:

[Here follows discussion of unrelated subjects.]

Polish Accession to the GATT—Mr. Wyndham White considered it important that the GATT be recognized as the principal international trade forum, and he saw political advantages for the West in making a positive response to requests from countries in eastern Europe for association with the GATT. With this in mind he had worked out a proposal

Source: Department of State, EE Files: Lot 67 D 238, GATT July 1–Dec. 31, 1958. Official Use Only. Drafted by Brown.

¹Wyndham White was in Washington September 10–12 to discuss with Department of State officials GATT matters to be brought before the 13th session, which met in Geneva October 16–November 22.

for associate participation in the GATT. This would take the form of a contract of association, subject to the approval of two-thirds of the contracting parties, which would provide for support of the general objectives of the GATT and procedures for consultation and conciliation of disputes. Associate participants would have no votes, and thus would have no control over the agenda of meetings.

Mr. Wyndham White pointed out that this kind of association would have no legal or contractual obligations. He thought that it would be the best way of dealing with the Polish bid for accession, since it would bring the Poles into association with the GATT without obligating GATT countries to grant most-favored-nation treatment to Poland, or limiting their freedom to withdraw such treatment. He said that association in this way would also be suited to the situations of Yugoslavia, Argentina and Mexico.

54. National Intelligence Estimate

NIE 12.6-58

Washington, September 16, 1958.

THE OUTLOOK IN POLAND

The Problem

To assess the current situation and probable trends in Poland, with special emphasis on regime stability, economic prospects and relations with the USSR.

Summary

1. Since October 1956, the Gomulka regime in Poland has occupied a unique position within the Sino-Soviet Bloc. It is considerably more independent of Soviet control than any other satellite regime.

Source: Department of State, INR-NIE Files. Secret. According to a note on the cover sheet, this estimate was submitted by the Director of Central Intelligence and was concurred in by the Intelligence Advisory Committee (IAC) on September 16. The Atomic Energy Commission Representative to the USIB and the Assistant Director of the FBI abstained because the subject was outside of their jurisdiction.

A 32-page Intelligence Report, No. 7822, prepared in the Bureau of Intelligence and Research, dated October 1 and entitled "Policies and Prospects of the Gomulka Regime in Poland," contains similar conclusions. (National Archives and Records Administration, RG 59, OSS-INR Reports)

Many of its policies—e.g., in agriculture, church-state affairs, and relations with the West—depart in important ways from the pattern imposed elsewhere by the Soviets.

2. In general, however, departures from the Bloc norm have gradually become less pronounced during the past year or so, partly as a result of the Polish regime's efforts to stabilize its internal position and partly in response to Soviet pressures for greater conformity. We expect this trend toward a more orthodox position to continue in the foreseeable future, but we believe the present leadership is determined not to return to Stalinism or to full satellite status.

3. We believe that the Soviet Union will almost certainly maintain or increase its efforts to reduce or eliminate the distinctive features of the Polish experiment. But, since Gomulka would almost certainly combat extreme pressures and would have the support of the Polish people in doing so, we think that the Soviet approach will be cautious. If moderate pressure proves ineffective, however, the USSR might work for Gomulka's ouster. Even in this case, we think that the USSR would resort to military intervention only if developments in Poland were likely to jeopardize the political or military security of the Bloc.

4. Internally, the Gomulka regime has been steadily improving its position. Gomulka's control of the Party—though not completely assured—has increased and the Party's control of the people has improved. Nevertheless, threats to the stability of the regime continue and are clearly apparent in such fields as church-state relations. However, despite the persistent anti-communism of the population, we think that a popular insurrection is unlikely; underlying all considerations in the public mind is the feeling that the Gomulka regime is preferable to any feasible alternatives.

5. Economically, the regime has made perceptible—though uneven—progress and we do not believe a crisis is imminent. Nevertheless, major economic problems, including a low standard of living, an unbalanced industrial structure, and a deficit in foreign trade accounts, will continue to threaten stability for the foreseeable future. The regime will probably continue to look for realistic rather than strictly doctrinaire answers to these problems.

6. We believe that, as a result of both Soviet and internal pressures, Poland will find it more difficult to diverge from the Bloc line in its relations with the West. Nevertheless, within the limits imposed by its Communist convictions and its membership in the Bloc, the Polish regime will probably attempt to foster an improvement in East-West relations, to expand its economic contacts with the West, and to maintain some freedom of action in the conduct of its foreign affairs generally.

[Here follows the "Discussion" section.]

55. Memorandum of Conversation

Washington, October 13, 1958.

SUBJECT

Polish Participation in the General Agreement on Tariffs and Trade (GATT)

PARTICIPANTS

The Polish Ambassador
Mr. Foy D. Kohler, Deputy Assistant Secretary for European Affairs
Mr. James L. Colbert, EE

The Polish Ambassador handed Mr. Kohler an aide-mémoire (copy attached)¹ requesting United States support for (1) inclusion of Poland's accession to the GATT on the agenda of the forthcoming 13th Session of the GATT and (2) for accession by Poland to the GATT. The Ambassador said he understood that there had been agreement by the experts as to the technical feasibility of Poland acceding to the GATT. Inasmuch as the matter was now to be resolved on policy grounds, he felt it was timely to ask for United States support at the forthcoming session for Poland's accession to the GATT. He believed that we would be additionally sympathetic in respect to Poland's interest in the GATT as (according to his understanding), it was our view that accession by Poland to GATT should be a precondition for Polish membership in the IBRD and the IMF.

In receiving the Ambassador's aide-mémoire, Mr. Kohler said that he would attempt to expedite a decision on this request and expected to be able to make a definitive reply very shortly. Mr. Colbert informally gave his understanding of the situation to the effect that there had been some delays in receiving the reply by the Government of Poland to the questions developed by the GATT experts and there was also further delay involved in the analysis by the experts on the GATT delegations of the answers by the Polish Government. It had accordingly not been possible to put this matter on the agenda of the 13th Session, since it had been felt that many of the Contracting Parties could not take a definitive position on the broad question until their experts had completed consideration of the technical problems involved.

The Ambassador was assured by Mr. Kohler that consideration by the United States Government of the whole problem of the relationship between Poland and the GATT was being dealt with in the most sympa-

Source: Department of State, EE Files: Lot 67 D 238, GATT July 1-Dec. 31, 1958. Confidential. Drafted by Colbert on October 13.

¹ This aide-mémoire, dated October 13, is not printed.

thetic and thorough way possible. Mr. Colbert said that he understood that some further additional time would probably be required to get a consensus of the GATT members as to the type of reciprocal obligations which Poland and the Contracting Parties could undertake.

56. Memorandum of Conversation

Washington, November 6, 1958.

SUBJECT

Political Discussion with Polish Leaders

PARTICIPANTS

Mr. Boleslaw Jaszczuk, Deputy Chairman, Polish Planning Commission
Mr. Franciszek Modrzewski, Polish Deputy Minister of Foreign Trade
Mr. Romuald Spasowski, Polish Ambassador
Dr. Tadeusz Lychowski, Polish Economic Minister
Mr. Kohler, Deputy Assistant Secretary, EUR
Mr. Colbert—EE
Mr. Sherer—EE

Mr. Kohler opened the conversation by stating he realized that the two Ministers were very much interested in economics, especially in the subject of Polish association with the GATT. Although he could assure the Ministers that this question was being seriously considered by the Department, they would have an opportunity to go into the details of this subject in their meeting with Mr. Beale this afternoon.¹ Mr. Kohler then said that he thought this talk might focus more on political aspects and he welcomed this opportunity to speak as frankly with the Ministers as he does with the Polish Ambassador from time to time.

Mr. Kohler began the political discussion by stating that under our differing systems of government we were bound to have differing opinions about international affairs. He wished to emphasize that we have

Source: Department of State, Central Files, 748.00/11–658. Confidential. Drafted and initialed by Albert W. Sherer and initialed by Kohler. At the invitation of the Department of State, a high-level Polish delegation visited the United States for 3 weeks beginning October 16. Documentation on the planning for this trip, which began in May, is *ibid.*, 033.4811.

¹ See Document 57.

no objections to the Polish system as such. What concerns us the most is how to improve our relations on the basis of independent decisions. He then said that we have been concerned about some of the statements made by Mr. Gomulka and his party during their visit to the Soviet Union;² we do not mind differences of policy or opinion but we are bothered by assertions that ignore the facts. In illustration, he mentioned remarks by Gomulka and others about Quemoy and Matsu and said that the basic fact that must be remembered in this connection is that the Chinese Communists opened the bombardment on August 23 and that any appraisal of the situation cannot ignore this fact.³

With regard to Germany, Mr. Kohler said that we understand the Polish fear of Germany and recognize that Germany constitutes a special problem for Poland. We believe, however, that the facts are misrepresented and the U.S. is frequently falsely accused in propaganda campaigns generated in Moscow. He made special reference in this connection to the accusation that the U.S. is rearming the Bundeswehr with atomic weapons. We appreciate Poland's concern for its security, and in this connection the Poles should understand the defensive nature of the NATO organization. Events since the close of World War II have forced us to develop a defensive deterrent. NATO is organized in such a way that it could never initiate aggressive war. The German Federal Republic, as a NATO member, is being furnished with modern arms, but the atomic components are in the custody of U.S. Forces in the German Federal Republic. This is another fact which, we hope, is well understood in Poland. It should also be realized that we have made, and continue to make, every effort to achieve a controlled and inspected disarmament. Our participation in the current Geneva talks on nuclear weapons tests and surprise attack⁴ demonstrates our interest in disarmament, but we believe that control and inspection are essential.

Mr. Jaszczuk thanked Mr. Kohler for the frank expression of his views and stated that he would like for a moment to discuss the German

² Gomulka visited the Soviet Union October 24–November 12. The purpose of the visit was to emphasize bloc solidarity and demonstrate harmony between Moscow and Warsaw. Both Gomulka and Khrushchev made numerous speeches during the 3-week visit. In his speeches, Gomulka went considerably beyond any previous public pronouncements he had made against the United States. For excerpts from the joint communiqué of November 10 issued by the Soviet Union and Poland and a report on the anti-American remarks made by Gomulka while in the Soviet Union, see *The New York Times*, November 12 and 14, 1958.

³ Reference is to the bombardment of the Quemoy and Little Quemoy Islands by the Chinese Communists on August 23.

⁴ Reference is to two conferences held in Geneva: The Conference on the Discontinuance of Nuclear Weapons Tests, held October 31–December 31, and the Conference of Allied and Communist experts on the prevention of surprise attack, held November 10–December 18.

problem. Mr. Jaszczuk pointed out that history showed that Poland had been subjected several times to German aggression and that the world should expect that Poland would do its utmost to prevent a repetition of the devastation which had been caused in Poland by Germany so many times. Mr. Jaszczuk said that, in spite of certain internal political differences that are present in Poland today, and he emphasized that political differences do exist, he said that the Polish people were completely unified concerning the German problem and the western territories. He said that the Poles were confident that the juridical basis of the Oder-Neisse territories⁵ was firmly established and were resentful that this fact had not been acknowledged in the West.

Going on to the problem of the rearmament of the Bundeswehr, Mr. Jaszczuk said that the Polish Government does not doubt the predominant influence of the United States over West Germany today but the Poles are afraid that at some future date the Germans might take independent action. To forestall such independent action, Poland prefers to see Germany disarmed. Consequently, there are feelings of apprehension in Poland concerning our present assistance to West Germany and the Polish Government has attempted through the Rapacki Plan⁶ to prevent German rearmament.

Mr. Kohler replied that he understood the reasons for the anti-German feeling in Poland but urged the Poles to realize that the world situation has changed and that, in the future, local aggression will not be possible. No one country would suffer from World War III; all would suffer equally. Mr. Kohler argued that old hostilities can be overcome and reminded them that in 1812 the British had burned our White House. He also reminded his listeners that the present German Government has a broader base than any of its predecessors, that it has renounced any intention to resolve boundary problems by force, and that it has stated that it will not produce atomic weapons. Any fear that Germany will take independent aggressive action should be judged from the point of view that Germany is a NATO partner and, as such, could not take independent initiatives against Poland.

Ambassador Spasowski spoke at this point to say that he found this conversation most useful and hoped that, by such exchanges of opinion, the Department would realize that the present Polish Government is interested in helping to solve current world difficulties. The Ambassador stated that his Government believes it is in a unique position to do this and cited the recent modifications of the Rapacki Plan⁷ as an example of

⁵ See footnote 1, Document 50.

⁶ See footnote 5, Document 48.

⁷ Regarding the new version of the Rapacki Plan, see Part 1, Document 12.

continuing Polish interest in bringing about a *détente*. He expressed the hope that the modifications in the Rapacki Plan would be studied carefully. Mr. Kohler replied that we recognize the sincerity behind Poland's desire to ease tensions. With regard to the modifications of the Rapacki Plan, we have not seen a complete text but we will certainly study the modifications with the realization that they have been put forward sincerely. Mr. Kohler reiterated, however, that the concept of a limited security zone is not realistic in the era of IRBM's and ICBM's. The point of danger is not within the Rapacki Plan area. The Soviet Union believes the danger lies in Great Britain and in the United States. We believe the danger stems from the Soviet Union. The efforts being made at Geneva take into consideration these facts, and we hope the Polish Government will strongly support positions at Geneva which will reduce tensions on a global scale.

Mr. Jaszczuk returned to the problem of the western territories by stating that he had been a Polish delegate to the International Atomic Energy Conference⁸ where the West German delegation had displayed a map which failed to take into account Polish administration of the recovered territories. He related that, following a Polish protest, the map was removed but not corrected. He cited this as an example of West German failure to recognize the present status. He said that German propaganda attempts to prove that the western territories are being neglected by the Polish Government. He said, when speaking factually, it must be recognized that this propaganda is false and that the economic potential of the territories is being expanded rapidly, that they play a large part in Poland's new five-year plan and that the largest electrical plant in all of Europe will be located there. He pointed out that more young workers live in the western territories than in any other part of Poland and that plants are being built there for them. He said that, although Poland and West Germany do not have diplomatic relations, there are exchanges of technical delegations and that invariably the Poles returning to Poland from West Germany speak of the growing German nationalism and German desire to recover what they consider their own lands. He said that on this visit when talking with American professors, he had learned that American universities possess a great deal of German propaganda claiming German ownership to the western territories.

Jaszczuk then spoke again of the Rapacki Plan and said that it was not the Soviet Union that would start a third war but rather Germany. He said, not only does history show this, but that economic and political

⁸ The foundation conference of the International Atomic Energy Agency was held in Vienna October 1-23, 1957, and the second general conference of this Agency was held in Vienna September 22-October 4, 1958.

conditions now existing in West Germany are conducive to the rise of another Hitler. Mr. Kohler asked why at a time of tremendous economic growth and prosperity they believed the rise of another Hitler was likely; Hitler had arisen at a time of acute economic crisis. Mr. Jaszczuk replied that the same people who helped Hitler are again occupying high positions, not only in the financial and economic fields, but in the political and military fields as well. Mr. Kohler again urged the Poles to realize conditions had changed and that old animosities should be forgotten, and reiterated his belief that the German problem should be placed in its proper world perspective.

Mr. Kohler concluded by stating that the Department was very happy to have been able to have the delegation in this country and he hoped there would be other opportunities to talk in this frank and friendly manner. Mr. Jaszczuk thanked Mr. Kohler for the cordial visit, again spoke of the very favorable impressions he had gained from his tour of the United States and expressed the hope that Polish-U.S. relations would continue to improve.

57. Memorandum of Conversation

Washington, November 6, 1958.

SUBJECT

Discussion of Economic Subjects

PARTICIPANTS

Mr. Boleslaw Jaszczuk, Vice Chairman of the Planning Commission of the Council of Ministers

Mr. Franciszek Modrzewski, Vice Minister of Foreign Trade

Dr. Tadeusz Lychowski, Economic Minister, Polish Embassy

E—Mr. Beale

OT—Mr. Frank

EE—Mr. Colbert

TA—Mrs. Kallis

LS—Mr. Muromcev

Mr. Beale expressed his great pleasure at the opportunity to meet Mr. Jaszczuk and Mr. Modrzewski. Following an exchange of pleasantries, Mr. Modrzewski asked what arrangements might be contemplated

for beginning the next economic negotiations. Reference was made to the previous discussion of this matter between Mr. Beale and Dr. Lychowski,¹ and Mr. Modrzewski suggested that the next appropriate step might be for Dr. Lychowski to meet with Mr. Beale for the purpose of initiating discussions. Mr. Beale expressed his willingness to meet with Dr. Lychowski whenever the latter was ready to begin economic talks.² Mr. Beale added that he could not guess when we would be able to begin to discuss American property claims against Poland, but he was of the opinion that we would be ready soon and that these discussions could be undertaken during the course of the economic negotiations.

Mr. Modrzewski then turned to the question of Poland's interest in GATT and said that he wished to ask Mr. Beale's advice as to what it should do next in this regard. Mr. Beale said that he could best give advice against the background of the situation at the current GATT session at Geneva. He said the Yugoslav observer had made a statement in which he explained that Yugoslavia could not make the full commitments required of Contracting Parties to the GATT and that Yugoslavia did not wish to undertake commitments which it could not meet.³ He suggested that there might be some kind of associate participation, the exact form to be decided by the Contracting Parties. Mr. Beale said that there was no formal discussion of the Yugoslav statement, but rather informal discussion between delegations. Mr. Beale ventured a guess that a working party would be set up before the end of the present Session to consider whether some new type of relationship would be a good idea and, if so, what form it should take. Such a working party could be expected to report at the next plenary session in the spring of 1959 rather than in the autumn. While the task of the working group would be to consider the problem of associate participation in principle it would also have in mind the Yugoslav proposal, as well as the Polish interest in the GATT. As to advice, Mr. Beale suggested that the Poles think over a possible GATT relationship in terms of associate participation, and that they wait for an indication of the results on Yugoslavia. It would be advisable, Mr. Beale added, for the Poles to talk to the Executive Secretary

¹ Reference presumably is to a conversation between Beale and Lychowski on September 17. A copy of the memorandum of that conversation, September 17, is *ibid.*, 748.5-MSP/9-1758.

² Beale met with Lychowski on November 10, and they arranged that the first meeting would take place on November 17 and the second on November 21. (Memorandum of conversation, November 10; *ibid.*, 848.00/11-1058) The meetings in November were postponed and the U.S.-Polish economic assistance negotiations did not begin until March 4, 1959; see Document 67.

³ Yugoslavia formally applied for associate participation in GATT at the 13th Session which met in Geneva October 16-November 22. Yugoslavia was accepted by the GATT Secretariat as an associate member of GATT on November 18.

of the GATT about putting the Polish question on the agenda for the next GATT Session. The question of associate participation is not an easy one for the Contracting Parties, he said. They are proud of the kind and tone of relationship that has been built up in the GATT and are anxious to maintain it.

Mr. Modrzewski replied that Poland wants to receive and also undertake privileges and responsibilities in the GATT. With respect to the U.S., he asked whether the Poles could expect to receive MFN treatment before the GATT issue is decided. Mr. Beale replied that it might be possible for the U.S. to extend MFN to Poland on a unilateral basis before the question is resolved. Mr. Modrzewski asked why the Polish question had to wait upon the Yugoslav application when Poland had started much earlier. Mr. Beale replied that the Yugoslav matter is more advanced, and is on the agenda, whereas the Polish question is not. Mr. Modrzewski appeared to accept the fact that the Contracting Parties have to examine associate participation in principle, and agreed with Mr. Modrzewski that the solution for Yugoslavia and Poland need not necessarily be the same.

In reply to Mr. Modrzewski's query to Mr. Beale as to whether he thought that a GATT Working Party would arrive at the conclusion that associate membership was desirable, Mr. Beale said it was his personal opinion that while some of the members might not necessarily find the argument for associate membership persuasive, he thought there was a good chance that an exceptional procedure of this type might be contrived and not be inconsistent with the general course of GATT's evolution.

Dr. Lychowski referred to the exchange of questions and answers between the GATT Secretariat and the Polish Government on the technical aspects of Poland's possible accession. He said he had been informed by Poland's Geneva representative last month that all technical questions relating to Poland's membership in GATT had now been resolved. Mr. Beale and Mr. Modrzewski both told Dr. Lychowski that this did not agree with what they had been told at Geneva. Mr. Frank added that examination of the Polish answers in the light of Poland's possible accession as a full Contracting Party would be a long and possibly fruitless exercise. It was on this account that associate participation was being suggested as a possible solution of the Polish problem. Dr. Lychowski then observed that apparently the advice he had received from the Polish representative in Geneva had been incorrect. Mr. Modrzewski said that Mr. Wyndham White had given him the same advice as Mr. Beale had just expressed, namely to wait for further developments especially with regard to the positions of the U.S. and UK Governments. Mr. Modrzewski said that he had had a discussion in Geneva with the chief British representative, Sir David Eccles, who, he said, had been favor-

able toward associate participation for Poland and who had also given him the same advice. Dr. Lychowski commented that discussion in the GATT has shown that, apart from the technical problems involved with respect to Poland, a request for membership of a special kind is advisable. Mr. Beale replied that this seemed to be the case and it was clear that people had not made up their minds. If a decision were forced, the outcome might be bad. Mr. Frank commented that full accession in the GATT is understood, but that associate participation is new and there must be consideration of what should be included. In reply to Mr. Modrzewski's reference to the formula suggested by the Executive Secretary,⁴ Mr. Frank said that this was proposed only as a basis for discussion and was a very tentative draft. Mr. Colbert asked whether, in Mr. Modrzewski's opinion, Poland might be able to accept associate participation in GATT along the general lines of the Executive Secretary's statement. Mr. Modrzewski replied that the draft might be an acceptable basis and Dr. Lychowski added that such an arrangement could be basically acceptable if practical difficulties could be resolved, not through the GATT but bilaterally. He referred specifically to MFN treatment by the U.S. on a unilateral basis and indicated that there might be similar special problems with respect to other Contracting Parties. Mr. Modrzewski explained that 80% of the Contracting Parties already give MFN treatment to Poland. Germany does not and the only contractual arrangements between Poland and Germany have been on a short-term basis, two or three months. Only recently, he said, Poland had rejected a 50 million DM credit offered to Poland because, in the absence of contractual arrangements for the conduct of trade, there was no assurance that Poland could repay the debt. Mr. Modrzewski added that all of Poland's present trading arrangements are on a bilateral basis and that Poland is interested in the GATT because it wants to move to a multilateral basis.

Dr. Lychowski raised a final point on the relationship between Poland's interest in the IBRD and the IMF and the GATT. He referred to Mr. Dillon's expression of opinion last spring that it would be more appropriate for Poland to make arrangements regarding GATT first, and then with the Bank and Fund.⁵ Dr. Lychowski wondered whether the

⁴In a November 6 memorandum to Kohler, Colbert and Kallis reported that Wyndham White discussed this question with Modrzewski and told him that full accession by Poland to GATT was out of the question for the time being because most of the GATT Contracting Parties believed that GATT afforded no basis for a realistic exchange of obligations by GATT members with a state trading country. Wyndham White had advised the Poles not to press for full accession but to consider the possibility of a limited form of association in order to avoid the risk of a formal rejection if the matter were raised prematurely. (Department of State, EE Files: Lot 67 D 238, GATT July 1-Dec. 31, 1958)

⁵Dillon's remarks have not been further identified.

delay now being encountered by Poland with regard to GATT, which was not Poland's fault, would lead to a further delay regarding the Bank and the Fund. He also said that of course Poland saw no connection between membership in GATT and membership in the Bretton Woods organizations, but that they had accepted our advice as to the priorities. After some discussion of this matter, Mr. Beale said that the situation with respect to prospects of Bank and Fund membership was unclear, and that he did not want to speculate as to what the reactions would be by members of these two organizations in the event Poland received associate status in the GATT. Mr. Frank observed that associate membership for Poland should accelerate rather than delay consideration of Polish membership in the Bank and Fund.

58. Memorandum of Conversation

Washington, November 14, 1958.

SUBJECT

Discussion Concerning Gomulka's Speeches during his Visit to the Soviet Union and after his Return to Warsaw

PARTICIPANTS

Mr. Jozef Winiewicz, Polish Deputy Foreign Minister
Mr. Romuald Spasowski, Polish Ambassador
Under Secretary Herter
Mr. Kohler, Deputy Assistant Secretary, EUR
Albert W. Sherer, Jr.—EE

Mr. Winiewicz opened the conversation by explaining that he had been at the UN for six weeks and would be returning to Warsaw next week, but before returning home, he wished to come to Washington to express his respect to Mr. Herter and to inform him of the firm intention of the Polish Government to continue to strive for improvement of relations with the United States.

Mr. Herter replied that he hoped the Deputy Foreign Minister would not mind if he took advantage of this opportunity to express to the Polish Government U.S. disappointment concerning the inaccurate

and hostile statements made by Mr. Gomulka during his recent trip to the Soviet Union and upon his return to Warsaw.¹ Mr. Herter said that he was sure that Mr. Winiewicz would understand that such severe castigation of the United States by Mr. Gomulka did not make our relations any easier. The Under Secretary continued to the effect that the United States is entirely familiar with the difficulties of the present Polish situation but that we believed some of Gomulka's statements went beyond the necessities required by current pressures and realities.

Mr. Winiewicz replied that there has been no change in Polish policy and that his Government continues to desire closer economic and cultural relations with the United States. He emphasized, however, that such relations must operate within the framework of the Polish alliance with the Soviet Union and the realities of the present international situation. He said that as a small nation Poland wished a relaxation of tensions and that its situation was made more difficult when tensions increased, as they had recently in different parts of the world. He said that he hoped Mr. Gomulka's trip could be viewed in this light and also as a return visit for the visit of Mr. Voroshilov to Poland a few months ago.² Mr. Winiewicz said, however, that in all frankness it was necessary to acknowledge that the policies of the two governments with respect to Germany are completely different. He said that, since six million Poles died as a result of German aggression in World War II, the Poles have an emotional and psychological reaction to Germany. In addition, however, the Poles consider that the present policies of West Germany constitute a serious security problem for Poland.

Mr. Herter replied that the German Federal Republic is a NATO partner and it is difficult for us to believe that anyone can consider NATO as an aggressive body. The history of NATO and its organizational structure show that it is simply a defensive organization. Also, Mr. Winiewicz should know Americans well enough to understand that the United States would not join any aggressive bloc; Americans would prefer to be left alone to develop their country as they wish. Circumstances beyond our control have forced us to assume responsibilities we do not want and we resent it when the assumption of such responsibilities results in our being accused of imperialism. Mr. Winiewicz interrupted at this point to state that Americans sometimes misinterpret what is meant by the term "imperialism" and, although he did not want to enter into a long discussion of the term, he said that in Marxian parlance it is simply applied to a certain stage of capitalism.

¹ See footnote 2, Document 56.

² Marshal Kliment Y. Voroshilov, Soviet Chief of State, visited Poland for a week beginning April 17 to participate in the 13th anniversary celebration of the Polish-Soviet Friendship Treaty, which was signed on April 21, 1945.

Mr. Winiewicz then stated that Mr. Rapacki's discussions with Foreign Minister Lange in Norway and the Canadian Minister of External Affairs at the UN had led to a second version of the Rapacki Plan,³ which is designed to reduce tension in Central Europe. He said that the Poles consider the revised plan of utmost importance in view of such extreme statements as that of West German Defense Minister Strauss in Regensburg on November 9, when he said that anyone who would support the Rapacki Plan was a potential war criminal. He continued by saying that such statements have created an extremely tense situation in Central Europe, which makes it practically impossible for small nations to have any freedom of movement. (Mr. Herter commented at this point that he wished the smaller countries to the south of Poland could have greater freedom of movement.)

Returning to the subject of U.S.-Polish relations, Mr. Winiewicz said that these relations over the last two years could be described in positive terms and he hoped that this would continue. Mr. Herter replied that Mr. Winiewicz knows a great deal about how our Government operates, and he should realize that hostile speeches present real difficulties for us.⁴

Mr. Winiewicz then turned to the subject of the recent visit of the Polish leaders to the United States and expressed gratitude for the hospitable treatment they had received.⁵ He said he hoped there would be a return visit to Poland within a few months and expressed the opinion that by such means we could understand each other better. As far as the Polish side is concerned, they are working every day toward this end.

In conclusion, Mr. Winiewicz pointed out that many newspaper men were waiting for him outside the Under Secretary's office and he intended to say no more than that this had been a courtesy visit. He would certainly, however, report what Mr. Herter had to say to his Government.

When parting, Mr. Winiewicz expressed again the thought that the modified Rapacki Plan contained some very important ideas and he hoped it would be sincerely considered by the United States. Mr. Herter replied that he had only seen press reports concerning the modified plan and that it was our understanding it would be officially presented in due course. Mr. Winiewicz acknowledged this was so and said that the press had contained only a draft outline and that more details would be set forth in the official presentation of the modified plan.

³ See Part 1, Document 12.

⁴ On November 19, Kohler reiterated to Spasowski U.S. displeasure over Gomulka's statements during his visit to the Soviet Union and upon his return to Warsaw. The memorandum of this conversation is in Department of State, Central Files, 611.48/11-1958.

⁵ See Documents 56 and 57.

59. Telegram From the Embassy in Poland to the Department of State

Warsaw, January 15, 1959, 4 p.m.

936. Considered useful to offer and update a few general impressions on Poland in year 1958 thereby replacing need for extensive summary already adequately fulfilled by recent Department studies especially Political Section OIR Report 7877 December 1.¹

On the record 1956 policies held up fairly well in 1958 in face of frequent alarms and publicized apprehension. True no progress was made toward greater liberalism except possibly in agriculture where farmer still favored. Some stabilization achieved, however, safeguarding throughout 1958 main benefits of Gomulka program which continue to represent deviations from bloc standards important in themselves although less spectacular now because less novel. Freedom from police molestation, freedom of private criticism and academic life were generally maintained in practice despite ominous signs. State church balance survived mid-summer tension and although church had to make concessions on teaching by religious orders and on question of civil marriages and exclusive use of cemeteries (none of which included in 1956 agreement),² it is immeasurably better off than in other Eastern European countries. Socialization of agriculture remained voluntary, number of collectives staying about same. Private farmer benefited by further reductions compulsory deliveries and higher state prices, while remaining immune from general tax increases.

In what might be called gray area, private enterprise continued to labor under difficulties which seem to vary regionally, being less great in western territories. Role of workers councils reduced for what now recognized as administrative as well as political reasons. Interesting to note no Sejm deputy attacked or voted against new workers self-government law which because of cumbersome structure expected enhance power works managers. Somewhat greater control over worker discipline and placement enforced and while worker denied general wage raises, he proportionately lost less ground than in 1957 by improved price stability and availability of essentials.

In general Polish economy in 1958 marked by partially successful stabilization measures which through better supply and distribution

Source: Department of State, Central Files, 748.00/1-1559. Confidential. Transmitted in two sections. Repeated to Bonn, Paris, London, Moscow, and Belgrade.

¹ A copy of OIR Report No. 7877, entitled "Recent Developments in Eastern Europe," is in the National Archives and Records Administration, RG 59, OSS-INR Reports.

² See footnote 1, Document 49.

removed serious inflationary threat of previous year. Distorted wage and price structure, underemployment, imbalances in productive capacity, and housing remain grave unsolved problems, while basic contradiction between lack of economic incentives and demands for increased productivity continues. Foreign trade efforts apparently achieved goals and Polish interest in maintenance economic relations with West emphasized.

Among public the most charitable view, held with some admiration for Gomulka's cynicism and astuteness, is that he had to pay Soviets price of greater outward conformity to defend his handling of purely Polish internal problems. Domestically this led to further tightening of controls over intellectual life. Conscious effort made to reduce but by no means eliminate appearance of Western influence through closer formal Soviet ties. Daily press adopted more pro-Soviet line although not venemously anti-Western except in case of GFR.

Drive supported by party effort propagate new form of "mass socialist culture". Endeavor produced resistance serious writers culminating in Wroclaw Resolution attacking censorship.³ Airing of controversy in party press nevertheless measure of power of protest with likelihood conflict will continue. Until now high authorities reluctant to crack down too severely at risk antagonizing intellectuals recognized as responsible for October gains and on whom balance still depends to some extent. Complaints of articulate writers group reaching Western press perhaps disguise fact many Polish cultural reviews remain distinguished by breadth of range, spirit of controversy and lively interest in Western culture.

In foreign affairs Poland met the full requirements of outward compliance with Soviet policy. True feelings if not interest of influential regime officials, conveyed either in guarded conversations or nuances in the press, have not however been difficult to ascertain. These encompass ill-concealed disgust for Nagy execution; certain respect for Yugoslavia aside from political disagreement; no endorsement of Chinese Communists internal course despite some show of public cordiality inspired in part by fear; jealousy over political initiative in development of Rapacki Plan; and continued desire for better relations with West. Self-interest seems to have promoted more moderate tone in criticism of US toward end of year.

As to Germany Poland probably remained sincerely attached to Soviet policy because of spectre of West Germany rearmament and Soviet commitments regarding western frontier. Enthusiasm for forcing of

³ Regarding the resolution adopted at a Polish writers' conference in December 1958, see Part 1, Document 17.

Berlin issue or for Soviet initiatives involving possibility of four-power discussion of German reunification is questionable.

Popular attitudes characterized by apathy tinged occasionally by nervousness at display of Soviet strength but composed on the whole of resignation with some satisfaction with slight economic improvements and internal calm. Party made no progress in rapprochement with people but disorganization thought sufficiently overcome to permit Gomulka's effective control at March Congress. Party domination and Soviet ties still realistically but distastefully accepted as necessary safeguards against Soviet intervention.

Despite encroachments, positive elements 1956 program gained strength by continued usage. Thus record though disappointing not wholly unfavorable but would be risky to project 1958 trends into year overshadowed by Soviet and German uncertainties.

Beam

60. Memorandum From the Assistant Secretary of State for European Affairs (Merchant) to Secretary of State Dulles

Washington, January 16, 1959.

SUBJECT

Economic Negotiations with Poland

In connection with the decision that FY 1959 MSP contingency funds allocated for Poland be maintained at \$15 million, my memorandum to you of November 22, 1958 (Tab A)¹ set forth the basic reasons why we consider the extension of further economic aid to Poland to be in the United States interest. This position was adopted notwithstand-

Source: Department of State, Central Files, 748.5-MSP/1-1659. Secret. Drafted on January 16 by Beale, Colbert, and Henry P. Leverich of the Office of Eastern European Affairs, and concurred in by the Assistant Legal Adviser for International Claims, the Assistant Legal Adviser for Economic Affairs, and the offices of the Assistant Secretary of State for Congressional Relations, the Assistant Secretary of State for Economic Affairs, and the Deputy Under Secretary of State for Economic Affairs.

¹Not found attached.

ing certain public attacks against the United States by the Polish leadership in backing up Soviet policy with regard to the German problem, particularly the Soviet-Polish communiqué issued following Gomulka's visit to the USSR in November.² The memorandum also recommended that the opening of economic talks with the Poles, originally scheduled for November or early December, not be delayed indefinitely but only long enough to impress upon the Polish Government our sharp disapproval of Gomulka's offensive remarks about the United States.

Our dissatisfaction with Gomulka's statements and their mutually disadvantageous effect on US-Polish relations have been made clear by Department officials in discussions with the Polish Under Secretary for Foreign Affairs during his recent visit here³ and with the Polish Ambassador. Our views have likewise been made known to the Polish Foreign Office by Ambassador Beam, and it may be noted that statements by Polish officials have since been more restrained, even during the course of the December visit to Warsaw of Ulbricht, First Secretary of the GDR Communist Party.⁴

In these circumstances it would seem that nothing further is to be gained in connection with our objective of registering our disapproval to the Polish Government by continuing to delay the opening of economic aid talks with the Poles.

It is planned to initiate negotiations shortly to obtain a lump-sum settlement by Poland of American property claims against Poland, and to link the aid negotiation to the progress of the claims negotiation so that there will be an inducement to the Poles, through the prospect of aid, to make a prompt and satisfactory claims settlement. We anticipate that the aid talks, once started, can be completed in a relatively short time, and certainly within two months. We therefore propose that (1) discussion of the lump-sum settlement be initiated promptly on the basis set forth in the attached instruction to Embassy Warsaw (Tab B),⁵ and (2) we open the aid negotiations as soon as it is apparent that the Poles are prepared to consider our proposal as a basis for serious discussion of a claims settlement. We do not contemplate that the economic aid negotiations would be concluded until after a satisfactory solution to the claims settlement has been reached, or alternatively, until such time as we are satisfied, and can make a statement of the situation which would presumably satisfy Congressional and public inquiries, that the claims negotiations offer reasonable prospect of successful conclusion.

² See footnote 2, Document 56.

³ See Document 58.

⁴ An East German Communist Party delegation led by Walter Ulbricht visited Poland December 9–14.

⁵ Not found attached. This was apparently a draft of instruction A-263 to Warsaw, February 18. (Department of State, Central Files, 248.1141/2-1859)

We propose that, before beginning aid negotiations, Congressional sentiment should be sounded out regarding further aid to Poland. As in the two preceding economic negotiations with the Poles, approaches would be made to the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs. In connection with obtaining Congressional reaction, it is of interest that an official of the Polish-American Congress recently advised the Department that his organization, and the Polish-American community in general favored continued economic aid to Poland. He also said that, in his view, those members of Congress most concerned with Polish-American groups in this country favored continuance of aid to Poland.

It is proposed that, at the same time, we explore Congressional views toward the extension of most-favored-nation treatment to Poland.⁶ If the results of such consultation are favorable, we propose to consider the advisability of extending MFN to Poland, on a unilateral basis, at such time as it may be considered that this action will have a maximum advantage from our standpoint. We have in mind that the extension of MFN would give the Poles concrete evidence of our intention to expand trade relations, and, by improving their prospects of earning more dollars in the United States through increased sales, would assist our negotiations for a settlement of property claims.

With respect to the basis for further economic aid, it is noted that \$15 million is reserved for Poland from the FY 1959 contingency fund, and it is believed that funds, as well as commodities, will be available under PL 480. In this connection, it is planned that further aid under PL 480 will be less than in either of the previous economic agreements.

*Recommendation:*⁷

(1) That negotiations for a lump-sum settlement of American claims for nationalized property be initiated promptly in Warsaw.

(2) That we open the third round of aid talks as soon as it is apparent that the Polish Government is prepared to consider our claims proposals as a basis for discussion of a settlement.

⁶ The United States had withdrawn its extension of most-favored-nation treatment to Poland on January 5, 1952. The action was taken in accordance with sections 5 and 11 of the Trade Agreements Extension Act of 1951 which provided that the President should withdraw the benefits of trade agreement concessions "to imports from the Union of Soviet Socialist Republics and to imports from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world communist movement." (65 Stat. 72)

⁷ Dulles indicated his approval of the recommendations with a checkmark.

61. Memorandum of Conversation

Washington, January 29, 1959.

SUBJECT

High level US-Polish Talks

PARTICIPANTS

The Polish Ambassador

Mr. Foy Kohler, Deputy Asst. Secretary, EUR

At his invitation I had a long *tete-à-tete* luncheon talk with the Polish Ambassador at his residence today. We had agreed beforehand to consider this a personal conversation rather than an official exchange.

I told the Ambassador that I sometimes wondered whether we should not have more contact with Mr. Gomulka remarking that neither our Ambassador nor other Americans saw him or were able to talk with him except very rarely and on a most casual basis.

The Ambassador became thoughtful, then said that this was a difficult problem. He said that Mr. Gomulka was in an extremely delicate situation *vis-à-vis* Moscow in trying to carry out a national policy. Obviously Mr. Gomulka could not pay a visit to the US—and with this I hastened to agree.

Ambassador Spasowski then went on to say that personally he had been thinking about the possibilities of some kind of high level contact. The visit of the five-member leadership group which had recently come to the US¹ had been helpful, especially as respects the delegation leader, Mr. Boleslaw Jaszczuk, and Minister Franciszek Modrzewski. However this was not really a channel to the top levels of the party in Poland. He had been thinking about a possible visit to the US by Mr. Jedrychowski, who was more or less the equivalent in Poland of Mikoyan in the USSR, being an outstanding economic figure and close to Gomulka. He wanted to think this over some more and perhaps would have a chance to explore the idea further when he goes back to Warsaw for the Polish Party Congress in March. I said that he could be sure that we would give sympathetic consideration to any suggestions he might want to put to us in this respect.

Source: Department of State, Central Files, 611.48/1–2959. Confidential. Drafted and initialed by Kohler.

¹See Documents 56 and 57.

62. Telegram From the Embassy in Poland to the Department of State

Warsaw, February 9, 1959, noon.

1039. All of us in Embassy feel time is approaching when further delay in resumption US-Polish economic talks, or delay in fixing date for resumption, may be counter-productive and injurious to investment already made here in accordance with our Polish policy.

Tomorrow four weeks will have elapsed since Foreign Office approach (Embtel 928).¹

Poles have not pressed us but in straightforward manner have mentioned problem they face in deciding whether retain or reduce expert staff in Washington whose services could be used here. See also Beale-Lychowski talk January 21 re planning dislocations in matter agricultural products.²

Postponement of economic talks from November has until now produced as good results as could be expected, notably in change of tone public treatment of US (subject of course to qualification as to what Gomulka may say on return here from Moscow Congress).³

Other signs are quite favorable. Polish population continues to enjoy far more liberties than in any other satellite. Regime sources take pains insist Gomulka at Moscow reinforced his right to deal with Polish affairs in his own way and will control March Party Congress especially in matter curbing rightist opposition. Stone of Ford Foundation impressed with statements his friends here Western exchange programs really beginning produce results in opening up broader cultural front. One of brightest points is stout public defense agricultural policy against stated "dogmatist" attack.

On negative side there is movement impose greater controls on writers although latest flare-up has elements of family feud attracting as

Source: Department of State, Central Files, 411.4841/2-959. Secret.

¹ In telegram 928 from Warsaw, January 13, Beam reported that Winiewicz had called on him that morning to inquire when the U.S.-Polish economic discussions might begin. Beam had replied that preparations were underway. (*Ibid.*, 411.4841/1-1359)

² A copy of the memorandum of conversation, dated January 21, which summarized Lychowski's conversation with Beale that day, is *ibid.*, 411.4841/1-2159. Lychowski requested Beale's help in arranging a meeting with Dillon to discuss possible most-favored-nation status for Poland; Poland's admission to the International Monetary Fund, the International Bank for Reconstruction and Development, and GATT; and the prospect of a P.L. 480 loan for barley and soybean oil.

³ The Twenty-First Congress of the Communist Party of the Soviet Union (CPSU), held in Moscow January 27-February 5, was attended by delegations from 70 foreign Communist Parties, including Poland's headed by Gomulka.

yet small general interest. Church may be held uncomfortably close to December 1956 agreement,⁴ perhaps thereby losing further privileges, but agreement itself apparently not in danger. Polish policy on Berlin will be inevitably decided elsewhere but should hostilities ensue dilemma could arise for Poles if German forces not engaged on Western side.

Status Polish economic cooperation with West may play some role albeit minimal at March Party Congress. Judging from talks with other Western missions here our plans with respect to Poland may have some effect on their own.

Believe fully in our interest to set early date for opening economic talks.

Kindly bring above to attention Dillon and Murphy.

Beam

⁴See footnote 1, Document 49.

63. Preliminary Notes of the Operations Coordinating Board Meeting

Washington, February 11, 1959.

1. REPORT ON POLAND (SECRET)¹

A. Linking Economic Negotiations with Negotiations of Settlement on Nationalization Claims

Mr. Albert W. Sherer, Officer in Charge, Polish, Balkan and Czechoslovak Affairs, was present.

Acting Chairman Gray questioned the connection of the third round economic assistance negotiations with progress in settlement of

Source: Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes 1959. Secret. Drafted by Jeremiah J. O'Connor.

¹The draft of the OCB Report on Poland, as submitted to the OCB Board by the Working Group on Poland, which was identical to the approved report printed as Document 64, has not been found in Department of State files.

private US claims for nationalized property. He wondered whether economic talks should be held up pending progress on the claims negotiations. Mr. Sherer said that an instruction had been sent to Ambassador Beam requesting him to approach the Poles on starting the nationalization claims negotiation.² Mr. Sherer added that if the Poles agree we will go ahead on the third round of economic negotiations.

In further response to Mr. Gray's general question about linking these two negotiations, Mr. Sherer noted that in view of Congressional and public interest in a settlement of the nationalization claims, the Department felt that the U.S. should not extend economic assistance to Poland indefinitely without attempting negotiation of the claim settlement.

Mr. Saccio (ICA) questioned whether the Poles know explicitly that we are holding up the third round of economic negotiations pending commencement of the claims negotiations. Mr. Sherer thought the Poles "have a pretty good idea that this is the case." Mr. Saccio also questioned whether there is any good reason (apart from those cited by Mr. Sherer) to connect the two negotiations. He cited the broader purposes of aid to Poland such as our desire to demonstrate our sympathy for the Polish people and our desire to orient Poland more to the West in line with U.S. policy. Mr. Sherer, referring again to Congressional and public interest in the nationalization claims, noted that the Poles had been advised during the first round of economic negotiations that we would wish to discuss with them later a settlement of these claims³ and said that, from all the information available to the Department, the Poles are prepared to receive a bill at some time.

Mr. Gray said that the Poles apparently would see nothing untoward about a connection between the two negotiations and secured Mr. Sherer's assent to his understanding that we plan to start the claims negotiations and not delay economic aid and that we can cut off the claims negotiations if that turns out to be desirable from the standpoint of U.S. interests.

Mr. Saccio noted that \$20 million had been tentatively earmarked from MSP funds for Poland and that if the agreement is concluded too

² This instruction was not sent until February 18; see footnote 5, Document 60.

³ The first round of economic negotiations with Poland began on February 26, 1957, and led to the Surplus Agricultural Commodities Agreement Between the United States and Poland, signed on June 7, 1957 (8 UST 799), and the Surplus Agricultural Commodities Agreement Between the United States and Poland Amending the Agreement of June 7, 1957, signed on August 14, 1957 (8 UST 1289). In an exchange of notes on June 7, 1957, both Poland and the United States agreed to undertake to negotiate a lump-sum settlement of American property claims resulting from nationalization and other property-takings by Poland.

late in the fiscal year miracles will be expected in terms of delivering the goods which the aid level represents.

B. Strategically-Rated Goods

Mr. Gray, in opening the discussion of this topic, questioned whether the State Department is, in fact, moving ahead to get the Battle Act amended this year. He said that if the Department is doing so, he thinks that such amendments should be considered in the broader perspective of U.S. foreign policy around the world and not just from the perspective of Polish considerations. To support this point, Mr. Allen recalled difficulty with the Battle Act as regards India, due to Indian shipment of thorium to Communist China.

With respect to a Defense statement in the Report, which expressed general uneasiness about the strategic risk involved in certain exports to Poland, Mr. Gray said he felt that the Board was not serving its principals by covering up what was apparently a difference in viewpoint on basic policy. He said further that the Council on Foreign Economic Policy had been directed by the President to consider trade policies with the USSR and its East European satellites⁴ and that the CFEP (Randall Committee) was the proper venue for the issue which Defense was raising. Mr. Knight (Defense) said Defense distinguishes Poland from the broader program and feels that greater effort should be made to justify certain sales to Poland as being necessary to the civilian economy.

C. Problem of Polish Western Border

Mr. Gray referred to paragraph 12 in which the Report stated "the U.S. position on the German-Polish border should not be formulated until it appears that serious negotiations on a German peace settlement will take place . . .".⁵ Mr. Gray said it was his impression that, given recent developments, we should perhaps be formulating a position on this issue. Mr. Smith (State) assured Mr. Gray that appropriate position papers preparatory to any upcoming high-level meetings were being prepared for consideration by the President. Mr. Knight asked whether the language in this Report would imply a ban on contingency planning. The Board agreed it did not.

⁴ Presumably reference is to NSC Action No. 1927 taken at the 369th NSC meeting on June 19. It directed that, on a case-by-case basis, the United States seek to establish more normal economic relations with Soviet-dominated nations with which the United States had diplomatic relations and thereby facilitate a gradual expansion of trade. See Part 1, Document 8.

⁵ Ellipsis in the source text.

D. *Service by Polish Vessels to U.S. Ports*

The report noted that the Department was considering whether to propose to Treasury a modification of the present port security program. Mr. Sherer said the Department had begun to send letters to the other interested agencies urging an early resolution of these questions.⁶ Mr. Scribner (Treasury) said he thought policy issues were involved and should be determined by the Planning Board. The members agreed on the desirability of early resolution of the matter.

E. *Asylum for Polish Seamen*

Mr. Gray recalled that two weeks ago the members had noted State and Justice would consult further on the criteria to be used in determining Soviet bloc crewmen eligibility for US asylum. [7 lines of source text not declassified]

The Board approved the Report for transmission to the NSC, with the understanding expressed by Mr. Gray that a later report would be made on the issue of the criteria for granting U.S. asylum to Polish seamen.

[Here follows discussion of unrelated subjects.]

⁶ Not further identified.

64. Operations Coordinating Board Report

Washington, February 11, 1959.

REPORT ON POLAND (NSC 5808/1)¹
(Approved by the President April 16, 1958)

(Period Covered: April 16, 1958 through February 11, 1959)

A. *Summary Evaluation*

1. In the period under review the Gomulka regime has stabilized its position both externally and internally. Probably as a result of a com-

Source: Department of State, OCB Files: Lot 61 D 385, Poland Documents. Secret. A cover sheet; Annex A, "Additional Major Developments;" a financial annex and pipeline analysis; and an undated covering memorandum by OCB Executive Officer Bromley Smith in which Smith stated that the OCB concurred in the report for transmittal to the National Security Council, are not printed. A handwritten note on the cover sheet indicates this report was superseded by the report dated March 30, 1960, Document 99.

¹ Document 46.

bination of the Polish regime's independent initiative and Soviet pressure, Gomulka has placed his relations with the Soviet Union on firmer footing and has rendered less effective the influence of Stalinists at home and abroad who have been a threat to his policies. In the early summer of 1958, the Polish party was isolated from the bloc, particularly on the Yugoslav issue and the Nagy execution in Hungary, but, in his June 28 speech, Gomulka adhered in large measure to the Soviet position in the Yugoslav dispute and made certain accommodations regarding Nagy. He further identified himself with the Soviet view of Yugoslav revisionism during his recent visit to the Soviet Union and came out as well in favor of all major Soviet foreign policy lines. Polish support of Soviet positions on important international issues is not a recent development but rather a continuation of previous Gomulka policies.

2. Despite such efforts on behalf of bloc unity, however, the Polish Government has continued its efforts to expand contacts with the West. The maintenance of cordial state relations with Yugoslavia, and the pursuit of closer contacts with Western countries and institutions are illustrative of limited Polish initiatives in foreign policy which set Poland apart. Fear of Germany, and particularly the rearming of the German Federal Republic with atomic-capable weapons, continue, however, to promote a close alliance with the Soviet Union, as the Polish Government professes to believe this to be the only guarantee of their western territories and their security as a nation. This alliance is further strengthened by economic dependence on the Soviet Union.

3. U.S.-Polish relations continue to be based on the improved conditions which arose at the time Gomulka reemerged, and there has been no indication that the Polish Government intends to restrict markedly presently available opportunities for the United States to exercise its influence in Poland. Frank exchanges of views with Polish officials are possible both in Warsaw and Washington. Polish officials have expressed interest in opening a third round of economic negotiations with the United States and a willingness to enter into negotiations for the settlement of American nationalization claims. A U.S. consulate will open in Poznan early in 1959. Western radio broadcasts continue unjammed by Poland, and distribution of printed material, both government and private, has increased. USIA has begun distribution of the Polish language *Ameryka* magazine in 32,000 copies monthly. The exchange of persons program is proceeding satisfactorily, and tourist travel has increased. (For further indications of improved U.S.-Polish relations, see paragraphs 17 through 20.)²

²These paragraphs are in Annex A, not printed.

4. On the whole, NATO countries have established closer relations with Poland during the report period. No progress has been made, however, in promoting closer relations between Poland and the German Federal Republic; on the contrary, prospects for the resumption of diplomatic relations appear less favorable today than when NSC 5808/1 was adopted in April, 1958. The Polish Government has launched a propaganda campaign to the effect that the German remilitarization threatens the Oder-Neisse territories and Polish security.

5. The Polish people appear to be reconciled to the conclusion that the Gomulka regime is preferable to any presently feasible alternative. However, the population remains persistently anti-Communist and discontented. Popular support of the regime has diminished. The government has moved toward tougher internal policies, including the tightening of control over press and publishing, the broadening campaign against liberal intellectuals, a weakening of the workers councils, and the continued organizational strengthening of the secret police. Despite these unfavorable developments, the Gomulka regime has continued to reassert its belief in certain aspects of its program which represent significant deviations from Bloc internal policies: the voluntary and gradual collectivization of agriculture, abstention from the use of the secret police as a political weapon, coexistence with the Roman Catholic Church, relative academic freedom and freedom of speech, and in general, determination to follow a peculiarly Polish road to socialism. These deviations find their roots in the strong wishes of the Polish people and are not likely to be easily swept aside; they serve as a limit beyond which Gomulka could hardly go in a return to Bloc conformity without inviting serious trouble.

6. No review of NSC 5808/1 is recommended.

B. Major Operating Problems or Difficulties Facing the United States

7. *Popular Misunderstanding of U.S. Policy Toward Poland.* There is a tendency on the part of the public and the Congress to expect that closer U.S.-Polish economic relations will produce basic changes in Polish foreign policy. A basic assumption in the formulation of our policy toward Poland has been that the Gomulka regime would not, indeed could not, both for political and economic reasons, deviate from the Soviet foreign policy line to any important degree. Our economic programs do, however, tend to create a favorable climate for other programs we are undertaking and enable the United States to bring influence to bear in Poland which benefits the Polish people and reminds them of our continuing interest in their welfare, serves to orient Poland toward the West, and weakens the internal cohesiveness of the Soviet Bloc. These political motivations cannot be explained publicly without embarrassing Poland and interfering with U.S.-Polish relations.

Status of U.S. Action. Efforts will be continued through personal contacts with correspondents and in closed hearings of Congressional Committees to obtain greater understanding of U.S. policy toward Poland and the rationale behind it.

8. *Economic Assistance.* In 1957 and 1958 the United States and Poland entered into credit and sales arrangements providing for the shipment to Poland of agricultural commodities, other raw materials, and various types of machinery and equipment. Under the Agricultural Trade Development and Assistance Act (Public Law 480), Poland has been sold a total of \$138 million worth of commodities. Under a line of credit allocated under Section 402 of the Mutual Security Act, Poland received a loan of \$30 million in 1957 and \$25 million in 1958.³

A major question in granting further economic assistance to Poland (both credits and PL 480 sales) is whether this should be conditional upon substantial progress in the settlement of United States nationalization claims against Poland. A very real problem would arise if settlement of the nationalization claims were indefinitely delayed.

Status of U.S. Action. It is anticipated that the United States will begin claims negotiations in Warsaw early in 1959. The third round of economic talks will begin in Washington following the opening of the claims negotiations. In order to achieve maximum leverage and coordination between the two negotiations, it is planned that the negotiation of claims will be transferred to Washington and signature of aid agreements will be made contingent upon substantial progress toward settlement of nationalization claims. If agreement on claims is not speedily reached, difficulties may arise both in the implementation of FY 1959 aid programs and in the execution of national policy covering economic assistance to Poland.

9. *Battle Act Restrictions.* Although it has been determined that it is in our national interest on political grounds to provide economic assistance to Poland, the Battle Act now limits the form in which such aid can be given. As Poland is a member of the Warsaw Pact, it has been necessary to assume that it ships arms, ammunition, and implements of war to Soviet Bloc countries. Under the terms of the Battle Act, the President has no discretionary authority to furnish financial or economic assistance to Poland in these circumstances. However, under the provisions

³ For text of the joint statement issued at Washington by the chairmen of the Polish and U.S. economic delegations, June 7, 1957, with annexed agreements subsequently negotiated on the basis of this statement under which the United States agreed to extend to Poland a line of credit of \$30 million for the purchase of agricultural products and mining equipment, see Department of State *Bulletin*, June 24, 1957, pp. 1004-1009. Regarding the 1958 line of credit of \$25 million, see Document 44.

of Section 451(a)⁴ of the Mutual Security Act, the President may and has determined that it is in the security interest of the United States to provide assistance to Poland from funds appropriated under the MSA, notwithstanding the Battle Act. There is, however, a ceiling of \$30 million on the funds which may be provided to any one country under Section 451(a) and, in fact, the requirements for such mutual security funds have far exceeded the availabilities.

Status of U.S. Action. The Department of State is preparing an amendment to the Battle Act for possible submission to Congress which would give the Executive greater flexibility worldwide in the granting of economic assistance and would, in the case of Poland, make it legally possible to extend loans to Poland under the Export-Import Bank Act, the Development Loan Fund, and the Mutual Security Act; to lend back to Poland U.S.-owned zlotys which are deposited by Poland against U.S. shipments under Public Law 480; and to furnish economic or technical assistance.

10. *Strategically-Rated Goods.* Present policy provides that strategically-rated goods, including embargo-type items, from Western countries may be made available to Poland on a case-by-case basis as such goods are shown to be reasonable and necessary to the Polish civilian economy (as determined in each case by reference to the stated civilian uses, and with due consideration to the strategic risk involved).

The Department of Defense has taken the following positions in the ACEP and EDAC:⁵

(a) In implementing the policy, too much emphasis has been placed on the criterion of stated civilian use and insufficient consideration given to the necessity of U.S. strategically-rated goods to the Polish civilian economy, or to the strategic risks involved, especially in view of the fact that the recent revision of the U.S. and international strategic lists has eliminated all items except those predominantly or exclusively usable for military purposes.

(b) There are no effective methods now being employed in the field to determine the actual end-uses of U.S. strategically-rated goods within the Polish economy.

(c) It has not been possible to determine if there have been any violations of Polish assurances with respect to specific shipments of strategically-rated goods.

⁴ Better known as Section 401(a) of the previous version of the MSA. [Footnote in the source text. Reference is to Section 401 of the Mutual Security Act of 1954, enacted August 26, 1954; 68 Stat 832.]

⁵ ACEP is the Advisory Committee on Export Policy and has jurisdiction over exports from this country. Commerce, State, ICA, Defense, OCDM, Treasury, Agriculture, Interior, and AEC are represented.

EDAC is the Economic Defense Advisory Committee and determines the U.S. stand to be taken in the international COCOM, which rules on exports from allied countries. Commerce, State, ICA, Defense, OCDM, Treasury, Agriculture, Interior, AEC, USIA, and the Export-Import Bank are represented. [Footnote in the source text.]

Status of U.S. Action. The views of the Department of Defense have been considered in ACEP and EDAC, and the prevailing view has been that, since in some cases which have arisen under the case-by-case procedure the commodities in question are technically capable of being used either for civilian or military purposes, it has been necessary, if present policy is to be implemented, to rely upon the statements and assurances of the Polish Government that the commodities will in fact be used for civilian purposes and will not be trans-shipped or re-exported. To the extent possible, the proposed civilian use has been verified on the basis of technical and intelligence information available to the U.S. Government. While there have been reports of possible violations, and these are being investigated, the United States is thus far aware of no cases in which there has been an established violation of Polish assurances. It is recognized that this is a matter which will have to be kept under continuing surveillance. It has also been the prevailing view in ACEP and EDAC that the considerations raised by the Department of Defense relate to differing interpretations of the policy.

11. *MFN and GATT.* Active consideration is being given (by the Department of State) to recommending to the President at an appropriate time that Most-Favored-Nation treatment be restored to Poland. This action would end the tariff discrimination toward Poland which has existed since 1952, and would thus permit increased export opportunities for Poland in U.S. markets. Poland has for some time expressed interest in joining the GATT (General Agreement on Tariffs and Trade). Last autumn, Yugoslavia formally applied for associate participation in the GATT, and Polish officials have indicated that their government would probably be satisfied with a similar arrangement. While the Poles have not yet filed a formal application, it is expected that, if the Yugoslav application is favorably acted on, the Poles will apply for a status similar to that of Yugoslavia.

12. *Poland's Relations with the German Federal Republic.* Lack of progress in improving relations between Poland and the German Federal Republic is a serious problem because it tends to strengthen Poland's ties with the Soviet Union and to complicate Poland's relations with the NATO community in general; moreover, it directly affects U.S.-Polish relations since Polish officials frequently single out the United States as the country most responsible for remilitarization of the German Federal Republic.

Polish Government spokesmen frequently reiterate the theme that the remilitarization of the German Federal Republic threatens the peace of Europe and the world. In support of this thesis they state that former Nazi generals are in command positions in the present Bundeswehr; they refer to a spirit of revenge as the dominant philosophy of the Adenauer Government; they object to the implicit decision of the Bun-

destag to equip the Bundeswehr with nuclear weapons and explain that no other parliament in any country which does not possess nuclear weapons has passed such legislation; they describe the Bonn rejection of the Rapacki Plan as proof of aggressive intentions.

The proposed Polish solution to the German problem follows the Soviet line: reunification of Germany by the confederation of the two German states, neutralization of the reunified Germany, and creation of a "Free City" in West Berlin. Under these formulations Polish authorities assume that the "recovered territories" will remain part of Poland. The Federal Republic, on the other hand, has not been prepared to recognize the Oder-Neisse line as Poland's western border.

Status of U.S. Action. American officials take advantage of every opportunity in discussion with Polish officials to point out that it is to Poland's interest to have the Federal Republic tied to NATO, which is an organization for defense in which Germany can act only in concert with its democratic European neighbors and the United States; and that the Federal Republic is now a democratic state of far different character than Hitler's Third Reich. These arguments have made little impression on Polish officials, however, and there appears little likelihood of greatly improving German-Polish relations as long as the Oder-Neisse question remains unsettled and the rearming of the Federal Republic continues.

The Western Allies have taken the position that the Oder-Neisse line is temporary and that the final boundaries of Germany should be fixed in a peace settlement with the agreement of an all-German government. In view of the complexity of this problem, its implications for U.S. relations with the German Federal Republic and Poland, and the particularly fluid nature of those relations, the U.S. position on the German-Polish border should not be formulated until it appears that serious negotiations on a German peace settlement will take place or that other developments, not excluding U.S. initiative, indicate an impending international discussion of this issue. In that event, high-level U.S. consideration should be given to the problem immediately.

13. *Rapacki Plan.* The Rapacki Plan concerning the establishment of a denuclearized zone covering East and West Germany, Poland and Czechoslovakia was recently modified to include the reduction of conventional forces and the introduction of control measures. Although it is U.S. policy to encourage independent foreign policy initiatives of the Polish Government, even the modified Rapacki Plan fails to meet certain fundamental objections and, therefore, cannot be supported. The modified Plan ignores Soviet capability to launch a major nuclear attack from its own territory, thus leaving the proposed limited denuclearized area dependent upon Soviet good intentions while offering no security against Soviet attacks launched over the zone. The modified Plan would

also confirm the continuation of a divided Germany and would deprive the West of the nuclear shield to counteract the manpower superiority of Warsaw Pact forces in close proximity to the zone.

Status of U.S. Action. The modified Plan has not yet been formally presented so no official response has been made. It will, however, probably come up for discussion in connection with the larger issue of Berlin and German unity.

14. *Batory.* The Polish Government was informed in June that the U.S. Government would have no objection, subject to certain assurances and control procedures to the resumption of service to New York by the Polish passenger ship, *Batory*.⁶ The assurances requested caused no problem, but when the Polish authorities were informed that U.S. authorities would board and search the vessel at each arrival at New York with a resultant delay of probably 10-12 hours, the Poles decided not to resume the service. It is unlikely that the *Batory* will resume service to New York unless current regulations regarding search of the vessel are changed.

Status of U.S. Action. This problem is under study by the Department of State, which is considering whether to propose to the Secretary of the Treasury a modification in the present port security program relating to this matter.

15. *Other Ships.* Current U.S. port security policy prohibits the entry of Polish vessels to East Coast and Gulf ports if Polish or other vessels suspected of being under Sino-Soviet Bloc control are already in two other East Coast and Gulf ports. This may become a problem if Poland carries out an announced intention to assign additional merchant ships to service between the United States and Poland, or if other vessels suspected of being under Sino-Soviet Bloc control begin calling in greater numbers at U.S. ports.

Status of U.S. Action. On February 10, the Department of State transmitted a letter to the Treasury Department requesting a review of this problem and indicating State's intent to submit the matter to the NSC Planning Board. Similar letters are being sent by State to Defense and CIA.⁷

⁶ Beginning in May 1949, the Polish ship *Stefan Batory* had been one of the Soviet bloc merchant ships subject to restrictions and control measures applied by American authorities upon entry into the port of New York. In its April 18, 1951, note to the United States Government, the Polish Government protested what it termed discriminatory restrictions to which the ship had been subjected. Documentation on this topic is printed in *Foreign Relations*, 1950, vol. IV, pp. 295, 1036-1039, and 1261-1262.

⁷ Not found.

16. *Visa Difficulties.* One factor which has complicated the travel of Poles to this country and has tended to irritate Polish authorities is the delay which has often occurred in the issuance of non-immigrant visas to Polish nationals. The required security procedures, including name checks and requests for waivers from the Attorney General, have resulted in delays which the Poles find difficult to understand. Further cooperation among the U.S. Government agencies involved is essential in order to assure a minimum of delay in the issuance of visas to persons whose travel to the United States is recognized to be in the interest of U.S. objectives in Poland.

Status of U.S. Action. The Interdepartmental Committee on Internal Security has informed the Department of State that, if the Department of State deems it necessary, consular officers at Warsaw may be accorded discretionary authority to waive the name check procedure on an individual basis on behalf of Polish nationals when urgency is a consideration in the granting of the visa and it is in the national interest. The Committee expressed the further view that when the requirement for a name check prior to the issuance of a visa is waived, the check should be undertaken concurrently with the issuance of the visa.

Note: The following National Intelligence Estimates are applicable to Poland:

NIE 10-58, Anti-Communist Resistance Potential in the Sino-Soviet Bloc, 4 March 1958.

NIE 12-58, Outlook for Stability in the Eastern European Satellites, 4 February 1958 (Revised Estimate due in March).

NIE 12.6-58, The Outlook in Poland, 16 September 1958.

NIE 11-4-58, Main Trends in Soviet Capabilities and Policies, 1958-1963, 23 December 1958.⁸

⁸NIE 10-58 and 12-58 are printed in Part 1, Documents 3 and 2, respectively. NIE 12.6-58 is printed as Document 54. NIE 11-4-58 is scheduled for publication in volume III.

65. Memorandum of Conversation

Washington, February 16, 1959.

SUBJECT

Polish Economic Negotiations

PARTICIPANTS

The Polish Ambassador

Dr. Tadeusz Lychowski, Polish Economic Minister

Dr. Czeslaw Bobrowski, Vice Chairman of the Economic Council, Council of Ministers

Robert D. Murphy, Deputy Under Secretary

Foy D. Kohler, Deputy Assistant Secretary, EUR

At the invitation of the Polish Ambassador Mr. Murphy and I had lunch with him and the others named above at the Polish Embassy. For the most part the conversation was friendly in tone and general in content.

Following the luncheon Dr. Bobrowski raised with Mr. Murphy the question of the long delay in resumption of economic negotiations. He said that when the pending negotiations had first been postponed last fall following American representations with respect to some public statements made by the Party Secretary Gomulka, this had been entirely understandable to pro-Western elements in Poland. They had said to themselves and between themselves that "our American friends" will know how to time a resumption of the relationship and they expected this to take place after a few weeks or at most a couple of months. However, as month after month has gone by, the pro-Western elements have started to become discouraged. Theories had started developing around Warsaw to the effect that the Americans had had the illusion that they could with their aid in fact overcome the facts of geography and bring about a real change in Polish foreign policy toward an anti-Soviet line. According to this theory the Americans had decided after Gomulka's speech last fall that they could not achieve such a reorientation and decided to drop the whole business as a result. The pro-American elements in Poland had difficulty in combatting this. Now they were concerned that an even more dangerous idea was making its rounds in Party circles in Warsaw. This theory held that Americans were continuing to withhold economic aid negotiations in an effort to bring pressure to bear on the Poles before and at the upcoming Party Congress scheduled to begin March 10.

The Ambassador and Mr. Lychowski chimed into this presentation from time to time in a confirmatory way. Mr. Lychowski said that to him

personally a very frustrating element had been his inability to get any firm information here in Washington. It has been intimated to him a number of times that he could expect negotiations to resume in the near future but the near future seemed never to arrive. In this connection, Mr. Lychowski emphasized the importance to the Poles of "most favored nation" treatment if they were to be able to begin to develop their trading ties with the United States and eventually to begin paying off their debts. He had understood 14 months ago that this was approved in principle and that official action was only to be a question of timing.¹

Dr. Lychowski and the others talked at some length also about the very real benefits to Polish economic posture and to the operation of Polish economy of the American aid. Even though this was small in relation to the over-all economy, it gave the management of enterprises a possibility of looking elsewhere than to the Soviet Union for their technology. This in turn created relationships which were of great value in keeping an important element in Poland aware of and, to the extent possible, tied to the West. In this connection all the Poles at the luncheon emphasized the importance of continuity; this they agreed was even more important than the actual size of the aid in any given year.

During a discussion of the agricultural situation in Poland Mr. Murphy and Mr. Kohler inquired about the question of compulsory deliveries of agricultural produce. Dr. Bobrowski said that the Polish Government had made great progress in cutting back on compulsory deliveries, to the point where this was no longer a major factor in the agricultural picture. He said that the compulsory deliveries requirement applied only to a few crops (I believe he said three) and even with respect to these had been reduced to about 20% of production. Even this 20%, he claimed, was on what might almost be said to be a voluntary basis. A simple system had been worked out whereby any agricultural producer not desiring to deliver in kind could simply have the difference between the State price and open market price of his quota of produce added to his tax bill. He said a number of peasant farmers were in fact following this practice.²

¹ On February 13, Spasowski had stated his concern about the delay in the economic negotiations to Edward L. Freers, Director of the Office of Eastern European Affairs. (Memorandum of conversation by Freers, February 13; *ibid.*, 411.4841/2-1359)

² On February 17, Lychowski arranged a gathering to provide a small group of U.S. economists an opportunity to meet Bobrowski. A summary of his remarks, in which he argued that CEMA had no practical effect on coordination of economic activities between Soviet bloc countries and that Poland's pragmatic approach to economic decentralization was more practical than Yugoslavia's heavy reliance on price regulations to guide its economic development, is in a memorandum of conversation, February 19. (*Ibid.*, 848.00/2-1959)

66. Memorandum of Conversation

Washington, February 27, 1959.

SUBJECT

Initiation of Economic Discussions with Poland

PARTICIPANTS

Dr. Tadeusz Lychowski, Economic Minister, Polish Embassy
Mr. W. T. M. Beale, Jr., Deputy Assistant Secretary for Economic Affairs
Mr. James L. Colbert, Office of Eastern European Affairs

Mr. Beale told Dr. Lychowski that his purpose in calling him in was to give him advance notification that the Department planned to issue a press release noon that day announcing the opening of claims discussions and economic discussions. He handed Dr. Lychowski a copy of the draft release. Mr. Beale said that it should now be clear that the reason for our delay in the last two months in initiation of the economic discussions was the technical delays involved in preparing for the opening of negotiations on claims.

Dr. Lychowski's reaction to the press release was that the connection between claims and economic discussions could be inferred from the fact that it was proposed to announce the two negotiations in the one release. He said that, on the Polish side, they had been ready to negotiate claims at any time and did not consider that they were tied to negotiations on aid.

Mr. Beale replied that our preference had been to open the claims negotiations first and not to have a juncture between the talks on the two subjects. Events, however, forced us to begin the two discussions at the same time. Dr. Lychowski said that he could not accept the press release unless the announcement of the two negotiations could be put into two separate releases in order to avoid the inference that there was a connection. Mr. Beale agreed that this could be done. Mr. Beale then telephoned P (Mr. Kretzmann),¹ and EUR (Mr. Kohler), to explain Dr. Lychowski's views, and he obtained their concurrence to putting out two press releases instead of one. The original was then redrafted and

Source: Department of State, Central Files, 411.4841/2-2759. Confidential. Drafted by Colbert and initialed by Beale.

¹ Edwin M. J. Kretzmann, Deputy Assistant Secretary of State for Public Affairs.

retyped in Mr. Beale's office into two separate releases and copies were provided to Dr. Lychowski.²

Mr. Beale and Dr. Lychowski then discussed arrangements for the economic talks. Mr. Beale proposed that they begin on Wednesday, March 4. Dr. Lychowski said that he would start with a presentation of Poland's economic situation. Mr. Beale said that it would be useful to start the negotiations with such an opening statement. He further suggested that the first meeting be limited to that statement and that we would have an opportunity to study it prior to the next meeting.

Dr. Lychowski then said he wished to explore Mr. Beale's thinking as to how long the talks might take as there was a prospect that he might want to go to Mexico in April to the ECOSOC meeting. Mr. Beale said he thought that discussions would have developed by that time to the point where most of the issues had been sufficiently clarified so that, while the negotiations might not actually have been concluded, it would still be possible for Dr. Lychowski to take the time to attend the ECOSOC meeting in April.

Dr. Lychowski also asked whether it might be possible to determine the approximate date when loans and credits could be made available under the negotiations. He said that his people wanted to know so that they could determine how to schedule American assistance in relation to their plans for other imports. Mr. Beale told Dr. Lychowski that progress in the claims negotiations must be taken into account in regard to a decision on economic assistance.

² For texts of the two press releases issued by the Department of State on February 27 announcing that talks between the United States and Poland would begin on both economic matters and the settlement of nationalization claims the following week, see Department of State *Bulletin*, March 16, 1959, pp. 381-382. The claims negotiations began on March 3 and the economic talks began on March 4; see Document 67.

67. Editorial Note

On March 3, Ambassador Beam opened negotiations in Warsaw with Polish Government officials for a settlement of American property claims resulting from nationalization and other property-takings by Poland. Acting Minister of Finance Julian Kole and Franciszek Zapasnik of the Ministry of Finance headed the Polish delegation. Beam made an opening statement and referred to the joint statement of June 7, 1957, by

which the United States and Poland agreed to negotiate a lump-sum settlement. The text of this joint statement is printed in *Department of State Bulletin*, June 24, 1957, pages 1004–1009. The Ambassador also referred to the agreement that the negotiations would include a joint examination of general categories or groups and not a case-by-case examination. In addition, he outlined the criteria by which the United States, pursuant to the exchange of notes, had eliminated certain claims in order to arrive at a tentative estimate of the total amount of apparently allowable claims.

At the second meeting on the claims question, held March 23, the Polish officials proposed that the disparity between the large number and value of claims registered with the United States, and the much smaller number of claims of which the Polish Government had a record, should be reconciled. The Polish representatives proposed examination of a few of the main claims. Ambassador Beam reiterated the U.S. Government's opposition to a case-by-case examination but suggested that the Polish Government send two representatives to Washington to learn more about the claims. A copy of the memorandum from Merchant to Dillon, April 24, which describes the first two meetings, is in Department of State, Central Files, 248.1141/4–2459. The discussion at the March 3 and March 23 meetings is summarized in telegrams 1135 and 1239 from Warsaw, March 3 and 24, respectively. (*Ibid.*, 248.1141/3–359 and 248.1141/3–2459)

While the claims negotiations were being held in Warsaw, the U.S.-Polish economic assistance negotiations took place in Washington. At the first meeting on March 4, the Polish representatives outlined their general economic situation and presented their requests for various types of assistance. The Polish participants were headed by Tadeusz Lychowski, Economic Minister of the Polish Embassy, and included Edward Iwaszkiewicz and Stanislaw Raczkowski. The U.S. participants included W. T. M. Beale, James L. Colbert, Officer in Charge of Economic Affairs in the Office of Eastern European Affairs, and representatives from the Department of Agriculture, Department of Commerce, the Export-Import Bank, and the International Cooperation Administration.

At the second meeting on March 23, Lychowski answered a series of questions about the general economic situation in Poland posed in advance of the meeting. In his responses, Lychowski explained the internal wage structure, consumer goods production, the difficulty of increasing imports from the West, and other topics. At the third meeting on March 25, Lychowski requested that the United States extend most-favored-nation treatment to Poland's exports. The minutes of these first three meetings are Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters 1959: US Aid to Poland—Talk and Position Papers. Some additional documentation on

these negotiations is Department of State, Central Files 748.5-MSP and 411.4841.

Two additional U.S.-Polish committees met during March in Washington as part of the economic assistance negotiations. The Committee on Agricultural Commodities held five meetings, March 5, 10, 13, 18, and 27, to consider the requests for agricultural aid under a possible P.L. 480 agreement. The Committee on Non-Agricultural Commodities met on March 20, 24, and 31 to consider Poland's non-agricultural requests. The minutes of these Committee meetings are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters: US Aid to Poland—Talk and Position Papers.

At the 401st meeting of the National Security Council, April 2, during a briefing on U.S. policy toward Poland, Douglas Dillon, Under Secretary of State for Economic Affairs, commented briefly on the negotiations between the United States and Poland:

"Two sets of negotiations, he said, were going on simultaneously, one group here and one in Warsaw. Next week our Ambassador in Warsaw would ask for \$125 million as compensation to the U.S. for U.S. property in Poland which had been nationalized by the Polish Government. Turning to the negotiations in Washington, Secretary Dillon explained that the Polish delegates were not only asking for another large PL-480 grant but a whole list of other items of economic assistance. For economic assistance to Poland we have actually earmarked some \$15 million within the Mutual Security Program. Secretary Dillon made it clear that we propose to link our economic assistance to Poland very tightly with our demand for compensation for nationalized U.S. property in Poland."

The National Security Council also noted and discussed the OCB Report of February 11, Document 64. (Memorandum of discussion by Gleason; Eisenhower Library, Whitman File, NSC Records)

68. Editorial Note

In Intelligence Report No. 7989, dated April 2, "The Polish Party Congress," prepared in the Bureau of Intelligence and Research, the actions and significance of the Third Polish United Workers' Party Congress held March 10-19 in Warsaw were summarized as follows:

"The Third Polish Party Congress (March 10-19) was a dignified, and dull affair. It was also a great success. It demonstrated that

Gomulka is at last in full control of the Party and it reaffirmed Gomulka's pragmatic, gradualist, national communist policies as the only possible and correct course under Polish conditions. It elected a Central Committee on which the Stalinists have only a token representation and Gomulka supporters predominate. It confirmed the impression that relations with the USSR continue to be delicate, but that because the Polish regime gives unqualified support to Soviet foreign policy and is careful to subscribe to Soviet doctrine, the Soviet Union remains willing to tolerate Polish deviations in practice and to support the Gomulka regime for the sake of internal Polish stability." (National Archives and Records Administration, RG 59, OSS-INR Reports)

69. Editorial Note

The claims negotiations continued in Warsaw in April. At the third meeting on April 8, Beam advised Polish representative Kotlicki that the U.S. Government had a lump-sum figure of \$125 million in mind, with payments spread over a number of years. He reiterated that it was advisable for Polish experts to come to Washington, and the Polish side indicated a willingness to send two officials.

The balance of the discussion at the third meeting and at the fourth meeting on April 20 was concerned with a definition of the terms of reference for the Polish officials who were to be sent to Washington. The major issue was the apparent desire on the Polish side to examine and verify the 5,000 claims that the United States had estimated as allowable. Ambassador Beam made it clear that it would not be consistent with the exchange of notes of June 7, 1957, to attempt to verify and discuss the merits of individual claims.

At the fifth claims meeting on April 25, Kotlicki remarked that both sides seemed in agreement but he wished to state the Polish understanding that since the lump sum would be determined principally by large claims, these should be discussed in more detail. When the Ambassador remarked that requesting any evidence from the large claimants would involve them in the negotiations, they both agreed such involvement was not desirable. Beam then presented to Kotlicki a paper that outlined the U.S. position on the negotiations. Since they agreed that this paper constituted an informal understanding, Kotlicki said the Polish experts would leave immediately for Washington.

A copy of a memorandum from Livingston T. Merchant, Assistant Secretary of State for European Affairs, to Dillon, April 24, giving a

status report on the first four meetings of the claims negotiations is in Department of State, Central Files, 248.1141/4-2459. Copies of telegrams 1306, 1357, and 1389 from Warsaw, April 9, 20, and 26, which summarize the discussion at the meetings of April 8, 20, and 25, respectively, are *ibid.*, 248.1141/4-959, 248.1141/4-2059, and 248.1141/4-2659. A copy of telegram 1387 from Warsaw, April 25, which contained the U.S. paper, is *ibid.*, 248.1141/4-2559.

In a memorandum dated April 24 to Dillon on the subject of the economic and claims negotiations with Poland, Merchant reported that the economic discussion with Poland had progressed to the point where a decision was required as to the scope and size of an economic program. He wrote:

"In view of the progress in the claims talks, and the need to make a decision promptly on further steps in the economic talks, we propose that an economic program for Poland now be approved, involving (1) a PL 480 Title I program and a credit from MSP funds which, taken together, would be about the same total amount as last year, and (2) a statement of our readiness to extend MFN. It is felt that, if we do not extend credits until a claims agreement is reached, or if we substantially reduce the amount of the credits on the grounds that the claims agreement has not been signed, this would have an adverse political effect in Poland, and would probably be counterproductive to our effort to secure a prompt and satisfactory lump-sum agreement. United States assistance at a level approximately equivalent to the previous amount would confirm to those elements within Poland who favor stronger ties with the West that they have the undiminished support of the United States.

"... In order to meet their urgent needs, the Polish representative has pressed for a PL 480 program of about the same size as last year's, plus a credit administered by the Export-Import Bank so that they can pay for the ocean freight cost of transporting PL 480 commodities." (*Ibid.*, EE Files: Lot 76 D 232, Polish Claims)

In a memorandum to Dillon dated May 1, Beale and Merchant wrote concerning a partial program for Poland totaling \$50 million comprised of Public Law 480 Title I and Mutual Security Program (MSP) funds. The memorandum reads in part:

"Failure to give concrete evidence at this time of our continuing interest in helping Poland to meet its needs would have an adverse political effect in Poland. A program to help Poland meet its urgent needs at this time would confirm to those elements within Poland who favor strong ties with the West that they have the continued support of the United States. We therefore feel that it is essential in furtherance of our policy objectives to undertake an economic program for Poland at this time of at least \$50 million. In order to secure maximum effectiveness in furthering the development of U.S.-Polish relations, we believe that our credits should be on a continuous basis, and directed toward helping to meet their current needs. We recommend that the proposed program of \$50 million be regarded as preliminary, and that additional assistance

be extended before June 30, 1959, assuming satisfactory progress in the claims negotiations. It is also noted that you would be prepared to recommend Presidential approval of extension to Poland of MFN at a suitable time when such action will further progress toward a lump-sum settlement of claims."

Dillon crossed out the words "further progress toward" in the last sentence and wrote "assure achievement of" in its place. Beside the next to last sentence, he wrote, "Only if negotiations succeed." On May 5, Dillon approved the recommended economic program for Poland, which was to be proposed in the economic talks. It consisted of a P.L. 480 agreement of \$44 million and the allocation of the Mutual Security funds of not more than \$6 million to cover ocean transport costs of P.L. 480 commodities, plus approximately \$2 million for polio vaccine. A copy of this memorandum is *ibid.*, Central Files, 411.4841/5-159.

At the fourth meeting of the economic assistance negotiations on May 6, Beale announced the U.S. Government proposal for a limited program of economic assistance to meet the immediate Polish needs. He indicated that the program was subject to a formal Presidential determination regarding the use of \$6 million from the contingency fund for ocean transportation and purchase of polio vaccine. Beale also said that that the emergency program was "without prejudice" to the possibility of an additional economic assistance program. Lychowski indicated that he would transmit the program to Warsaw for approval immediately. A copy of the minutes of this meeting, dated May 6, is in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters 1959: US Aid to Poland—Talk and Position Papers.

Between May 4 and May 28, U.S. officials held 15 meetings of technical talks on Polish claims with two claims experts from Warsaw, Franciszek Hofmokl and Zbigniew Rzepka. George W. Spangler and John Czylak of the Legal Adviser's Office conducted the negotiations for the United States. In summarizing the talks for Beam, Deputy Under Secretary of State for Political Affairs Murphy wrote that the talks had been mutually profitable and that the Poles had gained a better appreciation of the magnitude of the task. Copies of the minutes of the 15 meetings of the technical talks are *ibid.*, 500.8 Nationalization 1959: U.S.-Polish Claims Talks. A copy of Murphy's telegram to Beam summarizing the talks, telegram 1219 to Warsaw, May 30, is in Department of State, Central Files, 241.1141/5-3059.

On May 22, Lychowski called on Foy D. Kohler, Acting Assistant Secretary of State for European Affairs, to review the current status of U.S. economic assistance to Poland and the claims negotiations. Lychowski stated that even though the interim P.L. 480 agreement would soon be signed, it was clear that no additional MSP funds from

the fiscal year 1959 budget would be available to Poland if the conclusion of a claims agreement and a further economic assistance agreement were linked. The Polish Government could not admit any connection between claims and aid, and the blame in Poland for not concluding a claims agreement sooner would be placed on the Americans. He said that since there was no possibility of a claims agreement before August, and if further economic negotiations were delayed until that time, it would cause political difficulties in Poland. Kohler said that he would officially deny any link between claims and aid, but as a practical matter, "we all realize that is the case." When Kohler asked if the Polish Government had a lump sum figure in mind, Lychowski replied negatively. Kohler then said it was up to the Poles to come forward with a proposal that would reflect the agreed conclusions of the experts. In a conversation with Albert Sherer on May 26, Lychowski was told that his government should not expect the United States to grant any further economic assistance or most-favored-nation treatment until the stumbling block of U.S. claims had been eliminated. Copies of the memoranda of these conversations, May 22 and 26, respectively, are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1959: US-Polish Claims Talks.

On June 10, the United States and Poland signed an economic agreement in Washington, which was composed of credit and sales agreements for a total of \$50 million. Under the agreements, the United States agreed to sell to Poland for local currency, pursuant to the terms of Public Law 480, surplus agricultural products of \$44 million, including the estimated transportation costs for products moved in U.S. vessels. The United States agreed to provide Poland with a credit through the Export-Import Bank of \$6 million to finance the purchase of \$2 million worth of polio vaccine and part of the ocean transportation costs of the agricultural commodities. For text of this agreement, see 10 UST 1058.

70. Memorandum of Conversation

Washington, April 10, 1959.

SUBJECT

U.S.-Polish Relations and the Situation in Poland

PARTICIPANTS

The Polish Ambassador, Romuald Spasowski

G—Mr. Robert Murphy

EE—Valdemar N. L. Johnson

Ambassador Spasowski called at his request to inform the Department about his discussion of U.S.-Polish relations with high Polish officials and other items of interest in connection with his recent sojourn in Warsaw to attend the Third Party Congress.¹ He explained that he wanted the Department to have this information before his planned departure from Washington on April 13 for a month's auto tour of the western United States with his family.

After dwelling briefly on the satisfaction of his Government over improved U.S.-Polish relations in general, he stated that there was a reservation concerning economic relations, specifically the current economic talks in Washington. He characterized overall economic relations as developing smoothly but he observed that the economic talks were not moving forward as much as expected. He said he had a feeling that, in the U.S. view, the talks were linked with nationalization claims negotiations in Warsaw. If so, he wanted to point out on the basis of Poland's nationalization claim negotiations with other countries that agreement would take a long time, even though the Foreign Office and other interested Polish ministries earnestly desired an early settlement. A strict link between the claims negotiations and the economic talks did not seem justified, in the Polish view.

The Ambassador stressed the importance of reaching an economic agreement at an early time. He pointed out that there were shortages in cotton and fats in Poland and that a decision on Polish grain policy must be made soon. In fact, he said, the advent of the growing season necessitated completion of the overall agricultural plan by May. A decision already taken to abolish all compulsory agricultural deliveries also

Source: Department of State, Central Files, 611.48/4-1059. Confidential. Drafted by Johnson and initialed by Murphy and Johnson. Spasowski also saw Kohler that day and reiterated the same points expressed here to Murphy. A copy of that memorandum of conversation, April 10, is *ibid*.

¹ See Document 68.

entered into the picture. If a U.S.-Polish economic agreement could not be reached by May, it would cause great difficulties. Moreover, May would be a difficult time for negotiation since there would be "other conferences" and Deputy Assistant Secretary Beale would have gone abroad for the GATT meeting.²

Turning to his impressions of Warsaw and the Party Congress, Ambassador Spasowski said he had been struck by the considerably improved availability of consumer goods, particularly from Polish production. As to the Congress, he believed it had stabilized Gomulka's position to the point where "one cannot talk about opposition to him." If there were any opposition, he said, its adherents were convinced it was hopeless. In response to a question from Mr. Murphy about Mr. Gomulka's health, with reference to his illness in Moscow,³ the Ambassador stated that he believed Gomulka's health was satisfactory.

Mr. Murphy noted that Gomulka never sees any of our people, which leads us to speculate about his knowledge and understanding of the United States and the West. Spasowski replied that Gomulka rarely sees even Poles outside of the top leaders, but that he has a keen interest in the United States and Western countries and reads many reports about them. Spasowski said that he, nevertheless, believed it important for Gomulka to have more contact with Western representatives and had so recommended to the Foreign Office. He observed in this connection how useful it was to have exchanges involving high Polish leaders, such as Jaszczuk who headed the Polish delegation to the United States in October 1958,⁴ whose reports were carefully considered by Gomulka. The Ambassador assured Mr. Murphy that he strongly supports the visit of such high Polish representatives to the United States. Mr. Murphy agreed that such visits were useful.

In apparent anticipation that Mr. Murphy might make some remarks about anti-United States and anti-West statements emanating from the Third Party Congress, Ambassador Spasowski stated his supposition that Mr. Murphy might have noted in reports about the Congress that a strong stand had been taken vis-à-vis the Federal Republic of Germany. The Ambassador said that the Polish Government was very worried about the rearmament of West Germany, especially with nuclear weapons, and about German intentions to change the Oder-Neisse frontier in their favor. He observed that none of the Western

² The 14th session of the Contracting Parties to GATT met at Geneva May 11-30.

³ Presumably reference is to Gomulka's attendance at the special Twenty-First Congress of the Communist Party of the Soviet Union held in Moscow January 27-February 5, but no mention of his illness while attending this meeting has been found in Department of State files.

⁴ See Document 56.

European countries had declared themselves officially in favor of the Oder-Neisse border and stated that such declaration would do a great deal to ease Polish anxieties. Ambassador Spasowski noted in this connection the desire of his Government to participate in the Foreign Ministers' meeting⁵ on grounds of Poland's wartime experiences with Germany.

Recalling that Khrushchev had reopened the question of Berlin at a time when Gomulka was in Moscow, Mr. Murphy inquired if Gomulka had been involved in this development. Spasowski replied that, as far as he understood, Gomulka was not involved but this did not mean that he disagreed with Khrushchev's position.

Mr. Murphy said that we all recognize Poland's interest in the German question and stated his belief that the Germans also recognize Poland's anxiety in this connection. Spasowski asked if German appreciation of Polish anxiety might extend to a recognition of the Oder-Neisse border by the Federal Republic of Germany. Mr. Murphy replied that he would not exclude this possibility. He pointed out that the Germans are also interested in a relaxation of tension, that they learned a lot from World War II and that they want to take a constructive approach to their problems. Referring to unfriendly statements such as the one by Defense Minister Strauss of the Federal Republic saying that advocates of the Rapacki Plan should be considered potential war criminals,⁶ Spasowski speculated that not all Germans had learned appropriate lessons from World War II. Observing that Strauss' statement apparently referred only to Germans, Mr. Murphy asked if Rapacki was still fervent in support of the Rapacki Plan. The Ambassador replied affirmatively, stating that the Polish Government thought the Plan would prove important both at the forthcoming Foreign Ministers' meeting and otherwise. He realized the United States had reservations about the Plan but emphasized that Poland believed it to be sound. Mr. Murphy said that, although we did have reservations, we respected Polish opinion.

Ambassador Spasowski reverted to the frontier question, asking if the United States could officially approve the Oder-Neisse border. Mr. Murphy replied that he could not answer that at this time but he assured the Ambassador that the question was receiving most careful attention in the Department. Spasowski said that he was pleased to hear this.

Turning again to the Party Congress, Mr. Murphy asked for an explanation of the term "imperialism," as used in some of the speeches and resolutions emanating therefrom. He said that we found it inexpli-

⁵ The Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union met at Geneva May 11–August 5. See volume VIII.

⁶ Reference is to a speech given by Strauss on November 9, 1958, at Regensburg.

cable and even laughable in relation to the way in which it had been used at the Congress with reference to the United States and the West. In response to Spasowski's reply, that this term had different meanings for different people, Mr. Murphy retorted that there was an apparent opprobrium attached to its use at the Congress. Mr. Murphy then read passages from Defense Minister Spychalski's speech at the Congress and from the political resolution adopted at the Congress in approval of Gomulka's political line, in which the United States and Western countries were spoken of derogatorily as an imperialist bloc following aggressive and warlike policies, inciting survivors of German fascism, drawing strength from "the entire Dulles diplomacy from the position of strength and of balancing on the brink of war," etc.⁷

Mr. Murphy raised again the question of whether the Polish leaders had an adequate knowledge and understanding of the United States and the West. If so, how could they endorse such statements, which were clearly not in accord with the facts? The facts were that, following World War II, the United States had disarmed whereas the Soviet Union had expanded its military strength, building up a situation where we could not sit idly by. We tried to cooperate with the U.S.S.R. in these matters and our cooperation was interpreted as weakness or fear. If the Polish leaders understood the United States and its people, they would know that statements such as they have made about us are not true. We are puzzled by the Polish attitude. Are we expected to believe that the Polish leaders don't mean these statements? Are these statements being made essentially for other purposes? What is the relationship of Poland to the U.S.S.R.'s "diplomacy from a position of strength" and Khrushchev's "brinkmanship"? How much freedom of action does Poland have?

Mr. Murphy said that he did not expect Ambassador Spasowski to answer these questions but he wanted him to realize that statements like these have an impact here on the executive branch of the Government, the Congress, and the people. He said that the situation in Poland was followed closely in the United States and that these objectionable statements did not help in our sincere efforts and desire to improve our relations with Poland.

⁷ In telegram 1182 from Warsaw, March 13, Beam reported that remarks made in a speech on March 12 at the Congress by Spychalski about NATO, imperialists, and the arms race fostered by the United States were sharper than those of other speakers. In telegram 1223 from Warsaw, March 20, Beam reported that Gomulka, in his final address on March 19, referred to the "war-strivings of imperialists, particularly aggressive imperialist American circles and West German militarists." In telegram 1230 from Warsaw, March 23, Beam wrote that the text of the first resolution of the Congress declared that the "main obstacle to victory principles peaceful coexistence is aggressive direction policy reactionary circles of USA whose main ally in Europe is Federal Republic." These three telegrams are in Department of State, Central Files, 748.00/3-859.

In response to a question from Ambassador Spasowski as to whether the statements had a bearing on the economic talks, Mr. Murphy replied that statements of this nature had an effect on our economic talks. He said that one could not segregate these objectionable remarks from other aspects of our relations, including those of an economic nature. Ambassador Spasowski observed that Poland had offered evidence of its cooperative attitude to the United States by taking a number of steps to improve relations and that admitted disagreement on some issues should not be an obstacle to good relations in other fields. Mr. Murphy agreed but said that the objectionable statements went beyond disagreement per se. He suggested that Spasowski think of this situation in reverse and imagine his reaction if the United States were coming to Poland for cooperation and similar statements were made by United States leaders.

Ambassador Spasowski recalled that this was not the first time this subject had been discussed between our two Governments since 1956 and that he thought the cited statements had by no means been sharper this time than previously. Mr. Murphy expressed the wish that they would have been much less sharp.

It was agreed that press inquiries about the purpose of the meeting should be answered by stating that it consisted of a "tour d'horizon," following Ambassador Spasowski's return from Warsaw.

71. Editorial Note

Ambassador Beam reported that Murphy's April 10 statements (see Document 70) apparently upset Spasowski and Polish Government officials. In telegram 1345 from Warsaw, April 17, Beam stated that Winiewicz said he had been instructed to raise the subject of the "heated interview" between Murphy and Spasowski. Winiewicz claimed Murphy had indicated that the statements at the Third Party Congress would delay credit negotiations. Winiewicz told Beam he had been directed to take serious exception to Murphy's remarks and to make the Polish position clear: Poland's basic policy was determined by its alliances while at the same time it hoped for continuation of good relations with the United States. Beam replied that the United States had the right to object to being singled out for invidious and offensive remarks and charges by Polish leaders. Beam concluded that the conversation ended

on a "not unfriendly note." (Department of State, Central Files, 611.48/4-1759)

In a letter dated April 28, Beam sent Kohler some short notes he planned to read to Winiewicz in order to minimize the Murphy-Spasowski talk. In those notes, he stated he believed that the Polish representations concerning that talk were caused by some misunderstanding and that from the U.S. point of view, the talk had been friendly and useful. On April 25, Beam gave Bohdan Lewandowski, Deputy Director of the Foreign Ministry, a copy of these notes after reading them to him and asked him to give them to Winiewicz.

In a letter of May 6 to Beam, Kohler wrote that these notes had apparently been very useful "in dispelling misconceptions in the Foreign Office about the tone and substance" of Murphy's talk. Kohler recommended that Spasowski be given a copy of Beam's notes. Kohler noted that Spasowski had been considerably shaken by his talk with Murphy and that his reaction may have been caused by rumors of his impending transfer from Washington. Kohler hoped the response both in Warsaw and Washington would inspire the Ambassador "to report future conversations more accurately." Copies of Beam's and Kohler's letters are *ibid.*, Polish Desk Files: Lot 64 D 152, Foreign Relations General (Jan.-Mar. 1959).

72. Memorandum From the Deputy Assistant Secretary of State for European Affairs (Kohler) to Acting Secretary of State Dillon

Washington, June 18, 1959.

SUBJECT

Claim Negotiations with Poland

Discussion:

[Here follows a 2-paragraph summary of the negotiations; see Document 67.]

Source: Department of State, Central Files, 248.1141/6-1859. Confidential. Drafted by Julius L. Katz of the Office of Eastern European Affairs and concurred in by Benedict M. English and George W. Spangler of the Office of the Assistant Legal Adviser for International Claims; Stanley D. Metzger and John J. Czyzak of the Office of the Assistant Legal Adviser for Economic Affairs; John M. Raymond, Deputy Legal Adviser; Sherer; and Beale.

Amount of the Lump Sum

At the beginning of the negotiations, we believed that \$90 million was close to the actual value of the apparently valid claims. As the result of our discussions with the Poles so far, and the further information we have developed with respect to the applicable Polish laws, we believe our original estimate was too high. We now estimate that \$70 to \$80 million is a more realistic evaluation of legally valid claims of the U.S. The basis for this judgment is explained on pages 15-16 of the paper attached at Tab A.¹

In the final analysis we believe that the amount of the lump sum must be interrelated with the maximum number of years for payment we are willing to accept, and the maximum annual payment which can be expected of the Poles. Polish post-war claims agreements with other countries (U.K., France, Switzerland, Sweden and Denmark) have provided for periods of payment varying from 12 to 17 years. In terms of defending a settlement before public and congressional opinion, we should naturally strive to limit the period of payment to as short a period as possible, and to secure as high a payment in the early years after a settlement as is possible. We are inclined to propose a 15 year period, although in view of the magnitude of the settlement we seek, we would recommend agreeing to 20 years, if necessary.

The matter of the maximum annual payment is, however, a much more difficult problem. To a large extent, it is the crux of our problem in the negotiations. Poland is experiencing recurring balance of payments deficits, has very low foreign exchange reserves, and its foreign debt burden is increasing. The Poles will therefore insist that their capacity to pay claims compensation is very limited. On the other hand, the Poles enjoy a substantial dollar surplus in trade with US. This surplus, which has averaged about \$20 million since 1955, is expected to continue and may increase, if Poland is accorded MFN status. From this surplus, Poland is obligated to pay dollar debts to the US of about \$7 million a year until 1962 and \$16 million a year between 1963-83. Thus, even after payment of dollar debts, the Poles should have available dollar funds with which to pay claims compensation.

If we were to agree to a settlement of \$70 million and were to attempt to limit payments to 15 years, the Poles would be required to pay about \$4.7 million per annum. Over 20 years, an annual payment of \$3.5 million would be required. The Poles may be expected to strongly resist such a settlement on the grounds that their settlements with other countries have provided for payments based on a percentage of Polish exports to the creditor country. The largest such percentage used,

¹Not found.

provided for in the U.K. agreement, is 5.5%. This percentage applied to the current level of Polish exports to the U.S. (\$27 million) would mean a payment of \$1.5 million. Even if we were to assume a substantial increase in Polish exports to the U.S., there would remain a large gap between our two positions, which would have to be bridged if an agreement is to be reached. This might be accomplished in several ways, such as a graduated schedule of payment. Our efforts, however, should be directed toward a schedule in descending scale, based upon Poland's dollar position (taking into account also the contribution made by our credit and sales agreements). Pending exploration of this problem with the Poles, our position on this matter should not be finally determined at this time.

Conclusion

While we will naturally try to get Polish agreement to as favorable a settlement as possible, from the point of view of the American claimants, we believe that we must realistically expect to settle for as low as \$70 million, or possibly somewhat lower. It is our present judgment that a settlement in the vicinity of \$70 million would not be disadvantageous to the American claimants, and even a somewhat lower settlement might be in the best interests of the claimants if this meant a settlement over a shorter period of years.

Recommendations:

It is recommended:

1. That Ambassador Beam be authorized to reach agreement with Poland on a lump-sum claims settlement as much in excess of \$70 million as possible, but in any event not below \$70 million without further authorization.
2. That Ambassador Beam be authorized to propose a period of payment of 15 years, and if necessary he may agree to 20 years, and to the extent possible to secure a higher payment in the early years after a settlement.
3. That the Assistant Secretary of EUR and the Legal Adviser be authorized to determine the positions to be taken by the U.S. on the subsidiary issues discussed in the review attached at Tab A, with the understanding that in any case, the U.S. would not retreat beyond the recommended positions set forth on page 17 of the paper at Tab A.²

² Handwritten notations on the source text indicate that Dillon approved the second and third recommendations. There is no indication whether the first recommendation was approved or disapproved.

73. Editorial Note

Vice President Richard M. Nixon arrived in Warsaw on the afternoon of August 2 for a 3-day official visit to Poland at the invitation of Aleksander Zawadzki, Chairman of the Council of State. His party included Dr. Milton Eisenhower, President of Johns Hopkins University and the President's brother, George V. Allen, Director of the U.S. Information Agency, Admiral Hyman G. Rickover, Acting Assistant Secretary of State Foy D. Kohler, and William Elliott, Special Adviser to the Secretary of State. Nixon flew to Warsaw from Moscow where he had visited the Soviet Union July 23–August 2. Documentation on his visit to the Soviet Union is in Part 1, Documents 92 ff.

In the autumn of 1957, the Polish Government had responded favorably to the suggestion of the U.S. Government that the Vice President visit Warsaw in connection with any European tour that he might make. When the Vice President's visit to the Soviet Union was announced in the spring of 1959, Ambassador Romuald Spasowski informed Kohler on May 22 that the invitation for the Vice President to visit Poland was still open. On July 17, Kohler informed the Polish Ambassador that the Vice President would accept the invitation for a visit beginning August 2. The Polish Government responded favorably to this proposal on July 20.

Nixon and his party arrived at Babice Airport at 5:20 p.m. on August 2. The Vice President was greeted by Dr. Oskar Lange, Deputy Chairman of the Council of State, Deputy Prime Minister Piotr Jaroszewicz, and Foreign Minister Adam Rapacki. After welcoming remarks, Nixon and Lange headed a motorcade to the Vice President's quarters at the Mylewicki Palace. A large and enthusiastic crowd greeted the American visitors with cheers, clapping, and flowers along the route.

For texts of Lange's welcoming remarks at the airport and Nixon's response, see *Toward Better Understanding: Vice President Nixon's Visit to the Soviet Union and Poland* (Department of State Publication 6881), pages 36–38. Nixon's arrival statement is also printed in *Department of State Bulletin*, August 24, 1959, pages 270–271. For Nixon's own accounts of the warm welcome given him on August 2 by the Polish people, see *Six Crises*, pages 307–310, and *RN, The Memoirs of Richard Nixon*, page 213.

On August 3, the Vice President called on Aleksander Zawadzki at 10 a.m. He spoke of his sympathetic understanding of the sufferings of the Polish people during the war and expressed the hope that Poland would never again suffer as it had in the past. Zawadzki stated that the policies of the Polish Government were aimed at peace and promotion of understanding between all countries. Nixon then called on Czeslaw Wycech, the Marshal of the Sejm. After Nixon described his duties as

presiding officer of the Senate, Wycech described the operations of the Sejm and then gave Nixon a tour of the main chamber. They also discussed Polish education and agriculture. After leaving the Sejm, Nixon laid a wreath on the Tomb of the Unknown Soldier and then called on Wladyslaw Gomulka, First Secretary of the Polish United Workers Party. The memorandum of their conversation is printed as Document 74. In the evening, the Vice President and Mrs. Nixon were guests at a reception given by Zawadzki at the Council of Ministers' Palace and both Zawadzki and Nixon made toasts. For texts of these remarks, see *Toward Better Understanding*, pages 38–42.

On August 4, Nixon visited Palmyra Forest, a Warsaw steel mill, and the University of Warsaw, and attended a luncheon given by Prime Minister and Mrs. Cyrankiewicz. That evening, the Nixons attended a reception given by Ambassador and Mrs. Beam at the Embassy to which many Polish dignitaries came. The texts of the address made by Nixon at this reception and Cyrankiewicz's response are *ibid.*, pages 42–44. While the Vice President visited Palmyra Forest, Eisenhower, Rickover, and Elliott met with Polish leaders in their respective fields of interest. A summary of these conversations is in despatch 67 from Warsaw, August 13. (Department of State, Central Files, 003.1100–NI/8–1359)

On August 5, the Vice President and his party left Warsaw at about 10:30 a.m. For texts of Lange's remarks made upon Nixon's departure and the Vice President's response, see *Toward Better Understanding*, pages 44–46. For texts of the remarks made by Acting Secretary of State Douglas Dillon upon Nixon's arrival at Washington National Airport and Nixon's response, see *ibid.*, pages 47–50. Nixon's departure statement at Warsaw and his exchange of comments with Dillon at Washington are also printed in Department of State *Bulletin*, August 24, 1959, pages 271–273.

Documentation on Nixon's trip to Poland is in several Department of State files. The chronology of his trip, a copy of the memorandum of conversation of Nixon's talk with Gomulka on August 3, and the briefing papers for the trip are in Conference Files: Lot 64 D 560, CF 1411–1412. Documentation on the scheduling of the trip, preparations for it, and reports from the Embassy on the trip is in Central File 033.1100–NI. A memorandum by Sherer dated September 9, summarizing Nixon's conversations with Polish officials and details of his schedule as well as the trip's accomplishments is in the Polish Desk Files: Lot 64 D 152, Vice President's trip to Warsaw.

74. Memorandum of Conversation

Warsaw, August 3, 1959.

SUBJECT

Conversation Between Gomulka and Vice President

PARTICIPANTS

Poland

W. Gomulka, First Secretary, Polish United Workers' Party

J. Cyrankiewicz, Prime Minister of Poland

A. Rapacki, Minister of Foreign Affairs

J. Winiewicz, Deputy Foreign Minister

Z. Janczawski, Interpreter, Polish Foreign Office

United States

The Vice President

Dr. Milton Eisenhower

Jacob D. Beam, American Ambassador

Foy D. Kohler, Deputy Assistant Secretary

Edmund Glenn, Interpreter

Following introductions and greetings, and press photographs, Mr. Gomulka, who presided on the Polish side of the table, welcomed the Vice President to Poland. He said the Polish leaders had been happy in 1957 when they had learned of the Vice President's desire to visit Poland and were glad that the occasion had now arrived for the realization of this event, though only too briefly. He hoped the meeting would give an opportunity for a broad exchange of views on both Polish-American relations and broader international questions.

First, however, Mr. Gomulka felt it necessary to deal with a certain fact which the Poles had found rather strange and rather unpleasant. The Polish leadership had been taken aback by the recent Congressional resolution and by the President's proclamation based thereon establishing the "Week of the Captive Nations."¹ They had been especially astonished that this proclamation was issued on the eve of the Vice President's visit. It was bound to cast a shadow on Polish-American relations which had recently been developing in a satisfactory way.

Mr. Gomulka said he must ask the Vice President how he explained this event. Did the Vice President consider the Polish leaders on the other side of the table as representatives of an enslaved nation or of the

Source: Department of State, Central Files, 033.1100-NI/8-359. Secret. Although the source text indicates Kohler was the drafter, the verbatim nature of the text and the contents of the parenthetical remarks suggest that Glenn probably initially drafted it. This memorandum was approved by Kohler on August 31.

¹ On July 17, in response to a Congressional Joint Resolution, President Eisenhower issued Proclamation 3303 designating the third week in July as "Captive Nations Week." For text of the proclamation, see Department of State *Bulletin*, August 10, 1959, p. 200. See Part 1, Documents 20 ff.

Polish people? If the Vice President saw them as captives, or perhaps as those who were keeping the Polish nation in bondage, then it would be hard to find a common language for the talks. If the Polish Sejm should have passed a resolution calling for the abolition of capitalism, how would the Vice President feel about the situation?

Mr. Gomulka then went on to say that he did not want to attach undue importance to the resolution and proclamation. The Polish leadership has tried to understand what might be the motivation, and, of course, considered that it might be a matter related to U.S. domestic politics, that is, related to the views and pressures of minority elements of the U.S. population. In any event, he would be glad to see and hear the Vice President's elucidation.

The Vice President: The Vice President said that Mr. Gomulka had referred to the fact that the U.S. population contained many citizens originating from other countries. Our population is very diverse. For example, we count our American citizens of Polish background at something over 6 million persons. As Mr. Gomulka has also noted we do have in the U.S. and Poland different political and economic systems. In the captive nations resolution, the Congress was expressing views held by substantial groups of the U.S. population. These are views that have been held over a very long period and the resolution represented this long-held opinion of many citizens that the governments of their countries of origin did not represent the expressed will of the people of these countries.

The Vice President went on to say that he wanted to make this question clear from a practical point of view. The U.S. Congress passes resolutions as and when it decides to do so. This was not a case in which the President had sought the passage of the resolution. He also wanted to make it clear that the U.S. Government respects the right of each and every country to have the political and economic systems it wants. Perhaps the best example of this is the current relationship between the U.S. and the Polish People's Republic. We believe that it is essential to develop exchanges of persons and to expand trade and economic activities. Under no circumstances will the Government of the United States attempt to interfere in the internal affairs of the Polish People's Republic.

It must also be borne in mind, he continued, that we are constantly faced with many statements to the effect that the U.S. will not maintain its present system, but will turn communistic. We do not object to such statements since we believe that their authors are entitled to express their opinions. However, as a principal basis for our relationship we must recognize that despite our different systems our two countries can and should work together. The very purpose of this visit is to explore ways in which it might be possible to increase exchanges and contacts

between the two countries, which have already been developing in a constructive way, particularly within the last two years. He thought it would be possible to do this without having the illusion that we will convert each other to the other's system. He wanted to assure Mr. Gomulka that the President wanted this visit to be constructive and that he had come here in that spirit.

Mr. Gomulka: Mr. Gomulka said that he entirely agreed with many elements of the Vice President's statement. He noted with particular satisfaction the Vice President's assurance that he came here in the spirit of cooperation; also that the United States would not interfere in Poland's internal affairs. Unfortunately, he must say, in the latter connection, that the resolution and proclamation were themselves expressive of a form of interference in internal affairs. He did not want to pass judgment on the opinions of Americans of Eastern European origin. If those opinions were as expressed in the resolution, this only proved that they were badly misinformed. He recognized that perhaps the U.S. Government should not be held responsible for the press treatment afforded the new Poland in the United States. In earlier years, Poles had emigrated on account of poverty. This was no longer the case. At present Poland needs more people to do the work. In fact, if the resolution had emanated from some kind of Polish-American society, this would be understandable, but it had been passed by the United States Congress. What would be the reaction in the U.S. if the Polish Sejm had passed a resolution calling for the U.S. to adopt communism?

The Vice President: The Vice President said that the leaders of the communist parties were constantly saying worse things than were contained in this resolution with respect to the United States, calling us colonialists, capitalists, imperialists and the like. He repeated that we did not mind such expressions of opinion, although they show a great lack of understanding of the U.S.; in particular there is very little in common between the conditions which prevailed in Poland before the war and American people's capitalism. In any case, he had already been glad to learn in the few hours he had been in Poland that conditions in the fields of agriculture, education, religion and the like were different from the ideas regarding these conditions held by many persons in the United States.

He wanted to say to Mr. Gomulka that he (Gomulka) had many admirers in the United States, including some members of the group on the American side of the table, for what he had done for Poland and for the Polish patriotism he had demonstrated. He was glad that Gomulka had brought this subject up for a frank discussion at the outset because it was unpleasant and indicative of the fact that some basic differences do exist. However, he wanted to believe that they could talk effectively de-

spite these differences about cooperation. A basis was provided by the great affection felt in the United States for Poland and the Polish people.

Mr. Gomulka: Said he would like to conclude the discussion of this subject. He knew of no similar official action in any of the socialist countries which called for a change of government in the United States and went beyond the bounds of an ideological discussion. The Poles were very sensitive on the question of their independence because of their historical sacrifices for attaining it. This Congressional resolution and the President's Proclamation were official and in effect could only be interpreted by the Poles as a call for the overthrow of their present government. However, he would repeat that he did not want to exaggerate the importance of this matter. He thought perhaps it would not provoke too much reaction either in Poland or in the United States.

The Vice President: Said Mr. Gomulka had put his fingers on an essential point. It might be that there had been no declaration passed by the Sejm with respect to the U.S. political system. However there was the Moscow Declaration of the twelve Communist parties in 1957 which Mr. Gomulka signed and which called for the overthrow of capitalist system everywhere throughout the world.² (Gomulka demurred) The Vice President considered that these declarations represented a clash of opinions but not a call for action on either side.

Mr. Gomulka: Said that if the U.S. Resolution had been issued by the Republican Party then this would be more understandable in the Vice President's sense.

The Vice President: Observed that the Communist Party is a lot stronger in Poland than is the Republican Party in the U.S.

Mr. Gomulka: Resumed saying that the resolution was passed by both parties in the American Congress and without any discussion. In the Polish Sejm there always is some discussion and dissent.

The Vice President: Said he thought this was a problem which could not be settled at the present discussion. He respected Gomulka for the position he had taken. If he were sitting on the other side of the table he would probably be saying the same things. However, he hoped we could go on to talk about constructive proposals. If so, we could perhaps eventually reduce the chance that there would be a repetition of such discussions in the future.

Mr. Rapacki: Said he wanted to make a marginal remark. The Vice President had referred to the Polish Americans. They were American citizens. From the Polish Government's point of view he would hope that this element would contribute to good relations rather than to impairment of relations.

² See footnote 3, Document 49.

The Vice President: Felt that exchanges of persons would lead to extension in the area of understanding and in consequence that the day might well come when this would be the case. He pointed out that, as Mr. Gomulka knew, he had a reputation as a defender of our economic system as against the Communist system. However, he had been one of the first to urge that U.S. aid be extended to Poland and he did so even before a decision was reached on this subject. As to the Polish Americans a majority of them had responded favorably to this speech³ even at the time and supported the policy. He thought this showed that peoples with different systems could find areas of cooperation. In fact he had agreed to the same proposition with Soviet Prime Minister Khrushchev only a week ago.⁴

Mr. Gomulka: Wanted to say a few words about visits of Polish Americans to the Polish homeland. The Polish Government placed no obstacles on such visits. On the contrary they were quite happy about them and felt that both for Poland and for the system they were good. Many of the returnees had visited the places in Poland they had left perhaps thirty years ago. When they had compared the conditions they left with those they found now, they had invariably been astonished at the improvement which had taken place. In the light of this he could not understand the series of U.S. press articles on the bad conditions alleged to prevail in Poland. Clearly the U.S. needed to know much more about today's Poland. The Poles used to emigrate because of poverty, looking for bread. For example, on the paternal side there were more members of his own family in the U.S. than in Poland. Indeed, some of his closest relatives lived in the U.S. Today there is bread and employment for all in Poland. The people who were leaving old Poland were its best elements. Now the best people are staying. This is at least one fact demonstrating the superiority of the socialist system.

Mr. Gomulka now wanted to turn to more concrete discussions of differences in the ideological field and also with respect to international issues. He had been glad to hear the Vice President speak of his agreement with "our good friend Khrushchev". Such agreement was absolutely necessary. The different systems must be able to coexist and to cooperate. As to bilateral relations, the Polish Government had welcomed their improvement and wanted them to become even better. As to what he had said personally and what the Polish press had said, he did not feel that we had cause for complaint. In fact the Polish leaders at

³ A copy of Nixon's speech at Michigan State University on June 9, 1957, is in the Eisenhower Library, White House Central Files.

⁴ No record of Nixon's and Khrushchev's agreement to this proposition has been found.

times remained silent when they should have answered attacks from the West.

The Vice President: Said he had read the *Trybuna Ludu* editorial of yesterday with respect to his own visit and he wished to say he had found it very fair.

Mr. Gomulka: Pointed out that the *Trybuna Ludu* editorial represented Polish policy with regard to all states whether socialist or capitalist. The policy of all the other socialist countries is similar. However some things they might be compelled to answer in future, for example, the article in the *New York Times* reporting and commenting on the Vice President's visit to Warsaw.⁵

The Vice President: (After consultation on the American side) Said we were not aware of the article Mr. Gomulka was talking about. He could say that we had a free press and might observe that toward him personally the *New York Times* was usually more unfavorable than favorable.

Mr. Cyrankiewicz: Interjected that the *New York Times* article was in fact provocative.

Dr. Eisenhower: Stressed that the U.S. Government has no control over the American press.

Mr. Cyrankiewicz: Resumed saying that the article molds U.S. public opinion in the spirit of cold war. The article in fact claimed that the Polish people's reception of the Vice President constituted a demonstration against the Polish Government, whereas it was only an example of the traditional hospitality of the Polish people.

The Vice President: Said he wanted to make it clear that he considered the warm reception accorded him purely a demonstration of the real friendship between Polish and American peoples and would certainly say so to the press whenever asked. He would also say that the *Trybuna Ludu* article had in his mind actually contributed to the warmth of that reception.

Mr. Gomulka: Summarized by saying that to this point in the discussion, it could be said that we had agreed on the need for cooperation between the two countries. Now he would raise some questions on which we might differ.

The Vice President: Welcomed such discussions, pointing out that both Mr. Gomulka and himself had a reputation for being frank and straightforward.

Mr. Gomulka: Warned that he was not a good diplomat.

⁵ Reference is to the article reporting on Nixon's welcome on arrival in Warsaw in *The New York Times*, August 3, 1959.

The Vice President: Rejoined that he was not either. He liked to put the cards on the table.

Mr. Gomulka: Said that the principal difference between Poland and the U.S. is the U.S. policy on German rearmament.

Throughout history the Polish-German relationship has been featured by repeated German aggression. Especially in World War II Poland had paid dearly for the independence it enjoys today. No other nation had suffered such losses. Two hundred and twenty-two out of every thousand, or 22 per cent of the entire population, had lost their lives. Economic losses had been on a relative scale and much heavier than those suffered by any other German victim. Over 38 per cent of Poland's entire national wealth had been destroyed, which could be conservatively evaluated at a cost of over 50 billion dollars in pre-war U.S. dollars. Yesterday the Vice President in his arrival address had referred to the Warsaw Uprising against the German occupiers fifteen years ago; this alone had cost over 200,000 lives. The Poles were especially sensitive on this question and must judge other countries' foreign policies from this standpoint. The West German leaders did not hide their purpose of undertaking armed aggression against Poland. Consequently the Poles could only be worried about a U.S. policy of supporting and contributing to German rearmament. Despite our traditional friendship, if a plebiscite could be held tomorrow, the Polish people would vote unanimously to condemn this U.S. policy. The German question was the main obstacle between the two countries.

He would talk on another and related question, that of the western borders of Poland. The Potsdam Agreement dealt with this question in a preliminary way, though naturally that conference had not finalized the decision and was not in a position to do so.⁶ This was to be left for the German peace treaty. Now, however, fourteen years have passed and there is still no peace treaty. It was the official policy of the Western German Government not only not to accept but actually to seek a change in the Polish-German frontiers. This was indicated by statements by Chancellor Adenauer himself and by the German Minister of Refugee Affairs Oberlander, as well as by repeated demonstrations, declarations—such as a convention of the so-called “Silesians”—and the like. In the face of this, the U.S. position had been one of silence, neither approving nor rejecting the Potsdam frontier but leaving the decision for a peace conference. This policy encourages the West German militarists. The Polish Government considers that it would be a useful contribution, both to peace and to the improvement of relations, if the United States would

⁶ See footnote 1, Document 50.

confirm the frontier as "final," as had General de Gaulle.⁷ Such action would not change the legal situation with respect to a final peace treaty but it would clarify the political situation. He wanted to make it clear that there was no possibility of any change in the existing border except by war. Demands for a change in the frontier were equivalent for a demand for war. Any talk of a possibility of changing these borders by peaceful means is a lie. He raised the question not because of Polish lack of confidence in a permanence of stability of the Polish-West German border, which were guaranteed by Polish alliances and by Poland's own military strength, but because such an agreement on the part of the United States would be received with real approval by Polish public opinion, and be in the best interests of peace and of the United States.

The Vice President: (When Mr. Gomulka started to go on to other questions) Suggested that he might rather comment on the questions raised so far. He wanted to point out that the United States and Poland had twice been allies in wars against the Germans. He fully appreciated that the Poles had suffered more than had we; this, however, does not mean that we have no understanding of Poland's suffering. He had heard a graphic account from President Eisenhower about the devastation he had seen when he visited Warsaw in 1945.⁸ He realized that we had different points of view with respect to this question. He wanted to state the U.S. position and the reasons therefor. First, we believe that today's Western Germany is a really new Germany. He had entertained Chancellor Adenauer in his own home only a month ago.⁹ The Chancellor had spoken as eloquently as anyone he had ever heard with respect to the necessity of taking measures to prevent aggression and to ensure peace. With respect to German rearmament, the important factor is that Germany is an integrated part of Europe and thus comes under the control of the European community. The greatest danger to peace was that if Germany continued to be divided and were to be separated from the rest of Europe, a German leader would arise in one part or the other who would seek to reunite the two parts at any cost. Surely Mr. Gomulka realizes that the United States has never been and will never be an aggressor. Today the United States is strong and has a series of collective defense agreements. These arrangements, he wanted to emphasize, however, are only for defense. Why do we have them? He would cite a few of the reasons. They included the Berlin blockade, the war in Korea

⁷ Reference is to de Gaulle's statement made at his first press conference at the Elysée Palace on March 25. For text of de Gaulle's statement, see *Major Addresses, Statements and Press Conferences of General Charles de Gaulle, May 19, 1958–January 31, 1964*, pp. 41–51.

⁸ Eisenhower visited Warsaw September 21, 1945.

⁹ No record of such a meeting between Nixon and Adenauer has been found.

and consistently repeated threatening statements of aggressive intent from the Communist leaders.

The Vice President continued that the United States Government and the American people are dedicated to the cause of peace. He would repeat that we have never committed aggression. We will never do so and will never allow any of our allies to do so. We have the power to control the situation. If in the future a different government should arise in Germany which committed aggression against Poland he could assure Mr. Gomulka that the first to come to the aid of Poland would be the United States. He then in this connection recited the Suez crisis in which America's closest allies, England and France, had undertaken aggressive action against a power which had not been very friendly toward the United States. Despite this, we had strongly and effectively opposed the action. In summary, he felt that our policy was the best way of maintaining peace. It was essential to keep Germany inside the European community where it would be subject to the influence of the European states and the restraint of the "enormous power" of the United States.

The Vice President then said that on the question of Polish-Western frontiers he would like to call on Mr. Kohler for a statement of the official United States policy, then he would add a practical observation of his own.

Mr. Kohler: Pointed out that in the Potsdam Agreement the United States had recognized the right of Poland to occupy and administer the Western Territories. There had been no change in this policy. The United States was not challenging Poland's continued exercise of these rights of occupation and administration. In our view, however, the peaceful solution of the all-German problem was so overwhelmingly important for the security of all of us and for the peace of the world that we had been and continued to be unwilling to engage in partial and piecemeal settlements of separate aspects of the problem. While we recognized the importance of the border problem to the Poles and their very particular interest in it, it was only one element of the larger whole. In a sense, the Geneva Conference¹⁰ right now was grappling with the German problem and here, too, we were opposing partial solutions. However, we wanted to assure Mr. Gomulka that his presentation of Polish views on the border problem would receive the careful and sympathetic attention of the U.S. Government.

The Vice President: Said he would comment on the practical problem involved. He said he asked about the population in the Western Ter-

¹⁰Regarding the Meeting of the Foreign Ministers of the United States, the United Kingdom, France, and the Soviet Union at Geneva to discuss Berlin and Germany, see volume VIII.

ritories and understood that there were about 7 million Poles residing in the area, many of whom had now been born in these provinces. He also asked how many Germans lived there, to which Mr. Gomulka answered that there were a few thousand at most. He said that the sympathetic attitude which had been expressed by Mr. Kohler certainly took into account this fact. Naturally, this would be a major consideration in connection with an all-German settlement.

Mr. Gomulka: Interjected, however, this part of a German settlement is not negotiable.

The Vice President: Continued, "from a legal point of view—"

Mr. Gomulka: Interrupted to say that it was not a legal but a political problem. He said the Poles understood the legal aspect of the matter and knew that the final decision must be confirmed in a peace treaty. However, what the Poles are interested in now is political action along the lines of the de Gaulle statement. In this connection he wished to stress the favorable reaction which had been created in Poland by even such a small thing as the fact that the map providing the background for President Eisenhower's recent television address had shown the Western Territories as a part of Poland.¹¹

The Vice President: Said he should again make clear at this point that under his constitutional position as Vice President of the United States he does not originate foreign policy nor does he engage in negotiations. He would report fully to the President and to the Secretary of State the views expressed by Mr. Gomulka on this subject. Obviously, as a practical man he would cite the facts regarding the population of the Territories. He would say that Mr. Gomulka had made a stronger case for Poland than he had ever heard before. He had not previously fully understood Polish anxiety and desire for moral support of their position as distinct from their desire for eventual legal commitment and confirmation of Polish possession of the area.

Mr. Gomulka: Replied that, as the Vice President had recognized, we have differences of view on the German problem. The United States sees integration of Germany in Europe as the solution, while the Poles believe that the German militarists will find ways to influence the policies of other European states. In doing so, they will take advantage of opportunities presented by the lack of clarity of U.S. policy on the Polish-German frontier. He was very happy to take note of the Vice President's statement that the U.S. would be the first to act in the event of German aggression. He was also very happy to note the Vice President's

¹¹In Eisenhower's radio and television address to the American people on March 16, he reiterated his firm resolve to resist the Soviet Union's attempts to alter the status of West Berlin and used a map of Germany to illustrate his point. For text, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1959*, pp. 272-282.

recognition of the Polish desire for moral support and of the importance of the facts with respect to population. Whichever of the two manners of preventing the danger of a resurgence of German militarism is contemplated, such moral support is not inconsistent with it.

The Vice President: Stressed again that this was a decision which could only be made by the President but repeated his assurance that Mr. Gomulka's persuasive remarks would be reported directly to the President by him, and by Dr. Eisenhower as well.

Mr. Gomulka: Said the Poles had not expected and would ask for no more than this. He repeated that they greeted with great satisfaction the Vice President's statement and Mr. Kohler's assurances that their views would be given consideration.

The Vice President: Returned to the general subject of Germany and asked whether Mr. Gomulka did not see great danger in formalizing the division of Germany. In this connection he compared the historic partitions of Poland.

Mr. Gomulka: Said this was a frank and straightforward conversation. He therefore wanted to outline Poland's general position. The Poles recognized the right of each people to live in one national unit. However, the facts must be recognized. There are now two German states. The West and Adenauer contemplated that Germany would be reunited by the disappearance of the German Democratic Republic. If the process were peaceful, Poland could not oppose it. However, the Poles would be very unhappy to see something which would amount to an extension of the Adenauer policy to all of Germany. Mr. Gomulka did not consider that the comparison of the division of Germany with the partitions of Poland was an accurate parallel. Poland had just completely disappeared as the result of partitions. The Americans and the Poles might disagree as to who is responsible for the present division of Germany, but it is a historic fact that there are two German states. He believed that some day the two would be combined. However, the conditions under which this could happen were not presently foreseeable and it was hardly useful to discuss the question at present. Reiterating that we were talking frankly and in private discussion, he stressed his view that no one wanted German reunification at the present time—neither France, nor the UK, as it would be against their economic and their national interests, nor even Adenauer. Consequently, we would have to see what the future would bring.

Mr. Rapacki: Intervened saying he wanted to cite two statements to demonstrate why it would not be in Polish interest to support an agreement for reunification. The first was a statement made by the GFR Minister of All German Affairs in January, 1958, to the effect that the question of German borders should not be raised before the reunifi-

cation of the country took place;¹² after reunification it would be up to the German Government then in power to put forth German territorial claims. The second statement issued somewhat later from Adenauer, who thus backed his Minister, and was to the effect that the world has not yet arrived at the stage where it is possible to put the question of the East German border on the agenda.¹³ Such statements as these must guide Polish policy and were the justification for that policy. German reunification could only be looked on favorably by Poland if it took place under conditions which constituted no danger to Poland or to world peace. (The Vice President interjected that he agreed with this latter statement.) Mr. Rapacki continued, stressing that in the view of the Poles the present situation on the borders could not be changed by force since this would risk world conflict. There are two German states. Reunification of these two states would be possible only by means of an understanding between the two. But how can such different political and economic systems and different foreign policies be reconciled? It might be possible that steps be taken to increase cooperation in certain limited fields but it was inconceivable that there could be an agreed harmonization of general policy. In any case, he would emphasize again that no one wants German reunification at the present time. It is inevitable and necessary that there be a long period during which tensions are relaxed and a new climate created in the world. Then, perhaps, there would be possibilities of peaceful reunification.

Mr. Gomulka: Intervened to say that Polish leaders are trying to make their contribution to the relaxation of tensions, of which Mr. Rapacki had spoken, particularly by their proposals for an atom-free zone in Europe.¹⁴

Mr. Cyrankiewicz: Wanted to add a point. The West and particularly Adenauer's Germany considered that reunification would amount to the absorption by West Germany of the GDR. This is impossible. Moreover, no one in Poland wants Adenauer and Strauss to be poised on the Polish border.

The Vice President: Said that he had noted that Mr. Gomulka supported Khrushchev's proposal contemplating a separate peace treaty with the GDR. He supposed this meant the Poles considered that there was no danger to Poland from Eastern Germany. He repeated that we recognize that there are difficult problems for the Poles and fundamen-

¹²Reference is to a statement by Brentano on January 23, 1958, on the question of German borders.

¹³Reference is presumably Adenauer's statement about German reunification, disarmament, and the Rapacki Plan made on March 20, 1958, the first day of a 4-day debate in the Bundestag on foreign affairs and defense.

¹⁴Reference is to the Rapacki Plan; see footnote 5, Document 48.

tal differences in our views on the German problem. He wanted to stress again, however, that in our view the only safe solution is the peaceful reunification of Germany and its integration in Western Europe under the influence and restraint of the great power of the United States. Who would control the Germans if they were to be reunited on their own?

Mr. Cyrankiewicz and Mr. Winiewicz: Both intervened at this point to ask: "Why not join our power with that of the USSR to insure against any revival of German militarism? Why should not the wartime alliance of the Great Powers be restored for this purpose?"

Mr. Gomulka: Replied to the Vice President's question with regard to Polish support of Khrushchev's proposal for a separate peace treaty with the GDR, saying that such a proposal as described by the Vice President was not known to them. It was true that a draft peace treaty, with respect to which Poland had been consulted, had been presented by the USSR. However, it was contemplated that this peace treaty would be concluded with both German states and that a separate treaty would be concluded with the GDR only as a last resort, if this were impossible. If the U.S. continued to insist that there could be a peace treaty only after the reunification of Germany, this amounted to perpetuating the present situation in which there was no peace. Reunification of Germany was not presently feasible. The Poles did not want to think that only a separate peace treaty with the GDR would be possible. They wanted a peace treaty with both German states. Moreover, they believed that the problem could be solved if there were good will on both sides. Of course, he added, this is basically a problem between the United States and the USSR.

The Vice President: Asked Mr. Gomulka whether he considered this two Great Power situation bad or good.

Mr. Gomulka: Replied that it was simply "a historical fact."

The Vice President: Reiterated he would like to know whether Mr. Gomulka regarded the fact as good or not. Should not Poland be consulted?

Mr. Gomulka: Replied that this was an academic question and that he was not an academician.

Mr. Rapacki: Intervened to say that of course the small states should and do have influence. That is the reason why he has undertaken to be the Minister of Foreign Affairs for Poland. Obviously, their role is a lesser one. The Poles are, of course, consulted (impliedly by the USSR). However, it would have been better if they had been allowed to take part in the Geneva Conference.

Mr. Cyrankiewicz: Said that the Poles had wanted to participate in the Conference and, indeed, had been invited to do so by the USSR.

Mr. Gomulka: Repeated that it was his strongly held opinion that the U.S. and the U.S.S.R. must reach an understanding. He saw no other way out of the world's difficulties. Such an understanding would be in the interest of all the small countries, as well as in the interest of the U.S. and of the entire world. He said that he was very close to Mr. Khrushchev and he was convinced that Mr. Khrushchev was sincere in his desire for peace.

The Vice President: Said that he would take this opportunity to convey to Mr. Gomulka, on the authorization of President Eisenhower, the information that following some exchange of correspondence, the President would announce later today that Mr. Khrushchev would visit the U.S. next month, probably about September 15.¹⁵ He asked Mr. Gomulka if he considered such a visit a good idea.

Mr. Gomulka: Replied that there was no better idea. The only improvement which could be added would be a return visit by the President of the U.S.A. to the USSR.

The Vice President: Said that he could inform Mr. Gomulka that such a return visit was contemplated, though of course this was a question for the President as to when and how. He wished to return to the subject of Germany. He agreed with Mr. Gomulka that German reunification was bound to take place. The question was how best to arrange for reunification under conditions insuring security protection for Poland and for the U.S. and for everyone else. The U.S. believed that reunification was better and safer under conditions of Four Power responsibility than if a separate treaty should be concluded with two German states which would then be free to bring about reunification in their own way. He wanted to stress the sincerity and firmness of our views on this question. It would be most unfortunate if unilateral action were taken in this matter which led to a situation in which a German leader might arise on one side or the other who would attempt to bring about reunification at any cost. This bluntly was the U.S. position.

Mr. Gomulka: Thanked the Vice President for the information with respect to Mr. Khrushchev's visit and asked whether the U.S. had informed its allies.

The Vice President: Said that he had been somewhat out of touch with developments during his travels but he assumed we had done so as it was our usual practice to be in touch with our allies on such questions.

¹⁵For text of the statement read by the President at a news conference at the White House on August 3 announcing that Khrushchev would visit the United States in September, see Department of State *Bulletin*, August 24, 1959, p. 263.

Mr. Gomulka: Then said that the Poles had been informed by the Soviet Government.

The Vice President: Said there was a point he wanted to add to this discussion. President Eisenhower feels basically that the concept of two Great Powers settling the affairs of the world is an unhealthy one. The Khrushchev visit will not be for the purpose of negotiating settlements but will be intended as conversations to clarify and define the issues. He wanted to make it clear that in seeking solutions of world problems it was the intention of President Eisenhower to work closely with the U.S. allies.

Mr. Gomulka: Wanted to reply to another question asked by the Vice President. He said the Poles saw no danger to them from East Germany. A treaty had been concluded with the East Germans some eight or nine years ago recognizing Poland's Western borders.¹⁶ Moreover, the East Germans were sincerely fulfilling their responsibilities in this regard by re-educating the people of East Germany on this subject in order to eliminate revanchist tendencies. If West Germany would do the same, then it would become possible to have diplomatic relations and a generally improved situation between Poland and the GFR.

Mr. Gomulka continued, saying that he considered that it had been very useful to discuss these general questions. Now he wished to turn to bilateral matters. Poland is indebted to the U.S. to the extent of something like 250 million dollars. (There was some discussion among the Poles as to the precise figure.) All this debt had been accumulated since World War II. For Poland the sum was relatively high. It was nice to be able to borrow but Poland must think about the question of repayment. It would be necessary that Poland be enabled to do this under the best economic conditions because of the limitations of Poland's capacity to repay otherwise than by trade with the U.S. This last is difficult, particularly since its exports were restricted by the lack of most-favored-nation treatment. Poland needed goods from the U.S. but fully realized that in order to buy it must be able to sell. The Polish Government is now paying around 6 million dollars per year to the U.S. on all U.S. loan accounts. This did not seem like a large figure but it was an important one for Poland, particularly since the absence of MFN treatment puts a ceiling on Polish exports. The Poles would hope for restoration of MFN treatment and the development of broader trade exchanges.

Mr. Gomulka then said there were some questions in the minds of the Poles related to this matter of loans. The Poles needed and wanted more credits but it had been suggested that there was the question of a

¹⁶On June 6, 1950, East Germany and Poland signed an agreement that recognized the Oder-Neisse line as the final German-Polish frontier.

link between this and the settlement of the nationalization claims. Was this true or not? Moreover, the Poles had felt that they were held on a leash with respect to credits. The uncertainty relating to a possible tie-in and, consequently, to the possibility of future loans, makes planning difficult. So far these credits had covered many consumption items, mainly in the form of surplus agricultural products under US PL 480. These were useful and enabled the Poles to spend money for other things. However, they would like to move into the field of investment. He would like to have clarification of these matters but wanted to repeat that the Poles did not want to incur a debt they could not repay.

The Vice President: After repeating that he was not here for the purpose of negotiating, said he would be glad to give Mr. Gomulka a statement of our general policy. The U.S. desires to normalize its over-all relationship with Poland, including the economic relationship. He thought Mr. Gomulka appreciated from his own experience and from observing our practice everywhere that it was our policy not to tie our loans and aid to political conditions.

Mr. Gomulka: Interjected that this was true as respects the U.S. Government but did not seem to be true as respects the American press.

The Vice President: Replied that, as he had said to Khrushchev, it was necessary to know how the American press operates. Specifically, the Vice President continued, we make no official link between the question of further loans and that of the settlement of the nationalization claims. However, Mr. Gomulka must appreciate that we have a practical problem. The Administration had to go before the Congress for appropriations to enable it to make loans. A better climate would certainly be created in Congress by the settlement of the claims; our chances would be improved for securing appropriations for further loans. He did not want to suggest that our future economic relationship depended on the claims settlement or that he wanted to drive a hard bargain. He would repeat, however, that such problems as the claims constituted a continuing irritation in the relationship and he felt it advisable that they be settled quickly. He would ask the Ambassador to amplify his remarks on this question.

Ambassador Beam: Said the claims negotiations are now going on. He wanted to point out with respect to the 25 million dollar export figure Mr. Gomulka had cited, nearly 23 million dollars of this has been in Polish hams. The U.S. had suggested that the Poles make an effort to diversify their exports to the U.S. and in that connection the U.S. had brought over two trade missions to consult and advise the Poles.¹⁷ The

¹⁷ Documentation on the U.S. trade missions to Poland, May 24–June 26, 1958, and May 20–June 20, 1959, is in Department of State, Central File 411.4841.

U.S. knows that the Poles have a good reputation for repayment and want to pay and it was our purpose to try to make the conditions as easy as possible. However, it was necessary to consider the overall picture of the economic relationship. Beginning in 1962, the Poles would be faced with a very heavy repayment schedule. Consequently, with respect to all further credits, the balance of payments situation was very important. He recognized that the question of MFN treatment was a factor. Settlement of the nationalization claims was also a factor. He hoped that we could soon get a just agreement on this latter which would be fair to the U.S. claimants and within the capacity of payment of Poland. We now seemed, however, very far apart. He thought there was some misunderstanding as respects the basis for a fair evaluation of the claims. The U.S. had put forward initially the figure of 125 million dollars which had now been reduced to 75 million dollars. The Poles had initially offered 20 million dollars and had now raised this figure to 24/25 million dollars. Negotiations are continuing and if agreement can be reached the situation will clarify since the question of claims is a part of the overall, long-term economic picture. Settlement of the claims would open up new credit possibilities, not only from the U.S. Government but from other sources as well, and provide a much broader base for the economic and financial relationship.

The Vice President: Wanted to add to the Ambassador's statement by reiterating that we desire to normalize economic relations. While he would repeat that we are posing no conditions we must all realize that the claims question is a part of the whole broad picture. If both sides approach the question with good will and a sincere desire to reach agreement, this would certainly be possible.

Mr. Gomulka: Agreed that good will should prevail on both sides but pointed out that the U.S. was in the happy position of being able to offer, whereas the Poles were in the onerous situation of having to ask.

The Vice President: Said it should be realized that there was some real resistance in the U.S. on the question of foreign loans and aid. This was not directed toward Poland but against the general policy for loans and aid. Such opposition was reflected in the Congress and the President had to go to the Congress for his appropriations, as he had pointed out earlier today. The U.S. wants the Poles to help in settling these problems which stir opposition among our people and in the Congress.

Mr. Gomulka: Said he was not familiar with the details of the claims negotiations. However, he wanted to say that the Poles would follow the same policy with respect to U.S. claims that it had with respect to others already settled. It had been a basic principle that Poland could and would pay such claims only in terms of its exports, which in fact constituted the only possibility of payment it had. This was the principle which had been applied in the settlements with the U.K., France and

others. He repeated that he did not know the details, but said there was a big difference between the two positions and the U.S. claims as presented had been highly exaggerated as to value.

The Vice President: Repeated that if there were good will, the problem certainly would be settled. However, both sides must give a little and most of the give had so far been on our side.

Mr. Gomulka: (Becoming rather emotional and talking rapidly and heatedly) Said the Poles want an early solution of this question. They had first sought a settlement in 1947, then later in 1957 and had been prepared to negotiate actively during the past two years. He understood that a settlement would help though the U.S. was not specifically imposing conditions on the settlement. However, the settlement must be just and fair. He must repeat that our original demand had simply not been a true or valid evaluation. The Vice President had said foreign loans were not popular in the U.S. He had to say that they were not popular in Poland either since the question of repayment always had to be faced. In some cases, Polish payments for claims settlements and other purposes had been based on clearing arrangements. He understood that under our practices this might not be possible for the U.S. However, he must stress that for Poland to be able to pay, increased trade would be essential. There must be an end to discrimination, and there must be MFN treatment.

Moreover, he continued, there was another aspect of this matter which he wished to mention. For our credits to be beneficial to Poland there must be some better understanding between us on the subject and some stability in the situation. Poland could not plan on a year-to-year and haphazard basis and did not know what it could depend on. This year Congress had passed the "Captive Nations Resolution." Next year they could pass a resolution terminating trade. Then Poland would be in the situation of having obligations but no way to meet them. For the Poles it was important that there be some longer-term guarantees; this element is as important in fact as the actual amount of the credits. He realized, of course, that we were not negotiating and that no solution could be arrived at today. However, he did ask the Vice President to consider this aspect and to use his influence so that we could arrive at a better understanding in our common interests. He repeated that it was essential that Poland tie its foreign commitments to its possibilities of repayment of those commitments.

The Vice President: Cited frequent references to pleas for "deeds not words" in international relations. He thought that the U.S. deeds in this respect spoke for themselves. The U.S. record of helping Poland over more than two years had been good and consistent. This provided a good foundation for moving ahead in the future. He wanted to comment on a problem that was more important than that of the claims.

These could certainly be settled with a little time and with give and take on both sides. As to trade, we hoped that Poland would be able to diversify its export possibilities so that the U.S. could and would buy more Polish exports. Taking a long-range view, it should be appreciated that the economic relationship must be a two-way street. We do not want to condition our economic relationships on foreign policy considerations. However, if we are to continue and expand relationships, in a situation where there are important differences between the two sides, it is essential that neither side take actions which would irritate the other. It is clear that we share an interest in repayment possibilities. This is a healthy mutual interest.

Mr. Gomulka: Said the Vice President was putting the economic question in a much broader context. To some degree he felt that the Vice President's remarks did make some connection between trade and foreign policy. He did not see that the Poles had done anything which should have hampered the economic relationship.

The Vice President: Said that he was not making any criticism of anything that may have happened in the past. He was simply stating his opinion about future development of the economic relationship. He felt that this should be constructive as was the talk today.

Mr. Gomulka: Said that he agreed with the Vice President about the need for adopting a constructive attitude. It is the Poles who have cause to be irritated because of the constant U.S. press campaign asserting that the U.S. is providing credits to Poland in order to weaken the links between Poland and the USSR. He realized that this was not being said by the U.S. Government itself but the repeated press reports reach here and sometimes make the Poles ask themselves if American aid is really worth the price. He was not protesting but only asking that the American Government understand the Polish point of view. Polish foreign policy was determined by two main factors: first, preoccupation with their own security and second, the necessity of having good relations with their great neighbor to the East. In this context the press campaign was harmful and could even endanger the integrity of the Polish nation. (As will be noted below, Mr. Gomulka did say this but later weakened his stand under the influence of the other members of the Polish delegation—E.S.G.) The U.S. should understand these basic points of Polish foreign policy. While Poland is a small country, it knows what is good for itself. It will support constructive proposals which come from the West, either openly or otherwise, and do its best to contribute to a better world climate. Mr. Gomulka welcomed the Vice President's statements on long-range development of good relations and hoped that concrete proposals would be advanced to implement this goal. He again asked the U.S. to understand the Polish point of view.

The Vice President: Asked what Mr. Gomulka meant by his reference to the danger to the integrity of the Polish nation. (This led to some discussion as to the interpretation of what Mr. Gomulka had said which he clarified by saying that the remark had been misunderstood; that he was only saying that these press charges were an irritation which sometimes forced the Poles to make statements which otherwise would not be made and in turn further irritated the relationship.) After indicating his acceptance of Mr. Gomulka's explanation, the Vice President resumed, saying he would like to ask very frankly whether Mr. Gomulka felt himself on the spot as regards his U.S. relationship. Did Mr. Khrushchev object to this? If so, Khrushchev did not say this to the Vice President during their recent talks.

Mr. Gomulka: Quickly replied, "No, surely not." Then added that moreover, "it is none of his business."

The Vice President: Said that he had only wanted to clarify this question. He said the U.S. fully understands that the Poles must have friendly relations with their neighbor, the USSR. He hoped, however, that the Poles could have good relations with both the USSR and the U.S.

Mr. Gomulka: Replied certainly they could, that they expected to have friendly relations with all nations.

The Vice President: Said that a main purpose of this visit to the USSR had been not to negotiate but to have a frank discussion of all the problems between us. He had stressed and would stress again to Mr. Gomulka that two strong nations like the U.S. and the USSR must find a way to settle their differences peacefully.

Dr. Eisenhower: Intervened to comment on Mr. Gomulka's reference to the United States' press. He said that during our travels through the USSR we had read in the newspapers anti-American articles which had appeared in what we understood were papers controlled by the government itself. Indeed many of the Vice President's statements in the USSR had been distorted or not reported. He wanted to say that he believed what we profoundly need is better human understanding. This could clearly not be reached overnight but he felt we had arrived at a point where the direction must be changed. Consequently, the Vice President had proposed while in the USSR that all of President Eisenhower's statements on foreign affairs be published in the Soviet press and that we in turn would see to it that all of Mr. Khrushchev's statements were published in the U.S. press. Speaking as a private citizen and as an educator, he felt that the world needs intellectual disarmament as much as it needs physical disarmament. We should forget ideas of cleverness and propaganda. We should tell the truth as accurately as we are able. We should not fear a competition of ideas and free information. Surely this would not injure the USSR or Poland. While human understanding alone would not build peace, neither, in his view, could

there be peace without such human understanding. So he would repeat as a private citizen and as an educator that we must dedicate ourselves to this cause. He personally pledged himself to do everything possible toward this goal of intellectual disarmament, after he returned to the United States, on the basis of what he had learned on this trip.

Mr. Gomulka: Had heard with great interest the statement of Dr. Eisenhower. He recognized the U.S. Government's position that it could not control the United States' press, although he thought any government had some influence with its own press and could cite many harmful articles. However, he could cite Radio Free Europe which the U.S. Government subsidizes and, therefore, can control. If there was ever a case of indirect aggression, RFE was one and it was high time that its operations be brought to an end. If we are to have the intellectual disarmament of which Dr. Eisenhower spoke, then it was certainly time to end such abuses as those emanating from RFE. He accepted discussion as proper and added that there are papers in Poland which defend an ideological or Catholic point of view, but he could not accept wanton libel and gross personal attacks. Mr. Gomulka thought that the distortions Dr. Eisenhower had complained about were those of American reporters. After being set straight by Messrs. Rapacki and Cyrankiewicz, he said that: It might be true that there were abuses in the USSR in this connection. However, the fact is that Poland is attacked 18 hours a day by crude, insulting propaganda emanating from the territory of Western Germany, that is, Adenauer's Germany, which is symptomatic in itself. The time has come to put an end to this. The Poles have refrained from interfering with these broadcasts in recent years because they consider, as the saying has it, that "lies have short legs." He was sure that Ambassador Beam followed the RFE broadcasts, since this must be a part of his duties, and was familiar with their insulting content. He wanted to say that it had never happened in the Polish press that there was a libelous attack on leaders of a foreign government, as was the practice of RFE.

The Vice President: Said he wanted to repeat that the Polish press had been very fine in their treatment of his visit. However, he wanted to say again that this is a two-way street. The Moscow Declaration of 1957 was not exactly designed to make the American people feel happy. Moreover, he could speak with some personal feeling with respect to Soviet broadcasts. When he and his wife visited Venezuela last year they were almost killed by Communist mobs.¹⁸ Radio Moscow, two weeks prior to their visit, had been emitting broadcasts hour after hour, urging

¹⁸Nixon visited Venezuela May 13, 1958, while on a good will tour of eight South American countries April 27-May 15, 1958.

violence against the Vice President of the United States. He understood that this was not Poland or Polish action. However, if we were to be reasonable, there could not be complaints about the American free press and forgetfulness about provocation coming from the other side. His own view was that restraint was needed on both sides. Again he wanted to repeat that he was raising no question with respect to the Polish press. He was simply speaking to Dr. Eisenhower's point. He had said the same thing to Mr. Khrushchev.

Mr. Cyrankiewicz: Interjected that there still remains the question of RFE.

The Vice President: Added—"and of the Moscow Declaration and of Communist Party activities throughout the world."

Mr. Gomulka: Said he wanted to be frank as had been agreed these talks should be. Therefore the question of RFE shouldn't be broadened, as this amounted to side-stepping the issue. The 12-party Moscow Declaration was a purely ideological document. It was placed in the context of the concept of peaceful coexistence of the two systems. Moreover, it was accompanied by a peace manifesto signed by all the Communist Parties. Polish influence had been brought to bear on the preparation of these documents. However, he wanted to repeat that the Vice President could not broaden the discussion to avoid replying to a concrete question. The Communist Parties in various countries were strictly an internal matter. They develop within the working class quasi-automatically, as soon as historical conditions call for it. The United States as yet had nothing to fear from its Communist Party. Historic conditions were not yet ripe. This was a matter of historical development and no one could change the process. As to the personal attacks on the Vice President, Mr. Gomulka could hardly believe that Radio Moscow preached violence against him. Violence against individuals is contrary to Communist principles. Moreover, he could hardly believe that the attacking crowds were Communists and thought they must have been rather only the people of the country.

The Vice President: Retorted that he had read the transcripts of the broadcasts.

Mr. Rapacki: Interjected that he had certainly never seen such things out of Poland. The Poles are against such practices.

The Vice President: Indicated agreement with Mr. Rapacki. He repeated, however, that we must recognize need for freedom to present ideas on both sides. What had been said on the Polish side seemed to suggest that calling for a change in the capitalistic countries was all right but calling for a change in the Communist countries was wrong.

Mr. Rapacki: Said that advocating ideas was proper, but that personal attacks were inadmissible.

Mr. Gomulka: Charged that RFE is not advocating ideas. It simply piles abuse on everything and everyone in Poland. He was not concerned about its effect in Poland but its broadcasts were certainly bad for the creation of a better climate. Now he wished to proceed to the logical conclusion of the discussion. He was pleased to hear that the Vice President had no reservation or criticism as respects the Polish press. He stated that the Polish Government can and will influence its press. The Poles do not engage in any campaign of hatred. They publish and will publish critical comments but based on facts, reasonable in tone and containing no abuse and no incitement to violence. He believed every government could influence its press, to some extent at least, but would accept the American position on this. However, the concrete problem remained of the U.S. Government-financed RFE pouring out hours of abuse daily into Poland. He could not absolve the United States Government from responsibility for RFE.

The Vice President: Responded by asking whether Mr. Gomulka believed that the USSR should cease its interference in internal affairs of other countries through its broadcasts.

Mr. Gomulka: Replied that he is not a spokesman for the USSR.

Mr. Rapacki: Referred to his talk on the subject of RFE in 1957 with Secretary Dulles. He said when he brought the subject up, Mr. Dulles turned to an aide and said: "What! Are they still continuing their broadcasts in Polish?"¹⁹

The Vice President: Said he wanted to ask on a personal basis for Mr. Gomulka's further comment on the meaning of his earlier statement that the USSR has changed since Stalin. He wanted to make it clear that he was not asking this question in any provocative sense but for information and because his talks in the USSR had been as friendly and frank as those with Mr. Gomulka today.

Mr. Gomulka: Said that he was quite prepared to reply to this question on the basis of his personal experience. He had often been in the USSR during the time of Stalin. Stalin was neurotic, opinionated and ignorant of facts, especially in his later years. He had had many talks with Stalin. Despite this, he did not want to base his comments only on his own subjective opinions. He felt that the facts speak for themselves. In Stalin's time there were many problems between Poland and the USSR which it was impossible to settle as they are now settled. Stalin was always right, had little experience outside the USSR and little understanding. However, Khrushchev was a man with whom one could exchange opinions and even quarrel. It is possible to show him the facts and to

¹⁹Regarding Rapacki's talk with Dulles in Washington, October 16, 1957, see *Foreign Relations, 1955–1957*, vol. XXV, pp. 671–677.

convince him of the rightness of one's position. When satisfied that he had been wrong, Khrushchev was prepared to admit this and to yield. A good example was in the economic field. Sixty per cent of Poland's trade is with the other socialist countries, much of it with the USSR, and 40% with the capitalist world. Since Stalin's death, Poland and the USSR have quarreled on the subject but the USSR had taken no punitive steps against Poland. On one occasion, despite the fact that they were then having a disagreement, bad planning had caused Poland to have an urgent need for iron ore; they had asked the USSR for help and got it. As a second example, Poland had had a trade agreement with the USSR, comparable to the Surplus Property Agreement with the United States.²⁰ The Polish Government considered this agreement to be harmful to Polish interests. It had been signed when there was no condition of equality between the two. The Poles presented their case and got the trade agreement changed.²¹ If the agreement had been with a capitalist country there would have been no change because the capitalists would have demanded that Poland stand by its pledge. (The Vice President objected to this statement, saying that the United States had many times revised such agreements.) Mr. Gomulka continued that Khrushchev's government had not only changed the agreement but had gone so far as to pay back to Poland, retroactively, for a period of seven years the difference on stipulated coal prices as against world coal prices.

Mr. Gomulka continued with reference to conversations he had had with Khrushchev about foreign affairs. (His account ran almost exactly parallel to that given to the Vice President by Khrushchev himself of his relations with Molotov. This included Khrushchev's opposition to Molotov's fixed policies on such subjects as Austria and Soviet bases in Finland, in which Khrushchev had effected a change.) Mr. Gomulka then mentioned Yugoslavia but quickly said this was not a subject to go into now.

The Vice President: Said that as we go into critical weeks ahead he thought Mr. Gomulka's constructive attitudes could be important factors, whether they related to RFE or to the other side.

Mr. Gomulka: Interjected that the Vice President was apparently applying the principle of collective responsibility to Poland, USSR and China.

²⁰The Surplus Property Agreement between Poland and the United States, a credit arrangement for the purchase of American surplus property abroad, was signed at Washington on April 22, 1946, and entered into force on April 22. (12 UST 368)

²¹Reference is to the 5-year trade agreement that the Soviet Union signed with Poland on June 26, 1948. During Gomulka's visit to Moscow, October 24–November 12, 1958, the agreement was changed. The terms of the agreement were embodied in the joint communiqué issued on November 10, 1958; see footnote 2, Document 56.

The Vice President: Resumed by saying he meant that Mr. Gomulka could render a constructive service to the world because of his closeness to and influence with Mr. Khrushchev. Mr. Gomulka was closer to Mr. Khrushchev than we are and understood him better. He was not suggesting that Mr. Gomulka would or should have a different attitude but was suggesting that in the months ahead it was important that all statesmen show restraint and have an understanding of the other side as well as of their own side. Mr. Gomulka understands European and American reaction. Mr. Khrushchev has not had the same opportunities to gain an understanding of the West. It will be important to avoid impulsive or provocative actions. If these high-level exchanges are to be useful, they must take place in the best obtainable international climate. The Vice President recognized that the U.S. has a responsibility in this matter, too, and was prepared to grant that we could be at fault, but he would again repeat that this is a two-way proposition. Between such great powers there must be mutual respect.

Mr. Gomulka: Interjected that mutual respect should exist even when there was no great power.

The Vice President: Replied that he had only meant that this great power could do harm to all.

Mr. Gomulka: Said that there was need for mutual trust and confidence. He himself had all confidence in Mr. Khrushchev and in his sincere desire for peace. Mr. Khrushchev was a Communist and so was he. He thought they spoke a somewhat different language between themselves than the Westerners spoke among themselves. He felt that they were more honest with each other and he knew that Mr. Khrushchev was not a man who had a knife behind his back. Khrushchev considers war an absurdity which could be launched only by a mad man. However, he agreed with Mr. Khrushchev in seeing the possibility of mad men existing in the world.

For many years to come, he continued with mounting emotion, the American and Polish peoples will not have a common attitude on the German problem. Attitudes tend to be different if they are based only on what is read than if they are based on actual experience. The Poles have seen their relatives and friends shot by Germans, blindfolded before a wall with their mouths plastered over, members of their families forced to witness. It was a pity that the Vice President's stay was so short that he could not go to see Auschwitz and the traces there of German bestiality. After Lublin was liberated in 1945 he had gone to see Maidanek. There he had seen piles of human hair sorted out to be used as raw materials. Great stacks of human belongings had been salvaged and stacked. Cabbages were growing luxuriantly in the fields, fertilized by human ashes. Deep trenches had been opened up which were filled with human bodies. Every stone in Poland was drenched with the blood of some Poles.

(Mr. Gomulka became impassioned, his whole face growing redder as he went along.) There was not a family in Poland which was not affected. While more people are killed in auto accidents in the United States than were killed during the war, Americans have no direct experience of the horrors of war. But now, he continued, you are trying to convince us about German policy. Do you think even the USSR influences us on this? No. It is not even I who determines this. This is a national feeling, and it is the Polish attitude which is tougher than that of the USSR.

We have been denied the right to be represented in Geneva. Who has a greater right? The United States and the West opposed Polish participation. We must draw our conclusions from the facts. This is a fact and so is RFE. The United States has not paid the price of German aggression. We did. We want no war. We do not want to die again. We want no German militarism. We do not want to be trampled over. He realized that perhaps he was speaking in an emotional way but he had seen all this with his own eyes. He had spent the whole period of the war and occupation in Poland with the Polish population. There is no problem more important for the Poles than peace. Even in Warsaw you still see the damages. Even today we have not been able to reconstruct houses for our people; we have much to do.

I do not believe in war and neither does Khrushchev. Any war will be suicide. But there are people who want to commit suicide. Eventually there must and will be one world. It is useless to discuss now whether that world will be socialist or capitalist.

The Vice President: Interjected—Maybe it can be both. Things change.

Mr. Gomulka: Agreed, saying that the socialist world will change, that socialism is subject to change, that everything is subject to change. He hopes to live to the day when we could only reminisce with the Vice President on today's differences. He repeated that the socialist world is changing. The first thing which we must do is to raise the standard of living. This will be done and the socialist countries will reach the same standard of living as the more advanced West. Then agreement may come. There will be no need for propaganda, no need for press attacks and distortions. People will see for themselves.

The time has come for the capitalists to stop hating and fearing Communism. Our people live—some more, some less, content. But the people, all the people, do not want war. No propaganda can make them want war if they are against it. We must gradually liquidate points of possible conflagration.

The Vice President: Asked Mr. Gomulka if he had ever met President Eisenhower. (Mr. Gomulka replied: "unfortunately, not yet".) The

Vice President continued that he had heard President Eisenhower describe the devastation in Warsaw in 1945. We could appreciate Polish feelings even if we had not experienced the same horrors. We certainly feel as strongly as does Mr. Gomulka on the question of peace. Mr. Gomulka would agree that President Eisenhower had seen war. He (the Vice President) had been sitting at the Cabinet meetings with the President for 6-1/2 years, just across the table. Every week he had heard the President talk of the need to build peace and a better life for all. He had heard the President say that if the world disarmed, substantial savings could be available for aid in the development of backward countries. The Vice President knew that it was sometimes said that the American people were for peace and that the U.S. Government was not. Nothing could be further from the truth. We had had our losses, too, in our war experience. Secretary Herter had lost a brother. He had been himself in the Pacific Theater and seen his friends killed around him. He wanted to assure Mr. Gomulka that the United States' power would always be used for peace and against aggression from whatever source.

The Vice President then suggested that we had already taken too much of the time which Mr. Gomulka had so generously put at our disposition and the meeting terminated at 17:45.

In parting—

Dr. Eisenhower: Assured Mr. Gomulka that he would report not only the substance but the spirit of today's conversations to President Eisenhower.

The Vice President: Told Mr. Gomulka that he had come here a friend of Poland—he would leave a better friend of Poland.

75. Editorial Note

After his plane landed in Washington from Warsaw on August 5 at approximately 4 p.m., Vice President Nixon went directly to the White House to report to the President on his trip to the Soviet Union and Poland. Others present at this conference, which began at 4:45 p.m., included Under Secretary of State Dillon and Milton S. Eisenhower. In his memorandum of August 5 summarizing this conversation, John S. D. Eisenhower wrote that the Vice President began by reporting on his trip to the Soviet Union and later discussed his trip to Poland as follows:

“The Vice President then said the most significant thing of the whole trip was the attitude of the people in Warsaw. Whereas the Soviet

people were friendly, those in Warsaw were downright emotional. This, the Vice President feels, is the true Achilles Heel of the Soviet system. He said Warsaw has rebuilt amazingly. (He told a story of how he himself had reprimanded a guard who had been browbeating a friendly crowd in Sverdlovsk.) In contrast to Warsaw, the Soviet Union is oppressive and depressing. Dr. Eisenhower added that in spite of this atmosphere, he had been told that things have improved considerably in the Soviet Union. He went on to describe Gomulka as proud and tough, a match for Khrushchev. Gomulka prizes his independence and will not be pushed around by Khrushchev. The Vice President described Gomulka's distress over our press versions of aid to Poland. When we say that we are giving aid for the sole purpose of splitting Poland from their ally Russia, this forces Gomulka to take steps to deny this allegation. The President agreed that Gomulka may have a point." (Eisenhower Library, Whitman File, DDE Diaries)

The other portions of this August 5 memorandum are in Part 1, Document 106.

76. Telegram From the Embassy in Poland to the Department of State

Warsaw, August 6, 1959, 4 p.m.

220. We consider objectives envisaged for VP's visit were fully achieved, some beyond expectation.

VP's appearance gave population tremendous morale lift, dramatically rekindling sentimental ties between US-Polish peoples and conveying feeling US has not abandoned Poland. We get sense result viewed with certain ambiguity by Polish regime. Latter had anticipated pro-American demonstrations but probably not to extent where it was exploited by Western press as evidence division between people and government. On other hand official remarks to my colleagues indicate regime quite pleased with confirmation of international identity for Poland. In his public remarks VP handled dichotomy with just the right touch, thanking Polish people first for their warm receptions and then thanking government for its hospitality.

In VP's exposition US stand on world affairs, believe we may even have made some progress in correcting Polish view of our German pol-

icy which we had considered almost impossible task. Apparent that Polish leaders sincerely impressed by VP's unequivocal statements and examples demonstrating we do not and never would condone aggression from any quarter.¹ This is one assertion they did not attempt refute.

VP's expressed desire for continued normalization of relations and cooperative association with Poland taken at face value and well received. May be shortly put to the test in pending claims question which we did not have opportunity to develop fully but did not try to evade. Evident that Poles remain interested in maintaining and expanding economic relations with West, difficult as this may be technically. In his public remarks VP quite rightly mentioned differences between American and Polish systems. Both Soviet Ambassador and myself congratulated Prime Minister on his speech at our reception and he seemed enigmatically pleased.

In official talks Polish leaders were cool, aggressive, yielding very little except perhaps recognition US good intentions as distinct from policies. Nothing in turn yielded by US side beyond friendliness and sympathetic interest in Polish welfare and largest feasible measure of independence. Easy to see Polish leaders deeply resented as being too close to the truth Western reports representing mass reaction in light Polish people still not yet free. On "captive nations resolution"² Polish officials simply pressed too far through recurrent mention even in social conversations. On other hand there were no planted questions nor snide remarks deprecating US achievements as was apparently case in USSR.

To VP's apt characterization of Gomulka published in this morning's Radio Bulletin I would add impression, based on performance, that Gomulka is comparatively humane, relying on argumentation rather than force or "administrative measures" carry conviction. Would also give him more credit than deemed possible in past for ability to influence Soviets.

All Americans in Warsaw with whom Embassy has talked are immensely proud of success achieved by VP and Mrs. Nixon. There was not a single false note in quite difficult and delicate situation. Besides lending added distinction Drs. Eisenhower and Elliott, Admiral Rickover and George Allen engaged in very useful talks with Polish counterparts which have been recorded and will be transmitted by mail.³

¹ Reference is to Nixon's departure statement made in Warsaw on August 5. For text, see Department of State *Bulletin*, August 24, 1959, pp. 271–272.

² See footnote 1, Document 74.

³ Embassy reports on these conversations are in Department of State, Central File 033.1100–NI.

Further implications visit deserving of study both in Washington and Warsaw and will be well worth considering how widened channel to Polish people and government can best be kept open and used.

Department pass internally and externally as desired.

Beam

77. Report by Milton S. Eisenhower

Washington, August 6, 1959.

[Here follows Eisenhower's report on the Vice President's visit to the Soviet Union.]

EFFECT OF THE VISIT TO POLAND

(The following portion of this brief report was written on the day after our return to the United States).

After the tumultuous reception which the Vice President and his party received upon their arrival in Warsaw, there could be no doubt of the friendly feeling the people of Poland have for the people of the United States.

On the basis of the Vice President's five-hour discussion with Mr. Gomulka¹ and other visits which I had with officials, high and low,² I have reached these conclusions:

(1) The people of Poland have a warmer feeling for the United States than they do for the USSR.

Source: Eisenhower Library, Whitman File, Name Series. Confidential. Eisenhower wrote this report at the request of Vice President Nixon. The first eight pages of the report, on the Soviet Union, are not printed. Under cover of a letter of August 7 to Ann Whitman, Milton Eisenhower transmitted a copy of the report and wrote, "The President might like to see it. If he reads nothing else, I hope he will glance through the section on Poland. I think Radio Free Europe broadcasts to Poland should be reconsidered, at the highest level—but not before the Vice President expresses his judgment on this to the President." The President wrote the following note on this letter and initialed it: "Show comments on Poland to Gen. Allen, Sec. Dillon, Allen Dulles, and send each a copy." Under cover of a memorandum dated August 12, Kohler sent Dillon a copy of Milton Eisenhower's report. A copy of this report and Kohler's memorandum, which bears Dillon's initials, is in Department of State, Conference Files: Lot 64 D 560, CF 1411.

¹ See Document 74.

² Despatch 67 from Warsaw, August 13, summarizes the conversations of members of Nixon's party with Polish officials. (Department of State, Central Files, 033.1100-NI/8-1359)

(2) The leaders of Poland, firm communists and therefore closely tied to the USSR, nonetheless are also militant nationalists and will continue to insist upon a degree of independence and freedom of action.

(3) While the people are divided in their allegiance to socialism and private enterprise, they show no evidence of a willingness to revolt.

(4) Radio Free Europe's broadcasts are strengthening the hands of Poland's communist leaders, rather than weakening them. This assertion requires some explanation.

No nation in the world has suffered more from war than has Poland. It has disappeared and reappeared, had its boundaries shifted, its people and resources destroyed time and time again. The people want no more of this. They want to be independent and live in peace. They feel they cannot exist without a powerful ally to protect them. Between Germany, which they hate with indescribable intensity, and the USSR, which they fear, they believe they have no other choice than to depend upon Soviet power. Their present leaders have given them some degree of national independence, have lessened internal tensions, have tried to satisfy the rural population by restoring private ownership of land, and have led the nation upward economically. Life in Poland is ever so much better than it is in the USSR.

Propaganda efforts to drive a wedge between Poland and the USSR, or to discredit their leaders, frighten the people. Further, some of these broadcasts, evidently patterned after early American "yellow journalism", telling tales of the sex life of leaders and their wives, and otherwise seeking to ridicule the leaders, cause the people to discredit the credibility of all the broadcasts.

My information is based solely upon long conversations with three different individuals who themselves have listened to these broadcasts.

It must be kept in mind that the leaders and people of Poland believe Radio Free Europe is an *official voice of the United States government*—not a private enterprise. Indeed, several times Mr. Gomulka and other officials stated that these were official broadcasts and neither the Vice President nor Ambassador Beam felt they could assert otherwise.

Quite apart from any other consideration, it is, I think, degrading to our government to be associated with broadcasts of the type indicated.

It seems to me that at once we should (a) have only American citizens do the broadcasting in Polish on Radio Free Europe, (b) greatly improve their tone, eliminating "yellow journalism" material, (c) by constantly telling only the truth, establish these broadcasts as a primary source of news and ideas. This does not mean that we should not keep telling the Polish people that life would be better in a free society, that they should have free elections, and so on. It merely means that we must make effective what I assume our purpose is in having the broadcasts at all.

Poland is probably the "Achilles Heel" in the Socialist camp. It is therefore of crucial importance that the programs of all American agencies, including the broadcasts of Radio Free Europe, be integrated and consistent, one with the other.

78. **Memorandum From the Deputy Chief of the Division of Research and Analysis for the Soviet Union and Eastern Europe (Keppel) to the Officer in Charge of Polish, Baltic, and Czechoslovak Affairs (Sherer)**

Washington, August 7, 1959.

SUBJECT

The Vice-President's Trip to Poland

While it is too early to assess the effect, if any, of the Vice-President's conversations with Party Secretary Gomulka on the future course of United States-Polish relations, some beneficial results of the visit are readily apparent.

1) The visit provided a clear demonstration of United States' popularity in Poland. While the extent of pro-American sentiment in Poland has been well known to the Department for a long time, the American people were not fully aware of it.

2) The reception accorded the Vice-President in a country behind the iron curtain has been well-noted in Western Europe where it probably provided a useful antidote to the impression produced by his South American tour.

3) While it is not to be expected that Mr. Nixon was able to change Gomulka's outlook on world affairs, he probably was able to give the Polish leader a better appreciation of the United States position than this somewhat parochial communist had had before.

4) Gomulka's well-known nationalistic sentiments and his oft-expressed concern for Polish state sovereignty must have received a considerable boost as a result of the visit. The attention accorded him by the United States could be reasonably expected to have modified somewhat his anti-American feelings. While this may not have an appreciable effect on Gomulka's public pronouncements attacking "American capitalist circles", it may serve to ease further the steady expansion of United States-Polish contacts.

5) The timing—within two weeks of Nikita Khrushchev's first state visit to Gomulka's maverick Poland¹—was of particular signifi-

Source: Department of State, Polish Desk Files: Lot 64 D 152, Vice President's Trip to Warsaw. Confidential. Drafted by Irene Jaffe of INR and initialed by Keppel and Sherer.

¹ Khrushchev visited Poland July 14-23, 1959. A copy of Intelligence Report No. 8066, dated August 3, entitled "Khrushchev's Trip to Poland 14-23 July 1959: Polish Domestic Autonomy Recognized," which analyzes the importance of this visit, is in the National Archives and Records Administration, RG 59, OSS-INR Reports.

cance. With the help of the Polish people, much statecraft on the part of both governments, and some luck, the visit provided exactly the balance needed to offset some of the possible detrimental effects of Khrushchev's visit on Polish sovereignty.

6) Without constituting a United States endorsement of a communist regime, the visit did show American appreciation of the distinctive characteristics of the Gomulka regime which render it the most liberal—and relatively the most popular—of the iron curtain dictatorships.

7) The careful programming—which provided no occasion for major public speeches but did afford an opportunity for public sentiment to manifest itself and paid honor to the religious sentiments of the Polish people without provocation to the Polish government—resulted in a visit which pleased the population without offending the government, and without rendering its position vis-à-vis the USSR more difficult. Indeed the visit probably improved the regime's position in this respect.

8) American recognition of Polish uniqueness, coming immediately after Soviet endorsement of Polish deviationism, could not have been lost on the leaders of satellite countries. Obviously, Gomulka's relative responsiveness to public sentiment has gained him greater prestige in the world than their disregard of it. It may give some of the Eastern European communist leaders food for thought.

79. Memorandum of Conversation

Washington, August 10, 1959.

SUBJECT

Discussion with Polish Ambassador Regarding Vice President's Visit to Poland

PARTICIPANTS

The Polish Ambassador, Romuald Spasowski
Mr. Foy D. Kohler, Acting Assistant Secretary of State
EE—Albert W. Sherer, Jr.

The Polish Ambassador called at his request to obtain Mr. Kohler's reaction to the Vice President's visit to Warsaw. The Ambassador

opened the conversation by saying that he had received encouraging messages from Warsaw about the visit and although, of course, there had been no time to complete any final analysis the preliminary opinions were that the visit had been very useful.

Mr. Kohler agreed that in our view the visit had been very successful and complimented the Ambassador upon the very efficient arrangements which had been made by the Foreign Ministry, particularly the Protocol Section. Mr. Kohler then reviewed for the Ambassador the various subjects that had been discussed during the Vice President's conversation with Gomulka.

On the subject of nationalization claims the Ambassador asked if he thought it had been useful to discuss this subject at this level. Mr. Kohler replied that he was a little disappointed that the subject had been discussed at such a high level as he was afraid that it might freeze the positions which had so far been adopted. Mr. Kohler expressed the thought that the question had been approached on the Polish side from too bureaucratic a point of view and that some of the Polish technicians appeared to be penny wise and pound foolish.

At the conclusion of Mr. Kohler's presentation Ambassador Spasowski asked if it would be possible for the Department to assist the Polish Embassy in inviting the Vice President to attend a dinner at the Embassy. Mr. Kohler replied that we would be glad to approach the Vice President on this subject and would let the Ambassador know the Vice President's decision.¹

The Ambassador then asked if the recently proposed disarmament group would include Poland.² Mr. Kohler replied that if the surprise attack formula³ were followed, then, of course, Poland would be included in the new group, but that this subject is still under discussion and it is not possible to give any definite answers at this time. Mr. Kohler added that if the new group were organized it would be established outside the UN but would report to that organization.

¹ No documentation on whether Nixon was able to attend a dinner at the Polish Embassy has been found in Department of State files.

² Reference is presumably to the Declaration on Disarmament issued by the Foreign Ministers of France, the United Kingdom, the United States, and the Soviet Union at the conclusion of the Geneva Conference on August 5. Subsequent consultations led to the announcement on September 7 by these four governments of their decision to set up a Ten-Power Disarmament Committee consisting of representatives of these four powers and Bulgaria, Canada, Czechoslovakia, Italy, Poland, and Romania. For texts of the two statements, see Department of State *Bulletin*, August 24, 1959, p. 269, and September 28, 1959, pp. 438-439.

³ Reference is presumably to the Western statement at the Geneva Surprise Attack Conference issued on December 17, 1958, at the close of the Conference of Allied and Communist experts on prevention of surprise attack. For text of this statement, see *Documents on Disarmament, 1945-1959*, vol. II, pp. 1306-1316.

80. **Memorandum From the Operations Coordinator (O'Connor) to the Deputy Under Secretary of State for Political Affairs (Merchant)**

Washington, August 26, 1959.

For your information or action, there is quoted below an excerpt from the preliminary and informal notes of U/OP on the OCB meeting of August 26:

**"SEMI-ANNUAL APPRAISAL OF OPERATIONS
PLAN FOR AND POLICY ON POLAND¹**

"Mr. Albert W. Sherer and Mr. Valdemar N. Johnson, of the Office of Eastern European Affairs, were present for the discussion of this item.

"In presenting this paper to the Board, the Acting Executive Officer noted that language in two paragraphs relating to Polish accession to the IMF, IBRD, and GATT,² on which the Departments of State and Treasury differed, was now being discussed between State and Treasury in another forum and the Board, therefore, might wish to consider other aspects of the paper. The Board agreed that the Working Group should reflect the outcome of the State-Treasury discussions in the paper for approval by the Board Assistants for their principals.

"The Board discussed Ambassador Beam's suggestion that consideration be given to how the widened channel to the Polish people and government flowing from the Vice President's visit to Poland³ can best be kept open and exploited. Mr. Sherer pointed out that the Department had continually been exploring the potentialities of expanding contacts with the Polish people and government and that particular attention

Source: Department of State, OCB Files: Lot 61 D 385, Poland General. Secret. Drafted by W. J. Sheppard of the Office of the Operations Coordinator.

¹ The Operations Plan for Poland, dated August 18, was a revision of the August 6, 1958, plan and earlier versions dated July 10, July 30, and August 6, as prepared by an OCB Working Group and reviewed and revised by the Board Assistants at their meeting on August 14. A copy of the Semi-Final Draft of the Semi-Annual Appraisal of Operations Plan for and Policy on Poland, dated July 10, which includes the July 10 draft of the Operations Plan for Poland, is *ibid.*: Lot 66 D 661, OCB Poland (NSC 5808/1). No copies of the other versions have been found. The August 6, 1958, plan the Board Assistants were considering, which was revised on September 23, 1959, is printed as Document 83.

² Reference is to paragraphs 9 and 40 in the Operations Plan for Poland. In the July 10 draft of this plan, these paragraphs concern the U.S. position toward Polish membership in the International Monetary Fund and the International Bank for Reconstruction and Development, extension of most-favored-nation status to Poland, and Polish membership in GATT.

³ See Document 76.

was currently being paid in this connection to the implication of the Nixon visit, the full results of which were not yet quite clear. He cited the factors which limited our rate of expansion of further contacts.

"Mr. Harr referred to the February 11, 1959 OCB Report on Poland (NSC 5808/1),⁴ which 'noted that the U.S. is developing contingency positions with respect to the German-Polish border issue' and asked the status of this action. Mr. Sherer explained that State is not developing such contingency positions since this would contravene current policy of dealing with the German question as a whole rather than 'piecemeal'. Mr. Murphy observed that while he concurred generally in Mr. Sherer's remarks with regard to further U.S. actions, he did not feel we should exclude the likelihood of some initiative on the part of the German Democratic Republic, noting the possibility of a relationship between the Polish and Berlin problems.

"The Board also discussed the paragraph of the Operations Plan with regard to the inter-relationship of a claims settlement with Poland and further economic assistance. Mr. Sherer set forth the facts with regard to the claims negotiations and noted that Ambassador Beam and the Polish Minister of Finance would be in the U.S. this autumn during which visit it could be expected that the claims settlement would be further examined. In response to a query of Mr. Harr as to how 'hard-nosed' the Department was in connecting the claim settlement with economic assistance, Mr. Sherer noted that while we had told the Poles in effect that we were willing to look sympathetically at any emergency needs they might have for assistance, we had at the same time indicated to the Poles that economic relations between Poland and the U.S. could not really be normalized until U.S. claims are settled.

"Mr. Sherer questioned whether the language agreed to between State and Treasury on IBRD and IMF may require a review of National Security Policy toward Poland. Mr. Harr conceded that this might be the case and implied that this would be one of the elements which the Board Assistants would review on behalf of their principals.

"Mr. Williams (Defense) complimented Mr. Sherer for a 'fine job' on the 'comprehensive paper'."

Jeremiah J. O'Connor⁵

⁴ Document 64.

⁵ Printed from a copy that bears this typed signature.

81. Memorandum of Conversation

Washington, August 26, 1959.

SUBJECT

Polish association with the GATT

PARTICIPANTS

C. Douglas Dillon, Acting Secretary of State
Robert B. Anderson, Secretary of the Treasury
W.T.M. Beale, Deputy Assistant Secretary for Economic Affairs
John M. Leddy, Special Assistant to the Under Secretary

Mr. Dillon referred to the discussion in the OCB of Poland's limited participation in the GATT and the attitude of the U.S. towards Polish membership in the IMF and IBRD.¹ Mr. Dillon said that the State Department was entirely willing to accept the Treasury wording regarding the U.S. attitude towards Polish membership in the IMF and IBRD. Mr. Dillon pointed out that the Department of State was just as firmly opposed to full Polish membership in the GATT as was the Treasury Department. He pointed out that at the last GATT Session the U.S. had taken its position towards Polish association with the GATT² only in order to carry out the agreed policy of helping the Poles to be more friendly to the West. He said that the function of the Working Party which was going to meet in Geneva next week was to discuss some sort of associate membership on the part of Poland. He then summarized the position set forth in recommendation 2, of TAC D-211/Rev. 3, August 19, 1959.³

Mr. Anderson expressed the view that it was not in the U.S. national interest to develop formalized trade arrangements with the U.S.S.R., Poland, Yugoslavia and other Iron Curtain countries. He said that he was not opposed to the physical characteristics of trade but felt that to support closer Polish association in the GATT was like bringing a Trojan horse voluntarily into our midst.

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Beale and approved by Robert C. Brewster, Dillon's Special Assistant, on September 2.

¹ See Document 80.

² At the 14th Session of GATT held in Geneva May 11–20, the United States opposed Poland's application for full accession to GATT but proposed that the Contracting Parties undertake a study of whether some limited form of Polish participation would be technically feasible and, if so, what the specific nature of such participation might be. (Department of State, *Current Economic Developments*: Lot 70 D 467, Issue No. 571, May 12, 1959) The report of the U.S. Delegation, June 1, is printed in Department of State *Bulletin*, June 22, 1959, pp. 917–919.

³ Not found in Department of State files.

Following further discussion, Mr. Anderson agreed that we should support Poland's associate membership in GATT provided there was a clear understanding that we would inform the Polish Government that the U.S. is not going to support Poland for full membership in the GATT and is not going to support Poland for membership in the IMF and the IBRD. Mr. Anderson said that we should say emphatically to the Poles that "you are foreclosed from full membership in the GATT and you are not going to be in the Fund and the Bank". Mr. Anderson said that he would write a memorandum of understanding and would appreciate receiving acknowledgment of it from Mr. Dillon.

In conclusion, Mr. Dillon referred to the fact that the basic National Security policy⁴ provides for treating Poland differently than other Iron Curtain countries. Mr. Anderson said that he was not aware that this was the case and that the matter should be looked into.

⁴Reference is presumably to NSC 5810/1, "Basic National Security Policy," scheduled for publication in volume III.

82. Editorial Note

From June 26 throughout the summer, Ambassador Beam continued to negotiate with Remryk, Kotlicki, Director General of the Ministry of Finance, about a settlement of the claims question while the technical talks between the Polish and U.S. claims experts continued in Warsaw from July 6 to the middle of August. When Tadeusz Lychowski, Economic Minister of the Polish Embassy, was in Warsaw in June, he called on Beam on June 25 to express his concern that linking nationalization claims with progress on other economic questions would produce serious political effects in Poland. Beam replied that it was necessary for his government to consider the future of overall economic relations with Poland in which claims compensation played an important role.

At a meeting on June 26 when Kotlicki mentioned the possibility of a \$20-million lump sum figure, Beam repeated that the \$125-million U.S. proposal represented a great reduction from the total value of claims U.S. Government officials believed valid. Kotlicki stated the Polish side did not wish to prolong the negotiations and he hoped agreement could be reached by the end of July. Copies of telegrams 1710 and 1714 from Warsaw, July 26, summarizing the meetings of June 25 and 26, respec-

tively, are in Department of State, Central Files, 248.1141/7–2659. Copies of the telegrams and minutes summarizing the claims talks by the experts are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1959—U.S.-Polish Claims Talks.

After his return from Warsaw, Lychowski met with Foy D. Kohler, Deputy Assistant Secretary of State for European Affairs, on July 6 to discuss the claims negotiations. Lychowski said the \$20-million offer was based on an estimate by experts of the prewar value of American property in Poland less 40 percent for war damage. Kohler replied that the Polish offer of \$20 million was “ridiculous and did not advance the negotiations.” Kohler concluded, however, that it was his government’s intention to seek “a fair and reasonable settlement.” A copy of the memorandum of conversation, dated July 7, is *ibid*.

At a meeting with Kotlicki on July 31, Beam stated the United States was willing to accept \$75 million in settlement of claims for their nationals. Kotlicki countered with an offer of \$24 million. On August 11, Beam told Kotlicki that the Polish offer was unacceptable. After the meeting, Beam told Kotlicki privately that it was his government’s desire to maintain and expand U.S.-Polish economic relations but that the main obstacle to future economic relations was the claims settlement problem. Copies of telegram 192 from Warsaw, August 1, which summarizes the meeting of July 31, and telegrams 244 and 245 from Warsaw, both August 12, which summarize the discussions of August 11, are in Department of State, Central Files, 248.1141/8–159 and 248.1141/8–1259.

During August and September, Polish Embassy officials laid great stress on Poland’s urgent need for agricultural commodities under P.L. 480. The Committee on Non-Agricultural Commodities, as part of the economic negotiations, had met on June 18 and 24 at Lychowski’s request to discuss the possibilities for private credits and technical assistance. Copies of the minutes of these meetings are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters 1959: US Aid to Poland—Talk and Position Papers. On August 17, Lychowski met with Beale and presented his government’s request for additional P.L. 480 assistance to compensate for shortages of cotton and fodder. Lychowski called on Beale again on August 21 to request more prompt action and to explain that his government believed that aid discussions and the claims negotiations should not be linked. He said that the favorable climate resulting from the Vice President’s recent visit to Poland and the current fodder and cotton shortages warranted emergency aid to Poland.

On August 28, Beale told Lychowski that the United States was prepared to reconvene the U.S.-Polish Committee on Agricultural Commodities. Polish officials presented on September 4 to the Committee

their request for fodder grains, wheat, cotton, and vegetable fats with a total export market value of \$58.5 million. Copies of the memoranda of conversation dated August 21 and 28, which summarize the Beale-Lychowski discussions of August 17, 21, and 28, are in Department of State, Central Files, 411.4841/8-2159 and 411.4841/8-2859. A brief summary of the Polish request for P.L. 480 commodities is in a memorandum from Kohler to Dillon, October 1, *ibid.*, 033.4811/10-159. Copies of the minutes of the meetings of the U.S.-Polish Committee on Agricultural Commodities on September 4 and 15 are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters 1959: US Aid to Poland—Talk and Position Papers.

Discussions on the claims and economic questions continued throughout September and October. On September 8, Deputy Foreign Minister Winiewicz indicated to Beam the Polish Government might revise its claims proposal if progress could be made on the restoration of the most-favored-nation treatment and the Polish emergency request for further agricultural products. He advocated considering a comprehensive, long-range U.S.-Polish economic program. On September 21, Beale informed Lychowski that since the claims negotiations were at an impasse, the Polish request for P.L. 480 commodities would not be met in full. A copy of telegram 447 from Warsaw, September 8, which summarized Winiewicz's discussion with Beam, is in Department of State, Central Files, 248.1141/9-859. A copy of Kohler's October 1 memorandum to Dillon, which summarizes the October economic negotiations, is *ibid.*, 003.4811/10-159.

On September 28, while Beam was in Washington, Kotlicki communicated to Frank Siscoe, Chargé of the Embassy in Warsaw, a new position regarding a claims settlement: for compensating economic advantages, they would agree to up to \$32 million as a lump-sum settlement, the Polish estimate of the true value of American claims. The compensating economic advantages were: 1) most-favored-nation status; 2) release of blocked assets, estimated by the Poles at \$2 million; and 3) lightening of the burden of repayment on debt owed to the U.S. Government. A copy of telegram 578 from Warsaw, September 28, which transmitted a summary of Kotlicki's statement, is *ibid.*, 248.1141/9-2859. In his October 1 memorandum to Dillon, Kohler commented that the new Polish offer was "the most encouraging development in the negotiations to date. We doubt that the Poles will agree to settlement as high as \$50 million but we do not feel that \$32 million is their final offer." (*Ibid.*, 033.4811/10-159)

83. Operations Coordinating Board Report

Washington, September 23, 1959.

OPERATIONS PLAN FOR POLAND

I. Introduction

A. *Special Operating Guidance*

1. *Short-Term Objectives*

a. Conditions in Poland enabling, through Western influence, the promotion of peaceful evolution toward internal freedom and national independence, the reduction of the Polish contribution to Soviet strength, and the weakening of the monolithic front and internal cohesiveness of the Soviet bloc.

b. Greater political, economic and social orientation of Poland toward the West, and diminution of Soviet influence in Poland.

2. *Long-Term Objectives*

Eventual fulfillment of the right of the Polish people to live under a government of their own choosing, which maintains peaceful and stable relations with neighboring states, and participates fully in the Free World community.

3. *U.S. Interest in Poland*

a. The Communist nature of the Gomulka regime, and its close association with the USSR for ideological and geopolitical reasons (including membership in the Warsaw Pact), prevent achievement of a really independent Poland in the foreseeable future. Nevertheless, the limited independence gained by Poland since the establishment of the Gomulka regime in October, 1956, serves U.S. interests by tending to weaken the monolithic character of the Soviet Bloc; impugning the alleged universality of certain aspects of Soviet Communism, contributing to ferment in Eastern Europe; and providing new opportunities to project Western influences in Poland.

Source: Department of State, OCB Files: Lot 61 D 385, Poland Documents. Secret. A cover sheet and a statement entitled "Purpose and Use of the Operations Plan" are not printed. This plan, originally drafted on August 6, 1958, was revised on September 23, 1959. In an undated memorandum, which was revised October 8 and attached to the plan, Bromley Smith, Executive Officer of the OCB, summarized the actions taken by the OCB at its meeting of August 26; see Document 80. A footnote in Smith's memorandum states that revisions of paragraphs 9 and 40 developed by the Departments of State and the Treasury were concurred in by the agencies on September 21 and that the Board noted this concurrence at its meeting on September 23; see footnote 2, Document 80. A handwritten note on the cover sheet states that this Operations Plan for Poland was superseded by the Operations Plan of February 26, 1960; see Document 95.

b. Because of the influence which its example exerts on other Communist countries in Eastern Europe, Poland's ability to maintain its present semi-independence will be a key factor affecting future political developments in that area.

c. The United States wishes to avoid any situation which might lead to retrogression in Poland, harsher Soviet policies in the Soviet-dominated countries of Eastern Europe, or serious risk of general war. Consequently, U.S. interests currently are best served by a semi-independent Poland with a potential for evolving toward full independence by gradual means not jeopardizing the gains already made.

d. Experience has shown that U.S. policy toward Poland can be pursued effectively through the Polish government, as well as directly with the Polish people, through such means as aid, trade, and information programs. The Polish bureaucracy still contains numerous non-Communists.

4. *Special Treatment for Poland.* All government agencies should recognize that U.S. interests require a distinction in certain cases between the treatment accorded Poland and that accorded Czechoslovakia, Hungary, Albania, Rumania, and Bulgaria. Poland is considered as having gained limited independence, whereas the other countries mentioned are regarded as Soviet-dominated.

5. *Attitude Toward Gomulka Regime.* All feasible steps should be taken to promote and encourage in Poland an evolution toward greater internal freedoms and national independence. [3-1/2 lines of source text not declassified] Actions should be avoided which might be interpreted as encouraging attempts to overthrow the regime by violence or which would be likely to provoke retrogression within Poland or the use of force by the USSR. Actions should also be avoided which could be interpreted as unreserved endorsement of the Gomulka regime. Good working relations with Polish officials should be cultivated, and Polish Government channels should be exploited to the maximum extent feasible when taking U.S. actions designed to benefit the Polish people.

6. *Delicate Balance of the Polish International Position.* Because of the delicate balance of the Polish international position, care should be taken both in action and publicity to avoid placing the Polish Government in positions where it would feel compelled to affirm solidarity with the USSR. This is particularly true regarding the objective of reducing Soviet influence in Poland, as present circumstances prohibit the Polish Government from accepting without comment public statements to the effect that U.S. policies are designed to wean Poland away from the USSR. At the same time, it must be recognized that the Polish Government, in order to maintain its delicate balance vis-à-vis the USSR, and influenced by ideological prejudice as well as genuine fears of a resurgent Germany supported by the United States, will make critical

statements about the United States and its policies. Reasoned refutation of Polish statements and unpublicized representations against extravagant language will advance U.S. interests without the likelihood of prejudice to Poland's relations with the USSR.

7. *U.S. Aid.* The United States should be prepared, at Polish request, to furnish economic and technical aid to Poland at approximately current program levels for the purpose of encouraging Poland to pursue policies which would contribute to the attainment of U.S. objectives. During the course of the FY 1959 economic discussions, the Polish representatives formally submitted a request for expanded technical cooperation between the United States and Poland as part of any dollar loan program which might be agreed upon.¹ The Poles have been assured that their request is being given careful consideration, and the United States has now started preliminary discussions with the Poles on the possibility of a technical cooperation program involving both Polish participants and U.S. technicians. A United States position is currently being developed in consultations among the agencies represented in the economic negotiations with Poland. The United States should also be prepared to increase the level of aid to Poland should significant opportunities arise which would move Poland toward internal freedom and national independence. To the extent possible, without prejudicing the primary purposes outlined above, U.S. aid to Poland should be designed to: (a) reduce Polish economic dependence on the USSR and other countries of the Soviet bloc; (b) reach those sectors of the Polish economy where it is likely to be of the greatest benefit to the Polish people; (c) contribute to the development of free economic forces within Poland; and (d) provide to the Polish people the maximum visible evidence of the source of the aid.

8. *Increased Trade.* Trade with Poland in non-strategic goods should be encouraged to the maximum extent consistent with the established policy of maintaining a distinction between the treatment accorded Poland and that accorded other Eastern European countries. Strategically-rated goods, including embargo-type items, may be made available to Poland from Western countries on a case-by-case basis as such goods are shown to be reasonable and necessary to the Polish civilian economy (as determined in each case by reference to the stated civilian uses, and with due consideration to the strategic risk involved).

9. *Possible Polish Membership in IMF and World Bank.* The United States should oppose Polish membership in the International Bank and International Monetary Fund. The Poles are being advised that the

¹This Polish request for expanded technical cooperation was made on March 4; see Document 67.

United States will not support any application from them for readmission to the Bank or Fund.

10. *Increased Contacts and Exchanges.* Subject to security safeguards, an especial effort should be made through official and non-official channels to increase scientific, economic, academic, and cultural contacts and exchanges between the United States and Poland. In some instances it will be desirable to include known Polish Communists in the exchange program in cases of individuals known to be influential and whose exposure to life here would be in the best interests of the United States. In view of the favorable trend under present informal arrangements, initiation by the United States of negotiations leading to an overall formal exchange agreement with Poland is not recommended at this time. As part of the official exchange program, Polish leaders should be invited to the United States and the United States should be prepared to send U.S. leaders to Poland. Invitations to Polish leaders should be extended in such a manner that they may be refused without publicity or embarrassment.

11. *Peaceful Uses of Atomic Energy.* Opportunities should be utilized for cooperation in the unclassified, peaceful uses of atomic energy, including, under appropriate safeguards, the training in the United States of Polish scientists in non-sensitive fields.

12. *Information Program.* The goals of the U.S. information and cultural program in Poland are to provide Poles with information useful to them, over a period of time, in their efforts to achieve a greater degree of independent authority and popular control in the direction of their own affairs, and to give the Polish people a sound and sympathetic understanding of United States policy and the American people. The official U.S. information and cultural program in Poland (currently conducted largely on an informal basis) should be strengthened to the extent feasible. The activities of private U.S. individuals and organizations should also be encouraged to the extent that the activities contribute to the achievement of the goals set forth above. It is important to plan and conduct information activities so that the above objectives are furthered without incurring the suppression of these activities either because of Soviet pressure or because of the Polish regime's concern that USIA activities, because of their nature or scope, would tend to frustrate the attainment of the regime's internal goals. It must be recognized that the number of personnel that can be assigned the Embassy in Warsaw for the information and cultural work is limited, while the demand among the Poles for more information materials about the United States is practically unlimited.

13. *Defectors and Escapees.* In general, current policy on defectors, escapees, and refugees continues to apply to Polish nationals. [3 lines of source text not declassified] Publicity concerning Polish defectors, escap-

ees, and refugees should be avoided unless it is the view of the Department of State and other agencies concerned that such publicity would produce a net advantage to the United States.

14. *Oder-Neisse Line*. The Western Allies have taken the position that the Oder-Neisse line is temporary and that the final boundaries of Germany should be fixed in a peace settlement with the agreement of an all-German government. They have taken no position on where the boundary should be. The German Federal Republic has from time to time hinted at the desirability of finding some compromise solution of the border question. However, it would be unwise for the United States to take a position on the boundary, at least until prospects for a settlement are more promising, because to do so would incur the ill will of either the Poles or the Germans, or both.

[Here follow Section B, "Selected U.S. Agreements With or Pertaining to Poland," and Part II, "Current and Projected Programs and Courses of Action."]

84. Memorandum From the Acting Chairman of the Operations Coordinating Board Working Group on Poland (Johnson) to the Executive Officer of the Operations Coordinating Board (Smith)

Washington, September 28, 1959.

SUBJECT

Semi-Annual Appraisal of Operations Plan for and Policy on Poland

A. *Appraisal of Policy*

The agencies represented on the Working Group for Poland have reappraised the validity and evaluated the implementation of the U.S. Policy Toward Poland (NSC 5808/1)¹ in the light of operating experience and believe there is no need for the National Security Council to review the policy at this time and that there are no developments of such significance as to warrant sending a report to the National Security Council.

Source: Department of State, OCB Files: Lot 61 D 385, Poland Documents. Secret.

¹ Document 46.

B. *Appraisal of Operations Plan*

The Working Group has reviewed the "Operations Plan for Poland," dated August 6, 1958,² and considers it adequate for the present time except for a few updating and other minor changes which are indicated in the Operations Plan for Poland³ as concurred in by the members of the Working Group.⁴

Manning H. Williams

for

Valdemar Johnson, Acting Chairman
OCB Working Group

²Regarding the August 6, 1958, Operations Plan, see footnote 1, Document 80.

³The Operations Plan for Poland, revised September 23, 1959, includes these updated and minor changes. [Footnote in the source text.]

⁴In an attached September 28 memorandum to the OCB, Smith wrote that the final action by the Board Assistants was their concurrence by telephone on September 28, on behalf of their principals, that no review of NSC 5808/1 by the National Security Council was necessary. (Department of State, OCB Files: Lot 61 D 385, Poland Documents)

85. Memorandum of Conversation

Washington, October 6, 1959.

PARTICIPANTS

U.S.

Mr. Robert Murphy, Under
Secretary of State
Mr. F.D. Kohler—EUR
Mr. E.S. Glenn—LS/I

Poland

Mr. Edward Ochab, Minister of
Agriculture¹
Ambassador Romuald Spasowski
Dr. Marian Dobrosielski, Minister
Counselor for Economic Affairs of
the Polish Embassy

The conversation took place at a reception of Under Secretary Murphy. It was interrupted several times by various guests and by

Source: Department of State, Central Files, 748.13/10-659. Confidential.

¹Minister of Agriculture Edward Ochab arrived in New York on October 1 for a 2-week visit to the United States at the invitation of the U.S. Government under the leader program of the International Educational Exchange Service of the Department of State. He visited several areas of the country for the purpose of observing agricultural production, research, and education. He was accompanied by two other leader grantees, Jan Stanislaw Gućwa, Under Secretary of State in the Ministry of Agriculture, and Felicjan Dembinski, Chairman of the Scientific and Technical Council of the Ministry of Agriculture. Ochab also met with officials in Washington on October 2, 3, and 14; see Documents 87-90.

newspapermen trying to interview Mr. Ochab; in particular, Mr. Kucherov of the "U.S. News and World Report", interviewed Mr. Ochab in Russian about the question of agricultural cooperatives in Poland.

Mr. Ochab directed the conversation towards the question of Polish-German relations and of the Western borders of Poland. He spoke of the great sufferings of the Polish people during the war.

Mr. Murphy said that he had seen the destruction of Warsaw when he accompanied General Eisenhower, whose political adviser he was at the time.

Mr. Ochab said that the Poles were well aware of the part played by the U.S. in the war. He himself had often cheered the advances of the U.S. Army and mourned its temporary setback in the Ardennes at the time when he was a member of the first Polish Army.

Mr. Murphy stated that the time had come to look towards a future different from what the past had been.

Mr. Ochab said that the Poles had great misgivings in regard to West German policies. It is not that they are unfriendly towards all Germans. On the contrary they greatly admire German culture and feel that men like Beethoven, Goethe, Schiller and Heine belong to all humanity.

Mr. Ochab considers Mr. Murphy as an expert on German affairs. How can Mr. Murphy explain that the nation which produced such great thinkers and authors should have voted for Hitler? (The latter remark was not interpreted into English because of interruptions.)

Mr. Ochab returned to the subject and complained about the activities of German revisionist groups, statements in the German press and the fact that Chancellor Adenauer has posed for a photograph dressed in the mantle of the medieval Teutonic Knights of the Cross, an Order which had done great harm to Poland and initiated the German push to the East. He enumerated various anti-Polish activities of the Germans in the recent and more distant past and said that German youth was being educated in the same anti-Polish way which had led to the activities of the HKT (a German organization aiming at the settlement of the Polish Province of Prussia by ethnic Germans).

Mr. Murphy said that he felt that the situation had greatly changed. We do not live in a static world. Mr. Murphy mentioned that he was from Milwaukee which at the time of his boyhood was more than 50% German. It is now more than 60% Polish and the change, great as it was, took place without any bloodshed. Didn't Mr. Ochab feel that the situation had changed?

Mr. Ochab said that the policies of the West German Government were dangerous and encouraged the spirit of revenge among the German people. Anyone with some political experience could not fail to un-

derstand that the question of the Polish-German borders is closed, since it could be reopened only by war. Yet Chancellor Adenauer, in spite of his great political sophistication, failed to make this clear to the German people.

Mr. Murphy asked what Mr. Ochab would have done, as a practical politician, if he had been in Mr. Adenauer's place with 9 million voters transplanted from the former German territory taken over by Poland.

Mr. Ochab said that the attitude of the German Government lacked frankness and that it would have been better for everybody, Germany included, if it had been otherwise. For instance, the question of Lwow and Wilno² was also a disturbing political question in Poland ten years ago. It is no longer so because of the frankness with which the Polish Government told the Polish people that the question of the borders had to be considered as closed.

Mr. Murphy suggested that the Polish Government had more powerful means of political persuasion at its disposal than did the German Government. Didn't Mr. Ochab think that the situation had changed, if it did not and if the future was to be only a repetition of the past, then statesmen might as well give up.

Mr. Ochab agreed that the situation had changed:

1. Because the Polish border was now on the Oder and the Neisse, along a line easy to defend;
2. Because of the existence of East Germany;
3. Because of the existence of the Warsaw Pact; and
4. Because of some changes in West Germany (these remarks were not fully interpreted because of interruptions).

Mr. Murphy said that he was glad that Mr. Ochab agreed that the situation had changed.

Mr. Ochab took his leave of his host shortly thereafter.

²The cultural centers of Lwow and Wilno in eastern Poland remained outside the frontiers of Poland after World War II when the border was shifted 150 miles to the west. These cities were incorporated into the territory of the Soviet Union.

86. Memorandum of Conversation

Washington, October 6, 1959.

SUBJECT

Call by Polish Foreign Minister on the Secretary

PARTICIPANTS

The Secretary

Polish Foreign Minister Rapacki¹

Others Present:

Ambassador Spasowski, Polish Ambassador to the United States

Mr. Z. Janczawski, Interpreter, Polish Foreign Office

EE—Albert W. Sherer, Jr.

LS—Edmund Glenn, Interpreter

Mr. Rapacki opened the conversation by thanking the Secretary for receiving him stating that he believed that it was a propitious moment for them to have a discussion. Mr. Rapacki added that he had enjoyed talking over several problems with the Vice President during the Vice President's trip to Poland² and that he hoped during this meeting with the Secretary that they might also discuss several aspects of US-Polish relations.

Security Council Election

The Secretary stated that there was one point he wished to make immediately, namely to explain why we are supporting Turkey for election to the Security Council rather than Poland. The Secretary referred to his press conference earlier in the day at which a reporter had asked if US support of Turkey rather than Poland was not a manifestation of the "cold war". The Secretary had replied that our choice in this matter had nothing to do with the "cold war". He explained to Mr. Rapacki that the US has never supported any one country for election to two major Council seats in the same year and he reminded the Foreign Minister that we were supporting Poland for reelection to the Economic and Social Council. Another example of the same policy, the Secretary explained, is our refusal to support India for the ECOSOC, since we are supporting her for the Trusteeship Council.

Source: Department of State, Central Files, 748.13/10-659. Confidential. Drafted and initialed by Sherer and approved in S on October 13.

¹ Rapacki was in the United States to attend the 14th Session of the U.N. General Assembly September 15-December 13.

² See Document 73.

Mr. Rapacki replied that he had also had a press conference³ in which he had discussed the Security Council question in terms of geographic representation and had noted his disappointment in the US attitude as he believed the principle of geographic representation was being violated. He added that without proper geographic representation the UN cannot be regarded as a forum for negotiation but simply one ruled by an automatic majority.

The Secretary replied that with regard to geographic representation it is our belief that the seat being vacated by Japan is a "floating seat". Rapacki replied that it had been his hope that the US this year could maintain its view that the seat was not a permanent Eastern European seat but that at the same time it would support Poland's election. Rapacki stated that it appeared to him that Turkey was put forward at the last moment which makes it appear that the US will never support an Eastern European country for the Security Council.

Mr. Herter replied that every year we have to choose between friends for many UN positions and that this is often an embarrassing choice which we do not enjoy making. Mr. Rapacki concluded this phase of the conversation by saying that he hoped that in the course of the election the US would act as though Poland were indeed a friend of the United States, and that, even though choosing between friends, the US would not use its influence against the Polish candidacy. The Secretary said that the US would always treat Poland as a friend.

Radio Free Europe

Mr. Rapacki then said that he wanted to raise another matter, namely the problem of Radio Free Europe. He said that his Government could not understand why in the present state of US-Polish relations it was necessary for a radio station under US Government control located in Western Germany to broadcast 18 hours a day in the Polish language. He stated that Radio Free Europe discusses Polish internal affairs in an "inadmissible manner" and in such a way as to contradict the better relations which presently exist between our two Governments. Mr. Rapacki continued that the Polish Government would have no objection if RFE criticism were based on the ideological differences between the socialist and capitalist systems, as such mutual criticism was to be expected; but that the type of critical comment on internal affairs now broadcast was entirely unacceptable. Secretary Herter replied that Radio Free Europe is run by private individuals most of whom are located in New York City. He told Mr. Rapacki, however, that we have had some concern about Radio Free Europe and that we were discussing certain matters with the private people who are responsible for its

³No record of this press conference has been found.

operation. Mr. Rapacki expressed the hope that the talks to which the Secretary referred would result in certain improvements. The Secretary replied that he hoped so too but that under our system of Government one could never be sure of the influence the Government could bring to bear upon private individuals. Mr. Rapacki remarked that when he had discussed this problem with John Foster Dulles⁴ and with Vice President Nixon the US Government control over RFE had not been questioned.

West German Rearmament

Mr. Rapacki then turned to a problem which he said was more complicated than the first two which had been discussed, namely the problem of West Germany. He said he hoped that the Secretary realized the concern felt by Poland as a result of the arming of West Germany with nuclear weapons. He said that this rearming coupled with West German revisionist propaganda was of deep concern to the Polish people. He said that Poles realized that revisionist tendencies are not deep rooted among the German people, as most refugees have been assimilated into West Germany and would be reluctant to return to their former homes. There is, however, a small and determined group of propagandists working under Government guidance who are attempting to convert the refugees from the border areas into a revisionist force. Mr. Rapacki said that statements by Government officials such as Mr. Lemmer, Minister for All German Affairs, reveal that the West German Government is in fact promoting this revanchist sentiment, and in particular that Mr. Lemmer said assimilation of refugees should be discouraged so that they would remain a force by the existence of which the recovery of the lost provinces would be facilitated.

The Secretary asked if Mr. Rapacki had any quotations from Mr. Lemmer's speeches which would illustrate this point. Mr. Rapacki replied that he did not have such statements with him but that he would make them available to the Secretary.

Mr. Rapacki then said that another factor which supports revanchist sentiment in West Germany is the ambiguous attitude of the US and the UK toward the Oder-Neisse frontier but that before discussing the border question Mr. Rapacki desired to discuss further the rearmament of West Germany. He stated that in the Polish view such rearmament did not affect the balance of power at the present time but that its implications for the future were very important not only to Poland but also to the US. Mr. Rapacki said that it was his Government's belief that should Germany once again become strong militarily it would play on the differences between East and West for its own pur-

⁴ Dulles and Rapacki met in Washington on October 16, 1957; see *Foreign Relations*, 1955–1957, vol. XXV, pp. 671–677.

poses. Mr. Rapacki added that the Poles were not worried by the fact that West Germany was in NATO. What worried them was the possibility that Germany was fast becoming the leading force in Europe within NATO and the principal ally of the US in Europe. This would permit Germany to use NATO rather than to be controlled by it, and would determine the direction of German policy in accordance with the wishes of revisionist elements.

After a brief conversation in which a misunderstanding developed concerning Mr. Rapacki's remarks about actions by the President while in Bonn on his recent trip⁵ the situation was clarified when Mr. Rapacki stated that he was gratified that the President had failed to provide the revanchists in Germany with any encouragement during his visit to Adenauer.

*Rapacki Plan*⁶

Rapacki then turned to the plan which bears his name stating that in answer to Western criticism of his first plan his Government had developed the two stage plan which they presently support. Under this plan there would be a freeze on the introduction of additional nuclear weapons into the limited zone to be followed in the second stage by full denuclearization as well as reduction and proper balancing of conventional forces.

The Secretary replied that we have grave reservations about proposals which are of limited scope and we feel that we must approach the subject on a broader basis. The Secretary said that today it is not a question of soldier fighting soldier but rather a struggle between scientists and therefore effective disarmament must be very broad in nature and be accompanied by the settlement of political problems. The Secretary pointed out that nuclear warfare can break out anywhere and that an attempt to make arrangements for only limited areas would not stop war. The Secretary reiterated the thought that we must solve our political problems first and then attempt to rid ourselves of the heavy burden of armaments. Rapacki replied a very practical political problem is created by the policy of equipping the West German army and other armies in this sensitive area of Central Europe with nuclear weapons. He agreed that from the military point of view such additional armaments were of no great importance but he hoped the Secretary would understand the political consequences caused by the rearmament of West Germany. An increase in the number of armies equipped with nuclear

⁵ The President traveled to Bonn August 26-27 during his trip to Europe August 26-September 7 to consult with Western Allies prior to Khrushchev's trip to the United States.

⁶ See footnote 5, Document 48.

weapons would make the disarmament talks more difficult. That is why Poland raises at this time the more limited aspect of an atom-free zone; as for the broader problem, it would be indubitably discussed at the summit where Mr. Rapacki hoped to contribute to the discussion.

At this point the Secretary said that in his view an army equipped with nuclear weapons is less likely to start trouble than one that is not. He said that he believes that any army equipped with nuclear weapons realizes that the consequences of its actions are so serious that it would not undertake use of its weapons without the most serious consideration. Rapacki appeared to be impressed by this argumentation but then remarked that it would be most unfortunate, for example, if Egypt and Israel had nuclear weapons today.

The Secretary reminded Rapacki that at one time the US had had a monopoly on nuclear weapons and had offered to internationalize the methods of production but that its offer had been turned down⁷ and the world is now suffering from such short-sightedness.

Oder-Neisse Line

Mr. Rapacki then returned to the subject of the Oder-Neisse frontier and the discussion which the Vice President had had on this subject with Mr. Gomulka. Mr. Rapacki expressed the hope that the US would not regard the frontier problem in a legalistic manner but rather from a moral and political point of view. The Secretary replied that he could assure Mr. Rapacki that the US was giving careful consideration to this and to all of the other problems Mr. Rapacki had raised but that he regretted he had another appointment and would have to discontinue the conversation at this time. Mr. Rapacki replied he regretted the conversation had to terminate as he had discussed only unpleasant subjects and was about to turn to those aspects of US-Polish policy which were gratifying to his Government. Mr. Herter replied that there had been a great improvement in US-Polish relations and that he hoped very much this would continue.⁸

⁷ When the U.N. Atomic Energy Commission began meeting on June 14, 1946, the United States proposed the creation of an international atomic development authority to control atomic energy production and to establish effective safeguards against atomic warfare. The proposal, known as the Baruch Plan, was vetoed by the Soviet Union on June 22, 1948.

⁸ On October 8, Sherer met with Bogdan Lewandowski of the Polish Foreign Ministry, who was a member of the Polish Delegation to the United Nations. Lewandowski had come to Washington with Rapacki and called on Sherer to discuss in more detail some of the problems raised by Rapacki in his conversation with Herter on October 6. Lewandowski urged the United States to take some initiatives as a result of the Nixon-Gomulka conversation which would be helpful in creating a "favorable climate" for the final stages of the nationalization claims negotiations. He suggested the U.S. Government make a general statement regarding the Oder-Neisse frontier such as de Gaulle's press conference statement of March 25 and use its influence to control Radio Free Europe. (Memorandum of conversation; Department of State, Central Files, 762.00/10-859)

87. Memorandum of Conversation

Washington, October 14, 1959.

SUBJECT

Call by Polish Minister of Agriculture on the Secretary

PARTICIPANTS

Edward Ochab, Polish Minister of Agriculture
The Secretary*Others Present:*Romuald Spasowski, Polish Ambassador
Marian Dobrosielski, Counselor of Polish Embassy
EE—Albert W. Sherer, Jr.
LS—Edmund S. Glenn, Interpreter

In welcoming Minister Ochab the Secretary referred to his recent conversation with Polish Foreign Minister Rapacki¹ and said that he had enjoyed meeting one of Mr. Ochab's colleagues in the Cabinet. Mr. Ochab replied that Rapacki was indeed a Cabinet colleague but more important they were also closely associated in the Party leadership. For this reason Mr. Ochab would not discuss with the Secretary all of the questions which had already been covered by Foreign Minister Rapacki.

Exchange of Persons

Mr. Ochab said that he wanted first to express his sincere thanks to the Secretary for the invitation he had received to visit this country. He said that the trip had been extremely interesting and worthwhile although somewhat fatiguing in view of the crowded schedule. Mr. Ochab expressed the hope that there could be more exchanges between the US and Poland. The Secretary stated that he agreed completely that such exchanges were of value and agreed that there should be more of them. Ochab continued that he would soon report to the Polish Government on certain specific matters concerning his trip and he would certainly emphasize the very friendly atmosphere he had encountered in the US. He said this friendly feeling toward Poland was not only demonstrated by monuments such as the Kosciusko and Pulaski monuments in Washington but more importantly it was evidenced by the hospitable reception he had had in this country.

Polish Historical Experience

Ochab then turned to political subjects and described how during the French Revolution, in the 1830's and again in 1939 Poland had faced

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Sherer and approved in S on October 20.

¹ See Document 86.

superior forces and had been crushed by her enemies. Poland realized that by this historic role it had given others time to prepare their defenses but the Polish people are now wary because they have been the victim too many times. The Secretary agreed that in the course of history Poland had had more than her share of misfortune resulting from her geographic position. Mr. Ochab replied that no one can change geography but that it is up to governments to affect the course of history. The Secretary said that so far as the US is concerned we have no territorial ambitions, we want all countries to develop without fear of aggression and all of our policies are adopted in accordance with this aim.

Germany and Oder-Neisse Line

Ochab said that he could speak at length about the concern felt by the Polish people for certain political moves made by the US in Western Germany. He said, however, he did not want to dwell on this point as it had been covered in Rapacki's conversation with the Secretary. He did want to make it clear, however, that Poland wanted to keep the territory it now has and would fight to retain it if necessary. The Secretary confirmed that he had discussed the German problem with Rapacki but stated that he could not agree with the Polish point of view about German "revanchism". The Secretary said he did not believe that such revenge sentiment exists to any marked degree in Germany and certainly there has not been one iota of indication that the Germans wish to settle the frontier problem by force. (At this point Ochab interrupted to ask if the Secretary saw any other possible way of changing the frontiers and the Secretary replied he did not.) The Secretary continued that he had the impression, although he could not speak for the Germans, that the German people will in the end settle for the boundaries as they now exist.

U.S. Policy

The Secretary said that as far as the US is concerned it would actively oppose any efforts on the part of the German Federal Republic to change by force its present territorial limits. He reminded Mr. Ochab that all of the military assistance we have given to the German Federal Republic has been extended on the clear understanding that it was designed to strengthen Western Europe against possible movement by the Soviet Union toward the West. He reminded Mr. Ochab that Western Europe has a sincere fear of this possibility and pointed out that after all there are many Russian divisions in East Germany and that there are 175 Russian divisions within easy reach of the eastern boundary of Western Europe. The military strength of Western Europe in relation to this vast power is very weak and the military strength of the German Federal Republic today is relatively inconsequential in the European picture. Mr. Ochab replied that it was difficult for him to agree with regard to the

statements concerning West Germany's military strength and of course he could not agree with the Secretary's analysis of the danger posed by the Soviet divisions. He said that the fear in Europe today is of a Germany with 50 million people producing 25 million tons of steel and that it is not fear of the Soviet Union because it is understood that the Soviet people do not want war. The Secretary agreed that certain Europeans still have a fear of Germany but he wanted Mr. Ochab to know that we feel just as strongly as Poland that there should never be a repetition of the actions taken by the Kaiser in World War I and by Hitler in World War II. Mr. Ochab replied that he has no doubt about the peaceful intentions of the American people but that the American people did not want Hitler and he came into power. He said that he could not understand how the German people with their great cultural traditions could have voted Hitler into power and that the Poles have cause to worry about any people who have permitted the crimes which Hitler committed. He said the Polish people question the propaganda which is now being waged in Germany about the frontiers as they fear this propaganda is in preparation for war and therefore they cannot understand the policy of rearming Western Germany. The Secretary agreed that the historical contradictions in Germany are hard to explain but that the Polish fear of rearmament of the Bundeswehr should be understood in the context that any nuclear weapons which may have been placed in Germany are securely under US control and that it is contrary to our law for it to be otherwise. Mr. Ochab said he was pleased to learn that the Secretary was also thinking of this mystery of German historic contradictions and that the US was seeking in its own way to prevent the recurrence of Naziism. He expressed the hope that as conversations such as these occurred they might lead step by step to some agreement between Poland and the US concerning how we might deal with the German problem.

Further Comment on Exchange of Persons

Mr. Ochab said that his Government was very much in favor of cultural, economic, student and professor exchanges as they were confident all those who engaged in the exchanges would learn by their visits to other countries but that they would remain faithful to their own country.

Most-Favored-Nation Treatment

Mr. Ochab expressed the hope that conversations such as this could solve certain practical problems and emphasized in this connection the psychological impact in Poland were the US to grant Poland most-favored-nation treatment. He said that without MFN the Polish people felt discriminated against and therefore in deciding this problem we should think not only in commercial terms but also keep in mind the psychological impact that it would have. The Secretary replied that we do have

certain practical problems such as that of nationalization claims and stated that if the claims problem could be solved he was sure that the question of most-favored-nation treatment could also be worked out.

Mr. Ochab concluded the conversation by saying that the Secretary's words were encouraging and expressed the hope that a satisfactory solution to the claims problem could be found so that in future conversations they might have more time to spend on points of agreement rather than upon points of disagreement.

88. Memorandum of Conversation

Washington, October 14, 1959.

SUBJECT

U.S.-Polish Trade Relations

PARTICIPANTS

United States

Mr. Frederick H. Mueller, Secretary
of Commerce

Mr. Henry Kearns, Assistant
Secretary of Commerce

Poland

Mr. Edward Ochab, Minister of
Agriculture

HE Romuald Spasowski, Polish
Ambassador

Dr. Tadeusz Lychowski, Economic
Minister, Polish Embassy

Secretary Mueller indicated his satisfaction at receiving our Polish friends here and stated that he would head a delegation which would be visiting Poland.¹

Minister Ochab thanked the Secretary and indicated that if the time available to them is not long enough to cover all of the pertinent aspects of Polish-American relations, the conversation could be continued in Poland.

Secretary Mueller described his pleasant experience with the numerous Americans of Polish descent who live in Grand Rapids and whose conscientiousness he could appreciate as an employer.

Minister Ochab expressed his satisfaction at the part played by Americans of Polish descent in contributing to friendly relations

Source: Department of State, Central Files, 411.4841/10-1459. Confidential. Drafted by Glenn, who apparently served as interpreter.

¹See Document 93.

between the two countries. He hopes that these relations will increase in both closeness and scope, in particular in the field of trade. Poland has very little trade with the United States and he would be happy to see exchanges increased.

Secretary Mueller stated trade is a two-way street. The first thing to do is to find out what commodities could be exported by Poland to the United States. In looking for such commodities, it is important that Poland seek something which could be sold in the United States over and above present American imports, rather than for goods in which Poland could increase her exports only at the expense of presently used sources of such imports. The problem is one of increasing trade rather than displacing another exporter.

Minister Ochab expressed his agreement with this point of view. Nevertheless, it is not normal that the place occupied by Poland in American foreign trade be so small. His travel in the United States enabled him to get acquainted only superficially with American economy; seeing, however, the vigor of that economy, he feels certain that there must be possibilities for increasing Polish exports to the United States without necessarily doing so at the expense of other suppliers.

Secretary Mueller said that the Department of Commerce continually investigates the question of commodities in which trade could be increased. The United States, however, would be very happy to receive additional suggestions in this respect from the Polish side. These, once again, should be such as to avoid hurting the trade of any other nation with the United States.

Minister Ochab stated that this indeed is the desirable way of doing things, although a certain amount of competition always enters into problems of trade. Increasing Polish exports to the United States is of a paramount importance since the possibilities of finding goods which Poland would wish to purchase in the United States are practically limitless. The question is therefore one of payment and no amount of credit can solve that question if the Polish exports to the United States are not sufficient.

Minister Ochab expressed the hope that the experts on the two sides would find concrete proposals.

Secretary Mueller said that he had been in Poznan two years earlier² where he had interesting conversations with Messrs. Trampczynski and Gajewski.³ In looking for ways of increasing exchanges between the two countries, his first thoughts turn to the

² Mueller visited Poland as the U.S. representative to the Poznan Fair June 9-23, 1957.

³ Witold Trampczynski was Polish Minister of Foreign Trade. Stanislaw Gajewski was Director of the Legal and Treaty Department of the Polish Foreign Ministry.

question of tourism. There are eight million Americans of Polish descent, many of whom would wish to visit Poland. The number of American tourists in Poland could be greatly increased if adequate facilities existed in Poland. This is an excellent source of ready money.

Minister Ochab agreed that Poland had not done enough in this field. The Polish Government intends to improve the existing facilities. It is faced, however, with investment difficulties. This is why he hopes that Polish imports from the United States will be increased, in particular in the direction of capital goods.

Poland feels acutely handicapped because of the absence of the most-favored-nation clause in the commercial relations between the United States and Poland. It is not only the Polish Government but also Polish public opinion which feel this lack very keenly. Although the direct influence of the absence of the most-favored-nation clause upon the volume of trade may not be very great, the Polish people are very touchy on the subject of being treated differently than are other nations.

The Secretary remarked that questions of a primarily political nature fall under the responsibility of the State Department rather than under that of the Department of Commerce. He nevertheless expressed his understanding of the psychological impact of this question over and beyond its influence on trade. From the practical point of view, the duties on only a small percentage of the Polish exports to the United States would be affected. In particular, there would be no influence whatsoever on agricultural commodities; more than 50 per cent of American imports from abroad are duty-free and the question of the most-favored-nation clause is somewhat academic from that point of view; the Secretary recognized, however, its psychological and political importance.

Minister Ochab thanked the Secretary for his understanding; such understanding would undoubtedly facilitate the future elimination of some of the obstacles which still exist in the relations between the two countries. In as far as Polish exports to the United States are concerned, an increase should be sought primarily in a field other than that of agriculture since the Polish consumption of foodstuffs would increase with the increase of the population and the expected increase in the standard of living.

Assistant Secretary Kearns noted that the question of the most-favored-nation clause would be studied with the greatest understanding and sympathy. Mr. Kearns also referred to the fact that a state trading monopoly operates differently than our economic system which is one of the problems in connection with the extension of MFN treatment to Poland.

In reply Mr. Ochab acknowledged this to be an obstacle but expressed the hope that something could be worked out.

Mr. Kearns stated that the United States Government is always happy to know the point of view of the Polish Government in this respect. Conversations started in Washington could be continued in Warsaw in the near future.

Minister Ochab thanked Mr. Kearns. He understands, of course, that some obstacles still exist; he hoped, however, that they could be overcome. The Polish Government hopes for an increase in exchanges and investment and will most certainly take into account the American point of view in trying to do its share to overcome some of the difficulties.

89. Memorandum of Conversation

Washington, October 14, 1959.

SUBJECT

Polish-U.S. Cooperation in Field of Agriculture

PARTICIPANTS

United States

Secretary Benson, Department of
Agriculture
Assistant Secretary Miller
Edmund S. Glenn—LS

Poland

Minister of Agriculture Ochab
Vice Minister of Agriculture Gucwa
Ambassador Spasowski
Prof. Dembinski, Polish Ministry of
Agriculture

Secretary Benson greeted his guests and apologized for his fatigue due to having spent the night on a plane.

Mr. Ochab said that a Secretary is supposed to be an institution as much as a man and unfortunately people who frame constitutions never take physical fatigue into consideration. Mr. Ochab further thanked the United States for the invitation addressed to him and for the care expended on him and his party during his trip in the United States. His contacts with American farmers have greatly improved his understand-

ing of American agriculture, from which he hopes that Poland will be able to learn many lessons.

Mr. Benson thanked Mr. Ochab for his kind opinion about American agriculture. Everything which we know is open and at the disposal of our Polish guests. Mr. Benson also thanked Mr. Ochab for the hospitality which he had received in Poland.¹

Mr. Ochab renewed his thanks for the organization of the trip which all of the members of the Polish party found interesting, useful and of a nature to improve the cooperation, the exchanges and the friendship between the two countries. One of the main impressions derived by the Polish visitors is one of respect for the American farmers—of whom Mr. Benson is such an excellent example—much of the riches of the United States are due to the farmers' ability to work hard and intelligently; this unquestionably is due to a large extent to the efforts of the Department of Agriculture in educating farmers in the best methods available to contemporary agriculture. Of course, the American Department of Agriculture is also faced with some problems which may not be easy to solve; solutions, however, will certainly be found in the future. Likewise, Mr. Ochab hopes that American experts will be able to help Poland with her extremely difficult agricultural problems.

Secretary Benson said that he also had been impressed with the spirit of the farmers and the agricultural specialists of Poland who certainly are doing everything they can in order to improve the situation. He himself had seen Poland under the most difficult circumstances, having visited that country in 1946, and at that time, as today, he had been impressed by the ability of the Polish people to work hard, to be thrifty and to suffer the greatest hardships because of their love of freedom. Of course, his visits have not made him an authority on the questions of Polish agriculture, but they did make him a friend of Poland. He fully understands the difficulty faced by farmers on extremely small exploitations [*sic*].

Mr. Ochab said that the Poles remembered the devoted and efficient help given to them by Mr. Benson in 1946 when he was working for the relief of peoples in Europe. They appreciate his feelings of friendship. Mr. Ochab had already described some of the great difficulties faced by Polish agriculture and the differences between the circumstances in the two countries. Because of those differences, not all of the practices of American agriculture can be adapted to Polish conditions. Nevertheless, there are many things which the Polish group has learned, some of which it will be able to apply in Poland. Because many

¹ Benson visited Poland September 28-30 as a guest of the Polish Government while on a European trade tour September 23-October 9, that included a visit to the Soviet Union.

of the difficulties faced by Polish agriculture are due to the smallness of the Polish farms, solutions cannot be found exclusively in the field of agriculture but have to be tied up to the general economic development of Poland. Only development of industry in Poland will be able to absorb the excess of the Polish agricultural population and therefore lead step by step towards an increase in the average size of farms up to the point where they may become rationally utilized.

Secretary Benson said that he did not consider himself an expert on the problems of Polish agriculture. He agreed, however, with Mr. Ochab that both industrial and agricultural progress should go hand in hand. In so far as opinions about the best way in which agriculture can be managed are concerned, Secretary Benson emphasized his strong belief in the usefulness of freedom of decision, which, together with professional competence, is the best way in which individual farmers can contribute to progress. In addition to freedom of decision on the part of farmers it is also important to have free markets for agricultural commodities.

Minister Ochab remarked that the basic points of view of the two participants are probably different and that it would take too long to cover all such basic differences. In so far as the situation in Poland is concerned, everyone will agree that yields could be better if the size of the individual farm holdings were not so small. In so far as American agriculture is concerned, the Polish party obtained the impression that its wealth is due primarily to the professional competence of the farmers and their ability to accomplish the maximum through hard work. Polish farmers could learn much from this point of view. Unquestionably, however, the larger size of American farms is also a contributing factor. From that point of view, the United States is fortunate not to have 33 farms per 240 acres, on an average. The Polish Government hopes to improve the situation and while a situation such as the American one is not in sight, there is at least hope that a situation such as that of Czechoslovakia, East Germany or the Netherlands might be arrived at step by step. The sympathy and perhaps even the help of the USDA would be most encouraging.

Secretary Benson promised not only a spirit of friendship but also as much help as it is possible to offer.

Minister Ochab thanked the Secretary and said that the Polish group would present a number of suggestions on the basis of the better understanding of American agriculture which it had obtained during the journey. In the first place, Poland would be happy to receive suggestions as to the manner in which mechanization in Poland could be accelerated. This question naturally ties in with that of investments and of the increase in mutual trade. Poland expects to increase the yields of its agriculture and become an exporter and not only an importer of agricultural commodities. One of the problems which Poland has to face, however, is

lack of animal feed. This brings Mr. Ochab to a second concrete point. There are at present certain difficulties concerning the further imports by Poland of American agricultural surpluses. These difficulties will certainly be overcome. Other difficulties, however, may persist, in particular in so far as the Polish possibilities to pay for its purchases are concerned. Even those difficulties, however, may find a solution in an increase of mutual trade. Another point must be mentioned, however, and that is that it would be of a great interest to Poland, a country with a planned economy, to obtain information about American intentions on a long-range basis. No binding undertakings are called for, but simply reliable information in such a way that Poland could plan for several years in advance. This is important in particular for rough grains to be used for animal feed. A third concrete suggestion is one dealing with the exchange of agricultural experts; American experts could show the Poles how to increase yields in some specific areas, in particular in the poultry industry and in the field of fattening beef cattle, in particular through the addition of urea to the feed. The question of the administrative steps which would be needed in order to obtain the advice of American experts would be studied in detail. However, Mr. Ochab hopes that the idea will be capable of implementation.

Mr. Ochab then indicated that agriculture was administered in Poland on a bipartisan basis and requested the Secretary to give the floor to Vice Minister Gucwa, a representative of the Peasants' Party. Vice Minister Gucwa confirmed the great difficulties of Polish agriculture in the questions of animal feed and in particular the lack of sources of protein. Polish experts are very much interested in solutions arrived at by American farmers in these fields. The situation of agriculture in Poland is quite different from that in the United States, nevertheless, learning how similar problems were solved in the United States would be of a very great value. Another point of great interest is the question of the manufacturing of feed mixtures. A third one is that of hybridization of poultry, both for meat and egg production. Poland would need information and possibly even some breeding stock.

Secretary Benson said that both what the Minister and the Vice Minister said would be studied with great interest by the USDA. In so far as technical assistance is concerned, everything that exists in written form in the United States is at the disposal of the Poles. Polish experts are free to supplement this type of information by coming to the United States and observing American work on the spot. The question of sending American experts to Poland would have to be discussed more in detail.

Minister Ochab said that the help of the USDA would be appreciated. Poland is right now taking only a first step in the direction of improving its agricultural methods. More steps, however, would follow

and Poland would attempt to follow all those American methods which can be applied, given the change in circumstances. Minister Ochab further apologized for taking so much of the Secretary's time in presenting the difficulties with which Polish agriculture is faced. He realizes that American agriculture also has difficulties to surmount, though they may not be of the same nature. It seems that overproduction rather than underproduction is the Secretary's problem. This problem is not as bad as the first one and on the whole he felt envy for the American counterparts when he learned that many of the grain storage bins he observed during his journey through the United States belonged to the United States Government, as do the commodities stored in them.

Secretary Benson noted that both statesmen appeared to have their troubles. The increase in surpluses in the United States was primarily a matter of prices which in turn was a matter of legislation. It is a question which the American Government hopes to solve as it certainly hopes to get rid of government-owned warehouses because it would be better to store grain on the farm. The present situation is not one which can be allowed to continue. In the meantime, however, the USDA would like to help Poland with her problems and ask for some additional suggestions of the ways in which this could be done.

Minister Ochab said that he had mentioned already some concrete cases of possible help. He would insist, however, once more on the need for longer-range planning. Nothing binding is required from the United States Government, only some precise information in such a way as to enable the Polish Government to plan for 1959, 1960, etc. It is clear that no answer can be given to that question in this conversation; however, the agricultural experts of the Polish Embassy, Professors Lychowski and Iwaskiewicz would keep themselves at the disposal of their counterparts in the USDA.

Secretary Benson agreed with the need for longer-range planning provided the necessary flexibility is not disregarded.

Minister Ochab expressed satisfaction and prepared to take his leave to keep an appointment with Vice President Nixon.

90. Memorandum of Conversation

Washington, October 14, 1959.

SUBJECT

U.S.-Polish Relations and Other Matters of Interest

PARTICIPANTS

United States

Vice President Nixon
Mr. Klein—Vice President's Office
Mr. Glenn—LS

Poland

Minister of Agriculture Ochab
Ambassador Spasowski

The Vice President greeted Mr. Ochab and asked him about his trip.

Mr. Ochab said that the trip was not easy because there were so many things to see; it was however, most interesting and useful and he expressed his thanks to the United States Government for having made it possible.

The Vice President said it was indeed difficult to see such a large country in such a small time.

Mr. Ochab said that this was true, that the Vice President's time in Poland¹ was also limited but, nevertheless, that such visits contribute to the development of mutual relations and that the memory of the Vice President's visit in Poland will be cherished for a long time.

The Vice President agreed on the importance of exchanges. He himself has gained a better understanding of a situation in which he is greatly interested since he was one of the first ones to urge the extension to Poland of certain forms of aid; in particular under PL 480. Such aid is important from the economic point of view and also as an expression of the historic friendship of the United States towards Poland.

Minister Ochab stated that he was aware of the part played by the Vice President and he thanked him for it. Mutual understanding is needed also in questions of other than economic nature. In so far as the feelings of the Polish people toward the United States are concerned, the welcome given to the Vice President in Poland is an expression of them. Mr. Ochab expressed the hope that an improvement in mutual understanding will remove the remaining obstacles in the path of the cooperation between the two nations. Mutual visits also make clear the meaning of the suffering of Poland during the World War. Understanding this

Source: Department of State, Central Files, 033.4811/10-1459. Confidential. Drafted by Glenn.

¹See Document 73.

suffering makes it in turn easier to understand why Poland takes certain political positions.

The Vice President said that his reputation is one of a man who speaks his mind. He certainly spoke with Mr. Gomulka with the greatest frankness. The fact that the conversations with Mr. Gomulka showed that there existed differences of opinion on a number of points was perhaps less important than the fact that these differences of opinion could be discussed in a frank and reasonable manner. It is not probable that there ever will come a time when the thinking of the two nations will be entirely identical but this shall not be an obstacle to their friendship.

Mr. Ochab agreed with this point of view.

The Vice President asked what were the most important economic questions according to Mr. Ochab.

Mr. Ochab said that the most important problem in Poland is to insure a development of agriculture which would go hand in hand with the development of industry. In particular, Poland suffers from the exiguity of most of its farms and there is no possibility of increasing the average size of farms without finding jobs in industry for farmers.

The Vice President stated that the situation of agriculture differed from one country to another. There may, however, be some areas in which the experience of one country may be of use to other countries.

Minister Ochab agreed with this point of view. Polish agriculture is making progress. It is, however, way behind the United States from the point of view of productivity and the efficient use of human labor. The Polish delegation, however, feels that it has learned much which could be applied in Poland. Poland has a population which is increasing and wishes to see the standards of living of its population increase. In consequence, it needs to industrialize because it cannot depend on exports of foodstuffs, more and more of which are needed at home. The difficulty is the situation in the investment field. This is a point which he had discussed with people in the specialized departments and he would not wish to impress the subject on the Vice President.

The Vice President said that economic questions as well as other questions are of great interest to him since his responsibility is broader than that of any one department. Industrial development is necessary, but some countries have made the mistake of trying to expand industry alone and forgetting agriculture.

Mr. Ochab said that Poland also had made this mistake in the past. At present, however, the Polish Government tries to encourage both types of development simultaneously by investing in both of them. This, however, is not easy. A development of exchanges between the two countries would be helpful to Poland in increasing the possibilities of

investment. Obstacles, some of which were of a political nature, would still have to be surmounted.

The Vice President said that he would come back to a subject of conversation which had taken up much of the time in the exchange he had with Mr. Gomulka and that is the question of Western Germany. The Vice President expressed a strong feeling that the intents of Chancellor Adenauer towards Poland were not aggressive. He understood, of course, the type of feeling which might be induced in Poland by the history of the Polish-German relations. The situation, however, was no longer the same as it had been. The Vice President referred to a speech by Chancellor Adenauer on the occasion of the twentieth anniversary of the German aggression against Poland. The reaction of the Polish Government amounted to a rejection of Mr. Adenauer's speech. The Vice President said that although he did not expect to change Mr. Ochab's opinion on those matters in the course of a brief conversation, he would not wish to let the opportunity escape him without stating that it is his conviction that Chancellor Adenauer spoke in good faith and that he honestly regrets the excesses of the Nazis. The Vice President said also that he believed that there would be possibilities of agreement between the two countries in the future.

Mr. Ochab said that he was basing his own opinions on the experience of a thousand years of German aggressions against Poland. He shared the Vice President's opinion that the situation in Germany had changed and that Chancellor Adenauer did not have a policy identical with that of his predecessors. However, he couldn't help wondering why is it that the German Government does not wish to state frankly to its citizens that the borders between the two countries are permanent and that the question of borders should be considered closed. Is it because the West German Government intends to mislead the German youth and keep alive feelings of enmity? He also expressed the concern of the Polish Government at Chancellor Adenauer's acceptance of the dignity of a Commander of the Order of the Teutonic Knights of the Cross, which had been one of the principal organs of German aggression and which certainly cannot be considered as a purely religious organ since it had used religion as a cloak for its aggressions. Mr. Ochab repeated it would be good if the United States used its influence in Germany to urge the settlement of this question in order to brake German militarism. The situation in Germany appeared quite good also after World War I. However, we must remember what happened later.

The Vice President said that he understood the tendency to look up to history for lessons, but that we should not forget also that certain things which were possible in the past are no longer possible in the present and that this would undoubtedly affect the development of the situation.

Mr. Ochab agreed with this point of view.

The Vice President asked Mr. Ochab what were the reactions in Poland to Mr. Khrushchev's visit in the United States.²

Mr. Ochab said that Polish public opinion was undoubtedly favorably impressed with the visit. He had been away from Poland for quite some time and had not heard precisely. However, he is convinced that the visit was useful since a better understanding between the United States and the Soviet Union was of a great order of importance to the entire world and to Poland in particular. Poland does not have the global responsibilities which are those of the two great powers but it has a particular understanding of the need for peace.

The Vice President said that Mr. Ochab suggested that the United States might try to act as a brake on certain German elements. If, as he believes, the Soviet Union has a good understanding of the need for peace, the Soviet Union should act as a brake on certain moves by Communist China. It is necessary that everyone should understand clearly that force is no longer something which can be used in international relations. This should include Communist China. It would be an act of irresponsibility on the part of the two great powers if each of them did not try to convince all those with whom it maintains contacts of the impossibility of the use of force.

Minister Ochab said that the Vice President had raised one of the most difficult problems of international affairs. Poland does not have global responsibilities and its influence is limited. However, there are exchanges of points of view between Poland and the leaders of the People's Republic of China. The latter expressed the concern of their people about such things as the presence of the American Fleet in Chinese waters and the question of representation in the United Nations. They fully understand the need for peace but they cannot acquiesce to Taiwan being separated from the national territory of China. The Chinese are a proud people with several thousands of years of history and a bitter experience with colonialism. This opinion is shared by the Chinese people as well as the Chinese Government. Mr. Ochab is, however, convinced of the peaceful intentions of the latter and believes that obstacles in the relations between the United States and China should be removed step by step.

The Vice President said that certainly no solution to this problem was expected in one conversation. However, he wants to point out that while it is clear that Germany may not try to use force in an attempt to recover the so-called lost territories, force cannot be used anywhere else

²Khrushchev visited the United States September 15-27, 1959; see Part 1, Documents 108-139.

on the face of the globe. The use of force in the Pacific would have the same results as a use of force in Europe. Another Korea, whether it would take place in Korea, or in Formosa, or in Laos, or anywhere else would lead to a world war. The use of force is obsolete everywhere and all governments must understand it.

Mr. Ochab said that it is not possible to arrive at an identity of points of view immediately but that time would help in a gradual rapprochement. There are also some other questions on which the two governments do not see eye to eye such as, for instance, the question of the election to the Security Council. We can hope, however, that history will consider the recent moves in international affairs as the beginning of an era of good relations and that it would be grateful to President Eisenhower, Vice President Nixon and the Soviet leaders for their undertakings. Where there is desire for friendship, there is hope.

The Vice President said that there are a few points on which he wished to insist. First, that he expressed both his own feelings and those of the American people when he said that this country does not want war. Secondly, that in spite of certain differences of opinion there are enough historical ties between the United States and Poland to hope for further cooperation between the governments, between the peoples, in the economic field and elsewhere.

Mr. Ochab thanked the Vice President and said to what point he had been touched by the proofs that the American people are conscious of the historical bonds with Poland, which is proven by the presence in Washington of monuments to Polish heroes Kosciuszko and Pulaski. He himself wished to assure the Vice President of the friendship of the Polish leaders and the Polish people. Mr. Ochab requested the Vice President to transmit his greetings to the President and, upon a similar request from the latter, assured him he would transmit his greetings to Mr. Gomulka and the other Polish leaders.

91. Editorial Note

On October 17, Ambassador Beam gave to Remryk Kotlicki, Director General of the Polish Finance Ministry, the U.S. reply to the Polish claims offer of September 28. Following his instructions as received in telegram 474, October 13, Beam made the following points: 1) the \$32 million figure was unacceptable; 2) most-favored-nation status would follow the claims settlement and all remaining controls would be lifted on blocked property in the United States owned by Polish nationals; and 3) the United States would consider a lump-sum of \$57 million. Telegram 474 and telegram 685 from Warsaw, October 18, in which Beam reported on his discussion with Kotlicki, are in Department of State, Central Files, 248.1141/10-1359 and 248.1141/10-1759, respectively. Copies of these telegrams and of the statement that Beam read and handed to Kotlicki on October 17 are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1959: U.S.-Polish Claims Talks.

On October 17, Charles W. Adair, Deputy Assistant Secretary of State for Economic Affairs, informed Lychowski that the U.S. Government would not agree to a P.L. 480 program for the amount requested by the Polish representatives, but would proceed with a smaller program, 200,000 tons of fodder grains valued at approximately \$10 million on an emergency basis. This offer did not preclude a further program in 1959 if other problems were resolved. On October 23 Lychowski accepted the offer. Copies of the memoranda of conversation, dated October 17 and 23, outlining these discussions with Lychowski are *ibid.*, 411.4841/10-1759 and 411.4841/10-2350, respectively.

The United States and Poland signed a Public Law 480 Supplemental Agreement on November 10 in Washington for the sale to Poland of 200,000 tons of surplus feed grains. Under this agreement, which was an amendment to the June 10, 1959, economic agreement, the United States agreed to sell for local currency \$11.8 million of feed grains, a sum which included ocean transportation costs for commodities shipped on U.S. vessels. For text of this agreement, see 10 UST 1410. Documentation on the negotiations leading up to this agreement are in Department of State, Central Files 411.4841, 748.5-MSP, and 611.4841, and in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Economic Matters 1959: US Aid to Poland—Talk and Position Papers.

92. Memorandum From the Director of Intelligence and Research (Cumming) to Secretary of State Herter

Washington, December 8, 1959.

SUBJECT

Intelligence Note: *Polish Developments*

The Polish Government, on October 27, announced a series of changes in its economic set-up which restored three exponents of economic centralization and discipline (Szyr, Tokarski, and Gede)¹ to positions of responsibility. Edward Ochab was also removed from the position of Minister of Agriculture apparently in order to enable him to devote more time to a broadened range of Party responsibilities.

The economic shakeup, which clearly portended a tightening of discipline and central control, was the consequence of imbalances in the economy, dramatized by but not restricted to a serious meat shortage. Wage levels, for example, rose by 43.1 percent during the first 3-1/2 years of the current five year plan as against about 30 percent envisaged for the entire period. The resultant inflationary pressure compounded planning errors in meat production and price relationships and led to the current shortage. It now appears to be the regime's intention to hold the line on current wage levels, cut back overtime and bonus payments and, in some cases, pare padded payrolls. Some adjustment of work norms will also be made in selected sectors, such as construction and engineering, where present work norms are so obsolete as to permit excessive premium payments. However, a general upward revision of work norms is not expected until 1961–62 when it will be tied to a general revision of the wage structure. This pattern appears to be in line with authoritative statements, both public and private, of responsible Polish officials that the present measures have been designed to tidy up the economic situation but do not represent a retreat from policies pursued since 1956.

Despite the economic imbalances, the industrial sector in 1959 scored substantial advances over the previous year. In agriculture, however, production declined slightly and fall sowing difficulties due to drought have prompted the regime to anticipate a grain and fodder deficit of between 1.8 and 2.2 million tons in 1960 as against 1.0 to 1.2

Source: Department of State, INR Files: Lot 58 D 776, Intelligence Notes 1959. Confidential. Drafted by Edward W. Burgess of INR and initialed by Cumming and Herter.

¹ Eugeniusz Szyr and Julian Tokarski were appointed as Vice Premiers and Tadeusz Gede was appointed as First Deputy Chairman of the Planning Commission.

million tons in recent years. The USSR has so far agreed to cover only 800,000 tons of the anticipated deficit. In any event, the increased requirements impose a further strain on Poland's balance of payments position.

Reported shifts in Party personnel and responsibilities which followed the October governmental changes suggested that Gomulka has decided that the general tightening of economic controls must be accompanied by greater discipline in other aspects of Polish life as well. These changes, most of which have not been officially confirmed, include the removal of Jerry Morawski from both the Politburo and Party Secretariat, where he exercised—but apparently not to Gomulka's satisfaction—control over the recalcitrant and Western-oriented Polish intellectuals.

Reports have already been received of growing worker dissatisfaction with the regime's restrictive economic measures. However, while this dissatisfaction might well adversely affect regime hopes of realizing its 1960 planned production advance through increased productivity, the revolutionary fervor of 1955 and 1956 is lacking both on the part of workers and Polish intellectuals. On the basis of present indications, therefore, and assuming the government's restrictive economic measures and tightening up in the cultural sphere go no further than presently envisaged, resistance of a magnitude which would threaten internal stability appears unlikely. However, this prognosis could be reversed if the regime should decide to move against either the Church or the peasantry. There is no evidence that any such steps are contemplated, and several recent developments such as the permission granted to three Polish bishops to visit the Vatican and the apparently diminished pressure on peasants to join agricultural circles, suggest the contrary. Further, Gomulka's proven ability to judge the temper of the populace militates against any moves likely to worsen an already disturbed situation.²

² At the 424th meeting of the National Security Council on November 11, Allen Dulles warned that events in Poland should be watched carefully. Dulles reported: "In any event, Poland will continue to have serious economic problems, including a serious food shortage. For the present, the Gomulka government will continue to control the country without definitely committing itself to the Moscow line." (Memorandum of discussion by Boggs; Eisenhower Library, Whitman File, NSC Records)

93. Editorial Note

Secretary of Commerce Frederick H. Mueller headed a four-member delegation that visited Poland November 15-25 at the invitation of the Polish Government for the purpose of expanding U.S.-Polish contacts and mutual understanding. The trip, which was sponsored by the International Educational Exchange Program of the Department of State, reciprocated a visit to the United States in October 1958 by an official Polish delegation (see Document 56).

In a December 10 memorandum to the Secretary of State, Deputy Assistant Secretary of State for European Affairs Foy D. Kohler summarized Mueller's report on his delegation's trip to Poland. Kohler wrote that as a result of his conversations, Mueller believed that changes in the top level of the Polish Government and Party personnel represented an effort to centralize the government's economic and public welfare activities and increase coordination of planning. Kohler stated that Mueller saw no evidence that these changes were dictated by the Soviet Union and quoted Mueller's basic conclusions:

"As long as Poland desires to increase its contacts with the West, domestic shifts in emphasis do not warrant a change in U.S. policy towards Poland at the present time. Poland is our only window through the Iron Curtain and this advantage should not be sacrificed until it is clear that Poland is on a course designed to revive the conditions that prevailed before October 1956."

Kohler reported that Mueller recommended that the United States try to help Poland increase its exports to the United States, seek ways to increase U.S. investment in Poland, and expand U.S. private and government-financed exchange programs with Poland.

Documentation on Mueller's trip is in Department of State, Central File 033.1148. No copy of his report has been found.

94. Memorandum From the Assistant Secretary of State for European Affairs (Kohler) to the Under Secretary of State for Political Affairs (Merchant)

Washington, January 15, 1960.

SUBJECT

Status of Economic Assistance and Nationalization Claims Negotiations with Poland

It is my understanding that the Operations Coordinating Board has expressed an interest in our current negotiations with Poland with particular reference to our present tactic of withholding additional economic assistance until lump-sum agreement is reached in the claims negotiations.

The claims negotiations began in Warsaw in March 1959. At the outset of these negotiations it was made clear to the Poles that we could not consider further economic assistance until agreement was reached on the lump-sum the Poles should pay for American property nationalized or otherwise taken by the Polish Government.

In spite of our position in this matter we responded to urgent pleas by the Poles and in June 1959 signed agreements totaling \$50 million and again in November an "emergency" agreement amounting to \$11.8 million. The June agreements concerned the sale for Polish currency of surplus wheat, barley, corn, cotton, soybean oil and dry milk and a line of credit of \$6 million for the purchase of poliomyelitis vaccine and for the payment of ocean transportation costs of the agricultural commodities. The November agreement concerned the sale of 200,000 tons of feedgrains.

On December 23, 1959 the Economic Minister at the Polish Embassy called at the Department to make another urgent request,¹ this time for 600,000 tons of wheat. According to the Economic Minister, it was important that negotiation of a wheat agreement begin immediately for two reasons: 1) the need for additional grain would become acute in Poland toward the end of March 1960 and 2) for Polish internal political reasons it was necessary for the US to make some gesture of friendship in order to increase the latest Polish offer for a lump-sum settlement.

Source: Department of State, OCB Files: Lot 61 D 385, Poland General. Secret. Drafted by Sherer and cleared in draft by Harold C. Vedeler, Director of the Office of Eastern European Affairs, and by Katz.

¹ The memorandum of conversation, dated December 23, between Lychowski and Sherer is *ibid.*, Central Files, 411.4841/12-2359, and in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1959: US-Polish Claims Talks.

The Department responded favorably to this request and wheat negotiations began December 28, 1959.² It was made very clear to the Poles, however, that by opening these negotiations we expected an increase in Poland's lump-sum offer and that we would not sign a wheat contract until lump-sum agreement had been reached. The Poles were further informed that in view of the number of times in recent months that we have met their urgent requests we would consider it an act of bad faith if they pressured us for signature of the wheat contract before agreement had been reached on the lump-sum.

We are not very far apart on the lump-sum at this time. Ambassador Beam opened in March 1959 with a figure of \$125 million and the Poles replied with an offer of \$20 million. The latest meeting in Warsaw occurred on January 7, 1960 and Ambassador Beam indicated we would accept a sum over \$40 million.³ The Poles have come up to \$38 million but assert this is their maximum. However they had reached \$38 million before we agreed to begin the wheat negotiations and we hope that they now will be able to increase their offer. In our view if the Poles will come up to \$39 or \$39.5 million we should agree. Mr. Dillon has taken an active part in determining the Department's positions in these negotiations and he will want to approve the final settlement figure.

²No record of this response by the Department of State has been found.

³Telegram 1091 from Warsaw, January 8, describes this meeting. (Department of State, Central Files, 248.1141/1-860)

95. Editorial Note

Kotlicki and Beam continued to meet in Warsaw from January through March to discuss the claims question. On January 28, Secretary Herter authorized Beam to accept the Polish offer of a lump-sum settlement of \$40 million and asked that the negotiations be shifted to Washington. When Beam told Kotlicki on February 4 that the United States accepted the Polish offer, the Polish side suggested the claims experts return to Warsaw. The Department of State agreed, and after leaving for Poland on February 26, Spengler and Czyzak began meeting with Polish officials on March 2. By March 24, they had settled on all but minor items in the text of a claims agreement and Kotlicki was prepared to have the negotiations completed in Washington. These negotiations resumed in Washington on April 26. Copies of telegram 809 to Warsaw, January 28, and telegrams 1235, 1342, and 1482 from Warsaw, February 4, March 2 and 24, which describe the U.S. position and these meetings, are in De-

partment of State, Central File 248.1141. Copies of these telegrams and documentation on the claims negotiations during 1960 are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1960: US-Polish Claims Talks.

Since Poland and the United States came to terms on a lump-sum settlement on February 4, the two countries signed a Public Law 480 Supplement Agreement on February 11 in Washington for the sale to Poland of 600,000 tons of wheat. Under this agreement, which was an amendment to that of June 10, 1959, the United States consented to sell for local currency \$41.5 million of wheat, a sum that included ocean transportation costs for shipment on U.S. vessels. For text, see 11 UST 99. Documentation on the negotiations is in Department of State, Central File 411.4841.

On February 26, the Board Assistants of the Operations Coordinating Board, on behalf of their principals, concurred in the Operations Plan for Poland. Paragraph 52 of this plan reads: "Grant most-favored-nation tariff treatment to Poland as soon as a nationalization claims settlement is signed." A copy is *ibid.*, S/S-NSC Files: Lot 63 D 351, NSC 5808 Series.

The United States resumed economic negotiations with the Polish Government on April 27.

96. Memorandum of Conversation

Washington, March 9, 1960.

SUBJECT

MFN Treatment for Poland

PARTICIPANTS

Dr. Tadeusz Lychowski, Economic Minister, Polish Embassy

Dr. Marian Dobrosielski, Counselor of Polish Embassy

EE—Albert W. Sherer, Jr.

EE—Richard E. Johnson

At luncheon today Dr. Lychowski reiterated arguments presented by the Embassy earlier (see EE memorandum of conversation with Dr. Dobrosielski and Professor Iwaszkiewicz, March 2, 1960, subject: Current Polish Problems)¹ in favor of the immediate extension of most fa-

Source: Department of State, Central Files, 411.4841/3-960. Official Use Only. Drafted by Johnson and initialed by Johnson and Sherer.

¹ Not printed. (*Ibid.*, 411.4841/3-260)

vored nation treatment to Poland. Dr. Lychowski took issue with Mr. Sherer's statement that the Department has always regarded the signing of a claims agreement as a necessary antecedent to the extension of MFN treatment. He claimed that E-Mr. Beale had stated in the course of talks in May 1959 that MFN treatment would be extended as soon as "substantial progress" was attained in the claims negotiations underway in Warsaw, i.e., when a lump sum was agreed upon.²

Mr. Sherer expressed regret that such a misunderstanding has arisen, but reiterated that the Department has always anticipated that the actual signing of a claims agreement would precede the extension of MFN treatment.

Dr. Lychowski indicated that he intends to discuss this question with E-Mr. Adair.³

² Beale's statement has not been found.

³ There is no record of Lychowski taking up this question with Deputy Assistant Secretary of State for Economic Affairs Adair.

97. Memorandum of Conversation

Washington, March 25, 1960, 11:50 a.m.–12:20 p.m.

PARTICIPANTS

The President

Mr. Jaroszewicz, Deputy Prime Minister of Poland¹

Mr. Spasowski, Polish Ambassador

Mr. Lewandowski, Director of American Desk in Ministry of Foreign Affairs

Mr. R. H. Davis, Deputy Asst. Secretary, EUR

Mr. Edmund Glenn, Division of Language Services, Interpreter

After some welcoming remarks to which the Deputy Prime Minister replied by expressing gratification for his reception, the President said it was with considerable pleasure and satisfaction that he had noticed an increasing tone of friendship in the relations between Poland and the US which was in keeping with our traditional relations as exem-

Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential; Limit Distribution. Drafted by Davis. The meeting was held at the White House.

¹ Piotr Jaroszewicz arrived in the United States on March 23 for a 15-day visit at the invitation of the U.S. Government. The Polish group toured the eastern United States and was in Washington March 24–26 and again on April 6. Jaroszewicz was the highest-ranking Polish official to visit the United States since World War II and the highest-ranking official in economic matters.

plified by the assistance the young American Republic had received many many years ago from Polish patriots. He wished to take this opportunity to thank the Polish people for the reception given Vice President Nixon and hoped that Mr. Jaroszewicz would find the same warm feeling of friendship toward the Polish people in his contacts with Americans here.

Mr. Jaroszewicz replied that the Polish Government wishes to develop these traditional good relations. The visit of the Vice President in Warsaw permitted a clarification of certain problems and the strengthening of these relations. He wished to convey the greetings of Mr. Gomulka, Prime Minister Cyrankiewicz, and other leaders of the Polish Government to which the President asked that his greetings be returned.

Mr. Jaroszewicz said that the President was still remembered in Poland as the Commander-in-Chief of the Allied Forces including Polish units which played a prominent role in the achievement of victory over Fascist Germany. The President spoke in appreciation of the fighting qualities of the Polish people and reminisced of his visit to Warsaw in the autumn of 1945, commenting on the terrible destruction which he had seen and asking whether the main cathedral had been reconstructed. Mr. Jaroszewicz replied that the cathedral had been rebuilt and all the other destroyed churches. After a further exchange about conditions in Warsaw at the end of the war, the President spoke of the contribution which people of Polish ancestry had made to the development of this country and the high regard in which they are currently held.

Mr. Jaroszewicz said he would like to take advantage of the President's sympathy and understanding of the Polish people to speak of their desire for peace. However, the Polish people's main worry is the rebirth of German militarism of which they see many signs. Because of his experience during the war the President would understand this worry.

The President replied that he could possibly understand but he did not believe that the German people wanted war any more than the Polish people. The West Germans have only started in the last three years to build up any defense forces and they plan on only 12 divisions. He could not agree that this force could be a menace to anyone. The President added smilingly that the reason the West Germans had become so rich is that they had spent nothing on defense forces prior to this.

Mr. Jaroszewicz replied that the President's book "Crusade for Freedom"² had been published in Poland and in it he pointed out that the US forces at the beginning of World War II were not very large. He continued that it was not the size of the West German forces which

² Reference is to Eisenhower's book, *Crusade in Europe*, published in 1948.

bothered the Poles but the feelings and objectives of the Germans buttressed by statements of West German political leaders which created anxiety and worry on the part of the Polish people.

The President said that he personally deplored statements which created such feelings and said that he did not indulge in attacks against any governments no matter how much he might disagree with their policies. The President said he knew of no people who would want war even if they knew they were going to win because in present circumstances war was very destructive and all peoples would pay a terrible price. Perhaps governments including our own were not wise or smart enough yet to bring to fruition the hopes and aspirations of the peoples to achieve a lasting peace but we must continue to work to this end. A program for peace must include raising the standard of living, helping other peoples to achieve their legitimate aspirations, and understanding of each other and sacrifices to bring about solutions of problems at the negotiating table and not on the battlefield.

Mr. Jaroszewicz replied that both the Polish people and government fully appreciate the President's efforts for peace and fully agreed with his ideas. He would like however to mention another problem, i.e., the western border of Poland. He said that any attempt to change the western Polish border could only bring on war. Any statement by the US which would confirm its support for the present Polish borders would be a stabilizing factor. In reply the President said there was no piece of territory in the world worth war. It was necessary to overcome the prejudice of people; there were those who thought that the Polish people got territory in the West as a quid pro quo for having to give up territory in the East; that this created resentments and that we would have to overcome these resentments by an educational program. The President added he thought the question would be finally settled, that the people would accept it and the resentments would be forgotten. He added that he would be no party to starting or participating in a war over territorial questions. Moreover, the President was certain that the West Germans will never start a war. They might keep the issue alive but they would not start a war. In the latter months of the war they had begun to experience the punishment which they had inflicted on others and the President was convinced they don't want another war. Mr. Jaroszewicz repeated that a stabilizing factor would be for the US Government to take some action to convince public opinion that the settlement of the border question at the end of the war was a "just one".

Mr. Jaroszewicz said he would like to raise another question. As the President knew, economic discussions were now being held on reciprocal trade matters, elimination of trade barriers, settlement of claims, credits, and sale of agricultural surplus. He would like to enlist the President's personal interest in the settlement of these questions.

The President replied that he did take a personal interest in these matters; that there were certain legal barriers but he thought we were gradually overcoming them. He knew that the US Cabinet felt that we must get a better trade relationship and he personally was in favor of increasing trade and the Cabinet knew this. The President observed that our system of government is sometimes difficult for other people to understand; that we have three co-equal branches and when they clash, then we have trouble. The President referred to the unusual situation where for the last six years the Executive had had to contend with a Congress in which the majority was the opposition party. Still the Presidential office is the most powerful of our political institutions and hence Presidential opinions do have influence. Mr. Jaroszewicz expressed understanding of this and was certain that the President's help and interest would be of decisive weight in further promoting good relations particularly in the trade field.

The President concluded the interview by suggesting the press photographers be allowed in to take pictures.

98. Memorandum of Conversation

Washington, March 25, 1960.

SUBJECT

Call of the Polish Deputy Prime Minister Piotr Jaroszewicz

PARTICIPANTS

US Side

The Under Secretary
Mr. Katz, EE
Mr. Glenn, LS

Poland

Piotr Jaroszewicz, Deputy Prime
Minister of Poland
Romuald Spasowski, Polish
Ambassador
Bohdan Lewandowski, Director,
American Desk, Polish Ministry of
Foreign Affairs
Tadeuz Lychowski, Economic
Minister, Polish Embassy

After opening greetings, Mr. Jaroszewicz began the conversation by referring to problems which were raised in part with Mr. Nixon¹ and which should be discussed further. In particular there seemed to be agreement on both sides as to the desirability of increasing trade between the two countries. Possibilities in that direction exist, according to Mr. Jaroszewicz. Specific discussions between the two countries should begin as rapidly as possible as to the means for bringing about such a development, and for obtaining loans for Polish purchases in the United States. It seemed, he said, that the basic difficulty was the question of claims; however, now that agreement on a lump sum has been obtained these questions could and should be resolved. The solution of a number of other problems could proceed apace. These problems were, first of all, the granting to Poland of Most-Favored-Nation treatment, and secondly, the purchase by Poland of an electrolytic tinning line with the savings effected under a previous agreement. Thirdly, there was also a question of the purchase of a list of investment goods by Poland in the United States.

Mr. Dillon asked whether it was clear that the tinning line was to be purchased with funds already allocated for Polish purchases.

Mr. Lychowski said that such was indeed the case. The funds represented savings from the third Export-Import Bank loan on funds allocated for the purchase of polio vaccine and transportation of surplus agricultural commodities. The amount in question is \$2.8 million.

Mr. Dillon said he did not foresee any difficulties in this matter.

Turning to other questions, Mr. Dillon stated that we favored increased economic cooperation between our two countries. It would be most helpful in this connection if the claims settlement were to be concluded as soon as possible. While the most difficult of the problems concerning claims, that of the over-all amount, had been settled, there remain other problems, such as the schedule of payments of compensation by Poland. The US side would show understanding in this matter, Mr. Dillon said, and would give consideration to the over-all balance of payments situation of Poland.

With regard to the question of Most-Favored-Nation treatment, Mr. Dillon stated that there apparently was a misunderstanding here. He had heard that the Polish side understood that we would move ahead on MFN treatment following agreement on the lump-sum. This, he said, had never been our intention. It had always been our position that the conclusion of a claims settlement and the granting of MFN would occur at about the same time. Mr. Dillon explained that in order to grant MFN to Poland, the President would in effect have to set aside a law passed by

¹See Document 74.

the Congress eight or nine years ago.² The Congress gave the President authority to do this under certain circumstances on the basis that the situation had changed from the time of enactment of the law. Consultations with key members of Congress have revealed that the conclusion of a claims agreement would have a significant effect on the attitude of Congress with respect to increased economic cooperation with Poland. Mr. Dillon stated that he had requested a study of the record to determine how the Polish impression with respect to the granting of MFN might have arisen. He assumed that this might have resulted from statements by Mr. Beale and Ambassador Beam that we would be prepared to give consideration to additional agreements when significant progress had been made in the claims negotiations. Since considerable progress had been made in the claims negotiations, we had been flexible and had agreed to supplementary PL 480 agreements and we were glad to proceed now with the reprogramming of the Export-Import Bank credit to provide for a tinning line. Mr. Dillon asserted that our position did not differ importantly from the Polish point of view. We saw no reason why we could not proceed to reach rapid agreement on the claims settlement and the granting of MFN treatment would therefore not be significantly delayed.

Mr. Jaroszewicz thanked the Under Secretary for his position on the question of the tinning plant. With regard to questions of trade, not only MFN treatment, but also agreement on easy payment terms was of the highest importance for Poland, as Poland must be careful to husband her resources and avoid signing any agreement which she could not honor. It was quite clear that the payment of claims compensation would tax Polish resources in hard currencies, and, therefore, the timing in this area had to be considered in connection with the burden of other Polish obligations to the US.

This brought Mr. Jaroszewicz to the second problem he wanted to raise, that of longer range agreements for the purchase of surplus commodities. He had already mentioned to Mr. Benson a three year agreement in this field. Poland would also like to see the dollar repayment clause eliminated, with the substitution of a repayment in zlotys, which could be used for a domestic investment program, particularly in the area of roads and watershed management, which in itself would improve the efficiency of the Polish economy and make Poland a better payer.

²Section 5 of the Trade Agreements Extension Act of 1951 provided that as soon as practicable the President would "suspend, withdraw, or prevent" trade agreement benefits to imports from the Soviet Union or "any nation or area dominated or controlled by the foreign government or foreign organization controlling the world communist movement." (65 Stat. 72)

Mr. Dillon agreed that a three year agreement could be studied; the burden of claim payments was something understood by the US side and would be taken into consideration in future discussions. In regard to future agreements the question of the dollar repayment clause could be reconsidered; it is probable that certain rights to repayment in dollars would have to be retained by the US, although it was too soon to express any specific opinion on this question. In any case, negotiations on such questions could proceed parallel with the final stage of negotiations on claims. As for agreements presently in force, the situation was different since it would be difficult for the US to give up the dollar repayment clause without creating a dangerous precedent in regard to other countries.

Mr. Jaroszewicz stated that he interpreted Mr. Dillon's remarks to mean that the US was agreeable to opening talks to resolve the remaining problems.

Mr. Dillon expressed his agreement with this interpretation.

Mr. Jaroszewicz said that this brought him to a third problem he wanted to raise and which concerned the question of purchases on credit of investment goods, in particular for the Polish steel and chemical industries. This was an area in which legal obstacles exist with respect to the granting directly of Export-Import Bank loans to Poland. This was an area of highest importance for the Polish balance of payments situation; the latter had grown more acute recently because of the decrease in the price of coal and the effects of the European Common Market on Polish exports. Some relatively slight investments in the steel, chemical and machine tool industries would result in great savings of foreign exchange for Poland and in consequence improve the prospects of the repayment of Polish debts. It would be useful to create conditions under which Poland could borrow from the Export-Import Bank and to obtain Export-Import Bank guarantees for private loans.

Mr. Dillon said that we could study the question. There was a particular bill which was sent to Congress; it was, however, uncertain whether Congress would pass it in the current session, since this was an election year and the session would be short. The fact remains that the solution of the claims problem would improve atmosphere in the Congress and it might be possible to find other ways to extend loans. In any case the US would be happy to study any concrete needs presented by the Polish side. In respect to the private loans, there is indeed a law which was passed about twenty-five years ago, the Johnson Act of 1934, concerning the floating of loans to countries in default of payments for

previous loans;³ there again a settlement of the question of claims would be helpful.

Mr. Lychowski noted that one solution to the problem of the Johnson Act would be Polish membership in the International Monetary Fund.

Mr. Dillon said that he was not up to date on this matter. Our attitude was quite clear in supporting Poland's association with the GATT. The IMF and the IBRD were, however, more difficult. He suggested that the Poles discuss the matter with Messrs. Black and Jacobsson.⁴ Mr. Lychowski observed that a green light from the US would be helpful. Mr. Dillon said that this of course was unnecessary.

Mr. Jaroszewicz hoped that this question also could be studied in the conversations which were about to open. He asked what might be the date of the opening of such talks.

Secretary Dillon agreed that the talks should start as soon as possible; he noted that some difficulties on the US side existed in regard to personnel. Mr. Beale on the American side had been replaced as Deputy Assistant Secretary by Mr. Martin.⁵ The latter, however, was Acting Assistant Secretary in the absence of Mr. Mann⁶ and could not devote his time at present to the talks. It was expected that Mr. Mann would be back in the United States in ten days or two weeks and that the talks could begin thereafter.

³ Reference is to the Johnson Debt Default Act, April 13, 1934; see footnote 7, Document 46.

⁴ Eugene R. Black was President of the International Bank for Reconstruction and Development; Per Jacobsson was Managing Director and Chairman of the Board of Executive Directors of the International Monetary Fund.

⁵ Edwin M. Martin, Deputy Assistant Secretary of State for Economic Affairs.

⁶ Thomas C. Mann, Assistant Secretary of State for Economic Affairs.

99. Operations Coordinating Board Report

Washington, March 30, 1960.

REPORT ON POLAND (NSC 5808/1)¹ (Approved by the President April 16, 1958)

(Period Covered: February 11, 1959 through March 30, 1960)

1. *Summary Evaluation.* The Gomulka regime has continued important aspects of its program which represent significant deviations from normal Soviet bloc policies,² and has in general shown a willingness to maintain the closer relations with the West established after October, 1956; however, there appear to be few prospects at present for the development of new channels for the implementation of U.S. policy toward Poland, and our operations in recent months have been primarily of a nature designed to preserve as many past gains as possible and to keep the door open for the exercise of as much Western influence as feasible. The objectives outlined in the policy paper remain valid.

2. *Stricter Central Controls.* In recent months the Polish government has, however, taken steps to provide for (and in some instances to apply) stricter central controls in the economic and cultural sectors which, if applied effectively, could in the long run significantly diminish the extent of Poland's divergence from the bloc. These steps have not produced fundamental shifts in Polish domestic policies and it is too early to evaluate their long-term significance.

3. *U.S.-Polish Relations.* Vice President Nixon's visit to Poland in August, and visits of other high ranking officials, were indicative of the improvement in U.S.-Polish relations in recent years. This visit afforded the opportunity for the first direct exchange of views between high U.S. officials and Gomulka.

4. Also indicative of improved relations is the substantial progress made toward settlement of nationalization claims. Although it may be

Source: Department of State, OCB Files: Lot 61 D 385, Poland Documents. Secret. A cover sheet and an undated covering memorandum by Bromley Smith are not printed. Smith wrote that the OCB on March 30 concurred in the Working Group's judgment that U.S. policy on Poland continued to be valid and that there were no developments of such significance to warrant a review of the policy by the NSC or a report to the NSC.

¹ Document 46.

² Past gains which have been maintained are: no forced collectivization of agriculture; regime accommodation with the Roman Catholic Church; curbs on the use of the secret police as a political weapon; relative academic freedom and freedom of speech; and relatively friendly relations between the Polish and U.S. governments. [Footnote in the source text.]

several weeks before a formal agreement can be signed, oral agreement has already been reached on the major issue, namely, the lump-sum figure to be paid by Poland.

5. *Orienting Poland Toward the West.* The United States has continued to promote the development and expansion of contacts and exchanges between Poland and the West, particularly in the economic and cultural spheres. A key element in this respect is the economic assistance which the United States has made available to Poland (1957—\$95 million, 1958—\$98 million, 1959—\$103.3 million).

6. *Policy Review.* The agencies represented in the Working Group on Poland have reappraised the validity and evaluated the implementation of the U.S. policy toward Poland (NSC 5808/1) in the light of operating experience and believe there is no need for the National Security Council to review the policy at this time, and that there are no developments of such significance as to warrant sending a report to the National Council.

100. Memorandum of Conversation

Washington, April 6, 1960.

SUBJECT

Meeting of Polish Deputy Premier Jaroszewicz with the Secretary

PARTICIPANTS

The Secretary

Polish Deputy Premier Jaroszewicz

Others Present:

Romuald Spasowski, Polish Ambassador

Bohdan Lewandowski, Director, American Desk, Polish Ministry of Foreign Affairs

Marian Dobrosielski, Counselor, Polish Embassy

EE—H. C. Vedeler

LS—E. S. Glenn

In response to the Secretary's opening question about the Polish party's tour of various industrial centers in the U.S., Mr. Jaroszewicz

said that it was an extensive and very useful trip, altogether a happy experience for all of them. They would speak well of the trip as well as of the visit generally when they returned to Poland. He was of the opinion that this visit to the U.S. would contribute to mutual understanding and the improvement of relations between Poland and the U.S. He had a number of very interesting and useful meetings in Washington with the President, the Secretaries of Commerce and Agriculture, Under Secretary Dillon, the Director of the ICA Ambassador Riddleberger, and the head of the Export-Import Bank Mr. Waugh,¹ before leaving on the tour of industrial centers. He had tried in these conversations to raise the most important points of mutual interest and to discuss difficulties preventing a further development of relations between the two countries. These difficulties included both political matters and legal obstacles to the further expansion of economic relations. Thus he had raised with the President the question of the rearmament of West Germany and the rebirth of German militarism. The Polish Government found quite a number of things happening in West Germany which were now a matter of concern and so it was not possible for him to remain silent. He must still raise certain questions which remain unfinished items of business or points of friction. He must accordingly take up the problem of Radio Free Europe which spread falsehoods in Poland and interfered in Polish internal affairs.

The Secretary asked whether the Minister could give particular instances of objectionable broadcasts. He referred to the conversation with Foreign Minister Rapacki of last year² in which the latter had raised the same point. The Secretary had indicated at that time that RFE was directed by private individuals and that we would have to take up such matters with them. In discussing the subject with the private people responsible for its operation we must have specific cases to mention.

Mr. Jaroszewicz replied that he was confident the Embassy would provide concrete cases of such falsehood and interference in Polish internal affairs. Reverting then to his previous meetings before departing Washington on the trip to industrial centers, he said that he had also discussed questions that were still slowing down the development of economic relations with the U.S. such as legislative factors interfering with the extension of private credits and Export-Import Bank credits to Poland. His party had found great understanding for the Polish point of view and they would very much like to see these obstacles removed so

¹ Regarding Jaroszewicz' meetings with the President and with Dillon on March 25, see Documents 97 and 98. No records of Jaroszewicz' meetings with the Secretaries of Commerce and Agriculture, Riddleberger, or Waugh have been found in Department of State files.

² See Document 86.

that it would be possible for Poland to obtain machinery and industrial products from the U.S.

The Secretary replied that he assumed an explanation had been given the Minister of the legislative difficulties owing to the separation of powers in our Government and to the different parties controlling Congress and the Executive.

Mr. Jaroszewicz said that they understood these difficulties but felt that it was nevertheless necessary to discuss them and they had done so with the Senate Foreign Relations Committee at the luncheon which they had just enjoyed with the Committee. He appreciated the great authority of President Eisenhower and hoped that this could be exerted to the benefit of solving these problems. Referring again to their trip he said that they had conducted their travels in an excellent atmosphere and that they had been well received everywhere.

The Secretary then asked if he might raise one question. In the interest of the very thing the Minister was talking about, namely the achievement of better relations between the two countries, it would be useful to clarify the trade agreement which Poland had recently concluded with Cuba.³ The Secretary said that we did not yet have the text but hoped that it would be possible to get the text or complete information. The Department had noted from the press reports that the agreement mentioned possible military items for sale to Cuba, that is helicopters and aircraft. This was the kind of thing that could be expected to cause difficulties in our relations with Poland. Mr. Jaroszewicz replied that he was sure that a clarification would eliminate any misunderstanding.

The Secretary said that these provisions in the Polish-Cuban agreement regarding helicopters and aircraft appeared quite unusual since it was our understanding that Poland did not furnish aeronautical equipment to other countries. The Department would consequently like to have information. The Secretary elaborated on our concern pointing out that during the past year we had cut off shipment of arms to Cuba as a matter of importance in keeping armed parties from going from Cuba to neighboring countries.

Mr. Jaroszewicz said that he could assure the Secretary that Poland would not provide any military equipment to Cuba. The agreement was of limited importance and would involve only a small amount of trade. The agreement moreover set forth certain categories of goods which could be sold and did not specify that there must be transactions in goods in each category. The negotiation of the agreement did not include commercial contracts and none had yet been drawn. The need for

³ Reference is to the Cuban-Polish trade and technical cooperation agreement signed in Havana on March 31.

the trade agreement on the part of Poland had been caused by its poor sugar crop this past year. As for the categories of helicopters and aircraft Poland produced no military aircraft that could be exported. If there were sales in these categories they would involve only small helicopters used for medical or similar purposes and nonmilitary aircraft used for such purposes as dusting crops.

The Secretary again expressed concern in this connection because of Cuba's proximity to neighboring states such as Haiti and the Dominican Republic to which armed parties had been sent. Even small helicopters and aircraft not ordinarily used for military purposes might because of the situation of Cuba be directed to military activities. Mr. Jaroszewicz said that the Poles would be against any non-civilian use of goods which they might provide Cuba under the agreement. He further indicated that this was something to be taken into consideration. The Secretary replied that perhaps the Minister could then give us accurate detailed information on the agreement and its implementation. Mr. Jaroszewicz said that the agreement was not secret and there was no objection to acquainting the Department with its contents. In regard to its implementation no steps had been taken as yet.

In conclusion Mr. Jaroszewicz thanked the Secretary warmly for making possible this fine trip in this beautiful country. He expressed satisfaction with all the arrangements that had been so carefully made and said he would report in this spirit when he returned to Poland. The Secretary said that since he believed such exchanges were quite worthwhile it was gratifying to hear these words coming from the Minister. Mr. Jaroszewicz reiterated that he was grateful for this visit to the Secretary today and for the visit of his party to the U.S.

101. Editorial Note

Intelligence Report No. 8248, April 8, prepared in the Bureau of Intelligence and Research, was entitled "Poland's Deviationist Regime Shifts to More Vigorous Tactics." The summary of the paper reads as follows:

"Pressures for increasing Polish conformity to the bloc pattern are inherent in the bloc's vigorous socialization program in spite of the fact that the Gomulka regime has succeeded in obtaining Soviet endorsement of its basic deviationist policies. In the year which has elapsed

since the Polish Party Congress, the regime has arrived at an apparent working arrangement with a number of leading domestic advocates of more orthodox communist policies, initiated a reorganization of the Party apparatus, and managed to expand somewhat the sphere of Party control and influence in the country. It has accomplished all this without diminishing the extent of Polish deviation from bloc practice in the three crucial fields of agriculture, church-state relations, and police control; however, through its increased vigor in the implementation of unpopular measures, primarily cultural tightening and economic retrenchment, it has succeeded in giving the appearance of greater conformity with the tempo of socialization in the rest of the bloc." (National Archives and Records Administration, RG 59, OSS-INR Reports)

102. Memorandum of Conversation

Washington, April 26, 1960.

SUBJECT

Polish Negotiations

PARTICIPANTS

Dr. Tadeusz Lychowski, Economic Minister, Embassy of Poland
Mr. Edwin M. Martin, Deputy Assistant Secretary for Economic Affairs,
Department of State

Dr. Lychowski asked to see me alone after some preliminary discussion of arrangements for the forthcoming US-Polish negotiations.

He said he wanted to talk to me on a completely off-the-record and confidential basis. He understood fully the difficulty which we had in concluding arrangements for economic assistance to Poland prior to signing of a claims settlement agreement. On the other hand his Government in Warsaw was very concerned about their bad balance of payments situation and would be most reluctant to commit themselves to payments under a claims agreement without knowing whether or not they would receive aid on a basis which would justify the claims ar-

rangements. In order to get around this dilemma of which should come first, he thought it would be most helpful if, as early in our negotiations as possible, I could give him the broadest kind of an idea of what we would be prepared to do with respect to the aid questions. If he could have this kind of suggestion from me on a personal basis which he could transmit to Warsaw, he thought there was then a chance that he could persuade Warsaw to agree to sign the claims agreement first.

I said that I understood there was a problem of priority here which was difficult and which must be handled if the negotiations were to be successful. I did not know what I might be able to tell him about the prospects with respect to aid or when, but, if I could be of assistance along the lines he suggested, I would certainly try to give him as soon as possible some idea of what they might expect from us.

He then said he wished to mention one point of substance to which he would refer in his opening statement at the negotiations tomorrow¹ but probably not in such a way as to make clear how vital it was to them. This was the issue of dollar repayment under the PL 480 agreement.² He said the real problem here was that Mr. Gomulka was absolutely wedded to the idea of meeting on time all Polish obligations. They had had a clean record since 1945 and Gomulka was insistent that it be kept that way. It was, therefore, impossible to persuade him to enter into agreements to make payments in cases where he thought there was some doubt about their future ability to carry out the agreement. There is also the question of Poland being the only country in which there is such a requirement under PL 480.

I said that I did not know what we could do in this respect, but I appreciated knowing from him that from their standpoint this was a vital issue.

¹ See Document 103.

² For text of Article III 2(d) of the U.S.-Polish Surplus Agricultural Commodities Agreement of June 10, 1959, see 10 UST 1058.

103. Editorial Note

The final phase of the U.S.-Polish negotiations of a claims settlement opened in Washington on April 26 and proceeded concurrently with separate discussions about economic matters. Stanislaw Raczkowski, Financial Counselor of the Polish Embassy, and Harold C. Vedeler, Director of the Office of Eastern European Affairs, served as chairmen of their delegations. At their first meeting, they discussed the draft claims agreement and decided to submit certain matters to a working group. At their second meeting on May 11, they discussed their differing views on the amount and frequency of the Polish payments. At an informal claims meeting with Vedeler on June 15, Raczkowski said his government had now abandoned linking the annual lump-sum payment to the volume of exports to the United States. Vedeler conveyed the idea informally that if Poland could not pay the lump sum in 15 years, it should submit an offer to pay the sum in 20 years. A copy of the memorandum of conversation, dated April 26, outlining the discussion at the meeting is in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1960: U.S.-Polish Claims Talks. Copies of telegrams 1224 and 1391, May 14 and June 15, which outline the discussions held on May 11 and June 15, are in Department of State, Central Files, 248.1141/5-1460 and 248.1141/6-1560.

U.S.-Polish discussions about economic matters resumed on April 27 with Edwin Martin, Deputy Assistant Secretary of State for Economic Affairs, and Tadeusz Lychowski, Economic Minister of the Polish Embassy, heading the delegations.

At the first meeting on April 27, the Polish delegation made the following aid requests: a 3-year aid program; the abolition of the "Dollar Clause" in all P.L. 480 agreements with Poland; a new P.L. 480 agreement to provide primarily grains, cotton, and fats; most-favored-nation treatment for Poland; the provision of certain industrial plants and equipment; and a technical cooperation program within the aid agreement. The delegations agreed to set up two committees, one to discuss P.L. 480 and the other to discuss industrial requests. The Committee on Agricultural Commodities met on May 3, 10, and 24 and the Industrial Committee met on May 5, 16, and 23. Copies of the minutes of all these meetings, and the first general meeting on April 27, are in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500 Aid/Poland 1960: US-Polish Talks.

After more than 6 weeks of talks, Lychowski called on Martin on June 14 and said that the negotiations "were going well with only three points on which we were not in agreement, none of which he thought should be considered major." The most important of these was the question of dollar repayment for the P.L. 480 sales. Martin reported that

Lychowski "used every argument he could think of to persuade me that the US should make some concession from our present position, pointing out that it was really no negotiation because I refused to negotiate but stood firm on the initial position." Martin agreed to consult other U.S. officials on Lychowski's proposals, but he avoided giving encouragement that they would be accepted. A copy of the memorandum of conversation, dated June 14, which outlines Martin's conversation with Lychowski, is in Department of State, Central Files, 411.4841/6-1460.

With both the claims talks and the P.L. 480 talks stalled in mid-June, Lychowski requested a joint meeting of the delegations since the Polish side was anxious to conclude the negotiations. At the joint meeting held on June 20, Lychowski expressed the desire to bring the repayment conditions of previous P.L. 480 agreements into line with those of agreements concluded by the United States with other countries, although he understood the "legal obstacles" to doing so at the present time. He presented some alternatives that either mollified, modified, or reduced the severity of the terms of the repayment clause.

With regard to the new P.L. 480 agreement, Lychowski accepted the fact that a 3-year agreement was not possible at this time. He said the Polish side was willing to postpone for another year building up reserves so as not to prejudice the amount of the Export-Import Bank agreement and stated it was essential to have an assurance of an Export-Import Bank credit in the next fiscal year of at least \$25 million. Discussion of other matters, such as technical cooperation, would be postponed.

Raczkowski remarked that if the United States could accept all these proposals, the Polish representatives would "do their best" to obtain authorization for repayment of the claims over 20 years, as the United States wished, instead of 25 years as the Poles were officially offering. Lychowski hoped to have the U.S. reaction to his proposals by the end of the week. Martin reiterated the Department's reluctance to modify the existing terms beyond the proposal that already had been made to lengthen the terms of repayment. A copy of the memorandum of conversation, dated June 20, of this joint meeting is *ibid.*, 248.1141/6-2060.

The Polish negotiators exerted great pressure on the United States side to respond promptly to their proposals. Edward Iwaskiewicz, Commercial Counselor of the Polish Embassy, told Katz at a private luncheon on June 21 that Gomulka had recently indicated a strong distaste for requesting agricultural imports from the Soviet Union and that Gomulka's position at an upcoming meeting of the Communist leaders in Bucharest would be strengthened if the United States gave its re-

sponse on the P.L. 480 proposals as soon as possible. A copy of this memorandum of conversation, dated June 21, is *ibid.*, 611.48/6-2160.

On June 22, Lychowski, in a meeting with Martin, announced that he "could give assurances that there were very good prospects" of the Polish Government's agreeing to a 20-year term on the claims agreement if a reasonably satisfactory answer could be secured on P.L. 480. He asked that "we give him broad outlines of our position by tomorrow afternoon so that Gomulka could have it before he leaves for Bucharest." Martin answered that "we would do what we could," but that he could not make any promises. A copy of the memorandum of conversation, dated June 22, is *ibid.*, 411.4841/6-2260.

That same day, June 22, Katz and Assistant Secretary Foy Kohler prepared a memorandum for Under Secretary Dillon that contained the broad outlines of a U.S. reply to the various Polish suggestions of June 20. Their recommendations included: examining, with the Polish Government, Poland's payment obligations under the P.L. 480 agreements, "it being understood that there is no commitment as to the position we might take;" amending the first two P.L. 480 agreements to provide for payments over 35 years; and offering a new P.L. 480 agreement with a maximum market value, including ocean transportation, of \$125 million. The memorandum noted that the United States could not provide an assurance regarding a new Export-Import Bank credit. A copy of the memorandum, dated June 22, is *ibid.*, 248.1141/6-2260.

Dillon approved these recommendations on June 23. Although there is no record, the Polish Embassy was apparently informed of the decision the same day so that the information could be transmitted to Gomulka. Some minor modifications were approved by the Bureau of European Affairs and by Dillon and communicated to the Polish Embassy on July 1 by Martin. A copy of Martin's memorandum of conversation, dated July 1, with Lychowski is *ibid.*, 411.4841/7-160.

On July 16, the United States and Poland signed at Washington an agreement relating to the settlement of claims of U.S. nationals against Poland. The agreement provided for a lump-sum payment of \$40 million to be made in 20 annual installments of \$2 million each beginning January 10, 1961. For text of this agreement, see 11 UST 1953. Documentation on the negotiations leading up to this agreement are in Department of State, Central Files 248.1141 and 411.4841, and in the Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, 500.8 Nationalization 1959: US-Polish Claims Talks and 500.8 Nationalization 1960: US-Polish Claims Talks.

The recommendations of Katz and Kohler, plus some minor changes, were embodied in the P.L. 480 agreement that the United States and Poland signed in Washington on July 21. It provided for the sale to Poland of agricultural commodities of a total value of \$130 million. Pur-

suant to the terms of Public Law 480, the United States agreed to sell Poland surplus agricultural commodities for local currency for that amount, which would be deposited to the credit of the U.S. Government and available for its use. The amount also included certain ocean transportation costs. For text of this agreement, see 11 UST 1887.

The two governments also signed on July 21 "The Record of Positions," printed as Document 105.

104. Editorial Note

Pursuant to NSC Action No. 2215–c, the National Security Council at its 448th meeting on June 22 agreed to the recommendation of the NSC Planning Board that paragraph 33, relating to port security, be deleted from NSC 5808/1, Document 46. In a memorandum to the National Security Council, dated June 29, Executive Secretary James S. Lay reported that the NSC agreed at its meeting on June 22 to make that recommendation to the President. Lay stated that the recommendation, contained in NSC Action No. 2250, was approved on June 29 by the President and he was thereby transmitting it to all holders of NSC 5808/1 with the request that paragraph 33 of NSC 5808/1 be deleted and that all subsequent paragraphs be renumbered accordingly. A copy of Lay's memorandum is in Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5808 Series. A copy of NSC Action No. 2250 is *ibid.*, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council. The memorandum of discussion at the NSC meeting on June 22 is in the Eisenhower Library, Whitman File, NSC Records.

NSC Action No. 2215–c, taken by the National Security Council at its 440th meeting on April 7, noted the President's statement that he wished to leave NSC policy papers up to date for the next administration. Accordingly the Planning Board should submit to the Council such revisions in NSC policy papers. If the revisions were purely editorial, the Planning Board was to make a written report to that effect to the Council. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

105. Paper Prepared by the Department of State

Washington, July 21, 1960.

**RECORD OF POSITIONS TAKEN BY UNITED STATES AND
POLISH REPRESENTATIVES IN CONNECTION WITH
ECONOMIC NEGOTIATIONS IN WASHINGTON**

1. The United States representatives expressed the willingness, if the Battle Act is amended, to examine together with representatives of the Polish Government, in the light of the situation existing at that time, the provisions of Article III 2(d) of the P.L. 480 Agreements concluded between the United States and Poland.

2. Since the Congress has not yet enacted the Mutual Security Appropriation Act of 1960¹ the United States representatives were unable to indicate to the Polish representatives the amount which might be made available for a credit to Poland through the Export-Import Bank of Washington. The United States representatives indicated, however, that when the appropriation has been enacted they would, as expeditiously as possible, determine what amount may be available for this purpose.

3. In the course of discussions the possibility of a technical cooperation agreement between the United States and Poland was suggested. Exploratory discussions will be continued between experts of the United States and Poland to consider the kind of technical cooperation agreement between the two governments which might be practicable.

Source: Department of State, Central Files, 611.4841/7-2160. No classification marking. Drafted by Katz.

¹ Presumably this is a reference to the Mutual Security and Related Agencies Appropriations Act of 1961, P.L. 86-704, which was enacted September 2. (74 Stat. 776)

106. Airgram From the Embassy in Poland to the Department of State

Warsaw, August 4, 1960.

G-38. Customary summer pause finds Polish situation basically unchanged since beginning of year but country subjected to new pressures, few of them favorable.

Major influence has been sharpening East-West post-summit tensions,¹ making regime more wary of Western contacts while adhering outwardly to business-as-usual attitude. Press reporting and comment on U.S. policies have been variably sharp but apparently moderated on occasion to conform with hopes and prospects (recently fulfilled) of further American credit assistance.

Perceptible change seems to have occurred in discussion of "co-existence question" which Gomulka apparently felt called upon to re-define for Poland after Bucharest Communist gathering.² Earlier doctrine outlined by Party thinker Adam Schaff late May and described as official was to effect "socialist" and capitalist states could compete peacefully, even on mutually profitable basis, while continuing ideological struggle. Greater influence assigned to socialist camp due enhanced Soviet power position but cultural contacts and effects of time and universal change admitted by Schaff as factor reducing mistrust. In authoritative Katowice speech early July³ Gomulka reverted to standard designation of Western capitalist nations as "imperialists," affirming in essence that prospect for peace lies in present ability socialist bloc to impose its will. "Constructive co-existence" is given third priority in latest list of objectives stated by FonMin Rapacki, following after proletarian unity and solidarity with colonial emancipation.

Shift is doubtless reflection of Polish aim to maintain reputation for orthodoxy within Communist bloc. Distinct and sometimes outspoken disagreement (as in WFTU meeting at Peking)⁴ has been evident with ChiCom stand on co-existence, but in honoring commitment of trust in Khrushchev, Poles apparently feel safe in going as far as Soviets in seeking compromise.

Source: Department of State, Central Files, 748.00/8-560. Confidential. Drafted by Beam and Lee T. Stull, Second Secretary at the Embassy.

¹ Reference is to the abortive summit meeting in Paris in May 1960.

² Reference is to the meeting of Communist Party leaders from all the Communist countries of Eastern Europe and Asia except Yugoslavia held in Bucharest June 20-25.

³ A summary of Gomulka's July 6 speech in Katowice is in despatch 6 from Warsaw, July 8. (Department of State, Central Files, 748.00(W)/7-860)

⁴ At the World Federation of Trade Unions' 11th General Council session in Peking June 5-9, the Chinese Communists challenged the correctness of the Soviet Union's "peaceful co-existence" line.

In practice Polish foreign policy has marked time under shadow of Soviet initiatives, perhaps not always pleasing in themselves, by requiring Poland to stand up and be counted in prominent positions it sought in UNSC and disarmament talks. Standard anti-Adenauer campaign is main theme pressed with vigor, although feeble overtures continue with aim of promoting neutralism in Scandinavian countries. Writing off of U.S. as active political factor pending elections apparently not stressed to same degree as by Soviets, and U.S. ability to react to interim crises probably not underestimated. Private Polish official justification for Khrushchev's Summit behavior is sharp warning was necessary to forestall U.S. provocative incidents affecting Berlin. Unspecified Polish fears hint at sharpening of Berlin conflict before year's end.

Sense of fatalistic uneasiness has not disturbed outward calm of domestic scene where state of economy is chief preoccupation. Intellectuals seem to have reached lowest point of degradation since war, with their leaders frustrated, by-passed for the moment, but materially accommodated. Church-State tug-of-war has continued in sporadic incidents which neither side has forced to conclusion, although pressure maintained on church teaching institutions. Apparently for prestige reasons both sides reluctant to revive work of mixed committees, church in any event preferring stand off until fall.

Pressure on peasants has not materially increased, due doubtless to greater need for relying on them during difficult crop year, as well as due to slow organizational pace of agricultural circles aggravated by continued lack of leadership cadres. On other hand there has been general tightening up especially in cultural field where preference for Eastern products has been made more explicit and dealings with West require higher approval. While police have been only slightly more aggressive, attempts at greater discipline pervade. This seems to have become larger issue now in Central Committee whose debates reportedly reflect efforts by dogmatic planners to prevail over pragmatists and moderates in interest of solving economic troubles.

On economic side especially, deflationary program has enhanced financial, investment and labor discipline, and impressive production and productivity gains registered. Rapid increases achieved in producers goods production with less favorable results engineering and light industry. Significant shortages of rolled goods, pig iron and electric power noted. Deflationary program also created own problems including accumulated stocks several consumer durables and some unemployment and decline living standards. These accompanied by popular dissatisfaction reflected in sporadic, short-lived labor disturbances in first quarter. Large scale changes in work norms, work organization and producers prices effected in attempt rationalize the economy. Effects

probably favorable with however some disruption orderly planning and production.

Some economic gains appear represent windfall profits from general tightening, particularly introduction of an element of uncertainty, even fear, into the labor force regarding job security. Further deterioration balance of trade noted with imports increasing during first half year faster than exports. Growing centralizing tendencies apparent in increasing Planning Commission powers, reorganization scientific and technical bodies, creation Labor and Wage Committee, etc.

Until now regime's economic program characterized in practice by considerable flexibility. However, recent decisions to step up planned heavy industrial production and investments for 1961-1965 and to reduce housing suggest stiffer tendency prolong consumer sacrifice in determined effort give economy necessary impetus. At same time, regime apparently realizes deflation perhaps carried too far. Some price and wage tax reductions announced, and top level decision other counter-deflationary measures seems pending.

Regime agricultural policy still stresses encouragement and persuasion. Private farmers continue to invest and demonstrate some interest in mechanization. However, weather has failed to cooperate, and although increased hog and cattle numbers reported, important rye crop will be reduced with other crops probably normal. Probably realistically, 1961-1965 agricultural production goals recently reduced and investments increased.

Prospects through year's end are for further favorable development industrial production, perhaps hampered by increasing supply and coordination difficulties, some possibility of wage increases or price reductions on overstocked consumer durables. Heavy demands upon population, particularly industrial labor force, likely to continue however with possibility some revival labor unrest.

Within this far from encouraging setting, important factors will be regime's willingness and ability to direct labor force through incentives rather than compulsion, and to withstand pressures tending to upset political compromises which have so far preserved stability.

Department please pass as desired.

Beam

107. Memorandum of Conversation Between President Eisenhower and His Assistant Special Counsel (Areeda)

Washington, September 3, 1960.

RE

Restoring Most-favored-nation treatment to Poland

I put before the President the State Department recommendation that we restore most-favored-nation tariff concessions to Poland and noted these points: (a) this action was approved by the NSC in 1958¹ and reapproved by the OCB in 1960;² (b) the Polish assumption that this step would follow the successful conclusion of claims settlement arrangements; (c) Poland anxiously awaits this step; (d) the bulk of our imports from Poland consists of canned hams which would not be affected by the proposed action; and (e) Jim Hagerty believed that the proposed action would be well received by Polish-Americans.

The President was concerned with the timing. He felt that if the proposed action were taken during September or October it could be distorted by political demagogues unless accompanied by a careful explanation. With respect to the Polish desire for prompt action, the President said that Mr. Dillon could tell the Polish Ambassador that the President has this matter before him, must consider the domestic aspects, and must therefore await a propitious moment for this public step.

The President wondered whether he should take the occasion of his late-September Chicago address to a Polish-American group to state that this matter is pending, to note Poland's developing independence from Soviet domination, and to emphasize the U.S. interest in furthering that development. I asked the President whether such a statement by him would prejudice the position of the Polish Government vis-à-vis the Soviet Union. The President replied to the effect that growing independence was a necessary premise for the proposed action; to take the action implies the premise. Why, he asked, should we hesitate to say so.

The President directed me to discuss the matter with Dillon, to inform General Persons,³ and to ask Jim Hagerty to inquire into the potential effect of the proposed action upon Polish-American groups.

Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential. Drafted by Areeda.

¹ Reference is to NSC 5808/1, Document 46.

² See Document 95.

³ General Wilton B. Persons, Assistant to the President.

I related this to Mr. Morgan⁴ who undertook to bring General Persons up-to-date. I also told Jim Hagerty and offered to supply him with a factual memorandum that could be the basis of inquiries by him.⁵

Phillip Areeda

⁴Gerald D. Morgan, Deputy Assistant to the President.

⁵No record of further discussion of this issue by Areeda, Hagerty, or other officials has been found.

108. Editorial Note

As an enclosure to his memorandum of September 26, James S. Lay, Executive Secretary of the National Security Council, transmitted a September 21 memorandum from Bromley Smith, Executive Officer of the Operations Coordinating Board, to all holders of NSC 5808/1 (Document 46). Smith wrote that at their meeting of September 16, the OCB Board Assistants noted, on behalf of their principals, that the OCB Working Group on Poland had reappraised the policy and concurred in the judgment that no review of policy by the National Security Council was necessary at that time, and that there were no developments of such significance as to warrant sending a report to the National Security Council. Smith wrote that in light of NSC Action No. 2215-c, the policy paper could be updated with particular reference to NSC Action No. 2250 of June 29. Copies of Lay's and Smith's memoranda are in Department of State, OCB Files: Lot 61 D 385, Poland Documents. Regarding NSC Action Nos. 2215-c and 2250, see Document 104.

NSC 5808/1 was editorially revised by the National Security Council on June 22. See Document 104. Copies of the revised NSC 5808/1 are in National Archives and Records Administration, RG 218, JCS Records 092(9-14-49), Sec. 14 R-13 and in Department of State, S/S-NSC Files: Lot 63 D 351, 5808 Series.

109. Memorandum From Secretary of State Herter to President Eisenhower

Washington, September 6, 1960.

SUBJECT

Restoration of Trade Agreement Benefits to Imports from Poland

I understand that you have suggested that action to restore trade agreement benefits to imports from Poland might best be deferred until sometime after October, unless the Department of State perceived objection. I firmly believe that this action should not be further deferred. This question should be considered in the light of the development of our relations with Poland since October 1956 and the firm commitment we have made to the Polish Government to restore most-favored-nation treatment following a nationalization claims settlement.

The events in Poland in October 1956 and the advent to power of the Gomulka regime afforded the United States opportunities to pursue policies designed to help sustain the Polish people in their struggle against the domination of the Soviet Union and world communism. In the past four years the United States has concluded with Poland a series of PL 480 sales agreements totaling \$365.3 million. In addition, a total of \$61 million in credits has been extended through the Export-Import Bank. The Polish people are aware of and appreciate this aid which has been of direct benefit to them. Of equal importance is the fact that our aid helps to create an atmosphere in official United States-Polish relations, such as those in the informational and exchange of persons fields, and thus to keep open our channels of contact with the Polish people. By and large our policy towards Poland and specially our aid to the Polish people enjoys the support of public and Congressional opinion, including the support of the Polish-American community in the United States.

The commitment to restore most-favored-nation treatment to Poland, as pointed out in the memorandum of the Acting Secretary of State dated August 6,¹ was made in connection with negotiations for a settlement of claims of American nationals against Poland. This commitment was initially made by our Chargé d' Affaires in Warsaw on October 17, 1959² pursuant to instructions from the Department. The commitment

Source: Eisenhower Library, Whitman File, International File. Confidential.

¹In Herter's August 6 memorandum for the President, he recommended that Poland be granted most-favored-nation treatment. (Department of State, Polish Desk Files: Lot 65 D 121, Most Favored Nation Treatment)

²See Document 91.

was repeated by our Ambassador on November 16, 1959³ again upon instructions of the Department. In a conversation of March 25, 1960 with the Polish Deputy Prime Minister, Mr. Piotr Jaroszewicz, the Under Secretary personally clarified and reaffirmed our commitment to restore MFN treatment.⁴ He stated, "It had always been our position that the conclusion of a claims settlement and the granting of MFN would occur at the same time."

The commitment to restore most-favored-nation treatment to Poland was based upon the authority of NSC 5808/1 approved by you on April 16, 1958.⁵ Paragraph 28(c) of this Policy provides: "Extend most-favored-nation treatment to Poland at an appropriate time."

The Operations Plan for Poland, approved on February 26, 1960 by the Operations Coordinating Board⁶ states in paragraph 52: "Grant most-favored-nation tariff treatment to Poland as soon as a nationalization claims settlement is signed."

The nationalization claims settlement with Poland was signed on July 16.⁷ We are therefore already in breach of our firm understanding with the Polish Government that most-favored-nation treatment would follow shortly after conclusion of the claims settlement. If action is to be further delayed we lay this Government open to a charge of bad faith and run a risk of prejudicing seriously our relations with Poland and thus reducing our opportunities for reaching the Polish people.

It might also be noted in this connection that the Polish Government is obligated to begin payments under the nationalization claims settlement in January 1961. This provision was hard won since the Poles wished to delay their first payment until after they could increase exports to the United States. If the granting of most-favored-nation treatment is to be long delayed, their exports will be thereby affected and could lead to a reopening of the question of Poland's payment obligations under the agreement.

Members of the Polish Embassy have exhibited considerable anxiety and concern over the delay which has already taken place. They have taken up the matter with the Department on four separate occa-

³ Telegram 845 from Warsaw, November 15, 1959, transmitted Beam's statement to Kotlicki of that date. (Department of State, Central Files, 248.1141/11-1759 and Washington National Records Center, Warsaw Embassy Files: FRC 65 A 160, Nationalization 1959: US-Polish Claims Talks)

⁴ See Document 98.

⁵ Document 46.

⁶ See Document 95.

⁷ See Document 103.

sions.⁸ If there should be further delay we can anticipate a strong reaction from the Polish Government.

In view of the foregoing considerations, I strongly urge that the action to restore trade agreement benefits to imports from Poland be taken as soon as possible.

Christian A. Herter⁹

⁸ Copies of the memoranda of conversation outlining Dobrosielski's conversation with Vedeler on August 30 and Lychowski's conversation with Martin on September 6 are in Department of State, Central Files, 411.4841/8-3060 and 411.4841/9-660, respectively. No records of the other two approaches by the Polish Embassy have been found.

⁹ Printed from a copy that bears this stamped signature.

110. Memorandum of Conversation

SecDel MC/93

New York, October 7, 1960, noon-12:30 p.m.

SECRETARY'S DELEGATION TO THE FIFTEENTH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY

New York, October 3-7, 1960

PARTICIPANTS

US

The Secretary
B.E.L. Timmons, Adviser, US
Delegation to the UNGA

Poland

Mr. Wladyslaw Gomulka, First
Secretary of the Central
Committee of the Polish United
Workers' Party; Chairman of the
Polish Delegation
Mr. Jozef Winiewicz, Deputy
Minister for Foreign Affairs
Mr. Zbigniew Janczewski, American
Section, Ministry of Foreign
Affairs

SUBJECT

U.S.-Polish Relations

Source: Department of State, Conference Files: Lot 64 D 559, CF 1767. Confidential. Presumably drafted by Timmons and approved in S on October 10. This conversation was held at the U.N. Building. Gomulka arrived in New York on September 16 to head the Polish Delegation.

Gomulka (with Janczewski translating) said that this was his first visit to the United States and that he was glad to have this opportunity to exchange opinions with the Secretary.

Turning first to bilateral matters, Gomulka referred to the visit of Vice-President Nixon to Poland and to the lengthy conversation they had had at that time.¹ Gomulka then brought up the question of investment credits to Poland from the United States. He said he was sure he did not have to explain Poland's needs. Credits would create great possibilities of satisfying such needs, and to a certain extent this would have an influence on the improvement of East-West relations. He said he wished to state openly that Poland was a member of the Eastern Bloc and that no credits could ever influence the direction of her foreign policy. Nevertheless, good bilateral relations between the United States and Poland could have "their own beneficial influence" in the direction of reducing international tensions. He went on to say that Poland has no "decisive influence" but "was a country, the voice of which is listened to attentively by the leader of our camp, the Soviet Union. This aspect of the matter should not be underestimated."

Gomulka then referred to the successful conclusion of P.L. 480 agreement and the claims agreement.² The two subjects had been "connected". He then said he wished to raise the question of MFN treatment for Poland.

The Secretary said the United States Government had notified Poland that we wished to postpone for a short while the MFN announcement only because of the forthcoming United States election.³ Otherwise it might become a controversial matter. The announcement will be made in the second week of November.

Gomulka said he had already received word of Kohler's talks with the Polish Ambassador. The Secretary said the MFN extension was the right thing to do, that we wanted to do it, and we did not wish to complicate it. Gomulka then asked whether the matter could be considered closed, and the Secretary replied in the affirmative.

Returning to the subject of Ex-Im credits, Gomulka said the case was "still open" and asked whether the Secretary would be able to tell him more than the Polish delegation had already been told. The Secretary replied that he was sorry he could not. He said, however, that he would look into the status of the matter and see if there was anything that could be added.

¹ See Document 74.

² See Document 103.

³ A copy of the memorandum of this conversation between Kohler and Spasowski, October 6, is in Department of State, Central Files, 611.48/10-660.

Gomulka pressed for the Secretary's personal view, and the Secretary pointed out that loan applications are made direct to the Bank, which is an independent institution. Winiewicz said Poland had an excellent credit record and the Ex-Im Bank shouldn't hesitate. Gomulka added that "certain firms" in the United States are interested in Poland's getting credits.

The Secretary said that the United States is strongly in favor of closer economic ties, exchanges of persons, and closer relations with Poland, in the full realization of what Gomulka had said earlier. The United States is not trying to buy a change in Poland's foreign policy. Gomulka said that, however, the opposite was sometimes suggested in the United States press and on "the so-called Radio Free Europe."

Gomulka then brought up the subject of Germany. He said that Poland's attitude had already been expressed in his speech in the UNGA debate.⁴ Poland understands that German problem is in the whole context of the present international situation and said that the German problem greatly complicates the latter. He wanted the United States to understand how sensitive the Polish people are to the rearming and remilitarization of the German Federal Republic. Poland cannot understand the "official silence maintained by the United States Government on the revisionist claims put forward against Poland by representatives of the GFR." This matter is the paramount issue in Polish public opinion. There are, Gomulka said, no differences among the Polish people on this score, "however they may assess our system."

The Secretary reminded Gomulka that the United States had fought two wars against Germany. But now Germany has become a member of NATO, whose sole purpose is collective defense. The United States has opposed and will continue to oppose any independent rearming of Germany or any independent capacity of Germany to wage war. As for the border problem, the United States acknowledges the right of Poland to exercise administrative control in the former German territory. But the United States is opposed to piecemeal solutions of the separate aspects of the German problem. We hope that a solution can be found to the entire relationship of Germany to Poland, Czechoslovakia, and the Soviet Union. We are disturbed, as Poland is, about some statements on the "recovery of lost lands." But we have absolute assurances from the GFR that it will not attempt to alter borders by force. The United States hopes (and sometimes despairs) that a general agreement will be reached on Germany, Berlin and disarmament. Some may doubt U.S. sincerity, but

⁴ Gomulka addressed the 874th meeting of the U.N. General Assembly on September 27. For text of the speech, see *U.N. Official Records, Plenary Session, 1960*, vol. I, pp. 157-165.

he wished to assure Gomulka that the United States wants to see these problems settled and settled amicably.

Gomulka said that the weakest point in what the Secretary had said is the claim that Germany does not want any solution except a peaceful one. This cannot be substantiated. The Secretary replied that it is substantiated in our eyes. The U.S. can understand that the Poles may view this matter with some skepticism, but he wished to point out that the GFR has very little independent potential and that there is no support in NATO for adjusting frontiers by force. Gomulka said the GFR has now the strongest armament potential in Western Europe. The Secretary said this was true economically, and Gomulka replied that Germany is already the strongest military power today, with most of France's forces in Algeria and the UK weak. The Secretary said there are no German forces that are not under NATO. Gomulka said it was true they were under NATO command, but he believed that the country that has the strongest forces has the decisive voice. Poland believes that the GFR is pushing the policy of NATO members toward "encouraging and exciting the cold war." "The German horse" will drag the Western countries even further than they wish to go. Gomulka said the U.S. arguments could not diminish Polish concern. Poland does not believe Adenauer's statements. No one believes them and "it is impossible that they could be true." The problem of frontiers no longer exists; the only problem is that of war or peace.

Gomulka then continued to develop the usual Polish propaganda line by saying that the "most inflammatory" issue was that of West Berlin. The GFR wishes to make West Berlin another factor in the aggravation of international tensions. He said that the GFR embargo on trade with the DDR made clear the GFR motives. The Secretary pointed out that action by the GFR had come only after there had been a considerable number of moves on the other side toward throttling the economy of West Berlin. Gomulka said he did not know of any such moves and the Secretary mentioned the travel restrictions. Gomulka attempted to dismiss this question by saying it was only a matter of "passports". He said that West Berlin is not part of the GFR but the GFR was nevertheless giving passports to West Berliners. The DDR had to question this. The Secretary said it was obvious this issue could not be settled in the present conversation. He wished, however, to emphasize the strong feeling on the part of the United States Government that certain arrangements had been made and re-affirmed, and that they cannot be unilaterally abrogated. He agreed it was desirable to settle overall German problems as soon as possible.

Gomulka responded that this was also Poland's ardent desire. Poland has put forth certain specific proposals, and here he mentioned the Rapacki plan but did not develop the subject further. In conclusion,

Gomulka said that he had been glad to present to the Secretary the Polish attitude of bilateral relations between their two countries. He believed that there were many forces "in the U.S." acting for the development of good relations. He was glad and happy over this attitude of "extending relations", which is also the attitude of Ambassador Beam. Gomulka hoped these efforts would have positive results not only in the Polish but also in the common interest. The Secretary said he appreciated these sentiments and expressed great confidence in Ambassador Beam, saying that he hoped that if there were any matters which Gomulka wished to discuss with the United States he would feel free to do so through Ambassador Beam.⁵

⁵In a letter of October 12, Beam thanked Herter for his statement of confidence expressed during Herter's talk with Gomulka on October 7. A copy of Beam's letter is attached to a letter from Kohler to Beam, October 27, in Department of State, Central Files, 762.00/10-1260.

111. Memorandum From the Assistant Secretary of State for European Affairs (Kohler) and the Assistant Secretary of State for Economic Affairs (Martin) to the Under Secretary of State (Dillon)

Washington, November 8, 1960.

SUBJECT

Resumption of Credit Negotiations with Poland

Negotiations were initiated with the Polish Government last May for a PL 480 sales agreement and a credit for the purchase of industrial items.¹ While the PL 480 agreement was signed on July 21 (following signature of the claims agreement on July 16)² negotiations for a possible

Source: Department of State, Central Files, 411.4841/11-860. Confidential. Drafted by Katz; initialed by Kohler, Martin, and Katz; and concurred in by James C. Lobenstine, Isaiah Frank, John O. Bell, and Florence Kirilin.

¹Documentation on the negotiations with the Polish Government for a P.L. 480 sales agreement and a credit for the purchase of industrial items, which began in May 1960, is *ibid.*, 411.4841.

²See Document 103.

industrial credit were suspended in view of the adjournment of Congress in July prior to enactment of the Mutual Security Appropriation Act.³ It was understood, however, that negotiations for a possible credit would be resumed following enactment of the Appropriation.

We believe that we should now proceed to resume negotiations with the Poles at an early date. The Poles have been given to believe over the past two years that once the claims problem was out of the way there would be a prospect of broader economic relations which might include extension of industrial credits.⁴ They have raised this question repeatedly in recent weeks at all levels including Gomulka to the Secretary during their conversation at New York.⁵ Now that the claims agreement has been concluded we believe that it would be unfortunate if the Poles received the impression that we have lost interest in furthering US-Polish economic relations.

As in past years, any credit to Poland for the purchase of industrial equipment, although administered by the Export-Import Bank, would have to be financed out of the President's Special Fund, because of the restrictions of the Battle Act. (A breakdown of US assistance to Poland since 1957 is attached.)⁶ The Poles, pointing out that they did not receive any credit during FY 1960 and that they have no access to other types of credit, including private credit, have stated that they expect that the credit will be in the range of about \$20 million.⁷ We have pointed out in informal discussions, however, that the demands on the Mutual Security Program this year are so great that they should set their sights much lower. We would, in fact, recommend a credit of about only \$8 million. In view of the very large PL 480 agreement concluded last July (\$130 million) we believe that an industrial credit of only \$8 million would satisfy the interests of our policy toward Poland.⁸

It is noted that initial allocation of Mutual Security funds as provided for in Mr. Bell's memorandum to Mr. Riddleberger dated September 28, 1960⁶ shows a possible contingency requirement for Poland of \$6 million. The basis for this estimate is not known, but it is

³ For text of the Mutual Security and Related Agencies Appropriations Act, 1961, enacted September 2, 1960, for expenses necessary to enable the President to carry out the provisions of the Mutual Security Act of 1954 as amended (68 Stat. 832), see 74 Stat. 776.

⁴ In a handwritten notation in the margin beside these two sentences, Dillon wrote, "Battle Act changed."

⁵ See Document 110.

⁶ Not found.

⁷ In a handwritten notation in the margin, Dillon wrote, "No reason at all for Rep. to state any figure."

⁸ In a handwritten notation at the bottom of the page, Dillon wrote, "No magic in \$8 million."

apparently based on the fact that the last credit to Poland from this source in June 1959 was \$6 million. We believe, however, that the amount of credit should be higher than it was in 1959, when the program was halved, in view of the pending claims negotiations. Since that time, the claims settlement has been concluded and the Poles are counting heavily on rapidly expanding economic relations with the US among other things on the basis of most-favored-nation treatment for their exports to the US and credits for the purchase of industrial items here. We believe that the expansion of US-Polish economic relations serves our interests as well as those of Poland from a number of viewpoints including the fact that it increases Poland's bargaining position and extent of independent decision within the Soviet bloc and thus serves as a pressure point on the bloc. If the credit to Poland is maintained at the same level as in 1959, when the prospects for expanded economic relations were less favorable than at present, it will tend to diminish the impression that our economic relations are on the upgrade. We recognize that the pressures on contingency funds are very great and that \$2 million saved in this program could be put to good use elsewhere. We strongly believe, however, that the minimum desirable amount for a credit to Poland, from the standpoint of US interests in that country, is \$8 million and we urge that you approve this amount.

We are not in a position at this time to state what projects might be financed out of the credit. The Poles, as might be expected, have placed highest priority on projects associated with heavy industry. Our interests, on the other hand, would be best served by projects on consumer-oriented industries so as to demonstrate our concern for the welfare of the Polish people. While we might, in the final analysis, have to agree to meet the interests of the Polish Government to some extent, we should seek to have the program as a whole reflect predominantly projects which can be justified from a consumer interest viewpoint.

*Recommendations:*⁹

1. That you firmly allocate from the President's Special Fund the sum of \$5 million¹⁰ for a credit to Poland through the Export-Import Bank.
2. That you authorize the resumption of negotiations with Poland for a credit to be extended through the Export-Import Bank in the amount of \$5 million.¹⁰

⁹ Dillon initialed his approval of both recommendations.

¹⁰ Dillon crossed out the figure \$8 million and wrote in \$5 million.

112. Editorial Note

On November 17, the President restored most-favored-nation status to Poland. In a press release that day, the White House in Augusta, Georgia, announced the President had restored the most-favored-nation rates of duty to imports from Poland effective December 16, a trading status that had been suspended January 5, 1952. For text of the press release and the text of the letter to the Secretary of the Treasury of November 16, which stated the President's decision, see Department of State *Bulletin*, December 5, 1960, pages 863–864. Documentation on the decision to restore most-favored-nation status to Poland is in Department of State, Central Files 611.48 and 411.4841.

113. Memorandum of Conversation

Washington, November 28, 1960.

SUBJECT

Polish-United States Relations

PARTICIPANTS

Jozef Winiewicz, Deputy Foreign Minister of Poland¹
Romuald Spasowski, Polish Ambassador to the United States
M—Mr. Merchant
Mr. Richard W. Tims, EE

Mr. Winiewicz expressed his government's gratification at the course of United States-Polish relations. He mentioned their satisfaction at the recent United States extension of most-favored-nation treatment to Polish exports.² They hoped that relations would continue to improve, he said, but it was necessary to bear in mind that this largely depended on the progress made in United States-Soviet accommodation,

Source: Department of State, Central Files, 611.48/11-2860. Official Use Only. Drafted and initialed by Richard W. Tims, Officer in Charge of Polish, Baltic, and Czechoslovak Affairs, and approved in M on December 6.

¹ Winiewicz was in Washington November 27–28 principally to talk with officials of the Polish Embassy.

² See Document 112.

as small countries such as Poland could hardly, in the long run, preserve an independent course between great powers who were antagonistic.

Mr. Merchant took the occasion to express similar gratification at the positive achievements in United States-Polish relations. He went on to add that there were specific areas where we hoped these relations could improve. One of these was the exchange program, which we would like to see kept as free and as broad as possible in scope. Regarding economic ties, we were glad that the claims negotiations were successfully completed this year,³ and we were giving sympathetic study to Poland's current request for industrial credits, notwithstanding the difficulty posed by the fact that the needs for such credits abroad exceed our available supply. There was one thing, however, which did not help our relations, he said, and that was the occasional occurrence of attacks on the United States in the public utterances of Polish leaders. The United States hoped that, despite our disagreements on certain issues, unnecessary acrimony could be avoided.

Mr. Winiewicz commented that he believed such attacks had occurred only in connection with the German question, on which, he said, "You cannot expect us to change our principles."

³See Document 103.

YUGOSLAVIA

U.S. POLICY TOWARD YUGOSLAVIA

114. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, January 2, 1958, noon.

1032. Department pass OSD Paris for CINCEUR. Embtel 1031.¹ In course of farewell visit² to Defense Minister Gosnjak he indicated Yugoslav Government desire purchase spare parts in United States.³ He said he planned to leave some of Yugoslav officers now in training in United States as nucleus for eventual purchasing mission. He hoped that increased Yugoslav exports will create sufficient foreign exchange for payment but if such should not prove the case, Yugoslav Government may eventually ask for assistance in form of credits. I replied that subject to question of priorities with which he was familiar as we had often discussed it I foresaw no major difficulty in purchasing spare parts. If credits were eventually required that would have to be discussed between our governments presumably outside of previous military aid arrangements. Gosnjak said he fully understood this and concluded in expressing hope Yugoslavia "would not be forced to seek spare parts in other regions".

Riddleberger

Source: Department of State, Central Files, 768.5-MSP/1-258. Confidential. Repeated to Paris.

¹ Telegram 1031, December 31, 1957, reported on the second negotiating session between U.S. and Yugoslav representatives on the termination of the military assistance agreement. (*Ibid.*, 768.5-MSP/12-3157)

² Riddleberger's appointment as Ambassador to Greece was announced on December 10, 1957. On December 13, President Eisenhower announced the appointment of Karl L. Rankin as Ambassador to Yugoslavia.

³ Documentation on the Yugoslav decision to terminate the mutual defense assistance agreement is in *Foreign Relations, 1955-1957*, vol. XXVI, pp. 611 ff.

115. Telegram From the Embassy in Austria to the Department of State

Vienna, January 13, 1958, 10 a.m.

1976. For O'Connor from McCollum. Hanes and I with Emb officers today (January 11th) discussed with Interior Minister Helmer and his staff problem Yugoslav refugees. We offered: 1) \$3 million Title II PL 480¹ surplus commodities for camp feeding but not for resale, 2) approximately \$700,000 USEP assistance for processing, visa documentation, and resettlement support, and 3) continued US contribution to ICEM for emigrant transportation.

Helmer reacted strongly insisting that they do not meet either Austrian financial requirement or, to him, more important problem of moving Yugoslavs from Austrian territory. He states that Austria, because of free world unwillingness to take Yugoslavs off Austrian hands, must now consider closing border to all but Yugoslav political refugees, with appropriate explanation to world press of reasons for this decision.

With reference Title II proposal, Helmer requested that we seek change in principle which would permit straight Title II program, as was done in case Hungarians, permitting sale of surplus agricultural commodities in Austria, proceeds of which would be used Austrian Govt to cover Yugoslav refugee costs.

Embassy itself also feels strongly, on basis of past difficulties with handling programs involving surplus commodities for camp feeding, that this policy switch should be made.

Believe reconsideration should also take into account fact that program is fundamentally one of aid to refugees which is recognized as in interests entire free world, and therefore much less likely produce adverse reaction such exporting countries as Canada and Holland based on market considerations. Austrian food market itself has been swelled by influx refugees, which fact likely further minimize any possible disruptive effect of local sale of surplus commodities. Embassy naturally fully aware such potential difficulties, but believes commodities can be offered and program handled so as to preclude difficulties, as was case with similar highly successful \$10 million Hungarian refugee operation.

Accordingly, we and Embassy urge that original OCB policy² be reinstated and approval be given by Department and ICA; also suggest

Source: Department of State, Central Files, 768.00/1-1358. Secret.

¹ For text of P.L. 480, the Agricultural Trade and Assistance Act of 1954, see 68 Stat. 454.

² At its December 11, 1957, meeting the OCB approved a special report on Yugoslav defectors in Austria and Italy that limited the amount of financial aid available. The OCB report and other documentation on refugee policy are in Department of State, OCB Files: Lot 62 D 430, Escapee Program.

preliminary inquiry possibility utilizing 1957 unused ICEM funds for transportation.

Re movement of Yugoslavs out of Austria, we recommended that Austrian Government request ICEM at Geneva to urge ICEM member countries at working party conference in Washington February 3 make strong appeal accelerate immigration of Yugoslav refugees.

Request earliest possible communication to Embassy repeat Geneva for McCollum re Title II policy in order permit further exploratory conversations with Interior Ministry and other appropriate Austrian authorities.

Assume similar reaction Italians and therefore above request on OCB policy should apply both countries.³

Matthews

³ A note on the source text reads: "answer wired previous to receipt of this wire. No answer this particular cable required. SCA; S.L. Wagerheim 1/15/58." The answer has not been identified.

116. Memorandum of Conversation

Washington, January 24, 1958.

SUBJECT

Call of the Yugoslav Ambassador Concerning Delays in Releases of Local Currency

PARTICIPANTS

Mr. Leo Mates, Yugoslav Ambassador
Mr. Dillon, W
Mr. Katz, EE

The Yugoslav Ambassador called at his request to bring Mr. Dillon's attention to the difficulties arising from the considerable delays involved in releases of funds generated by PL 480. The Ambassador cited two current cases, the 1957 program release and the so-called Jadranski Put (Adriatic Highway), which have caused particular difficulties. The

1957 release is now one year behind schedule. Because of the long delay in approving this program, the Yugoslav Government has had to proceed with the projects with credits from the National Bank. Now, however, ICA cannot finance the projects because of the regulation prohibiting debt retirement. As a result, there seems to be an impasse on this question.

The experience with the Jadranski Put is even more discouraging, the Ambassador stated. The U.S. committed itself in January of 1955 to finance this project. At a later date more detailed information was requested from the Yugoslav Government. In March 1957, the Yugoslav Government supplied the most precise information on the project but to date it has not been approved. In fact, the U.S. Government, Ambassador Mates said, appears to have changed its position, since Mr. Weiss, Deputy Director of the USEP, informed the Yugoslav Government that the U.S. now wished to shift its financing from a grant to a loan.

It was explained to the Ambassador that the U.S. originally agreed to finance the Jadranski Put as a military project. In view of the proposal of the Yugoslav Government, however, to terminate military assistance in any or all forces, it was considered appropriate that the project be financed not as a military facility, but as an economic development project. Furthermore, in view of Vukmanovic-Tempo's recent statements reiterating that Yugoslavia wanted loans not grants,¹ it was considered that putting the project on a loan basis was consistent with the desire of the Yugoslav Government. In presenting this explanation, it was emphasized that we were not asking to justify the inexcusable delay in approving the project.

The Ambassador seemed somewhat taken-aback by the above explanation and stated that Belgrade had not explained this background to him. He said he would, of course, report this conversation back to Belgrade.

Mr. Dillon commented that the local currency problem was not peculiar to Yugoslavia. It was a general problem, although the problem appeared to be particularly serious in Yugoslavia. He stated that he intended to look into this general problem personally and that perhaps Yugoslavia would serve as a test case. He was therefore glad to leave [have?] the information presented by the Ambassador.

Ambassador expressed appreciation for Mr. Dillon's personal interest in this matter and hoped some way could be found to expedite release of local currency.

¹ In a January 10 address to the Federal Council of the Yugoslav Socialist Alliance, Vukmanovic-Tempo also praised the United States for providing assistance to Yugoslavia without attempting to interfere in its internal affairs.

117. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, February 7, 1958, 6 p.m.

1178. Department for OSD. Paris for CINCEUR and DEFREP-NAMA; Bonn for USAREUR. In informal meeting today with Bruner, Foreign Secretariat, form and content document terminating military aid discussed (Embassy telegram 1142).¹ Bruner outlined type of document which Yugoslavs will present for discussion at next negotiating session. Document will be "memorandum of understanding" noting mutual agreement terminate military aid and specifying that bilateral and other agreements relating to military aid are considered as terminated. (Embassy requests list of such other agreements by telegram and copies by pouch.) Other points cover Yugoslav title to military material received under program; agreement on transfer of minesweeper title; agreement carry out OSP signal corps contracts "commercial basis"; agreement complete training with funds made available prior aid termination; departure all AMAS staff by March 31, 1958; agreement that other agreements between two governments which might have military aspect be considered as purely economic (this point relates to use of funds generated by surplus sales for defense support projects such as Jadranski Put); agreement to start negotiations for purchase military equipment on commercial basis and use on reimbursable basis of US supported facilities in Europe; undertaking of Yugoslav Government to honor certain residual commitments under bilateral agreement, e.g., obligation not to transfer title, use of material in harmony UN Charter, etc.

Bruner stated that Yugoslavs anxious press forward with final termination document along lines outlined above and would appreciate receiving our views on such a document at next negotiating session. It is Embassy's impression on basis Bruner comments and position at negotiating sessions that Yugoslavs will insist on specific abrogation of bilateral agreement.

On question minesweepers, our position on December 12 cutoff date reiterated (Department telegram 688).² Bruner indicated that once

Source: Department of State, Central Files, 768.5-MSP/2-758. Confidential. Repeated to Paris and Bonn.

¹ Telegram 1142, January 29, reported on the third negotiating session on the termination of the U.S.-Yugoslav military aid program and requested instructions on the form and content of a document formally terminating the agreement. (*Ibid.*, 768.5-MSP/1-2968) In telegram 668 to Belgrade, February 5, the Department of State replied that the question of the form and content of a terminating agreement was under study and a reply would be sent as soon as possible. (*Ibid.*)

² Telegram 688, February 5, outlined the U.S. position on payment for minesweepers under construction for Yugoslavia as a part of the canceled mutual assistance program. (*Ibid.*)

agreement reached on this point, agreement for passage of title to Yugoslavia could be incorporated into final "memorandum of understanding." Embassy anticipates on basis conversation with Bruner that Yugoslavs will probably accept December 12 date (and requirement reimburse payments made under contract since that date) but will resist efforts introduce Navy contracting team on grounds that no further negotiations on contract amendment necessary beyond incorporation of agreement to transfer title in "memorandum of understanding." Since this point will be raised at next meeting, would appreciate being informed legal requirements necessitating presence in Yugoslavia of Navy contracting team.

Assuming Yugoslavs, as Embassy expects, insist on abrogation 1951 agreement,³ Embassy believes it would also be useful to have available information on implications such abrogation on future military equipment purchases.

Department's comments on Yugoslav termination proposals requested. Further negotiating schedule tentatively scheduled for February 14 at which time Yugoslavs will wish discuss both minesweeper contract and termination document.

O'Shaughnessy

³For text of the Military Assistance Agreement signed in Belgrade, November 14, 1951, see 2 UST 2254.

118. Telegram From the Department of State to the Embassy in Yugoslavia

Washington, February 13, 1958, 6:26 p.m.

714. Points outlined Embtel 1178¹ under intensive study but regret unable provide detailed guidance prior meeting February 14. Accord-

Source: Department of State, Central Files, 768.5-MSP/2-758. Confidential. Drafted by Hill and cleared by Rehm in L and the Department of Defense. Repeated to Paris for CINCEUR and DEFREPNAME and to Bonn for USAREUR.

¹Document 117.

ingly suggest you take position US shares Yugoslav desire press forward with final termination talks and will give prompt attention whatever draft Yugoslavs ready submit. You should state however our strong preference for exchange notes rather than memorandum understanding and our desire treat separately question military sales which we consider extraneous to termination aid document. You may however assure Yugoslavs sale question receiving urgent consideration. You may further indicate US would prefer not abrogate 1951 MAP bilateral although this point should not be pressed if Yugoslavs adamant.

FYI. Final termination document will require Department Circular 175 clearance² hence full text Yugoslav proposal with your suggestions and comment desired soonest. Re 1951 bilateral we would prefer maintenance in force even though inoperative for present but we would not wish press Yugoslavs to unilateral termination. OSP minesweepers question subject separate message.³

Herter

² Circular 175, December 13, 1955, outlined procedures under which the Department of State granted authority to its representatives abroad to conclude treaties or other formal agreements with foreign governments.

³ In telegram 713, February 13, the Department of State commented that it had no objection in principle to the transfer of minesweepers, but it must be done in a manner consistent with U.S. administrative and legal requirements. The Embassy was instructed to complete negotiations on the minesweepers prior to the exchange of military assistance program termination documents. (Department of State, Central Files, 768.5-MSP/2-758)

119. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, February 17, 1958, noon.

1204. Department pass OSD, Paris pass DEFREPNAME. Bruner submitted draft transmitted Embassy despatch 394¹ as "suggestion" not

Source: Department of State, Central Files, 768.5-MSP/2-1758. Official Use Only. Repeated to Paris. Ambassador Rankin arrived in Belgrade on February 8 and presented his credentials to President Tito on February 19.

¹ Despatch 394, February 14, transmitted the Yugoslav draft of a note terminating the mutual defense assistance agreement. (*Ibid.*, 768.5-MSP/2-1458)

something firmly espoused by Yugoslav Government. Draft had originally been prepared as memorandum of understanding (Department telegram 714)² but Bruner readily agreed embody finally agreed language in exchange of first person notes.

(1) Regarding abrogation of 1951 bilateral, this is "absolute political necessity" of Yugoslav Government and judging from firmness with which Bruner advanced it, there little point in arguing matter further. Formulation in paragraphs 1 and 2 of Yugoslav draft flows, according to Bruner, from same motivation. Yugoslavs prefer bilateral be canceled in its entirety and voluntarily assume obligations reported in paragraph 2 as something separate and distinct from relationship hitherto obtaining on basis bilateral. Latter connection, Bruner admitted omission of language in paragraph 2 regarding use of weapons furnished, etc., was oversight which should be corrected.

(2) Regarding paragraph 3, Yugoslav still refused accept December 12 date. Bruner declined argue matter and claiming decision must be made by plenary session of negotiating commission. Yugoslav position remains that cutoff date is one of "technical details" which commission was established to negotiate and that since all issues are to be "negotiated", actual details on which decision to terminate reached is irrelevant.

(3) As regards paragraph 4, Bruner reiterated request for information concerning "details" which negotiating team is required to settle. It apparent from Bruner's argumentation that Yugoslavs are prepared be adamant on entry of naval negotiating team in absence more persuasive argumentation than that contained Department telegram 731 [713]³ as to administrative and legislative requirements which must be met and "excessive details" which it would be necessary insert in termination document, Embassy is not in good position to insist. Embassy requests detailed clarification this point.

(4) Yugoslavs insisted explicit statement of date by which AMAS will have left Yugoslavia (paragraph 7 of Yugoslav draft), arguing that they accepted maximum AMAS estimate (originally formulated as "60 to 90" days) and agreed without argumentation that it should run from January 1 rather than December 17, date of first negotiating meeting. Typical Yugoslav suspicions would be aroused by further effort eliminate date. Present formulation is designed permit some latitude by further agreement in event of absolute necessity.

(5) Bruner insistent that Yugoslavs desired paragraph along lines their draft paragraph 8, advancing their understanding that US is endeavoring, on basis agreement to terminate military assistance, relieve

² Document 118.

³ See footnote 3, Document 118.

itself of obligations previously undertaken to build Jadranski Put on grant basis. Pertinence of paragraph 8, so far as Yugoslav argumentation is concerned, is to hold US to such obligations as it has already undertaken in this regard without, however, increasing them. Embassy officer pointed out entire paragraph seemed irrelevant and of nature which would create difficult and time-consuming legal problems, but Bruner was insistent.

(6) Original Yugoslav draft had paragraph relating to future military sales which Bruner agreed to drop without argument. He accepted with appreciation assurances on basis Department telegram 714 that matter receiving urgent consideration by Department.

(7) Embassy's comments and recommendations will be forthcoming when USOM and AMAS have had opportunity to study draft.⁴ Meantime would appreciate information requested paragraph (3) above.

Rankin

⁴Telegram 1220 from Belgrade, February 21, reported the consensus of USOM, AMAS, and the Embassy that until a number of substantive points were agreed upon, there was little point in negotiating the language of notes terminating the military assistance program with Yugoslavia. One of the most important points of disagreement was Yugoslav insistence that the effective date of the agreement be the date of the signature of the termination agreement. Acceptance of this date would significantly reduce the payments owed by Yugoslavia to the United States for the minesweepers it had ordered under MSP. (Department of State, Central Files, 768.5-MSP/2-2158)

120. National Security Council Report

NSC 5805

Washington, February 28, 1958.

DRAFT STATEMENT OF U.S. POLICY TOWARD YUGOSLAVIA

General Considerations

U.S.-Yugoslav Relations Since 1948

1. The Tito-Kremlin break of 1948 and the consequent departure of Yugoslavia from the Soviet bloc served U.S. interests through (a) the

Source: Department of State, S/S-NSC Files: Lot 62 D 1, NSC 5805. A Financial Appendix is not printed. NSC 5805 was prepared after a review of NSC 5601 by the National Security Council on December 24, 1957. See *Foreign Relations, 1955-1957*, vol. XXVI, pp. 707-714 and 801. NSC 5805 was discussed by the NSC on April 14; see Document 122.

continued denial to the USSR of important strategic positions and other assets, and (b) the political effects, on both sides of the iron curtain, of a break in the "monolithic" Communist bloc.

2. In order to preserve these gains, the United States extended economic and military aid to Yugoslavia. This aid was of crucial importance in keeping the Tito regime afloat under severe Soviet pressures and—by indicating U.S. concern with Yugoslavia's independence—in discouraging any Soviet inclination to attack Yugoslavia. A further U.S. purpose, as the military and economic aid programs developed, has been to utilize them to influence Yugoslavia toward closer political, economic and military collaboration with the West, and to encourage such internal changes in Yugoslavia as would facilitate this orientation.

3. The military aid program became in recent years a source of friction between the United States and Yugoslavia. In the United States the program was subjected to severe criticism in the Congress and by some segments of public opinion. Repeated suspensions or slowdowns in deliveries in response to Yugoslav foreign policy positions, and accompanying public statements in the United States, irritated the Yugoslav Government and embarrassed it in its relations with Soviet bloc countries. Finally, in December 1957, the Yugoslav Government apparently concluded that the rate and composition of U.S. arms deliveries no longer justified the difficulties the program caused in its foreign relations, and it therefore decided henceforth to depend on purchases of military equipment.

4. U.S. military grant aid to Yugoslavia was terminated in December 1957, in accordance with Yugoslavia's request. At that time, the total grant aid military assistance programmed for FY 1950–1958 amounted to \$745 million, plus excess stocks valued at \$28 million. Of this programmed amount, virtually all of the excess stocks had been delivered by 31 December 1957, and it is estimated that about \$681 million of the regular program had been delivered by that date. The undelivered balance of \$64 million included a substantial amount of ammunition, vehicles and artillery, 4 minesweepers, and 137 jet aircraft. In addition, 153 other jet aircraft, valued at about \$40 million, were scheduled to be delivered to Yugoslavia from MAP inventories in possession of other recipient countries. These aircraft are not included in the \$745 million total program, or in the undelivered balance. The Yugoslavs have indicated, subsequent to their request to terminate the grant aid program, that they hoped in the future to be able to purchase such spare parts and supplies as they might require.

5. U.S. economic aid since the Tito-Kremlin break, including that programmed for FY 1958, has totaled \$783 million of which approxi-

mately \$695 million has been expended.¹ This aid has fallen broadly into two categories: (a) raw materials as defense support, and (b) food, to meet the problems caused largely by serious droughts and chronic food deficit conditions. In the last three fiscal years U.S. economic assistance has consisted largely of sales of U.S. surplus agricultural commodities under P.L. 480.

6. As a by-product of these economic aid programs, the United States has accumulated the equivalent of some \$57 million of Yugoslav currency (i.e., dinars) for U.S. Government use. Substantial additional amounts may be expected to accrue as sales of surplus agricultural commodities and other forms of economic aid continue. Ordinary U.S. uses for Yugoslav currency are only about \$1 million per year, and special programs which have been considered to date for the use of this currency would utilize only a small proportion of existing holdings. The use of these holdings to acquire substantial amounts of commodities in Yugoslavia would counteract the effect of current programs in support of Yugoslavia's balance of payments.

6-A.² In addition to dinar holdings reserved for U.S. uses, the United States also, as a result of these aid programs, has obtained or will obtain title to dinars in an amount nominally equivalent to nearly \$300 million, which are available for loans or grants to the Yugoslavs. U.S. delay in disbursing promptly these funds in financing appropriate economic development projects in Yugoslavia is creating friction with the Yugoslavs.

Soviet Policy toward Yugoslavia

7. After the death of Stalin the USSR gradually undertook to "normalize" relations with Yugoslavia, which since 1948 had been characterized by Soviet dedication to the overthrow of Tito's regime. The new Soviet leaders, especially Khrushchev, apparently believed that the split with Yugoslavia was one of Stalin's major policy failures and that the prospective gains from a rapprochement outweighed such possible dangers as Yugoslavia's potentially disruptive influence on the Soviet bloc. Although progress toward "normalizing" Soviet-Yugoslav relations was interrupted in 1956 by events in Poland and Hungary, meetings between Yugoslav and Soviet leaders in 1957 led to rapid improvement in relations and the renewal of agreements in principle on trade and credit arrangements and on party and state relations. After

¹ Consists of \$380 million in Defense Support, Direct Forces Support and Technical Exchange; \$222 million under Title I and \$28 million under Title II of P.L. 480; and \$65 million under the FY 1951 Emergency Food Relief Assistance Program. [Footnote in the source text.]

² This paragraph falls on page 4 of the source text, which bears the typewritten notation: "Revised 3/3/58." Presumably paragraph 6-A was added at that time.

the sudden removal of Zhukov and the reassertion of Soviet primacy in the Communist world following the Moscow celebration of the 40th Anniversary of the Bolshevik revolution, Yugoslav leaders reassessed their position vis-à-vis the USSR. Since that time relations between the two countries again cooled, but it now appears that they are being conducted on a "correct basis".

8. The ultimate objective of Soviet strategy toward Yugoslavia is probably the reassertion in some effective form of Soviet control over that country. For the shorter term the Soviet objectives are probably (a) the effective neutralization of Yugoslavia so that it will not maintain security ties with the Free World and so that its armed forces and terrain will be denied to the United States and its allies, (b) the re-establishment of close party and state relations with Yugoslavia, (c) exploitation of Tito's voluntary alignment with the USSR on most international issues to rally support among uncommitted nations for certain broad Soviet foreign policy objectives, and (d) increased Yugoslav economic dependence on the Soviet bloc.

Development of Yugoslav Policy

9. Consistently since 1948 Tito's main purpose has been to preserve Yugoslavia's independence and his regime. In the period of extreme Soviet pressure, for example, he attempted to assure himself of military support from the West in case of war and found it expedient to obtain Western aid. Tito remained cautious, however, and tried to maintain as much freedom of action in foreign affairs as his difficult external and internal situation allowed. With the change of Soviet leaders after Stalin's death and the emergence of Khrushchev as the leading figure in the Kremlin, Tito apparently became less fearful of the possibility of a Soviet attack. Moreover, despite some misgivings, he apparently interpreted Soviet moves as signaling Soviet acceptance of Yugoslavia's independent position and as contributing to relaxation of tensions. Tito apparently felt impelled toward greater cooperation with the USSR by a need to counter the weakening of Communism as a system of government in Eastern Europe. He also recognizes that in the West, particularly in the United States, there is a basic hostility toward any Communist regime and a consequent danger that excessive exposure to Western influences would increase his internal security problems.

10. The Yugoslavs will probably resist any Soviet attempts to assert hegemony over them, and will continue efforts to exert an influence on developments within the Communist world. They will continue to insist upon recognition for the doctrine of "separate roads to socialism", which presupposes a situation of equality, independence and non-interference. Something more than ideology is the stake here; the Yugoslavs have shown themselves sensitive to the military threat to their own se-

curity posed by Soviet forces at their border and would prefer to have their neighbors to the East serve as independent buffers between themselves and the USSR.

11. In addition to resisting Soviet hegemony, Yugoslavia also wishes to avoid too close association with the West. Yugoslavia probably hopes that such a course will (a) avoid the dangers to the maintenance of Communist rule in Yugoslavia which might result from swinging too far to the West; (b) promote its influence in world affairs by permitting closer ties with such countries as India, Ceylon and Indonesia; (c) improve its posture for influencing developments in the satellites, which can be done better as an independent Communist state not too closely associated with the Western powers; and (d) contribute to its efforts to reduce the dangers of a nuclear war between the United States and the USSR which the Yugoslavs believe would spell disaster to Yugoslavia and the Tito regime.

12. The top Yugoslav leadership, under Tito, has been cohesive and united in its determination to pursue an independent course. Although efforts toward rapprochement with the USSR in 1957 apparently caused some uneasiness among Party leaders, who feared that Yugoslav national interests might thus be injured and independence unwittingly compromised, their attitude appeared to be more apprehensive than disaffected. Among the Yugoslav people, the great majority of whom are anti-Communist, there appeared to be some anxiety lest Tito's maneuvers lead to a tougher line at home and a serious falling out with the West, thus causing a sharp decline in Tito's personal prestige as the man who resisted Nazi Germany, and defied Stalin. As long as Tito can prevent Soviet encroachment, however, and avoid a severe reduction of Western aid and support, he and his immediate colleagues will almost certainly retain their hold on the Party and the people. On the other hand if Western aid and support should be cut off, Party dissension would probably grow, public antagonism—now latent—would increase, and the Yugoslav economy would be subject to new strains. In this event the regime would probably be forced to rely more and more on repressive controls.

13. One of Yugoslavia's ultimate objectives in world affairs is probably the establishment of a world order of independent Communist states. The immediate objectives of Yugoslav policy are probably (a) a relaxation of world tensions in order to relieve pressures on Yugoslavia from either the Soviet or the Western bloc, (b) strong Communist regimes in Eastern Europe whose relations with the USSR would be based on principles of equality, independence and non-interference, and (c) the establishment of conditions in Eastern Europe and elsewhere which will enable Yugoslavia to exert an effective influence.

U.S. Interest in Yugoslavia

14. U.S. policy in support of the maintenance of Yugoslavia's independence constitutes an integral part of the broader U.S. policy which has as its objective the eventual attainment of complete national independence by all of the Eastern European satellites. The example of Yugoslavia, which has successfully maintained its independence of Soviet domination, stands as a constant reminder to the satellite regimes, serving as a pressure point both on the leaders of these regimes and on the leadership of the USSR. Moreover, it appears that Yugoslavia has encouraged certain leaders in the satellites to seek greater independence from Moscow. It is difficult to assess fully Yugoslavia's potential for influencing satellite leaders; but in view of Yugoslavia's known efforts in this direction, notably in the Polish and Hungarian events of 1956, it is in the U.S. interest to exploit Yugoslavia's role in Eastern Europe, so far as it tends to advance U.S. objectives.

15. U.S. aid has well served the minimum U.S. objective of keeping Yugoslavia independent of the Soviet bloc. However, a more far-reaching objective—tying Yugoslavia into the Western defense system and ensuring its effective contribution to Free World power in case of war in Europe—has not been achieved. In case of general war, Yugoslavia will probably remain neutral as long as the situation permits, and Yugoslav forces will be used as the Yugoslav leadership deems appropriate to promote national interest and not necessarily in support of NATO. It would probably refuse permission for foreign troops to pass over its soil during any war in which Yugoslavia remains a non-belligerent. Should the Soviet Union overreach itself, however, or should some new crisis arise comparable to the Korean War or the Hungarian uprising, Yugoslavia may again find itself in serious disagreement with the Soviet Union.

Objectives

Short-Term Objectives

16. An independent Yugoslavia outside the Soviet Bloc, capable of withstanding Soviet political and economic pressures, not actively engaged in furthering Soviet Communist imperialism, and with a potential for weakening the monolithic front and internal cohesiveness of the Soviet Bloc.

17. Without jeopardizing the above objectives, reorientation of the Tito regime in the direction of political and economic liberalization and closer Yugoslav ties with the West in general and Western Europe in particular.

Long-Term Objective

18. Eventual fulfillment of the right of the Yugoslav people to live under a government of their own choosing, which maintains peaceful and stable relations with neighboring states, and participates fully in the Free World community.

Major Policy Guidance

19. Encourage the Yugoslav Government and people to continue to stand firmly for maintenance of Yugoslavia's independence in the face of Soviet pressures or blandishments.

20. Use Yugoslavia's position as an independent Communist state in Eastern Europe to promote the weakening of the monolithic front and internal cohesiveness of the Soviet Bloc.

21. Furnish economic and technical assistance to Yugoslavia in the minimum amounts needed for either or both of the following primary purposes:

a. To encourage Yugoslavia to pursue policies which will contribute to the attainment of U.S. objectives.

b. To assist Yugoslavia in avoiding undue economic dependence on the Soviet Bloc.

To the extent possible without prejudicing the above primary purposes, such assistance should also attempt to influence Yugoslavia to give greater play to free economic forces within Yugoslavia. In any event, in extending assistance the United States should avoid actions which could be interpreted as unreserved endorsement of the Tito regime on the one hand or which, on the other hand, would encourage attempts to overthrow that regime by violence.

22. Develop closer cultural ties between Yugoslavia and the nations of the Free World, particularly those of Western Europe. Seek to establish both officially and privately sponsored programs for an expanded exchange of U.S. and Yugoslav students, intellectual leaders, and private individuals. In ways consistent with the internal security of the United States, seek to expedite procedures to effect entry of suitable Yugoslav non-immigrants into the United States. As the United States expands exchange with the USSR (e.g., the U.S.-USSR cultural exchanges agreement), avoid creating the impression that the United States is losing interest in developing such ties with Yugoslavia.

23. Increase contacts with government and party officials in Yugoslavia, including high-level officials, and encourage mutual visits, in order to counteract the effect of extensive Yugoslav exchanges with the Soviet Union.

24. a. Continue to permit the training of limited numbers of Yugoslav military personnel on a grant or reimbursable basis as appropriate.

b. Continue to permit the Yugoslavs to purchase [, or obtain on a grant basis in appropriate cases,]³ such U.S. military equipment and supplies as may be needed to avoid dependence on the Soviet Bloc, as long as satisfactory U.S.-Yugoslav political relations continue to exist.

c. If Yugoslavia obtains sizeable amounts of Soviet Bloc arms or enters into licensing agreement for the extensive manufacture of Soviet Bloc arms, or accepts substantial Soviet Bloc military assistance, reexamine U.S. programs affecting Yugoslavia.

25. Recognizing that the Balkan Pact is dormant, encourage the development of closer Yugoslav relations with Greece and Turkey in economic, cultural and related fields of activity as a means of weakening Soviet power in the Balkans.

26. Consider Yugoslavia on the same basis as free European nations in evaluating Yugoslav requests for U.S. export licenses so long as Yugoslavia's export control practices are generally consistent with the objectives of the multilateral trade controls imposed against the Soviet Bloc.

27. Utilize opportunities for cooperation in the unclassified, peaceful uses of atomic energy, including the training in the United States of Yugoslav scientists in non-sensitive fields. Give those U.S. departments and agencies with export control responsibilities discretionary authority as regards the licensing for export to Yugoslavia of reasonable quantities of materials and equipment obviously intended for:

a. Basic research and instruction in the atomic energy field (including cooperation under any eventually concluded agreement for U.S. assistance in furnishing Yugoslavia with a research reactor and fissionable materials therefor, and related laboratory equipment).

b. Source material (e.g., uranium) exploration.

c. Medical or normal industrial use.

28. Direct information policy toward building Yugoslavia's will to combat Soviet encroachment and to encourage ties to the West while:

a. Avoiding endorsement of the internal policies of the Tito regime and taking account of the Yugoslav people's hope for eventual attainment of greater political and economic freedom.

b. Avoiding antagonizing the Tito regime to the point of jeopardizing realization of our immediate objectives.

[1 paragraph (13 lines of source text) and footnote (4 lines of source text) not declassified]

³JCS-ODM proposal. [Footnote and brackets in the source text.]

121. Despatch From the Embassy in Yugoslavia to the Department of State

No. 436

Belgrade, March 10, 1958.

SUBJECT

Tito's Internal Problems and the Progressive Limitation of his Freedom of Action
Externally: Attack on NATO

Two recent major developments seem to point convincingly to a certain sterility in Yugoslavia's internal affairs as well as in its foreign policy: the vigor of the chastisement given all levels of the "Party", from the lowest cell to the "center" by the recent "letter" from the Executive Committee of the Central Committee (i.e., the Politburo);¹ and the urgent although somewhat empty efforts Tito is making to reinstitute himself into the councils of the great, via the Summit Conference or otherwise. The first attests the fact, more than once commented on to the Department, that all is far from well with the political regime of present-day Yugoslavia. The second reflects the restricted area for maneuver into which Tito has led himself by his foreign policy actions of the past year, as well as the very real need which he feels to assert himself in the foreign field, not only in the service of his ego, but more significantly in consequence of the difficulties of his regime at home.

The inner implications, insofar as we can see them, of the Party Letter have already been the subject of some comment from the Embassy, and will be the subject of further analysis and reportage (Embassy despatch no. 428, March 6).² For the purposes of the present discussion it is sufficient to point out that while Tito and company may have had an eye on the desirability of convincing the Kremlin and their other colleagues to the East of the orthodoxy of the Yugoslav communist creed by raising the usual party war cries against the "petit-bourgeoisie", the abuses of which the letter complains are real enough in Yugoslavia to warrant the Party's serious concern. Abuses—"shortcomings" and "negative tendencies", the Party would call them—exist not only within the party but within the entire governmental and administrative frame-

Source: Department of State, Central Files, 768.00/3-1058. Confidential. Drafted by Marcy. Repeated to London, Paris, Bonn, Munich, Frankfurt, Vienna, Moscow, Prague, Warsaw, Budapest, Bucharest, Zagreb, Sarajevo, Rome for McSweeney, and Berlin for EAD.

¹ This February 12 circular letter attacked local party leaders and industrial managers for corruption. The text was published in the Central Committee weekly newspaper *Kommunist* on February 28.

² Despatch 428 transmitted the text of the February 12 circular letter cited in footnote 1 above. (Department of State, Central Files, 768.00/3-658)

work, and their results are seen not alone in weakened discipline within the party but also in popular dissatisfaction. There was some wonder, at the time, that Tito devoted so much of his New Year's message (Embassy despatch no. 328, January 15)³ to the "justified" complaints of the masses: this was perhaps dispelled to some degree by knowledge of the events of Trbovlje (Embassy telegram no. 1137, January 28).⁴ The rather ludicrous lengths to which the party's authorities have since gone (Embassy despatch no. 366, February 4)⁵ in their efforts to placate the aggrieved workers of that mining area have only confirmed Western observers in the conviction that the regime's concern is at least as real as it is apparent. If one could read the minds of the top leadership, the Embassy suspects that one might even find that the regime's disquiet goes as far back as the Polish "October" and the Hungarian revolution,⁶ when communists the world over discovered that hungry tummies and repressed spirits make an explosive mixture. While Yugoslav tummies were and are perhaps less abused than those in Hungary and Poland, the same essential ingredients of unrest are present—and there is considerable merit in the contention advanced by some that there is more intellectual freedom today in Poland than in Yugoslavia. Be that as it may, there is little question in the Embassy's view that there is ample justification, on the internal scene, for the party to come out with the stinging rebuke and imminent threat which the "letter" in fact represents. Unlike the Djilas trial (Embassy telegram no. 593, October 4, 1957)⁷ (and perhaps also the Chetnik trial (Embassy telegram no. 1207, February 17)⁸ although this is more doubtful), no convincing case can be made that the regime was seeking, in releasing the letter, primarily to serve purposes basically external to the Yugoslav scene.

As regards Tito's need for some successful foreign gambit, it remains a truism that such support as Tito has enjoyed from the non-communist Yugoslav masses originally flowed from his defiance of the Soviet Union. Since "rapprochement" commenced in 1953, however,

³ Despatch 328 reported on Tito's New Year's Eve statement and noted his stress on economic discontent in Yugoslavia. (*Ibid.*, 768.21/1-1558)

⁴ Telegram 1137 reported on and analyzed Tito's reaction to the strike at Trbovlje by 4,000 workers protesting wage reductions. (*Ibid.*, 868.062/1-2858)

⁵ Despatch 366 reported increased Yugoslav Government concern with labor unrest. (*Ibid.*, 868.06/2-458)

⁶ Reference is to the strikes that led to the installation of the Gomulka regime in Poland in October 1956 and to the Hungarian revolution of October–November 1956.

⁷ Telegram 593 reported on the exclusion of some Western reporters from the courtroom on the first day of the Djilas trial. (*Ibid.*, 768.00/10-457)

⁸ Telegram 1207 reported on Yugoslav press rebuttals of Western socialist criticism of the trial of the "Chetnik traitors," a group of older socialist leaders who were critical of the Tito regime. (*Ibid.*, 768.00/2-1758)

this type of support has had little to feed on other than pride in Tito's accomplishments in "putting Yugoslavia on the map", maintaining its independence, and winning a voice in the world's councils. There can be no doubt, in the Embassy's observation, that this has been a real consideration to the Yugoslavs, both pro and anti-regime. Tito's self-reversal on Hungary,⁹ however (and a case could be made that the date should be projected back to the Belgrade and Moscow "declaration"),¹⁰ seems to have marked a turning point: while there are those Yugoslavs who will maintain that Tito is being "led" by a small group of intriguers, there is more and more concern among both regime and non-regime Yugoslavs as to Tito's ability to maintain Yugoslavia's independence from the "socialist camp", whether he wishes to do so or not. Every successive position Tito has taken has on the one hand limited his freedom of action in the international field, and on the other increased suspicion and distrust on the part of those Yugoslavs competent to observe and to draw conclusions as to their own future. His assault on the Baghdad Pact, his support of Nasser, his attack on the Eisenhower Doctrine, his step by step but inexorable support of the Soviet position on disarmament, his miscalculation on recognition of East Germany, his endorsement of the Red Chinese, the North Koreans and the Djakarta-Indonesians have all represented an erosion of his freedom to adopt an independent stand on international problems. The regime's contention that these positions have been arrived at "on their merits" has hardly proven convincing so far as the West is concerned, and even less so in the view of all but the most dedicated of his own people. To this the ever increasing flow of refugees across the Yugoslav borders with the West—be they "economic" refugees or otherwise in the bureaucratic jargon of the West—is more than eloquent testimony. Tito's only weapon to combat this development insofar as its internal ramifications are concerned, is to be able to point to positive Yugoslav actions in an even larger sphere. Today, the realm of disarmament and the reduction of East-West tensions seems to be the only one left open to him.

In previous analyses of Yugoslavia's position the Embassy, while reaffirming its conviction of the will and intent of the Yugoslav regime

⁹ Reference is to Tito's initial support of the Nagy government during the Hungarian Revolution of 1956. After condemning the October 24 Soviet intervention, Tito subsequently condemned the revolution and defended the second Soviet intervention of November 2. In spite of the subsequent Soviet seizure of Imre Nagy, who had taken refuge in the Yugoslav Embassy in Budapest, Tito reached a rapprochement with the Kadar regime in Hungary.

¹⁰ Reference is to the joint declaration that concluded the May 26–June 2, 1955, visit of Khrushchev and Bulganin to Belgrade. The declaration outlined the principles of common agreement between the two Communist states and the attitudes of the two governments toward international problems and listed measures to normalize relations between them.

to maintain its independence, has expressed some concern that by entrapment or otherwise Tito and company might be maneuvered into a position from which their exercise of the essential attributes of independence might be severely curtailed. The Embassy does not wish at this juncture to suggest that this has become the case, but merely to suggest that the question is far from academic. It will be recalled that before "rapprochement" and "normalization between the USSR and Yugoslavia", the Yugoslavs publicly proclaimed that NATO was "justified" (many will still privately admit that originally it was justified). Progressively, as the process has developed, however, the regime reached the point that it saw NATO and the Warsaw Pact as "twin evils". In this connection, the Sulzberger interview with Tito of February 28 (Embassy despatch no. 429, March 6)¹¹ seems important in two respects: its endorsement of the aims and even the methods (except "interference in internal affairs"—but *vide* the Yugoslav position on Algeria) of "international communism", but even more importantly in the present context its direct attack against a NATO member for alleged activities taken pursuant to NATO decisions.

Tito's remark to Sulzberger about rocket bases in Italy seems to have been tossed out rather glibly: it is interesting to speculate whether Mates and perhaps Vejvoda were under instructions to make similar remarks in their *démarches* in London and Washington (London telegram no. 5188 to Department, March 4 and Department telegram no. 749, March 6).¹² The present Yugoslav regime is adept at tossing out "sleepers" to which at some later date it can point with the hackneyed comment, "We told you so". It is certainly clear from recent Yugoslav actions that the regime wishes desperately to be invited to the "Summit Conference", which it confidently believes is in the offing. It is not too far fetched to conjecture that the regime may believe that, by interjecting its "rights" as a "neutral" into the East-West dispute over rockets and bases, and by directly involving a NATO member in the sideshow, it might win a ticket to the Big Top. Purely circumstantial evidence that the Yugoslavs may intend to endeavor to parlay the issue of neutral rights as regards air space into a major issue, and that the scapegoat may

¹¹Not printed. (Department of State, Central Files, 768.11/3-658) Sulzberger published the notes of his conversation with Tito in three articles that appeared in the March 3, 5, and 8 issues of *The New York Times*. The notes are printed in Sulzberger, *The Last of the Giants* (New York, 1970), pp. 451-454.

¹²Telegram 5188 from London reported on Yugoslav efforts to promote the relaxation of East-West tensions in discussions with officials of the British Foreign Office. (Department of State, Central Files, 611.61/3-458) Telegram 749 to Belgrade reported on March 5 discussions between Dulles and Ambassador Mates in which the Yugoslav Government encouraged the United States to respond favorably to Soviet overtures for a summit conference. (*Ibid.*, 396.1/3-658)

prove to be Italy, might be found in the fact that in a number of public utterances recently the Yugoslavs have gone out of their way to applaud the excellence of Italo-Yugoslav relations subsequent to the "London Memorandum" (Embassy despatch no. 417, February 26).¹³ Admittedly, most of these have been in "election" speeches in Slovenia and Croatia, but even so, they have reflected a warmth not usual in authoritative Yugoslav statements. While the Italian Embassy ascribes little importance to these developments, it should be noted that Yugoslav "election" speeches in Macedonia fail to reflect a similar warmth toward Greece, as regards which the Yugoslav Macedonians have an interest fully as intimate as do the Slovenes and Croats vis-à-vis Italy.

To point to the internal motivation of Tito's efforts to recreate an international role for himself is not necessarily to deprecate the possible sincerity of his views as regards the East-West problem. Tito is described by Soldatic (to an Italian diplomat) as being profoundly depressed by the possibility that a Summit Conference will not be held, or that if held it might fail. He is quoted as saying, "God (*sic*) knows what form the cold war might then take", a quotation which, though perhaps inaccurate per se, the Embassy is inclined to accept as a faithful reflection of his probable views. He is no doubt as sincerely concerned to maintain the peace and the balance of power without which he would inevitably fall as he obviously is to provide his people with circuses. Nonetheless, the "initiatives" to which Tito feels compelled by internal considerations, if also by conviction, again serve to erode the little freedom of action in the field of foreign affairs which now remains open to him. Now that he is publicly committed to the contention that NATO threatens "neutral rights", he will be hard pressed to equate that organization with the Warsaw Pact, so many members of which are so anxious to disavow the use, stationing and employment of rocket and nuclear weapons. While, again, nothing has occurred to shake the Embassy's belief that Tito and his colleagues wish and intend to maintain their independence, it would seem that he has been led by the compulsions operating upon him to a further step curtailing his ability to exercise the prerogatives and essential attributes of that independence.

For the Ambassador:

Oliver M. Marcy

First Secretary of Embassy

¹³Despatch 417 commented on the steady improvement in relations between Italy and Yugoslavia since the 1954 London agreement on Trieste signed by Yugoslavia, Italy, the United Kingdom, and the United States. (*Ibid.*, 665.68/2-2658)

122. Editorial Note

At the 362d meeting of the National Security Council on April 14, NSC 5805 (Document 120) was discussed and revised to delete the bracketed phrase in paragraph 24-b. The memorandum of discussion at the NSC meeting reads: "Mr. Patterson replied that ODM would not press for the inclusion of the bracketed phrase at this time, although ODM did think that this suggestion provided a desirable flexibility in the provision of future military assistance to Yugoslavia. It was possible that from time to time we might wish to give Yugoslavia grant military assistance in order to capitalize on the military assistance which had already been sent to that country.

"General Cutler pointed out that the Joint Chiefs of Staff had agreed with the majority of the Planning Board in wishing to delete the proposal for grant military assistance to Yugoslavia. Secretary Dulles noted that his own representative on the Planning Board had joined the majority in favoring elimination of the proposal to provide any grant military aid to Yugoslavia. He said that he personally had no very strong feeling one way or another, although, of course, if the provision of grant aid to Yugoslavia assumed a significant volume, that would be another matter. General Cutler then argued that the Yugoslavs had rejected any further military assistance from the United States. Secretary Dulles felt that the word 'rejected' was not quite fair to the Yugoslavs. They were perfectly well aware, as they had been in the matter of the invitation to Tito to visit the United States, that the provision of military assistance to Yugoslavia was an embarrassment to the Administration in its relations with the Congress and with various groups in the United States. In a sense, therefore, Tito had actually got the Administration off the hook, rather than really wishing to reject any further military assistance. Secretary Dulles said that he was grateful for this action.

"After further discussion it was agreed to delete the bracketed phrase." (Memorandum of discussion; Eisenhower Library, Whitman File, NSC Records)

The revised statement of policy was approved by President Eisenhower as NSC 5805/1 on April 16. (Memorandum from Lay to the NSC, April 16; Department of State, S/S-NSC Files: Lot 62 D 1, NSC 5805) Because NSC 5805/1 was editorially revised in November 1960 (see Document 173), no copy has been found in Department of State files.

123. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, April 24, 1958, 5 p.m.

1447. Major significance of Tito's April 22 speech to opening session of Seventh Party Congress appears lie more in emphasis and presentation rather than actual substance of what he said. On latter score he seems to have revealed little of significance that was new, but rather to have merely restated, often in harsher and franker terms than have been heard since Tito-Khrushchev Rumanian meeting last August, known Yugoslav positions on international issues. On internal issues, he appeared confirm basic failure of LCY to have reached solutions to fundamental problems which have been emerging over past several years. Latter will be subject separate message.

1. Single most vital fact to emerge is of course that Yugoslavs have stuck to their guns on major ideological issues which divide them from "socialist camp." While we have not yet seen full text of Rankovic April 23 speech, from excerpts we have seen, Tito's presentation of those portions objectionable to Soviet bloc if not as strong as Rankovic's were fully sufficient to prompt Soviet bloc walkout in itself.¹ (Soviet bloc "observers" as diplomats may have felt constrained not to offend Chief of State and thus have merely awaited next best opportunity, which would prove ironic consequence their refusal send "delegations" which would not have had such compunctions.) Reports from often well informed sources continue, however, that major Yugoslav attack is yet to come in Kardelj's speech on draft program.²

2. While Tito reasserted Yugoslav interpretations of Hungarian events³ (which he could only anticipate would evoke violent Soviet reaction, and which Yugoslavs have found it possible to suppress on occasions in past when they have wished smooth out relations with USSR), impression remains much the same as that generated following Rumanian meeting with Khrushchev, i.e., that Tito is again offering USSR al-

Source: Department of State, Central Files, 768.00/4-2458. Official Use Only. Transmitted in two sections and repeated to London, Paris, Moscow, Zagreb, and Sarajevo.

¹ Rankovic accused the Soviet Union of intervening in Yugoslavia's affairs and of "selling out" to Nazi Germany in the 1939 nonaggression pact. The last reference triggered a walkout by Eastern European Ambassadors.

² Kardelj's April 24 speech defended Yugoslavia's ideology of socialist development and rejected Eastern European and Soviet Communist Party criticisms of the LCY program.

³ Tito condemned the initial Soviet invasion of Hungary (October 24, 1956) and, while later supporting the second intervention (November 2), held that Soviet failure to insist that the Hungarian Communists reform had radicalized the situation and created the anti-Communist revolution.

most complete support on all international issues in return for concessions on ideological level, both internal to Yugoslavia and in realm "relations between socialist states."

3. Although cannot tell until we have full translation how many concessions offered in "amendments" to draft program Tito may have rescinded in consequence Soviet bloc rejection (Embtel 1427)⁴ following appear to be major issues to which Soviets will take particular exception: page references are to JTS translation issue of April 23, being pouched.⁵

A. Patronizing tone in which, blaming Stalinism for Hungarian revolt (which of course "exploited" by counter-revolution), he asserts "If we, Communists, allow counter-revolution to spread in a Socialist country, then we Communists are to blame since we permitted counter revolutionary forces to develop. Therefore it is wrong to give analyses of those crises starting from effects and not causes" (page 43).

B. Continued harping on guilt of Stalin, cult of personality, et cetera, in Soviet endeavors "subordinate Yugoslavia as a state to Stalin's policy (page 20), and contention "socialism some kind of import commodity which could be developed along lines of stereotyped patterns, and could be formed on a single model, in other words imposing specific forms of Socialist development upon other countries" (page 42). Tito made none of remarks re Stalin's saving graces and "real contributions" which have become customary within bloc since Twentieth Congress backfired on Khrushchev.

C. Insinuations of "hegemonistic" tendencies on part of USSR with which original draft program redolent do not appear in Tito text (deletion was one of concessions offered in amendments). However, failure of Tehran, Yalta and Potsdam conferences was mentioned (page 19), which also was deleted from draft program by amendments, and assertion made it "historical fact Stalin was one of protagonists of meetings dealing with destiny of other independent nations without their knowledge or approval" (page 20).

D. Unlike Rankovic, Tito did not raise spectre of Cominform in specific terms. However, he continually adverted to Belgrade and Moscow declarations and pointed to "bilateral relations" as proper formula to free "creative thought frustrated by previous forms of cooperation". Because of this view regarding "cooperation among Communist parties and all progressive movements in world in general we could not sign declaration of twelve communist and workers' parties of Socialist countries in Moscow" (page 48).

⁴Telegram 1427, April 20, reported on amendments to the draft program prepared for the Congress of the LCY. (Department of State, Central Files, 768.00/4-2058)

⁵Not found.

E. Without so stating, Tito referred to 1948 Cominform allegations that then Communist party Yugoslavia had submerged itself into “national front”, justified Yugoslav action at that time and in series of passages (pages 42, 45 and through 49) proceeded give again patronizing lecture on “internationalism” while defending UCY against allegations of “national communism”, “revisionism”, and by implication renewed charges that the UCY has betrayed the leading role reserved to it by proper interpretation of Marx and Lenin.

4. In general, Tito’s treatment of points which will be most offensive to west, and specifically US less harsh than that of draft program. They lie, of course, primarily in realm foreign policy and are again highly repetitive of known Yugoslav attitudes. Noteworthy, other than endless references to “aggressive circles in west” which waging “ideological war against countries of socialism” (page 38), and assertions that west “encircling” the USSR, were:

A. Equating of NATO and Warsaw Pact. Adopting middle ground between previous Yugoslav position (e.g., at Sixth Congress)⁶ that NATO “was justified” by Soviet (Stalinist) policies, and implication in draft program for this Congress that NATO aggressive and “justified” the Warsaw Pact, Tito argued that west, specifically America, “justified creation of NATO and of strategic bases precisely with this policy of force and rigidity of Stalin’s” (page 23), and that NATO had “inevitably result in creation of Warsaw defense pact of eastern countries as counterbalance” (page 21).

B. Continued carping at western colonial policies, reiteration of assertion of western pressure on Syria last year and efforts overthrow Nasser (page 28), contention that “intrigues and interference” “certain western circles” in Indonesia, resulted in civil war designed either destroy Indonesia or force it join SEATO (page 29). “Certain American papers” specifically involved in this effort.

C. Interminable references to “international workers’ movement” and presumably purposefully ambiguous allusions to tactics it should employ: e.g., “internationalism above all commits the working class to develop in its own country all forms of revolutionary activities in those cases where the working class has not yet assumed power, and in those countries where power is already in working class hands, it should endeavor to develop all forms of creative efforts for Socialist development” (page 45). *Comment:* Perhaps in effort offset or head off malicious interpretation of foregoing, in midst of portion of speech identified as dealing with normalization of relations with Soviet bloc Tito noted that World War II had led to creation Socialist states in Eastern Europe and

⁶ November 2–7, 1952.

Asia and continued "but it would be wrong to believe on basis of those facts that war is a stimulative and useful factor which is likely to bring about social changes in world". Denying creation Socialist states justifies war, Tito added, "I have deemed it necessary to stress this point because there are people who believe that only war can serve to settle the question of social changes, just as there are people who believe that only war can enable them to achieve various aims, in other words to enable one side to overpower the other" (page 42), the latter of course being stylized Yugoslav allusion to west's "policy of strength."

Rankin

124. Memorandum From the Deputy Administrator of the Office of Refugee and Migration Affairs (McCollum) to the Secretary to the Cabinet (Rabb)

Washington, April 30, 1958.

SUBJECT

U.S. Assistance to Yugoslav Escapees

United States policy respecting assistance to Yugoslav national escapees is contained in NSC 5706/2 (U.S. Policy on Defectors, Escapees and Refugees from Communist Areas) adopted in March 1957¹ which inter alia provided for U.S. assistance in the interest of insuring asylum but restricted expenditure for the group to approximately the current rate (interpreted as \$1.2 million U.S. Escapee Program funds per annum). The greatly increased number of Yugoslav refugees seeking asylum in Italy and Austria during the past eighteen months (averaging nearly 2000 per month in 1957) with a concomitant increase in the rate of resettlement of Yugoslavs resulted in the virtual exhaustion of the \$1.2 million by September 1957. On September 12, 1957, in response to a State Department appeal, the National Security Council decided to raise the ceiling of expenditure for 1957 from \$1.2 million to \$1.55 million and

Source: Eisenhower Library, Gray Papers, Yugoslavia—Escapees. Secret.

¹ For text, see *Foreign Relations, 1955–1957*, vol. XXVI, pp. 584–588.

requested the Department to undertake a survey of the refugee problem.² This survey confirmed that Yugoslav refugees were escaping faster than they could be resettled and drew attention to the impact of these increased numbers upon the economies of Italy and Austria pointing out that the governments of these countries regarded the Yugoslav refugees as a problem of the Free World and that unless further outside assistance were forthcoming they would be forced to be more restrictive in their asylum policies.

On December 24, 1957 the NSC (Action #1837)³ noted the decision of the Operations Coordinating Board on December 11, 1957 that, although the facts did not justify a request to NSC for a review of policy, it would be desirable to give commodity assistance under Title II of PL 480 to the countries of first asylum receiving increased numbers of refugees from Yugoslavia and that some of the commodities supplied the recipient countries might be sold by them to provide funds for the transportation and resettlement of refugees as well as for their care and maintenance. The OCB also noted that the State Department would report to the Board should later developments show that the assistance made available in this matter is inadequate.

Discussions with the Governments of Italy and Austria to implement the OCB decision have resulted in an offer to Italy of \$2.0 million for direct feeding of Yugoslav refugees in that country. A proposal made by the Austrian Government for a \$4.0 million Title II program of which \$2.0 million would be for direct feeding and \$2.0 million for sales, the proceeds of which to be used for Yugoslav refugees, has not proved feasible owing to the market situation in that country. Sale of surplus commodities would inevitably displace sales that otherwise would be made through normal trade channels. Further negotiation has indicated that not more than \$1.0 million in commodities could be used in direct feeding and the Embassy in Vienna has been authorized to offer a \$1.0 million program on this basis. It is considered highly unlikely that this will meet the need of the situation. Meanwhile, resettlement assistance continues to be extended to Yugoslav refugees in Austria and Italy through the U.S. Escapee Program under the \$1.2 million ceiling. It now appears that these funds for 1958 will be exhausted by midsummer unless measures are taken to reduce expenditure for resettlement and transportation. This would have the unfortunate effect of reducing

² Documentation on the Department of State's appeal and subsequent discussions within the NSC and OCB is in Department of State, OCB Files: Lot 62 D 430, Escapee Program.

³ NSC Action No. 1837 recorded actions taken at the December 23, 1957, meeting of the National Security Council. A copy is *ibid.*, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council.

emigration that might otherwise take place thereby increasing the dimensions of the problem in Austria and Italy.

This matter is under study in connection with a semi-annual progress report on NSC 5706/2 due for NSC consideration in June. One solution being considered would be for the United States to provide overseas transportation to Yugoslavs by increasing the United States per capita contribution to the Intergovernmental Committee for European Migration from the FY 1958 appropriation for this purpose. This would reduce the demands on the limited U.S. Escapee Program funds which could be concentrated on resettlement assistance as opposed to transportation costs and would permit the movement of more Yugoslavs out of Europe.

Robert S. McCollum

125. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, May 19, 1958, 5 p.m.

1552. 1. There is little question in our minds of sincerity of Yugoslav resentment at provisions in US legislation requiring continual review of Yugoslav policies before they are eligible for US assistance, and that such provision (Deptel 927)¹ will strengthen sentiment within regime to forego aid when their "material possibilities" are sufficient to permit them to do so. Issue is more form than substance, of course, since Yugoslavs realistically recognize (and have directly stated more than once) that US must consult its own interests in proffering assistance, hence that Yugoslav performance is in fact continually under review. Problem is one of prestige and pride, that Yugoslavia answerable to no one for its actions, plus propaganda issue as between Yugoslavia and Soviet bloc. Presidential determination under House amendment

Source: Department of State, Central Files, 768.5-MSP/5-1958. Confidential.

¹Telegram 927, May 17, requested the Embassy's analysis of the effects on U.S.-Yugoslav relations of passage of an amended version of the Mutual Security Act requiring the President to report on the independence of Yugoslavia prior to the release of aid to it. (*Ibid.*, 768.5-MSP/5-1758)

would readily lend itself to exploitation by Soviet bloc as further evidence of thesis in *Pravda* editorial, namely that US aid is designed to put countries receiving it into position of dependence on US and that that is in fact what has happened in Yugoslavia.

2. Regards "material possibilities", Yugoslavs could probably get along without US assistance now, but only at considerable sacrifice to standard of living and attainment its investment and other economic and social objectives. This would be extremely difficult for regime at this particular time, for two main reasons. First, as evidenced by major campaign against economic offenses and abuses, as well as efforts imbue trade unions with new life and responsibilities regarding welfare and standard of living of workers, latter is important political issue internally at present time among other things as direct result of Trbovlje strike.² While regime could probably successfully ask masses to pull in their belts in defiance Soviet economic pressure, it would not have same capability were economic stringency to arise as direct or indirect result of pro-Soviet actions on part of regime. Refusal of US aid would be so interpreted by masses. Secondly, given present crisis in Yugoslav-Soviet relations, in face of which many Yugoslavs are still fearful regime may reach compromise and "go back" east, it would be most difficult politically for regime to lose western economic assistance. West's willingness continue give Tito assistance is best proof he has that his policies have not alienated west, and his willingness accept it is best proof he has that he has not succumbed to east's blandishment.

3. In light foregoing seems clear regime will not seek excuse to refuse aid, and that it would probably be prepared continue accept US aid despite inclusion of provision in Mutual Security Act. However, there is no question but that such provision would make acceptance aid highly distasteful, tend to sour Yugoslavs on US and stimulate them at every opportunity to take foreign policy positions which might be contrary to those of US and thus could be pointed to as evidence Yugoslavia's independence of US despite aid. Hence in these ways provision injures US-Yugoslav relations and further it gives propaganda weapon to Soviet bloc and thus weakens Yugoslav posture in relation bloc. For these reasons Embassy and USOM concur decision executive branch oppose amendment. While we would not wish press for deletion of provision if there is no chance being successful so that only result would be merely stir up publicity to no useful end except Russians, we believe that so long as there is possibility getting rid provision, we should exert efforts do so.

Rankin

² See footnote 4, Document 121.

126. Memorandum of Conversation

Washington, May 20, 1958.

SUBJECT

Expression of concern by Yugoslav Ambassador regarding House-approved version of Section 143 of Mutual Security Act¹

PARTICIPANTS

The Secretary
The Yugoslav Ambassador
Robert M. McKisson (EE)

During the course of his call on the Secretary this afternoon, Ambassador Mates referred to the recent action of the House of Representatives restoring the provision in Section 143 of the Mutual Security Act which would require the President to make a finding, within 90 days of enactment, with respect to Yugoslavia's independence. Emphasizing that his Government took a most serious view of this provision as a prerequisite for further Mutual Security assistance, the Ambassador stated that retention of such a requirement would have a very harmful effect upon US-Yugoslav relations and would be extremely offensive to Yugoslav sensibilities. The House action was especially unfortunate in the view of his Government, coming as it did at a time when Yugoslavia was under severe political and propaganda attack from the Soviet bloc countries. The Ambassador said that Yugoslavia had stood firm against these attacks and was determined to maintain its independent position at all costs. He added, however, that if Section 143, as approved by the House, were finally adopted by the Congress, such action would only seriously handicap Yugoslavia in its defense of its independence and that, in these circumstances, he was convinced that his Government would be forced to forego further Mutual Security assistance, just as it had previously decided to give up highly-valued military assistance.

Ambassador Mates said he clearly understood that, under the US system of government, the Executive Branch could not dictate to the

Source: Department of State, Central Files, 768.5-MSP/5-2058. Official Use Only. Drafted by McKisson.

¹ Section 143 of the Mutual Security Act required the President to suspend aid to Yugoslavia if the Tito government failed to maintain any of three criteria: 1) independence from the Soviet Union; 2) nonparticipation in Communist plans of conquest; and 3) if aid to Yugoslavia continued to be in the national security interests of the United States. The President was instructed to monitor continuously the Yugoslav situation and keep Congress informed. For text of Section 143 of the Mutual Security Act of 1954 as amended, approved August 14, 1957, see 71 Stat. 355. The Mutual Security Act of 1958, approved June 30, 1958, maintained the provisions of Section 143 of the 1957 bill. For text of the 1958 version, see 72 Stat. 261.

Legislative Branch. He hoped, however, that the Department would exert every appropriate effort to persuade Congressional leaders against the retention of the House-approved version of Section 143.

In responding to the Ambassador's remarks, the Secretary stated that the Administration was itself opposed to the provisions adopted by the House and would seek their deletion in the course of the further legislative process. He indicated that, while he was not in a position to predict the final outcome, he was hopeful that the Administration's view would prevail. The Secretary explained that, as a matter of effective tactics, the Department's efforts in this regard would be focused upon the Senate Foreign Relations Committee's consideration of the legislation. If the Senate approved legislation omitting the requirement inserted by the House, the way would then be open in final Senate-House conference to endeavor to persuade the House conferees to accept the Senate version of the law.

Ambassador Mates thanked the Secretary for his statement of the Department's attitude on this question and said that he would report it at once to his Government.

127. Memorandum of Conversation

Washington, June 9, 1958.

SUBJECT

US-Yugoslav Economic Relations

PARTICIPANTS

Mr. Franc Primožic, Minister of the Yugoslav Embassy
Mr. Vasilije Milovanovic, Economic Counselor of Yugoslav Embassy
Mr. Foy D. Kohler, EUR
Mr. Robert B. Hill, EE

Mr. Primožic called with Mr. Milovanovic to introduce Mr. Milovanovic to Mr. Kohler and to raise informally the general question of US-Yugoslav economic relations. Mr. Milovanovic, he said, is about

to return to Belgrade for brief consultation. Mr. Primozic asserted that his government is interested in expanding economic relations with the US and, although he had no intention of raising any specific question at this time, he would appreciate any comment which Mr. Kohler might care to offer.

Mr. Kohler said he would like first to raise a few questions. He had been reading a number of reports about Yugoslavia recently, he said, and had been particularly interested in the Soviet postponement of credits to Yugoslavia.¹ Was his understanding correct that these credits applied solely to specific economic development projects? Mr. Milovanovic said this was correct, that of \$285 million promised by the Soviets approximately \$110 million were for two fertilizer plants and some mining development, with the remaining \$175 million earmarked for an aluminum project. Mr. Kohler said he understood that the fertilizer and mining projects were already fairly well advanced while the aluminum project was still in its very early stages. Mr. Milovanovic confirmed this understanding and explained that his country was especially interested at this time in developing its agriculture and hence placed much emphasis on fertilizer production. Agriculture, he said was perhaps the most important field of activity at present in Yugoslavia. Mr. Kohler then asked if Yugoslav trade with Italy, West Germany, France and the United Kingdom was proceeding normally, and expressed satisfaction when both Mr. Primozic and Mr. Milovanovic assured him that it was. Mr. Primozic noted that, although Yugoslav political ties with West Germany had been broken the economic ties continued.²

Referring to Mr. Primozic's opening remarks about economic relations, Mr. Kohler proceeded then to point out that any economic assistance which the US might extend has, of course, certain political objectives. He noted that we appreciate Yugoslavia's desire for aid without strings but said he was sure Mr. Primozic understood that our aid depended on Yugoslavia maintaining its independence. So long as Yugoslavia did so he felt certain that we could continue to enjoy the kind of economic relations we have had in the past. Turning then to the subject of US Congressional activity Mr. Kohler said that we have, of course, encountered some difficulty recently particularly with the so-called Kennedy Amendment.³ In fact, of course, the dispute over the Kennedy

¹ A 5-year suspension of credits by the Soviet Union was announced on May 28.

² The Federal Republic of Germany broke diplomatic relations with Yugoslavia on October 18, 1957, following the recognition by the Yugoslav Government of the German Democratic Republic on October 15.

³ An amendment by Senator John F. Kennedy to the Foreign Aid Appropriations Act of 1959 proposed that the President be allowed to grant aid to any Communist nation except the Soviet Union, the People's Republic of China, or North Korea. The amendment was defeated in a Senate vote on June 4.

Amendment was more or less academic since other arrangements had been worked out for Yugoslavia and Poland and no other countries would at present be affected. He wished to emphasize, however, that our troubles are not yet ended, particularly since the MSA appropriations bill has not yet passed the Congress. He did not wish to be misleading with respect to the volume of US assistance which might be available in the future.

Mr. Kohler pointed out further that we hope this year to increase the money available to the Development Loan Fund (DLF) and he suggested this would be something which Mr. Primožic might watch closely. There is, of course, considerable competition for the relatively limited resources of the DLF and the Yugoslavs might therefore be well advised to examine the projects they have already submitted with a view to assigning priorities. The Yugoslav Government could be assured that we would consider its projects sympathetically, but it is not possible at this time to give any indication of the magnitude of any loans which might eventually be made. Speaking purely in speculative terms Mr. Kohler thought that, while the Yugoslav aluminum project, if submitted, probably would not receive favorable consideration, the prospects for helping in completing other projects, particularly those on which a good start has already been made, seemed reasonable. In this connection the US would be interested in the extent to which Yugoslavia might be able to supplement US help through West European suppliers in West Germany, Italy, the UK and France.

Mr. Primožic expressed understanding of Mr. Kohler's remarks and said that Yugoslav economic experts are now engaged in attempting to analyze the effect of the suspension of Soviet credits, and he repeated his remark that he and Mr. Milovanovic had not called with any specific request but had merely wished to emphasize Yugoslavia's desire for broadened economic relations. Mr. Milovanovic said he was interested particularly in possibilities of exploiting further the Eximbank, pointing out that Yugoslavia had borrowed \$55 million some time ago when its exports to the US were only \$15 million; since then exports have risen to \$43 million with possibility of further increase, thus improving Yugoslavia's ability to repay dollar loans. Mr. Kohler replied that while he did not exclude the possibility of Eximbank loans there were certain gradients in this respect, ranging from the relatively "soft" loans of the DLF through the Eximbank and the IBRD, to the relatively "hard" loans of US commercial banks. The matter of loans also raises the question of what is called international credit worthiness, he said, which is in turn related to the economic viability of the loan recipient and, of course, its international debt position.

As they rose to leave after again expressing appreciation for Mr. Kohler's remarks Mr. Primožic said he would like to refer briefly to an

earlier conversation he had had with Mr. Kohler in which they discussed Mr. O'Shaughnessy's talks with Mr. Rukavina in Belgrade.⁴ Perhaps, he said, there had been some misunderstanding and he was perfectly willing to say no more about it. He would like to note, however, that at this time particularly a country might feel it could take advantage of Yugoslavia's situation to impose additional conditions on any assistance which it might extend. This would be, he said, wholly unacceptable to his Government and most unwise. Apparently satisfied that he had made his point Mr. Primožic and Mr. Milovanovic then took their leave without awaiting any comment from Mr. Kohler.

⁴ In a May 28 discussion with Kohler, Primožic stated that O'Shaughnessy had informed Yugoslav officials that the Feighan amendment to the Mutual Security Act, which toughened existing requirements of Section 143 and which the Yugoslav Government disliked, would probably be passed and the Yugoslav Government would "simply have to swallow it." Kohler denied that a difference of opinion existed between the Department and the Embassy in Belgrade on the undesirability of this amendment. A memorandum of Kohler's conversation with Primožic is in Department of State, Central Files, 768.5-MSP/5-2858. The Feighan amendment required the President to report to Congress on the independence of Yugoslavia prior to the release of mutual security aid to that nation. It was defeated.

128. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, June 20, 1958, 3 p.m.

1704. Rome for McSweeney, Vienna, Frankfurt and Munich for PRU. Austrian Ambassador told me last evening Milutinovic "speaking personally" as is his wont, indicated Yugoslavs were beginning to be uneasy about possible military pressure on them. Two elements which Milutinovic mentioned to Austrian as contributory to this new concern

Source: Department of State, Central Files, 768.5/6-2058. Secret. Repeated to Moscow, London, Paris, Bonn, Vienna, Prague, Warsaw, Berlin, Bucharest, Budapest, Frankfurt, Zagreb, and Sarajevo.

were: (1) Timing of Nagy execution announcement,¹ following other developments vis-à-vis Yugoslavia, suggests to Yugoslavs that they are [not?] faced with random ad hoc campaign but well-organized offensive with moves planned well in advance and (2) build-up of tension in Middle East with regard Lebanon, including possibility US intervention, and British military reinforcement of Cyprus.² In latter connection Yugoslavs naturally would think of British use of Cyprus and coincidence of 1956 attack on Suez and Soviet military intervention in Hungary.³

Other than unevaluated report received several weeks ago by Air Attaché that Yugoslavs were concerned at troop movements in Bulgaria, above is first report we have had of Yugoslav concern at possibility military pressure.

As Department aware, Mulutinovic is responsible regime official and we are prepared accept his remark as evidence that regime is at least thinking along these lines. Hitherto, as reported, Yugoslavs tended believe international situation such that Soviets would not feel able employ military tactics against Yugoslavia. Perhaps on one hand Yugoslavs now have had eyes opened to callousness of Khrushchev and company to world opinion, and also foreseen possible period of crisis such as surrounded Suez-Hungarian events which might permit Soviet adventure in Yugoslavia.

Rankin

¹ Former Hungarian Premier Imre Nagy fled to the Yugoslav Embassy on November 2, 1956, after the Soviet suppression of the Hungarian revolution. On November 22 Nagy left the Embassy under safe conduct by the regime of Janos Kadar. Nagy was later returned to Hungary and after a secret trial was executed on June 16, 1958. Nagy's execution followed a series of attacks on the Yugoslav Communist Party for "revisionism," that began when East European diplomats walked out of the April 22–26 Yugoslav Party Congress. The Soviet press launched a major attack on Yugoslav revisionism while the Chinese Party Congress condemned the Yugoslav Government in particularly harsh terms. Cultural exchanges between Yugoslavia and other Eastern European nations were canceled as was a scheduled visit to Belgrade of Soviet President Klement Voroshilov.

² A virtual civil war broke out in Lebanon in May between Christian and Moslem elements over the efforts of Camille Chamoun to secure a second term as President of Lebanon. The British had reinforced Cyprus to deal with a popular movement for that island's independence that included widespread terrorism.

³ The British used Cyprus as a military staging area for their October 1956 invasion of Egypt in cooperation with France.

129. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, June 20, 1958, 3 p.m.

1705. Belgrade's 1704.¹ Series recent developments and first evidence Yugoslav concern over possible Soviet or satellite military pressure if not military attack suggest parallel with developments beginning 1948.

While larger issues in terms US-UK and US-French relations are involved that can be seen from here, from our limited viewpoint there might well be advantage in picking up French suggestion (Paris telegram 6024 to Department)² that consultation between interested western powers be initiated, perhaps along line of tripartite approach utilized in early 1950³ or even within NATO. Purpose in first instance would be coordination of western position increased economic assistance to Yugoslavia when this is requested. At same time attention could be given to preparation common position for eventuality of military pressure. Whether or not we from western point of view would wish take any initiative at this time in endeavoring recreate a military relationship with Yugoslavia along lines which began to emerge between 50 and 53, we cannot judge from here. However should pressure intensify Yugoslavs themselves might cite moral commitments implicit in military conversations 52 and 53 (see for example Embassy despatch 551, May 9 not repeated lateral addressees)⁴ a possibility for which I suggest we should be prepared.

Rankin

Source: Department of State, Central Files, 768.5/6-2058. Secret. Repeated to London, Moscow, and Paris.

¹ Document 128.

² Telegram 6024, June 18, reported on possible Yugoslav efforts to renew diplomatic ties with the Federal Republic of Germany. (Department of State, Central Files, 662A.68/6-1859)

³ For documentation, see *Foreign Relations*, 1950, vol. IV, pp. 1338 ff.

⁴ This despatch contained a memorandum suggesting ways in which the United States could fulfill its military commitment to Yugoslavia. (Department of State, Central Files, 110.4-OIR/5-958)

130. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, July 1, 1958, 4 p.m.

2. Joint Embassy/USOM message.

1. Yugoslavs have renewed discussions with us with view completion negotiations for termination military aid and finalizing instrument providing for such termination. Yugoslavs greatly concerned at long delay reaching final agreement for termination aid. In informal discussions they have indicated that unless we can reach mutual agreement on terms for terminating military aid, they will have to consider possibility unilateral termination. They state they would not like terminate unilaterally and that government has not yet reached this position.

2. Unless Department has other points of which we unaware only outstanding substantive issue relates paragraph 8 of proposed termination memorandum. Purpose this paragraph was to commit us to continue provide local currency for projects which have been previously justified on military facility or common defense basis and which Yugoslavs now wish justify on economic development basis. Principal project involved this connection is Jadranski Put, matter which now on way to solution through exchange of notes authorized A-165.¹ However, even after such exchange of notes, there still remains open disposition following three funds from other than PL 480 which envisages military use of dinar and which Yugoslavia would like to resolve in some manner prior conclusion agreement on termination military assistance:

(A) 1,459,500,000 dinars (\$4,865,000) under section 550 agreement of May 12, 1955,² which had been originally intended for off-shore procurement. As indicated paragraph 3, Embtel 1513,³ Yugoslavs wish use these funds for construction two highways and railroad line.

(B) 3,922,959,219 dinars (\$13,076,531) of Section 402 funds under agreement of May 12, 1955. Agreement contemplates use these funds for defense projects and specifically indicates US favorably inclined use these funds for Jadranski Put and Zagreb-Ljubljana highway.

Source: Department of State, Central Files, 768.5-MSP/7-158. Confidential.

¹ Airgram A-165, June 6, reported that a Presidential waiver would permit the use of counterpart dinars to fund the Jadranski Put highway project and enclosed proposed texts of notes to be exchanged with Yugoslavia regarding funding. (*Ibid.*, 411.6841/6-658)

² For text of this agreement for the disbursement of U.S.-owned dinars, see 6 UST 144.

³ Not printed.

(C) 2,781,202,669 dinars (\$9,270,676) of Section 402 funds under agreement of January 19, 1956.⁴ Latter agreement envisages use these funds for defense support but does not specify any specific projects.

Disposition of funds under items (B) and (C) would be covered by release of funds for projects envisaged in exchange of letters of April 25 and 28 between Popovic and Larson relating to general local currency problem.⁵ However, Yugoslavs are concerned with fact that this exchange of letters does not actually provide for release local currency and thus wish some further assurance on items (B) and (C) above. These items apparently not covered by exchange of notes authorized A-165. It was these items we were seeking to include in \$30 million PROAGs⁶ concluded June 30 but which we could not include because of legal complications.

3. We have indicated to Yugoslavs that paragraph 8 proposed termination note is unacceptable. Yugoslavs have now suggested that if we could give them letter assuring them of our intention utilizing funds (A), (B) and (C) in paragraph 2 above for economic development projects, they would be prepared drop paragraph 8 from termination note and conclude termination agreement even though additional time might be required to complete steps necessary enable release funds in question.

4. Accompanying cable⁷ gives text of letter as amended by us in interest precision and moderateness. We have not yet shown this amended version to Yugoslavs and have given no indication as to whether this approach is acceptable even in principle.

5. We strongly recommend submission of some such letter to Yugoslavs and conclusion of memorandum for termination military aid soonest. This matter has dragged out far too long and is causing considerable irritation and suspicion on part Yugoslavs. Since funds under items (B) and (C) in paragraph 2 above are already intended for economic development projects pursuant Popovic-Larson exchange of letters, we would not be giving Yugoslavs any new concession by assurances stipulated in proposed letter. As regards item (A) of paragraph 2, we feel we should agree use these funds for two highways and railroad in view (i) relative soundness these projects, (ii) lack any other immediate, specific US use to which we wish to put these funds, and (iii) availability other funds for US uses when such needs arise.

⁴ For text of this agreement for economic assistance on a loan basis under the Mutual Security Act of 1954, see 7 UST 149.

⁵ Not found

⁶ Project agreements.

⁷ The Embassy's suggested revisions were sent to the Department of State in telegram 3, July 1. (Department of State, Central Files, 768.5-MSP/7-158)

6. Request reply soonest in view protracted delay which has already occurred and resulting impairment to US-Yugoslav relations. There is some indication that Yugoslavs may suspect US endeavoring, by dilatory tactics, to revert original US position that bilateral should be kept in force, a position which they felt we tacitly agreed abandon. Whatever may develop in reference military relationships pursuant present situation between Yugoslavia and Soviet bloc, we suggest it important in present state that Yugoslavs not gain impression US is endeavoring pressure them into continuation old military relationship which they are under heavy political pressure to terminate. Therefore, cannot overemphasize importance dealing with this matter as expeditiously as possible.

7. If Washington has any other points on either language or substance of proposed termination memorandum, please send soonest.⁸

Rankin

⁸ Telegram 23 to Belgrade, July 7, reported that delay in final termination of the military aid agreement was due to studies of the effects of termination on U.S. ability to continue military sales to Yugoslavia. It promised quick action in forwarding the text of the proposed termination and sales agreements. (*Ibid.*)

131. Memorandum of Conversation

Washington, July 19, 1958.

SUBJECT

Yugoslav Chargé d'Affaires' discussion with the Secretary concerning Middle East crisis

PARTICIPANTS

The Secretary
Mr. Franc Primožic, Yugoslav Chargé d'Affaires ad interim
Mr. Kohler, EUR
Mr. Sutterlin, EE

In accordance with his urgent request, the Yugoslav Chargé d'Affaires, Mr. Franc Primožic, called on the Secretary on July 19 in connec-

tion with the current Middle East crisis.¹ Mr. Primozic began by saying that his Government considers the situation in the Middle East extremely dangerous particularly in view of the landing of US troops in Lebanon. The Secretary queried Mr. Primozic as to whether the Yugoslav Government does not also feel that the murder of the lawful Iraqi Government added a significant and dangerous element to the Middle Eastern situation. Mr. Primozic replied that the Yugoslav Government considers developments in Iraq as "internal" in nature. The Yugoslav Chargé then continued to present the view of his Government as follows:

(1) The action taken by the US in Lebanon is contrary to the UN Charter, especially since it followed the report issued by the UN observers in Lebanon according to which the struggle there was not the result of external interference.

(2) During President Nasser's recent visit to Yugoslavia² President Tito gained the impression that the Egyptian President does not desire a further deterioration in his relations with the West, but wishes to pursue an independent policy tied neither to the Soviet Union nor to the West if the Western nations by their actions make such a policy possible.

(3) The arrival of British troops in Jordan has worsened the current crisis and broadened the area of conflict.

(4) Any military operations against Iraq would further endanger the situation and would bring with it, in the Yugoslav view, the possibility of direct Soviet intervention.

(5) Yugoslavia is directly concerned in the Middle East because of its interest in preserving world peace and its geographic location in the Mediterranean area. The Yugoslav Government has issued an official statement in which it has declared that the US and British intervention in Lebanon and Jordan is unjustified and dangerous. In this same statement the Yugoslav Government has expressed its opinion that only the UN can lawfully intervene in the area. These views are based on a full assessment of the facts and on the Yugoslav desire to preserve peace. Mr. Primozic stated that he wished particularly to stress that the Yugoslav attitude toward developments in the Middle East derives from a careful analysis of the situation there and not from any anti-Western point of view.

¹ On July 14 a revolution in Iraq overthrew the pro-Western government of King Faisal II. Lebanese President Camille Chamoun requested that U.S. troops be sent to his nation to restore order and to prevent foreign intervention. U.S. forces landed in Beirut on July 15.

² July 2-12.

(6) The Yugoslav Government still believes that a peaceful solution of the Middle East crisis is possible through the UN. It has been consulting with other governments since it feels that the most appropriate step now would be an emergency General Assembly session sponsored by Yugoslavia together with additional uncommitted nations and possibly by "others."

The Secretary asked Mr. Primozic whether the Yugoslav Government considers that it is wrong to send troops to aid a friendly nation which has requested assistance in preserving its independence. Mr. Primozic replied that the UN is the proper body to take such action. The Secretary then noted that the Soviet Union had vetoed a proposal in the Security Council which would have transferred to UN forces the responsibilities which US troops have assumed in Lebanon.³ He asked Mr. Primozic whether in the Yugoslav view this Soviet veto was a constructive step. Mr. Primozic conceded that it was not. The Secretary then continued that there are US military elements in some 30 countries throughout the world where they have been sent without involving the UN. Should they now be withdrawn, he asked. Mr. Primozic replied in the negative but again emphasized that the Middle East is an area of extreme tension. The Secretary then compared Nassar's Pan Arabism to Hitler's Pan Germanism in that it showed no respect for the independence of nations. The US has incontrovertible proof, he said, of a plot organized against the Lebanese Government from Cairo and Damascus. He had, in fact, just received a message from Deputy Under Secretary Murphy indicating that rebel activities in the Basta area of Beirut are being directed over an open telephone line from Damascus.⁴ The Yugoslav Government maintains that it is basing its policy in the Middle East crisis on an assessment of the facts, but the fact is, the Secretary said, that a plot similar to the one carried out in Iraq was planned against the Governments of Lebanon and Jordan. Under the circumstances there was insufficient time for effective UN action. When the US sent its troops, the Secretary added, it notified the UN and proposed that the UN take over as soon as possible the duties being performed by American troops in aiding the Government of Lebanon to preserve that country's independence. The Soviet Union, however, vetoed the proposal which would have brought about such UN action.

Mr. Primozic expressed the view that the chance for such a UN solution still exists if a special emergency General Assembly session is held. The Secretary agreed and said that if the Japanese resolution is not

³ For text of the U.S. proposed resolution together with the U.S. statement of position, see Department of State *Bulletin*, August 4, 1958, pp. 186–198.

⁴ In telegram 530, July 19, Murphy gave a preliminary assessment of conditions in Lebanon. (Department of State, Central Files, 110.13–MU/7–1958)

adopted the US favored an emergency session.⁵ The truth is, the Secretary continued, that something similar to Murder, Inc. is loose in the world today, intent on destroying the independence and integrity of small nations. Mr. Primozic at this point commented that the initial acts of the new Iraqi Government have been reasonable. The Secretary replied that its initial acts may seem reasonable but its hands are dripping with blood. The rebel government had done a very thorough job in eliminating the lawful Iraqi Government,⁶ he stated, and the same would have happened in Jordan and Lebanon if US and British help had not been forthcoming. Surely, he continued, nations under such circumstances have the right to ask for help.

Mr. Primozic then said that in the Yugoslav view the economic and political position of the West in the Middle East can best be secured through the creation of a single autonomous and neutral Arab state. Yugoslavia, he said, is supporting movements which tend in this direction. When asked by the Secretary whether Yugoslavia is not concerned by the methods used in achieving a single state, Mr. Primozic replied that in the Middle East it is a question of a historical process which the world must understand. The Secretary asked if this meant that a state such as Lebanon should offer no resistance to the destruction of its independence. If this is the Yugoslav position, the Secretary said, then he understood it, but he did not think that it should be cloaked by references to the UN Charter. In 1956, he continued, the US moved to protect Egypt when its independence was threatened by the action of the British, French and Israelis. Now it is doing the same in Lebanon when that small country's independence, is threatened by Nasser. We believe in a world of peace and order under the UN Charter, the Secretary said. Mr. Primozic, stating that perhaps he had been misunderstood, referred to the struggle of the partisans in Yugoslavia during the Second World War which had triumphed because it represented a necessary historical process. In a similar manner, he said, there is now a historical tendency among the Arab states to unify. The Secretary replied emphatically that this is not true in Lebanon. He had never thought much of Pan Germanism which, claiming to be a "historical process", had run roughshod over other nations and had eventually led to a World War. Historical processes, the Secretary concluded, must work through approved international means and not through murder and the destruction of independent nations.

⁵ For text of the July 21 Japanese resolution to create a strengthened U.N. peacekeeping force in Lebanon, see Department of State *Bulletin*, August 4, 1958, p. 199. This resolution was vetoed by the Soviet Union in the July 22 Security Council meeting.

⁶ In addition to King Faisal and Prime Minister Nuri al-Said, the entire Iraqi royal family was killed in the uprising of July 14.

132. Memorandum of Conversation

Brioni, July 26, 1958.

PARTICIPANTS

President Josip Broz Tito
Foreign Secretary Koca Popovic
Mrs. Dusan Kveder
Ambassador K. L. Rankin

I called on President Tito at his Brioni residence, by appointment, at nine o'clock this morning and found the President with Foreign Secretary and American-born Mrs. Dusan Kveder, wife of the new Yugoslav Ambassador to India. Tito was deeply tanned and looked very well, although plump. He greeted me courteously but by no means effusively; I seemed to notice a certain restraint. The President waited for me to start the conversation.

First I said that since arriving in Yugoslavia last February I had visited the capitals of all six Republics and other points as well. I complimented the President on the notable progress in building and other development. He said he understood I had been in Yugoslavia before the war, and I replied that I had several times, first in 1930. Mrs. Kveder started to interpret my remarks but Tito said this was unnecessary until we got to political matters.

Taking the hint, if such it was, I asked what he thought we could expect from Khrushchev and Nasser.¹ As to Khrushchev, he said, much would depend upon what others did, including the United States. But he could tell me about Nasser's policies and intentions. Tito then repeated the oft-told story that Nasser had not expected the revolt in Iraq at this time and immediately urged the new regime there to move carefully. They must sell their oil to the West, and nationalization or similar steps must be avoided; they should live up to Iraq's commitments to the West.

Tito then reviewed Nasser's case for Arab nationalism. The Arab countries must get rid of feudalism and have their resources developed for the benefit of the people. They must be free and independent. Moreover, Nasser was not responsible for the current revolt in Lebanon. While he was in Brioni, reports from Beirut indicated that the situation there was improving and that a settlement was in prospect. Nasser had been gratified. Then American Marines landed.

Source: Department of State, Central Files, 768.11/7-2958. Confidential. Sent to the Department of State as an enclosure to despatch 3 from Venice, July 29.

¹Tito and Nasser held extensive discussions during the latter's July 2–12 visit to Yugoslavia.

I asked the President whether Nasser had said anything about the long standing campaign of Cairo Radio, inciting to revolt and assassination. And had Nasser explained how large amounts of arms and money had been supplied from Syria to the rebels in Lebanon?² Nasser had not mentioned these points, he said.

Tito then went on in general terms to criticize the United States policy in the Near East. We had supported feudal governments which did not represent the people. Even at the cost of some economic losses, we should change our policies.

I remarked that we must deal with governments in power. Our policy of avoiding interference in the internal affairs of other countries leaves us no alternative. Perhaps the previous Iraqi Government did not enjoy wide popular support, but is its successor any better in this respect? We may hope so, but we do not like the way it came into power, by murder. I noted that the "revolutions" in so-called Arab states have been bourgeois more than proletarian, although the bourgeois sector of the population in most cases is quite small; it cannot be said to represent the mass of the people. Tito admitted that this was so, but added that a bourgeois regime is already an improvement over feudalism, and that there is no danger of Communist penetration in a backward area such as the Near East. (This was the only occasion the word "Communist" was mentioned during our talk. I made no comment.)

I noted that many of the so-called Arab states are not really Arab; they merely speak related dialects and have a common Moslem religious tradition, although most of the leaders are not actually religious. This complex situation, I said, is characterized by primitive emotion and great weaknesses. Witness the easy defeat of Egypt by Israel in 1956,³ no doubt Israel could do it again. We, too, wanted these states to be independent and to develop their resources for the benefit of their people. A long period of peace was needed to permit this. But the Soviet Union was taking advantage of weakness to stir up trouble, such as furnishing unneeded arms to Egypt at the very moment of the 1955 Summit Conference in Geneva. I thought the great danger to be an eventual Soviet takeover in the area. Popovic remarked that the Baghdad Pact came even before 1955, and I replied that Soviet policy toward Turkey and Iran had been ample justification for a defensive pact.

² Since February 1 Syria had been a part of the United Arab Republic of which Nasser was President. President Eisenhower in his July 15 message to Congress on the U.S. military intervention in Lebanon accused Syria of fomenting the civil war in Lebanon and of supplying arms and other aid to one of the contending factions. For text of this statement, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958*, pp. 550-552.

³ Between October 29 and November 3, 1956, Israeli forces drove the Egyptian army out of most of the Sinai peninsula.

In Lebanon, I said, we have one of the most democratic countries in the entire region. The United States is not supporting any particular group there; we hoped that the election scheduled to take place next week would help matters, whoever wins. But the present legal government had appealed unanimously for our aid. It appeared to us that the situation was deteriorating so rapidly that military action must be taken. We did not want to do this, but we had definite obligations to act under such circumstances. If Yugoslavia should find itself in a position like that of Lebanon—I hoped this would never happen—and the United States had similar obligations toward Yugoslavia, I should want us to act. Tito immediately interjected that Yugoslavia would not want foreign troops on its territory. I repeated that I hoped such steps would never be needed, but that any of us might need help on some future occasion which we could not foresee, and I hoped that help would be forthcoming in accordance with our mutual obligations.

Tito made a distinction between external aggression, where the United Nations would be required to act, and internal revolt. I said that recent external aggression in Lebanon is clear enough, even though it might not involve large military forces marching across frontiers. We could not let matters drift further. We had acted under the UN Charter and then tried to turn directly to the United Nations, only to be blocked by the Soviet veto. I hoped that the President had noted in detail the voting on the three proposals which came before the Security Council, including the Japanese resolution attempting to bridge the gap.⁴ Evidently the Soviets did not want a solution; they wanted to make more trouble.

Failing again to provoke a reaction to my reference to the Soviets, I remarked that it was useful to review in the light of subsequent events the plan for a reduction of armaments laid before the UN Subcommittee by the Western Powers last August.⁵ This would have provided for stopping nuclear bomb testing and much more. But like all such efforts over the years, nothing could be accomplished because of Soviet opposition. I had brought with me a copy of our announcement of August 1957⁶ in this connection. No doubt the President and the Foreign Secretary had seen the Western plan at the time, but I was leaving it with them anyway. At this point, Popovic, who had said very little, remarked that

⁴ For text of the July 17 Soviet resolution, see U.N. doc. S/4047/Rev. 1. For text of the U.S. and Japanese resolutions, see Department of State *Bulletin*, August 4, 1958, pp. 198–199.

⁵ For text of the Four-Power working paper submitted to the U.N. Disarmament Commission on August 2 in London, see *ibid.*, August 17, 1957, pp. 303–304.

⁶ Apparently a copy of the paper cited in footnote 5 above.

the Soviets had actually stopped testing, which was "positive".⁷ (I let that pass.) Tito added his regret that technical differences were delaying a Summit Conference.⁸

Tito finally reacted to the extent of saying that he was not defending Soviet foreign policy. But he left me with the inescapable impression that while quite ready to talk about Nasser and the Near East, he preferred not to discuss Khrushchev and the Soviet Union in any detail.

Our talk had lasted nearly an hour and I concluded by remarking that our aims and those of Yugoslavia seemed to be substantially the same as regards the Near East. Our differences relate to method. The United States does not pretend to have all of the answers, but we are satisfied that letting matters drift is no solution. The other side is active and we shall keep on trying. I said that an Eastern diplomat remarked to me recently, "If Lebanon goes, Islam will be aflame from Casablanca to Kabul". (This was the Iranian Minister in Belgrade.) At this point Tito made his only positive suggestion for correcting American Near Eastern policy, which he had criticized. He urged that we should recognize the new regime in Iraq without delay as a means of keeping them on a reasonable course.⁹

As I took my departure, President Tito asked me to convey his good wishes to President Eisenhower. He added that he would answer Secretary Dulles' recent message.¹⁰ He continued to be friendly but reserved, and rather less "bouncy" than when I saw him previously.

Could it be that Tito is simply worried about the prospect of war, as he has been represented lately in several reports? Or had he given Nasser some bad advice as to what the United States and/or Russia might do in the Near East? Had he assured Nasser that the United States would take no action in the Lebanon, and that Russia would support him in any case, only to have the Marines land and Nasser come back all but empty-handed from rushing off to Moscow like a frightened little boy? If so, both Nasser and Tito lost face, which is particularly grave for them.

K. L. Rankin¹¹

⁷ On March 31 the Soviet Union announced a unilateral suspension of nuclear testing.

⁸ A reference to the continued insistence by the United States and other Western powers that substantive negotiations occur prior to a heads of government meeting.

⁹ The United States recognized the Republic of Iraq on August 2.

¹⁰ In this letter, July 16, Dulles outlined the reasons for U.S. military intervention in Lebanon. (Department of State, Central Files, 783A.5411/7-1658) No reply from Tito has been found.

¹¹ Printed from a copy that bears this typed signature.

133. Operations Coordinating Board Report

Washington, August 6, 1958.

OPERATIONS PLAN FOR YUGOSLAVIA

I. Introduction

A. Special Operating Guidance

1. Short-Term Objectives

a. An independent Yugoslavia outside the Soviet bloc, capable of withstanding Soviet political and economic pressures, not actively engaged in furthering Soviet Communist imperialism, and with a potential for weakening the monolithic front and internal cohesiveness of the Soviet bloc.

b. Without jeopardizing the above objectives, reorientation of the Tito regime in the direction of political and economic liberalization and closer Yugoslav ties with the West in general and Western Europe in particular.

2. *Long-Term Objective.* Eventual fulfillment of the right of the Yugoslav people to live under a government of their own choosing, which maintains peaceful and stable relations with neighboring states, and participates fully in the Free World community.

3. U.S. Interest in Yugoslavia

a. The Tito–Kremlin break of 1948 and Yugoslavia's remaining outside the Soviet bloc since then have served U.S. interests through the continued denial to the USSR of important strategic positions and other assets, and through the political effects, on both sides of the iron curtain, of a break in the "monolithic" Communist bloc.

b. U.S. policy in support of the maintenance of Yugoslavia's independence constitutes an integral part of the broader U.S. policy which has as its objective the eventual attainment of complete national independence by all of the Soviet-dominated nations in Eastern Europe. The example of Yugoslavia, which has successfully maintained its independence of Soviet domination, stands as a constant reminder to the dominated regimes and serves as a pressure point both on the leaders of these regimes and on the leadership of the USSR. It is in the U.S. interest

Source: Department of State, OCB Files: Lot 62 D 430, Yugoslavia. Secret. A title page, a memorandum noting OCB concurrence, a statement of purpose and use, and two appendices outlining expenditures under the Mutual Security and P.L. 480 programs are not printed. In the covering memorandum, Roy Melbourne, Acting Executive Officer, noted that the Board revised and concurred in the report at its July 30 meeting. No copy of the draft report presented to the Board was found. Minutes of the Board meeting are *ibid.*, Minutes.

to exploit Yugoslavia's role in Eastern Europe, insofar as it tends to advance U.S. objectives.

c. The Yugoslav Government and people should be encouraged to continue to stand firmly for maintenance of Yugoslavia's independence in the face of Soviet pressures and blandishments.

d. The United States should avoid actions which, on the one hand, could be interpreted as unreserved endorsement of the Tito regime, or which, on the other hand, would encourage attempts to overthrow that regime by violence.

4. *Level and Purpose of U.S. Aid.* The United States will continue to furnish economic and technical assistance to Yugoslavia in the minimum amounts needed for either or both of the following primary purposes:

a. To encourage Yugoslavia to pursue policies which will contribute to the attainment of U.S. objectives.

b. To assist Yugoslavia in avoiding undue economic dependence on the Soviet bloc.

To the extent possible without prejudicing the above primary purposes, such assistance should also attempt to influence Yugoslavia to give greater play to free economic forces within Yugoslavia.

5. *Closer Cultural Ties.* Closer cultural ties should be developed between Yugoslavia and the nations of the Free World, particularly those of Western Europe.

6. *Yugoslav Relations with Greece and Turkey.* Although the Balkan Pact must be recognized as dormant, the development of closer Yugoslav relations with Greece and Turkey in economic, cultural, and related fields should be encouraged as a means of weakening Soviet power in the Balkans.

7. *Controls on Exports.* Yugoslavia is to be considered on the same basis as free European nations in evaluating Yugoslav requests for U.S. export licenses so long as Yugoslavia's export control practices are generally consistent with the objectives of the multilateral trade controls imposed against the Soviet bloc.

8. *Military Training and Supplies.* The training of limited numbers of Yugoslav military personnel on a grant or reimbursable basis as appropriate is permitted. The purchase by the Yugoslavs of such U.S. military equipment and supplies as may be needed to avoid dependence on the Soviet bloc is also permitted, as long as satisfactory U.S.-Yugoslav political relations continue to exist.

9. *Peaceful Uses of Atomic Energy.* Opportunities should be utilized for cooperation in the unclassified, peaceful uses of atomic energy, including the training in the United States of Yugoslav scientists in non-sensitive fields.

10. *Information Activities.* Information activities should be directed toward building Yugoslavia's will to combat Soviet encroachment and

to encouraging ties with the West, while at the same time (a) avoiding endorsement of the internal policies of the Tito regime and taking account of the Yugoslav people's hope for eventual attainment of greater freedom, and (b) avoiding antagonizing the Tito regime to the point of jeopardizing realization of our immediate objectives. Information activities should emphasize the peaceful and constructive nature of U.S. foreign policies and show them to be compatible with the best interests of the people of Yugoslavia; should acquaint the Yugoslavs with the facts of U.S. economic assistance in terms of a stronger Yugoslav economy; and to the extent possible and without antagonizing the regime, they should encourage liberalization of Yugoslav internal political and economic arrangements, and encourage the people in their pro-Western orientation. Audiences, roughly in the order of their importance, are the following: (1) government and party officials, press and radio (2) educators, university students and youth in general; (3) cultural leaders; (4) military; (5) professionals; and (6) industrial workers and peasants.

11. *Evaluating Yugoslav Actions and Statements.* In dealing with the Yugoslavs and evaluating their actions and statements we should realize that the close relationships into which the Yugoslavs may be led partly by their attempts to influence Soviet bloc leaders are one of the factors inducing them to make statements of which the U.S. cannot approve. We should not allow irritations caused thereby to affect our judgment unduly, but should evaluate Yugoslav statements within the context of Yugoslavia's ideological and geographic position. It is likely that considerations of ideology and opportunism will in any event lead the Yugoslavs to adopt some positions inimical to U.S. interests, but we should recognize that, if they are to exert any significant influence in the Soviet world, they may be obliged to adopt these positions.

12. *Utilization of U.S.-Owned Yugoslav Dinars Reserved for U.S. Use.* A continued effort should be made to find effective uses for the dinar balances reserved for U.S. use, keeping in mind the following considerations:

a. With the exception of indeterminate amounts for market development, purchase of strategic materials, and education, the "U.S. use" dinars are subject to Section 1415 of the Supplemental Appropriation Act of 1953,¹ which provides that foreign currencies owned by the United States may be used by Federal agencies for any purpose for which appropriations have been made, but that the equivalent dollars must be returned to the Treasury from the agency appropriation; however, in case of local currencies generated by PL 480 programs, the President is authorized to waive the requirements of Section 1415.

b. Relative to the amounts held for U.S. use, normal U.S. requirements are few. There is at present comparatively little that we desire to

¹ For text, see 67 Stat. 8.

obtain from Yugoslavia. Furthermore, even when locally produced goods could be used by the United States directly or in its aid programs for other countries, the understanding reached with the Yugoslavs that we will take their balance of payments position into account in using our dinars virtually precludes the purchase of goods for export.

B. Selected U.S. Arrangements With or Pertaining to Yugoslavia

13. U.S. Involvements Which May Imply Military Security Guarantees

None.

14. U.S. Commitments for Funds, Goods, or Services

PL 480 Agreement of December 27, 1957—\$7.5 million.²

PL 480 Agreement of February 3, 1958—\$62.5 million.³

PL 480 Agreement of June 26, 1958—\$3 million.⁴

Mutual Security Program—FY 1958 (special assistance—\$10 million; technical cooperation—\$1.75 million).⁵

15. Other Arrangements

Information Media Guaranty Agreement, signed August 15, 1952.⁶

II. Current and Projected Programs and Courses of Action

Note: Individual action items when extracted from this Plan may be downgraded to the appropriate security classification.

A. Political

16. Encourage the Yugoslav Government and people to continue to stand firmly for the maintenance of Yugoslavia's independence in the face of Soviet pressures and blandishments through appropriate programs and actions.

Assigned to: State

Supporting: All interested agencies

Target Date: Continuing

17. Express respect for and understanding of Yugoslav positions which reflect an independent point of view.

Assigned to: State, USIA

Target Date: Continuing

18. Seek to establish and expand direct contacts with high-level Yugoslav officials in order to increase their orientation toward the West.

Assigned to: State

Supporting: All interested agencies

Target Date: Continuing

² For text, see 8 UST 2489.

³ For text, see 9 UST 256.

⁴ For text, see 9 UST 949.

⁵ For text of this agreement, which entered into force on April 5, 1958, see 9 UST 1493.

⁶ For text, see 3 UST 5052.

19. Consider extending invitations to high-ranking Yugoslav officials to visit the United States, particularly when such invitations can be associated with visits, or proposed visits, to Yugoslavia by United States officials of comparable rank.

Assigned to: State
Supporting: All interested agencies
Target Date: Continuing

20. Exploit as appropriate the contrast between Soviet efforts to subjugate Yugoslavia as opposed to U.S. support of Yugoslavia's independence.

Assigned to: State, USIA
Target Date: Continuing

21. While avoiding measures which would unduly increase Yugoslav influence in uncommitted countries, utilize Yugoslav experience with the USSR which serves to demonstrate the nature of Soviet imperialism.

Assigned to: State, USIA
Target Date: Continuing

22. Encourage Western European countries to adopt policies parallel to those of the United States with respect to Yugoslavia.

Assigned to: State, USIA
Target Date: Continuing

23. As appropriate opportunities arise, encourage the development of Yugoslav attitudes and policies which reinforce our efforts to achieve U.S. policy objectives toward the countries of the Communist bloc.

Assigned to: State
Target Date: As stated

24. While recognizing that the Balkan Pact is dormant, encourage the continuing existence of the Tripartite Balkan Secretariat.

Assigned to: State
Target Date: Continuing

25. Encourage the resolution of differences between Yugoslavia and Italy and between Yugoslavia and Austria with a view to promoting mutual understanding and improved relations in political, economic and related fields of activity.

Assigned to: State
Target Date: Continuing

26. Encourage as appropriate Yugoslavia and Free World countries to regularize emigration from Yugoslavia.

Assigned to: State
Target Date: Continuing

27. Continue to resist attempts by East European émigré leaders to associate Yugoslav exile groups with the Free Europe Committee and the Assembly of Captive European Nations.

Assigned to: State
Target Date: Continuing

28. Continue to seek procedures, consistent with internal security, for expediting the issuance of non-immigrant visas to bona fide representatives of Yugoslav industrial and trading enterprises.

Assigned to: State
Target Date: Continuing

29. Conduct U.S. naval visits to Yugoslav ports, including one formal visit annually with calls in Belgrade by ranking U.S. flag officers. Be prepared to extend invitations for reciprocal visits by Yugoslav naval units to U.S. ports when appropriate.

Assigned to: State, Defense
Target Date: As stated

B. Economic

30. Plan to continue economic and technical assistance, both of which are aimed at helping avoid undue Yugoslav dependence on the Soviet bloc, expanding the impact of Western ideas and methods in Yugoslavia, encouraging liberal tendencies within the Yugoslav economy and developing closer Yugoslav ties with the Free World. (For financial details, see attached pipeline analysis.)

Assigned to: ICA
Supporting: State
Target Date: Continuing

31. Plan to continue Title I PL 480 assistance to Yugoslavia bearing in mind the objective of assisting Yugoslavia to avoid undue economic dependence on the Soviet bloc.

Assigned to: Agriculture
Supporting: State, ICA
Target Date: Continuing

32. Continue the Title III PL 480 program in support of the activities of American voluntary organizations in Yugoslavia.

Assigned to: ICA
Supporting: State, Agriculture
Target Date: Continuing

33. Consider Yugoslavia's request for assistance from the Development Loan Fund in accordance with normal DLF criteria, and the criteria set forth in paragraph 4 of this paper, giving especial emphasis

to those projects which will serve to tie Yugoslavia more closely to the economy of Western Europe.

Assigned to: State
Supporting: ICA, Treasury
Target Date: September 30, 1958

34. Encourage expanded Yugoslav participation in the work of the Organization for European Economic Cooperation.

Assigned to: State
Supporting: ICA
Target Date: Continuing

35. Encourage the continuing expansion of U.S.-Yugoslav trade.

Assigned to: Commerce
Supporting: State, ICA
Target Date: Continuing

36. Encourage the further development of tourism between the United States and Yugoslavia and between Western European countries and Yugoslavia.

Assigned to: ICA, Commerce
Supporting: State, USIA
Target Date: Continuing

37. Consider Yugoslavia on the same basis as free European nations in evaluating Yugoslav requests for U.S. export licenses so long as Yugoslavia's export control practices are generally consistent with the objectives of the multilateral trade controls imposed against the Soviet bloc.

Assigned to: Commerce
Supporting: State
Target Date: Continuing

38. Take all appropriate steps to facilitate the use of U.S.-owned Yugoslav currency earmarked for economic development projects in Yugoslavia.

Assigned to: ICA
Supporting: State
Target Date: Continuing

39. Continue to explore means for more rapid utilization of U.S.-owned Yugoslav currency reserved for U.S. purposes.

Assigned to: State, ICA, Treasury
Supporting: All interested agencies
Target Date: Continuing

40. Utilize opportunities for cooperation in the unclassified, peaceful uses of atomic energy, including the training in the United States of Yugoslav scientists in non-sensitive fields.

Assigned to: AEC, State
Supporting: ICA
Target Date: Continuing

41. Give those U.S. departments and agencies with export control responsibilities discretionary authority as regards the licensing for export to Yugoslavia of reasonable quantities of materials and equipment obviously intended for:

a. Basic research and instruction in the atomic energy field (including cooperation under any eventually concluded agreement for U.S. assistance in furnishing Yugoslavia with a research reactor and fissionable materials therefor, and related equipment).

b. Source material (e.g., uranium) exploration.

c. Medical or normal industrial use.

Assigned to: Commerce, AEC

Supporting: State

Target Date: Continuing

C. Military

42. Continue to permit the training of limited numbers of Yugoslav military personnel on a grant or reimbursable basis as appropriate.

Assigned to: Defense

Supporting: State

Target Date: Continuing

43. Continue to permit the Yugoslavs to purchase such U.S. military equipment and supplies as may be needed to avoid dependence on the Soviet bloc, as long as satisfactory U.S.-Yugoslav political relations continue to exist.

Assigned to: Defense

Supporting: State

Target Date: Continuing

44. Give consideration to exchange visits of high-ranking U.S. and Yugoslav military leaders.

Assigned to: State, Defense

Target Date: Continuing

D. Information and Cultural

45. Provide appropriate information and public relations support for political, economic, and military policies and programs set forth elsewhere in this Operations Plan.

Assigned to: USIA

Target Date: Continuing

46. Encourage visits to Yugoslavia by prominent Americans including both high-ranking Government officials and individuals well known in the fields of art, science, professions, etc.

Assigned to: State

Target Date: Continuing

47. Strengthen and expand exchange of persons programs with Yugoslavia by: (a) giving emphasis to educational exchange programs

(students, professors and educators on full academic year or school term programs); (b) negotiating appropriate arrangements with the Yugoslav Government designed to facilitate use of local currencies for PL 402 purposes if, as anticipated, Congress authorizes such use; (c) to the extent funds are available, expanding present PL 402 "leader grant" programs (for educators, cultural leaders, journalists, etc.); and (d) continuing active consideration of the possibility of initiating the Fulbright Agreement with Yugoslavia. (*Note:* There is as yet no officially sponsored educational exchange program such as is called for in (a) above. Funds have been obligated to bring five Yugoslavs to this country under the "leader grant" program for FY 1958, referred to in (c) above. It is hoped to bring 18 additional Yugoslavs to the United States under the "leader grant" program for FY 1959.)

Assigned to: State
Supporting: USIA
Target Date: Continuing

48. Encourage the development of private exchange programs between the United States and Yugoslavia, such as those under the auspices of the Ford Foundation.

Assigned to: State
Supporting: USIA
Target Date: Continuing

49. Utilize cultural presentations under the President's Special International Program, and otherwise, to depict American cultural achievements and mutuality of U.S.-Yugoslav cultural interests.

Assigned to: State
Supporting: USIA
Target Date: Continuing

50. Maintain normal field program of information centers at Belgrade, Zagreb and Novi Sad; daily wireless file; one weekly and three monthly periodicals; documentary films, publicity of U.S. economic assistance and technical cooperation programs; exhibits and English teaching.

Assigned to: USIA
Target Date: Continuing

51. Maintain Informational Media Guaranty Program to stimulate sale of American publications and distribution of American motion pictures.

Assigned to: USIA
Supporting: State
Target Date: Continuing

52. Continue VOA shortwave broadcasting of 2-1/2 hours daily in Serbo-Croatian and Slovenian, including 1-1/4 hours of original broad-

casts and 1 hour of repeat broadcasts; continue VOA cross-reporting (to the Soviet bloc) of Yugoslav developments.

Assigned to: USIA
Target Date: Continuing

53. When appropriate, seek Yugoslav approval for an information center at Sarajevo.

Assigned to: USIA
Supporting: State
Target Date: As stated

54. Participate in the Zagreb and Belgrade fairs.

Assigned to: Commerce
Supporting: State, USIA, ICA
Target Date: Continuing

Note: The following NIE's are applicable to Yugoslavia:

NIE 31-57—Yugoslavia's Policies and Prospects—11 June 1957⁷
SNIE 31/1-57—Yugoslavia's Internal Position—November 1957⁸

⁷ For text, see *Foreign Relations*, 1955-1957, vol. XXVI, pp. 777-778.

⁸ For text, see *ibid.*, pp. 802-803.

134. Memorandum of Conversation

Washington, September 12, 1958.

SUBJECT

Mr. Franc Primožic, Chargé d'Affaires, Yugoslav Embassy
Mr. Vasilije Milovanovic, Economic Counselor, Yugoslav Embassy
Mr. Slobodan Martinovic, First Secretary, Yugoslav Embassy
Mr. Beale, E
Mr. Katz, EE

The Yugoslav representatives called this afternoon at their request to seek what information might now be available on the status of

proposals made to Mr. Dillon on July 10.¹ The proposals of July 10 concerned financing of certain Yugoslav investment projects by the Development Loan Fund and the Export-Import Bank. Mr. Primozic recalled that he had gotten the impression from Mr. Dillon that we might be in a position to make a reply in about two months. Furthermore, since Mr. Martinovic was about to depart for Belgrade on consultations, Mr. Primozic wished to have some information which could be conveyed to his Government.

Mr. Beale acknowledged that almost two months time had elapsed since Mr. Primozic's meeting with Mr. Dillon. During this time the Yugoslav proposals have been given serious consideration.

One of the proposed projects, the fertilizer plant at Pancevo was expected to come up before the DLF Board next week. While we could not anticipate the Board's decision, we were hopeful. Two other projects, the hydro-electric plant at Trebisnjica and the thermo-electric plant at Kosovo are under technical review by the DLF. Because of the limited funds available to the DLF, however, and the need to balance many urgent requirements, we are unable to express any judgement of how quickly these projects can be considered. As regards the remaining projects on the list presented to Mr. Dillon by Mr. Primozic, Mr. Beale stated that we are unable to consider them at this time.

In response to Mr. Primozic's question about the Export-Import Bank as a source of financing, Mr. Beale indicated that while he had not had an opportunity to discuss the matter with the Board of the Bank, there had been some questions raised about Yugoslavia's ability to service dollar loans. Mr. Beale could therefore offer no encouragement with respect to the willingness of the Bank to make further loans to Yugoslavia.

Mr. Primozic expressed great disappointment at Mr. Beale's remarks about the Export-Import Bank. He was especially surprised to hear that questions had been raised about Yugoslavia's dollar repayment capacity since Yugoslavia was actually better able to service dollar debt now than when the first Export-Import loans were granted. Furthermore, Yugoslavia had maintained its service on the existing loans and had reduced the original \$55 million to about \$42 million. Mr. Primozic indicated also that at the suggestion of Mr. Dillon, he had thus far refrained from making any approach to the Bank. He appeared to be

¹ At their meeting with Dillon, Yugoslav representatives outlined the effects on their development programs that the suspension of Soviet aid would have and sought the support of the Department of State for an increased package of U.S. loans to Yugoslavia. (Memorandum of conversation, July 10; *ibid.*, 768.5-MSP/7-1058)

waiting for advice from the Department as to when an approach might be propitious.

Mr. Beale explained that it was not his intention to indicate that Yugoslavs should not approach the Bank. He merely wished to point out that the projects submitted by the Yugoslavs had been passed to the Bank by the DLF as a matter of routine procedure, and the Bank had indicated no interest in them. Furthermore, on the basis of the practical banking approach of the Export-Import Bank, he could not be optimistic. It was agreed, however, that there was no reason why the Yugoslavs could not approach the Bank directly. Mr. Beale undertook to provide Mr. Milovanovic with the name of the Bank Director to whom an approach should be directed.

In response to Mr. Primozić's inquiry about the status of PL 480, he was informed that Yugoslavia was among the countries for whom programs were being considered on a priority basis. It was indicated that we intended to offer a proposed program at an early date.

During the course of the meeting Mr. Primozić referred to signs of a Soviet economic blockade, specifically the fact that the Soviets are refusing to deliver wheat which was provided for in the commercial agreement. He was asked about reports that the Soviets were also refusing to deliver coking coal. He stated that he had not heard this, although he would not be at all surprised.

135. Memorandum of Conversation

New York, September 27, 1958, 12:20 p.m.

SECRETARY'S TRIP TO NEW YORK

PARTICIPANTS

United States

The Secretary
Mr. Greene

Yugoslavia

Foreign Minister Popovic

SUBJECT

Various

The Foreign Minister said he would be returning to Belgrade in about ten days but had wanted to take an opportunity to describe briefly to the Secretary the major elements of Yugoslavia's present situation.

Relations with Italy and Austria are satisfactory and good progress is being made in working out questions left over from the war.¹ Relations with Yugoslavia's Eastern neighbors are, however, bad and getting worse. Recent agitation of the minority questions between Yugoslavia and some, like Bulgaria, had aggravated this situation, which the Foreign Minister thought would continue. All this he ascribed not to ideological issues but to practical and political issues. At the heart of these is that Yugoslavia has refused to knuckle under to the Soviets and the bloc, as the Soviets had hoped.

Now the economic agreements which Yugoslavia had with the Soviet Union, and which had an essential part in maintenance of the Yugoslav economy, have been denounced. Nonetheless, the maintenance of Yugoslav independence is in the Yugoslav Government's view still an important element of international stability. The question arises whether the United States can help fill the gap.

The Secretary explained that our availabilities for economic assistance are less now than they have been in the past. Nonetheless, he assured the Foreign Minister, the United States is sympathetic to Yugoslavia's position and will sympathetically study Yugoslavia's needs.

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Greene. The meeting was held at the Waldorf Astoria. Popovic was in the United States to attend the 13th Session of the U.N. General Assembly. A note on the source text indicates the conversation took place in French.

¹ Reference is to outstanding Yugoslav claims against these two states over boundaries and reparations for damage caused by Italian and Austrian troops during the occupation of Yugoslavia in World War II.

The Secretary solicited the Foreign Minister's views on the relations between the Soviets and the Chicoms particularly with respect to the Far East. Are the Soviets pushing the Chicoms, or are the latter pulling the Soviets along? The Foreign Minister thought that the Soviets are not a moderating element—for example, Khrushchev's latest letter to the President.² While the Chicoms do not readily accept Soviet ideological leadership, there are no current major ideological differences between the two, largely because common interests hold the two governments together.

Responding to the Secretary's query, the Foreign Minister thought that Khrushchev does not, in the Soviet Union, exercise one-man power to the extent that Stalin did. Indeed Khrushchev's position is not at all to be compared with Stalin's. He is trying to consolidate his position but there is opposition, and the Stalinist opposition finds support from government and party leaders in the satellites of Eastern Europe who owe their own positions to Stalin. The Secretary expressed his mistrust of Khrushchev, whose temperament he thought dangerous; the Foreign Minister concurred in part but thought that not all that Khrushchev does is for the worse and that he in some instances is a restraining influence on others.

In a separate conversation with Mr. Greene, the Foreign Minister mentioned that on his way home from New York he will stop in London to repay Selwyn Lloyd's visit to Belgrade of last year.³ He said that Yugoslavia's relations with Britain are generally good these days, despite some difficult problems.

²On September 7 Soviet Premier Khrushchev wrote President Eisenhower accusing the United States of precipitating a crisis in the Taiwan Straits. The text of the Khrushchev letter and Eisenhower's reply is in Department of State *Bulletin*, September 29, 1958, pp. 498-503.

³British Foreign Secretary Selwyn Lloyd visited Yugoslavia September 4-8, 1957. Popovic visited London October 28-30, 1958.

136. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, October 23, 1958, 4 p.m.

441. Paris pass CINCEUR and DEFREPNAME. United States-Yugoslav military aid agreement termination talks resumed at Foreign Of-

fice October 22. In brief session at which Yugoslavs represented by Rukavina and Bruner, Yugoslavs agreed to United States draft note on purchase military equipment (Department CA-1093)¹ without change and to general form and approach reflected United States draft note on military aid termination. With respect latter, however, they questioned paragraphs 2 (D) re obligation furnish information Embassy, 2 (E) re surplus disposal and 4 re OSP memo understanding.²

According Bruner (who was spokesman his side throughout 60-minute session) paragraph 2 (D) appears unnecessary in view Yugoslav willingness assume obligations contained immediately preceding paragraphs. Inclusion, moreover, implies continuing United States-Yugoslav military relationship which Yugoslavs specifically seek avoid. We pointed out 2 (D) considered necessary in connection implementation other provisions this section and represented modest and reasonable requirement in circumstances. Certainly, for example, we should not be precluded from asking information on reports which may reach us concerning Yugoslav shipments United States arms. After further discussion this point we agreed, however, refer Yugoslav views Washington for consideration.

Re 2 (E) Bruner professed inability understand necessity spell this requirement out in such detail. Would it not be sufficient merely state "scrap" would be subject same obligations paragraphs 2(A) through (C)? We cited legislative requirement Section 511 (C)³ which reflected in 1955 United States-Yugoslav disposal agreement, noting especially that agreement contains no termination provision. We agreed consider counterproposal this paragraph which Bruner undertook draft but expressed doubt anything less than language contained our draft would be acceptable.

¹CA-1093, August 1, provided negotiating instructions for the termination of the military assistance agreement and for an agreement for the resumption of military sales to Yugoslavia together with U.S. drafts of the texts of such agreements. (*Ibid.*, 768.5-MSP/8-158)

²Paragraph 2 spelled out Yugoslav obligations under the agreement:

(A) to use the military equipment for strengthening Yugoslav defenses;

(B) not to transfer the equipment without U.S. permission;

(C) to maintain agreed upon security;

(D) to furnish information to the U.S. Embassy as requested;

(E) to notify the Embassy if the equipment (including salvage or scrap) is no longer needed so it may be disposed of as mutually agreed.

Paragraph 4 made editorial changes in the October 18, 1954, Memorandum Relating to Offshore Procurement.

³Of the Mutual Security Act of 1954, P.L. 665, enacted August 26, 1954. For text, see 68 Stat. 832.

Bruner commented re OSP memo that while Yugoslavs find proposed paragraph 4 acceptable they object various references "mutual defense" in remaining document. He indicated, however, retention memo would be acceptable if in addition amendments provided in draft paragraph 4 (as revised Deptel 292)⁴ first numbered paragraph OSP memo deleted. After discussion this point and in light authorization contained Deptel 226 we agreed to deletion proposed.

As reflected previous discussions this general subject Yugoslavs appear motivated primarily by political considerations and would obviously prefer wipe slate clean. This continues be shown in Bruner comments on draft 2(D) and (E) and OSP. Realistically, however, they apparently have come to appreciate fact their goal not attainable if they also hope obtain needed spares and United States military equipment. Debate within Yugoslav Government on this point may explain in part nearly three month delay in responding United States drafts (CA-1093) which confronted them with hard facts especially manifested in proposed purchase agreement. We can expect further Yugoslav resistance on information requirement and surplus disposal question but in view general acceptance all other points appears to us termination agreement now in sight. Our specific comments and suggestions on paragraph 2(D) and 2(E) follow by separate telegram.

O'Shaughnessy

⁴Telegram 292, October 16, provided substitute language for paragraphs 6 and 12 of the draft termination agreement. (Department of State, Central Files, 768.5-MSP/9-2958)

137. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, November 4, 1958, noon.

471. Joint Embassy/USOM/Agriculture message.

1. We believe we should try get more mileage publicity out of our aid to Yugoslavia. With special assistance for FY 1959 now settled, progress having been made on Development Loan Fund loan to Yugo-

slavia, and PL 480 negotiations now under way, we feel we have opportunity engage in publicity to our advantage.

2. We accordingly believe would be desirable Washington issue press release along lines suggested Embtel 472¹ which would announce special assistance program for Yugoslavia for FY 1959, indicate DLF loan for Pancevo agreed in principle, and note PL 480 negotiations are under way. If such press release is to be issued, we suggest that prior to its issuance Department could provide background briefing press pointing out relationship our assistance to recent Russian actions, namely suspension Soviet credits, including credit to Pancevo, and refusal thus far of Russians sell coking coal to Yugoslavs. We would contemplate that after DLF loan is finally settled and PL 480 negotiations completed, further press releases announcing each of these developments would be issued.

3. Prior to issuance press release, we would propose show it to Yugoslavs as matter of courtesy and for any reaction they may have. We expect that at minimum Yugoslavs will not like such releases and at maximum will positively object to it. It may be that after we have gotten their reaction, we may wish reconsider and not issue such release.

4. Advise.²

O'Shaughnessy

¹ Telegram 472, November 4, outlined recent U.S. economic aid to Yugoslavia. (*Ibid.*)

² In telegram 332, November 5, the Department of State discouraged the proposed press release as "untimely" in view of new Yugoslav Government complaints about the difficulties it was encountering replacing cancelled Soviet credits with Western aid. (*Ibid.*)

138. Memorandum of Conversation

Washington, January 21, 1959.

SUBJECT

Yugoslav Protest at Decision in Artukovic Extradition Case

PARTICIPANTS

Mr. Ante Drndic—Political Counselor, Yugoslav Embassy
Mr. Edward L. Freers, Director, Office of Eastern European Affairs
Mr. Moncrieff J. Spear, EE
Mr. Alan Neidle, L
Mr. Frederick Smith, Jr., L

Mr. Drndic called on Mr. Freers on January 21, 1959 to protest the decision of the United States Commissioner in Los Angeles that Andrija Artukovic, Minister of the Independent State of Croatia during World War II, was not extraditable.¹

In making this protest, Mr. Drndic explained that he wished to make two points.

First, he wished to express the Yugoslav disappointment, bitterness and disillusionment at this decision. Because of Artukovic's history in Yugoslavia during World War II, this decision would be received with particular bitterness by the people there. In addition, the Yugoslav Embassy staff was deeply disappointed, not only because of the time, effort, and money they put into the case, but also because they had been led to believe that justice would be done in this case. Now, however, they had concluded that it was impossible to receive justice in the US courts. After expressing appreciation for the Department's role in this case, Mr. Drndic said that the Yugoslavs realized that this was "the end of the road" as far as the extradition proceedings were concerned. Mr. Freers asked whether the lawyer for the Yugoslavs had advised this, and in reply Mr. Drndic stated that this was the decision of the Yugoslavs on the matter. He continued that the decision could not help but have adverse effects on the friendly ties which had developed between the US and Yugoslavia during their common struggle in World War II.

As his second point, Mr. Drndic said that the Yugoslav Embassy had been advised by their Consul General in San Francisco that Artukovic was under order of deportation, and requested that in the interests of our mutual relations the Department support the deportation of Artukovic. This was urgent, as the Yugoslavs had learned that three days after the extradition decision, Representative Utt of California had introduced a bill into the Congress to grant Artukovic citizenship.

In reply to Mr. Drndic's representations, Mr. Freers stated that we could not, of course, comment on the merits of the extradition commissioner's decision. He also felt that our relations had steadily improved in recent years and he could not understand the allusion to the harm to the friendly ties our countries had developed during the World War II struggle. While we could understand the Yugoslav reaction to the decision, we could not agree with the comment that it was impossible to receive justice in the American courts. Upon further questioning by Mr. Freers Mr. Drndic clarified the point by saying he was referring to their case, not United States justice in abstract.

¹ The judgment on the Artukovic case was given on January 16; the Yugoslav Government had been seeking the extradition of Artukovic since 1951.

It was explained to Mr. Drndic that deportation came under the jurisdiction of the Immigration and Naturalization Service of the Department of Justice. However, it was our understanding that there was a warrant for deportation outstanding against Artukovic, which had been suspended during the extradition proceedings.² The Department would undertake to query the Immigration Service and find out the status of the deportation proceedings and advise the Yugoslav Embassy.³

² Artukovic was subject to deportation because he had entered the United States under an assumed name in July 1948.

³ In May 1959 a regional office of the Immigration and Naturalization Service granted a further stay in the pending deportation order against Artukovic based on the argument that if deported he would face persecution.

139. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, February 10, 1959, noon.

756. Deptel 495, January 29.¹ In discussion military aid termination agreement Bruner insists new formulation information paragraph no different from old, hence subject same objections voiced by Yugoslavs during October 22 meeting (Embtel 441).² According his reasoning Yugoslavs in other subparagraphs paragraph 2³ are undertaking certain "negative" obligations i.e., obligation not to do something. Furnishing information on extent to which Yugoslavs carrying out such obligations would be essentially meaningless he contends unless information requirement interpreted mean Embassy can request information at any time on any question relating to equipment furnished under US military

Source: Department of State, Central Files, 768.5-MSP/2-1059. Confidential.

¹ In telegram 495 the Department of State instructed the Embassy to raise the termination of the military assistance program at a "high level" in the Yugoslav Foreign Ministry in order to speed its completion. The Department added that existing U.S. legislation prohibited further concessions to Yugoslavia. (*Ibid.*, 768.5-MSP/1-2959)

² See Document 136.

³ Reference is to text of a draft agreement transmitted in CA-1093; see footnotes 1 and 2, Document 136.

assistance. Such sweeping requirement Bruner emphasized could not be acceptable his government.

Embassy officer observed Yugoslavs appear unduly suspicious our motives, that US only seeks reasonable right keep itself informed on Yugoslav implementation and that it would be absurd expect us preclude for ourselves any possibility raise questions with Yugoslav Government on matters relating implementation. *Slovenija* incident (ship stopped by French allegedly with Yugoslav arms of US origin aboard)⁴ provides case in point. Bruner expressed appreciation these factors but asserted right of inquiry of course understood even without proposed information paragraph hence paragraph could be omitted. In course further discussion however he expressed interest in idea for further delimiting requirement by substitution phrase "appropriate assurances" for word "information" in new subparagraph 2 (E) (D 441). Bruner stressed that this most informally suggested and added he not sure would be acceptable his superiors who prefer elimination entire subparagraph.

Comment: Negotiations appear for moment at least deadlocked on issues information and disposition surplus or scrap materials. We accordingly agree problems should now be raised high level foreign secretariat where we would point out unsatisfactory status current negotiations and disadvantages this has for both sides. In connection latter point moreover we believe it might be useful allude to current Yugoslav interest in purchase military equipment including most recently additional jet aircraft (Embtel 748)⁵ and suggest that while such interest regarded sympathetically by US, foreign secretariat will realize that inability break present deadlock creates certain confusion in US-Yugoslav military relationship which may have effect on our ability continue respond affirmatively to Yugoslav requests.

As Department aware Yugoslavs hitherto have been encouraged believe no legal impediment their purchasing spares and equipment exists so long as bilateral in force and we would not wish appear to be reversing this understanding. Moreover as stated Embtel 748 we continue believe US military sales Yugoslavia are in best interests US in present circumstances. We believe present dispute however over rights information and disposition surplus provide basis for expressing some doubts re future sales. Before making approach we would appreciate Department views on modification information paragraph as suggested above together with indication at least Department's preliminary

⁴ On January 18 the French Navy seized the Yugoslav merchant ship *Slovenija* at sea and found a large shipment of arms. The French Government charged, and Yugoslavia denied, that these arms were being shipped to the Algerian revolutionaries.

⁵ Telegram 748, February 5, reported that the Yugoslav Government desired to purchase F-84-G and F-86-E aircraft. (Department of State, Central Files, 768.5622/2-559)

reaction inquiry re aircraft purchases (Embtel 748) and possibilities short term credit (Embtel 608).⁶

Rankin

⁶Telegram 608, December 15, 1958, reported on discussions between U.S. and Yugoslav representatives regarding the sale of military spare parts. (*Ibid.*, 768.56/12-1558)

140. Telegram From the Department of State to the Embassy in Turkey

Washington, February 20, 1959, 1:25 p.m.

2644. Ankara's 2325 and Belgrade's 773.¹ Any significant reactivation Balkan Pact at present juncture appears unlikely for reasons pointed out Belgrade's 773. Question requires careful study moreover whether renewed emphasis on Pact as military instrument would be in Western interest at this time in context Soviet efforts lessen Tito's influence among Asians and Africans by depicting him as ally and tool of "imperialists."

Appears clear however that quite apart from Balkan Pact, encouragement amicable relations among Pact members in Western interest and important for continuing stability in area. Informal Tito stopover in Turkey might contribute significantly this aim. We of course recognize that Turks best judge of this and that matter is one, particularly in present sensitive state Yugoslav-Turkish relations, on which decision must rest entirely with Turks. On other hand believe would be useful should suitable occasion arise for Embassy inquire casually and informally

Source: Department of State, Central Files, 768.11/2-1459. Confidential. Drafted by Sutterlin and approved by Kohler. Repeated to Athens, Belgrade, Iskenderun, Istanbul, Izmir, London, Paris, and Rome.

¹In telegram 2325, February 13, the Ambassador in Turkey suggested that the United States "discreetly" encourage the Turkish Government to invite Tito to visit Turkey in hopes of a resuscitation of the Balkan Pact. (*Ibid.*, 768.11/2-1359) In telegram 773, February 14, Ambassador Rankin reported that "acute Yugoslav sensitivity" at any suggestion of the revival of the Balkan Pact would preclude Tito from accepting an invitation to visit Turkey. (*Ibid.*, 768.11/2-1459)

whether GOT has given thought inviting Tito stop briefly Turkey during his current travels.² If query elicits counter question re US attitude, Embassy may state USG would welcome development if GOT deems time and circumstances propitious.³

Herter

² Tito visited Indonesia, Burma, Ceylon, Ethiopia, the Sudan, the United Arab Republic, and Greece on a December 2, 1958–March 4, 1959, trip.

³ The Turkish Government did not extend an official invitation for a visit by Tito.

141. Memorandum of Conversation

Belgrade, March 19, 1959.

SUBJECTS

Current United States-Yugoslav Relations and President Tito's Trip to Near and Far East

PARTICIPANTS

President Josip Broz Tito
Foreign Secretary Koca Popovic
Secretary General Leo Mates
Ambassador K. L. Rankin

On March 17 I asked for an appointment with President Tito, and one day later word came that he would receive me this morning at 11:00 o'clock in his Belgrade Residence. I arrived one minute early and was shown immediately into a large sitting room. President Tito was there with the Foreign Secretary and his Secretary General, who was Yugoslav Ambassador to the United States until last year. The latter acted as interpreter, although Tito dispensed with his services during the first part of our conversation. The President greeted me affably.

I began by remarking that Yugoslav-American relations were good, and involved no serious problems at the present time (Tito interjected,

Source: Department of State, Central Files, 611.68/3-2159. Confidential. Drafted by Rankin and sent to the Department of State as an enclosure to despatch 419 from Belgrade, March 21. The meeting was held at Tito's residence.

with a broad smile, "I am glad"), which I said was due no doubt to his able Foreign Secretary and his former Ambassador to Washington. I added, however, that in view of the President's long absence it seemed desirable to review with him the status of our programs here. Also, I would be grateful if he could tell me something about his trip.

As to Yugoslavia's economic needs, I said that the deficit in international payments would be about \$200 million for the year, and of this American support would cover at least \$150 million. In addition, negotiations for loans to finance power projects were under way in Washington. In the field of cultural relations, the Ford Foundation exchanges had begun and I hoped that we might arrange a Fulbright program soon. An Eisenhower Exchange Fellowship¹ also had been set up. Regarding military aid, we were not yet agreed on the text of our termination agreement, but I thought that the differences were relatively minor. Meanwhile arrangements had been made for Yugoslavia to purchase needed items and payment terms were being relaxed. I hoped that Yugoslavia would get what was wanted in the way of military aircraft, F-84s and F-86s (Tito said that they also wanted T-33s as well as "Sabres"). In summary, I thought everything was going well.

With regard to his recent extensive travels, I noted that in a speech in Belgrade he had said that the West did not like the trip to the Near and Far East. I said that I knew of no such opposition in the West. Personally I thought the trip was most useful, but of course he couldn't please everybody.

President Tito chuckled at my reference to opinions of his travels, but before starting a rather lengthy discussion of his trip he agreed that our economic arrangements were indeed on a satisfactory basis; also that such differences as existed were relatively minor and could be resolved.

Tito then discussed his trip, through an interpreter, for perhaps half an hour. He first referred to his general satisfaction with the results and then brought up Indonesia and President Soekarno, with whom he had talked at length. He observed that Indonesia had great natural resources but was under-developed. Scattered among many islands, the country was difficult to govern. He had advised Soekarno to be more lenient with outlying areas, specifically Sumatra which provides so much of Indonesia's income. Tito said distrust of the West persists in the country; the recent revolt in Sumatra was supported from "the outside" (he avoided being more specific). Indonesia wanted independence and to

¹ These grants were established in October 1953 to facilitate extended visits to the United States and abroad for journalists, educators, government officials, and businessmen.

avoid becoming part of any bloc or interfering in the internal affairs of other countries. Tito scouted [*discounted*] any idea that the Djakarta Government would be overthrown by a military coup; the Army supported the same policy of independence.

In Burma Tito found the same desire for an independent and peaceful policy in international relations. The Army was loyal to this idea. As to India, he thought it unnecessary to comment on policy in view of that country's well known position and Nehru's many statements, including recent ones. However, he did mention Indian distress over American military aid to Pakistan. The Indians feared that these arms would be used against them, in connection with Kashmir or otherwise, and Tito was glad that we had somewhat curtailed arms shipments to Pakistan.

Ceylon also wanted independence, as did Ethiopia and the Sudan. Tito believed that we need not be concerned about the latter two if the West followed correct policies.

As to the United Arab Republic, he had many talks with Nasser, whose aim was close cooperation among Arab states rather than further incorporations into the Republic. Nasser had learned much in the past two years, he said, and genuinely wanted good relations with the West. This included Britain and France despite the fact that they were enemies in 1956. Much would depend on how the West responded. Tito was particularly impressed by his visit to Syria with Nasser. The enthusiasm he saw displayed by hundreds of thousands of people made evident their support of the union with Egypt. Syria had been a small, exposed country; now the people felt much more secure.

I asked what Nasser thought about the prospects for Iraq maintaining its independence. Tito replied that much had happened since he saw Nasser and he did not know the latter's opinion. But Tito himself thought there was no danger of Iraq going against the other Arab states. He believed that Arab feeling was too strong in that country.

At this point Tito remarked that he had described impressions gathered on his trip and had suggested defects in Western policy. There were also defects in "Eastern policy," he added with a smile, but he would not discuss these.

I said that his views on how to deal with the countries he had visited were similar to my own. We also wanted nations to be independent. I remarked that people often quoted from the Bible, "He who is not with me is against me," but overlooked the passage where Christ spoke of a man doing good works: "For he that is not against us is for us." I thought that applied to countries seeking genuine independence.

On departing I expressed regret at having missed President Tito's annual shoot last fall, since I was returning from the United States at that

time. However, I was going bear hunting next week-end. He wished me luck and hoped I would join his shoot this year.

Tito looked very well and seemed in much better spirits than when I talked with him in Brioni last July (see Memorandum of Conversation of July 26, 1958).² He sat on a large sofa, sometimes upright and sometimes leaning back, with no indication that his back bothered him. His manner toward me was distinctly more cordial than on the previous occasion.

Our conversation had lasted just under one hour. As in our conversation of last July, Tito used the word "communist" once only, in a passing reference to communist parties in the Near East.

² Document 132.

142. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, March 31, 1959, 9 a.m.

883. Re Deptel 624.¹ In our talk on March 19² Tito in single sentence repeated Yugoslav desire economic aid be placed longer term basis. Since he advanced no suggestions how this might be done I regarded it simply as an aside and omitted reference in memo conversation.

Yugoslav desire for economic aid on longer-term basis is old and oft-repeated one. It reflects some apprehension and irritation about re-appraisals we have had from time to time of our aid program in relation Yugoslav foreign policy. Such re-appraisals imply US aid given in return for good Yugoslav political behavior and thus derogate from Yugoslav position of neutralism and of taking positions on international issues on basis merits specifically related to those issues. Yugoslav desire for longer term aid also reflects natural desire of all countries seeking assistance to get as much as they can on as certain basis as possible.

Source: Department of State, Central Files, 768.5-MSP/3-3159. Confidential.

¹ Telegram 624, March 27, requested a summary of remarks made by Tito on economic aid during his March 19 conversation with Rankin together with Embassy comments. (*Ibid.*, 768.5-MSP/3-2759)

² See Document 141.

In fact, there are some significant long-term arrangements in our present aid program, and this point might well be made to Nikezic.³ For example, we have recently made DLF loan to Yugoslavia for Pancevo fertilizer plant. Loan provides for disbursement over period three years and for repayment in 20 years. DLF has also authorized loan for diesel locomotives with 12-year repayment period. (Do not know what disbursement period is to be on diesel loan but this point can be checked with DLF in Washington.) Practically all projects under our Technical Cooperation program are now projected through FY 1962. (Exceptions are for projects expected to be completed before then.) These projections are included in project agreements signed between USOM/Y and Yugoslav Technical Assistance administration and are thus known Yugoslav Government. Might also be noted to Nikezic that even without specific commitments US aid to Yugoslavia has in fact been substantial and continuing for many years. With one exception we doubt much more can (under existing legislative authority) or should be done by us to put our aid on longer-term basis.

Exception relates PL 480. We understand legal authority now exists conclude PL 480 agreements for longer than one-year period.⁴ In connection with request for long-term assistance Yugoslavs have frequently pointed to problems created for them by uncertainty as to commodities, if any, and amounts they would get from one year to next under PL 480. Given our substantial surpluses and likelihood we shall have PL 480 programs in Yugoslavia for at least next several years, we might well consider concluding, say, two-year PL 480 agreement. Such agreement would cost us little, if anything, and would go considerable way to meeting Yugoslav complaints on short-term nature PL 480 and more generally Yugoslav desire for longer term assistance. Though not decisive consideration, longer term PL 480 agreement would reduce burden and irritations involved in annual negotiations. I assume that if longer term agreement were concluded, it would have to be subject to modification in light later, more up-to date information on Yugoslav requirements and US availabilities but rest of agreement (for example, provisions on exchange rate and use local currency generated) could remain unchanged.

Aside from question term US aid, Yugoslavs should realize that amounts assistance they have been requesting from US Government

³ Ambassador Leo Mates left the United States in June and subsequently was appointed Secretary General of the Yugoslav Foreign Office. Marko Nikezic was nominated to succeed him and presented his credentials to President Eisenhower on October 27.

⁴ For text of the Extension and Amendment of the Agricultural Trade Development and Assistance Act of 1954, P.L. 85-931, approved September 6, 1958, see 72 Stat. 790. Only the barter provisions of the act were extended beyond one year.

(for example \$200 million from DLF or Export-Import) are beyond capacity US given other needs to be met. There is some possibility private credits provided Yugoslavia would modify its institutional arrangements, particularly as regards management and control, with regard such capital. While Yugoslavs much interested in private capital, they give no indication readiness make necessary internal adjustments and provide conditions under which such capital would enter. While we can appreciate and respect Yugoslav desire maintain its own economic and social system, Yugoslav should at the same time appreciate that responsibility lies with them, not US, so far as facilitating inflow private capital is concerned.

Rankin

143. Memorandum of Conversation

Belgrade, May 12, 1959.

SUBJECT

Yugoslav Request for Additional Credits

PARTICIPANTS

Mijalko Todorovic, Vice President FPRY in charge of Economic Matters

Teodosije Glisic, Chef de Cabinet for the Vice President

Svetozar Markovic, Deputy Director, Political Division IV, Foreign Affairs Secretariat

K.L. Rankin, Ambassador of the United States

Leonard Weiss, Counselor for Economic Affairs and Deputy Director, USOM

The Ambassador and Mr. Weiss met with Vice President Todorovic at his request at noon on May 12. Vice President Todorovic is in charge of economic matters within the Yugoslav government. Also present at

Source: Department of State, Central Files, 768.5-MSP/5-1359. Confidential. Drafted by Weiss and sent to the Department of State as an enclosure to despatch 513 from Belgrade, May 13. In addition to the memorandum of conversation, the despatch included a May 12 Yugoslav aide-mémoire, which summarized the points made by Todorovic in his presentation, and two annexes prepared in the Embassy, which analyzed the Yugoslav investment requests.

the meeting were Teodosije Glisic, Chef de Cabinet for the Vice President, and Svetozar Markovic, Deputy Director responsible for economic matters in the department of the Foreign Secretariat concerned with American affairs. Mr. Markovic served as interpreter in the meeting. The session was a long one, lasting an hour and three-quarters, with the Vice President doing most of the talking.

The Vice President opened the discussion by expressing appreciation for the economic assistance given in the past by the United States to Yugoslavia. He noted that this assistance was primarily in the form of agricultural commodities and other raw materials. He recognized that this assistance was very worthwhile and helpful in overcoming the problems and difficulties which Yugoslavia faced from the devastation of the last war, drought, and the economic blockade instituted by the Soviet bloc in 1948. He stated that U.S. assistance had helped Yugoslavia to maintain its independence and policy of coexistence. He said that the Yugoslav government has publicly acknowledged the value of this assistance and that the Yugoslav people are aware of it and its value.

He noted that in addition to agricultural commodities and raw materials, Yugoslavia needs other means to promote its economic development, namely credits for investments. In this field, however, cooperation with the United States has not been as effective as it has been in the provision of agricultural commodities and raw materials. He argued that assistance in industrial investment would enable Yugoslavia to increase its exports to the United States and improve its ability to buy from the United States, and thus result in increased ties between the two countries on a more permanent basis.

He noted that a basic policy of the Yugoslav government is to pull the country out of its backwardness, raise the standard of living, and develop democratic institutions. This policy has had some positive results. Yugoslav resources, however, to carry this policy further are very limited. Yugoslavia has only small possibilities of capital formation, he said, and thus must think in terms of getting foreign assistance to promote its economic development.

Accordingly, he noted that Yugoslavia had approached the United States a year ago for credits for its economic development.¹ It had then submitted a request for financial assistance in an amount of \$200 million, with particular projects being specified for \$125 million.² Yugoslavia submitted this request to the DLF and also got in touch with the Ex-Im Bank and the IBRD. At the same time, he noted, Yugoslavia

¹ Presumably the June 9 conversation between Kohler and Primozic; see Document 127.

² See footnote 1, Document 134.

approached other governments, and Yugoslav enterprises had also contacted economic and financial circles in other countries.

The Vice President then outlined the results of these various approaches. The DLF granted a \$22.5 million loan on Pancevo and a \$5 million loan for diesel locomotives. He noted that negotiations were in process for DLF credits for two power plants. On the latter he stated that there had been signs that a decision would be made sometime in January and then April but that it now looks as if a decision is likely to be made only with respect to one of the power plants in question and the credits are still uncertain.

As regards the approach to the Ex-Im Bank, he said that Ex-Im, much to the surprise of the Yugoslavs, had taken the attitude that because of Yugoslavia's existing burden of foreign debt, it would not be able to sustain increased debts. He stated that the Yugoslavs do not consider this an accurate judgment and that Yugoslavia's capacity to repay exceeds the volume of debts which it now holds.

As regards the IBRD, he noted that Yugoslavia had been informed that it must solve the problem of its pre-war debts before it can expect additional assistance from the IBRD. He stated that Yugoslavia has been trying to settle this problem and that in fact it has settled the bulk of the problem by the settlement it reached last year with the French. He noted that Yugoslavia was now negotiating with the Foreign Bondholders Protective Council.³ He said that the Yugoslavs have requested the Department to help them develop an appropriate basis for the settlement of these debts. He said that against this background of steps taken and in process for the settlement of the pre-war debts, there is now no impediment on this score, in the opinion of the Yugoslavs, for starting discussions with the IBRD for financial assistance.

He stated that the IBRD has granted in the past year over a half billion dollars in credits and that Yugoslavia did not get anything. He noted that the Ex-Im Bank has also granted substantial credits, without Yugoslavia's getting anything, and that the DLF has granted very substantial credits in total but that Yugoslavia got only \$27.5 million of the total. He said that Yugoslavia has not been able to get any credits from private circles in the United States.

He indicated that in Western Europe the Yugoslavs have been able to get some credits but under inconvenient conditions, for example a short term of repayment (four to six years) and a high interest rate (6 to 7%). He stated that repayment of these credits will engage a great por-

³ A private organization established during World War II in the United States to represent and assist banks and other corporate entities in recovering prewar assets seized or nationalized during the course of the war.

tion of the new credits which Yugoslavia is getting. He said that when one balances off the new credits against the repayment of existing credits, the net capital inflow is less than \$20 million per year.

He stated that Yugoslavia's economic development is thus currently very largely based on Yugoslavia's own resources and that the only substantial external assistance which it has received hitherto has been through PL 480 and MSA. He noted that Yugoslavia has gotten a 3 million pound credit from the United Kingdom, but deprecated it as being very small and said that Yugoslavia had accepted it only because Yugoslavia did not wish to create difficulties in its relations with the United Kingdom.

He said that Yugoslavia's need for credit is of great concern to the Yugoslav government. He stated that the existing situation could have negative effects for the internal development of Yugoslavia and for its foreign position. While the Yugoslavs are seeking to maintain a certain rate of economic development, problems have arisen, notably an increase in unemployment. This increase in unemployment has occurred despite the fact that the existing level of employment is above that projected under the Social Plan.⁴ He said that unemployment has increased from 155,000 (representing 5% of the non-agricultural labor force) in February 1958 to 257,000 in February 1959. These figures represent persons who apply for jobs and cannot get them. Some of these people are not completely unemployed since they may work for a few months of the year in agriculture but most of these people are dependent on social insurance. The unemployment reflects the substantial movement from the country to the city.

Under these circumstances, he said, the Yugoslav policy of seeking to develop economically and increase living standards comes into question. These circumstances create a situation which could be exploited by the Soviet bloc and which lends itself to foreign propaganda. He noted that the alternative to seeking additional credits is to slow down Yugoslavia's rate of development and its efforts to raise living standards, but, he emphasized, this is an alternative which his government cannot accept.

In addition to the difficulties this situation creates in relation to the Soviet bloc, he also noted the difficulties which Yugoslavia faces as a result of the process of economic integration occurring in Western Europe. This process, he said, means an increase in the productivity of Western European countries and thus raises problems of increased competition for Yugoslavia.

⁴ An official Yugoslav economic planning document designed to set goals for both economic development and the equalization of the standard of living among Yugoslavia's constituent republics.

He stated that in these circumstances Yugoslavia must reassess its position, particularly in view of economic pressure which it was still getting from countries in the Soviet bloc. He indicated with reference to Yugoslavia's international position that it was providing some credits and other assistance to Middle Eastern countries but it was doing so in large part to maintain its political position there.

In order to maintain its policy of independence, peace and coexistence, a policy which he said it has in common with the United States, Yugoslavia needs a stronger internal basis. He said that Yugoslavia does not exaggerate its international role but he thinks that in the past Yugoslavia's policy has exercised a positive influence, particularly in relation to other countries seeking to maintain independence and peace. He expressed appreciation that the United States has understood this policy and as a result has provided assistance both directly and through international institutions.

He noted that another reason why the Yugoslav government decided to approach the U.S. government at this time relates to developments in agriculture which were likely to result in a reduction of United States-Yugoslavia economic ties unless some compensatory measures were taken. He said that Yugoslavia's efforts to increase its agricultural production were now beginning to have results. He indicated that next year Yugoslavia's need for wheat would be radically reduced and that a similar situation would prevail in edible fats. Accordingly, the need for PL 480 assistance, and the trade and economic ties represented by that assistance, are bound to be reduced. He argued that since Yugoslavia does not want to decrease economic relations with the United States, since, to the contrary, it wants to develop them even further, we must find other forms of economic cooperation to compensate for the likely drop in PL 480 sales.

The most effective way to offset this development would be to provide credits to Yugoslavia to develop its industry, increase its exports to and imports from the United States, and thus give a more permanent and enduring form to economic cooperation with the United States, a cooperation which thus far he believes has proved mutually beneficial.

Based on the foregoing analysis, he said, his government has decided to make an approach to the U.S. government to see whether the latter is prepared to enable an improvement in the economic cooperation between the two countries by providing assistance in the form of credits. In this connection he then outlined the following three problems for which Yugoslavia is seeking a solution:

- (1) Provision of credits for the Kosovo and Trebisnjica power projects in this fiscal year, that is prior to June 1, 1959.
- (2) Fulfillment of a program of projects amounting to about \$60 million. This list of projects has already been submitted to the DLF and is

contained in the Aide-Mémoire which he indicated he intended to submit to us upon the completion of his presentation. He stated that this list contains projects going up to 1961. He indicated that the list contains projects which can be implemented speedily and help develop Yugoslav exports, and thus were projects to which Yugoslavia attached special importance.

(3) The further development of an iron and steel industry in Yugoslavia. He stated that in order to raise living standards and solve other related problems, the Yugoslav government had previously decided to hold down investment in the iron and steel industry. However, he said, the development of the economy has gone so much ahead that Yugoslavia is now having more and more difficulty because of a shortage of steel. Because of balance-of-payments problems it is difficult for Yugoslavia to import steel to satisfy its needs. For these reasons the government has accepted a long term plan to increase steel production in Yugoslavia from 1 million tons to 3 million tons over the next ten to twelve years. Under this program it is planned to increase steel production in Skopje. He said that this project has special importance both economically and politically. It is important economically because of the lignite and iron ore resources existing in Macedonia. It has importance politically because Macedonia is an area particularly subject to foreign pressure and propaganda from the East. He also noted that some of the Soviet bloc countries, for example Poland and Bulgaria, have plans to increase their steel production. With these considerations in mind the Yugoslavs are seeking U.S. assistance for developing a complex of iron and steel works at Skopje and an electric plant at Kosovo.

He accordingly formally requested credits directly from the United States and U.S. support for credits from the IBRD at an appropriate time. He emphasized the importance of Yugoslavia's receiving a prompt answer to this request since the carrying out of Yugoslavia's plans would be affected by the reply. He accordingly requested a reply as soon as possible.

He concluded his presentation with expressions of appreciation for past U.S. assistance. He stated the program of assistance to Yugoslavia has been one of the best which the United States has extended both because the assistance has been used effectively and because the extension of it to Yugoslavia represents a practical demonstration of the U.S. policy of peace and coexistence.

Upon the close of these remarks the Vice President submitted to the Ambassador an Aide-Mémoire summarizing the presentation he had made and requesting U.S. financial assistance. A copy of the Aide-Mémoire is enclosed.

The Ambassador indicated that we were sympathetic and understanding of Yugoslavia's problems and that we want to help to the extent that we can. He noted that there were some problems in providing additional assistance. One, recognized by the Vice President, was the settlement of Yugoslavia's pre-war debts. A second was obtaining adequate funds from Congress. He noted the substantial requests for

assistance from the United States by other countries and the limited amount of funds we have available. A third point relates to the question of what Yugoslavia is doing to bring its international accounts into balance and whether it has a target date by which it intended to balance its international accounts. He stated that this question is important in getting loans from institutions like the Ex-Im Bank and the IBRD which try to work on the basis of economic rather than political considerations.

The Ambassador acknowledged that past U.S. aid has been mostly in the form of agricultural commodities and raw materials. However, he indicated that the provision of this aid has reduced Yugoslavia's need for foreign exchange and has made foreign exchange available to Yugoslavia for other purposes, including investment. Thus the economic effect has been much the same as the extension of a direct credit for investment purposes. The Ambassador noted that the reduction in Yugoslavia's need for agricultural products and raw material under PL 480 and other assistance programs was good as evidence of progress in Yugoslavia's economic development and in bringing its international accounts into balance. He acknowledged that we shall have to seek other forms of economic cooperation but that this raises a world-wide problem, namely that of finding sufficient capital to meet foreign developmental needs, a problem for which we have not yet found a complete solution. He noted in this regard that the development of both the United States and Eastern Europe before World War I had been helped by private capital from Western Europe. He indicated that this type of large-scale private financing is no longer practicable today due in part, so far as Yugoslavia is concerned, to Yugoslavia's own laws and institutions. He indicated that PL 480, the DLF and other similar assistance are in a sense experimental measures to meet this general problem, and that what the United States can do will have to be limited by the funds available.

The Ambassador indicated that we would send to Washington with our sympathetic comments the Aide-Mémoire presented by the Yugoslavs. He suggested that it would be desirable for Mr. Weiss and possibly other members of the Embassy staff to get together with Mr. Markovic or whomever else the Vice President might designate to assess the problem in greater detail, to determine how much foreign credit Yugoslavia can effectively use annually, to review what other countries can provide, and to consider any other relevant matters.

Mr. Weiss complimented the Vice President on the effectiveness with which he had presented the Yugoslav case. While emphasizing our sympathetic attitude, he noted that Yugoslavia already has an extremely high rate of investment. He pointed out, for example, that approximately 30% of Yugoslavia's GNP is now devoted to investment. With regard to the substantial development needs which still exist, Mr. Weiss

emphasized the point made by the Ambassador as regards the limited availability of funds from U.S. governmental sources and in this connection indicated our interest in supplementing these resources by capital from private sources. He noted that thus far our efforts to promote a flow of private capital were almost completely without success but indicated the need of continuing to consider this possibility in view of Yugoslavia's great need in relation to our available resources.

Mr. Weiss also picked up the Vice President's remarks about continuing economic pressure from the Soviet bloc. He stated that if we are to assess Yugoslavia's request for credits and its economic position generally, we need more detailed and exact information as to the precise measures which he and other Yugoslav officials have indicated the bloc has been applying against Yugoslavia. He noted that we had requested this information from the Yugoslav government a number of times but thus far it has not been provided and indicated we would appreciate getting it in connection with the current request of the Yugoslav government.

Mr. Weiss noted that there was a good chance of a DLF credit being granted for the Kosovo project if sufficient additional funds were obtained by the Administration in the supplemental appropriation now being sought from the Congress.

Vice President Todorovic indicated his readiness to deal in private credits. He stated that there seems to be some difference of attitude between United States and European investors as regards their willingness to invest in Yugoslavia since Yugoslavia was getting some private credits from European countries. Some of these credits were coming in under guarantees by the government of the private party providing the credits; this was the case, for example, with Italy. But in other cases, for example, Germany, the Yugoslavs were getting credits from private sources without governmental guaranties.

The Ambassador noted that to the extent that the government guarantees the credits, to that extent the private nature of the credit is lost since the ultimate risk-taker is no longer a private party but the government. He also noted that the credits which Yugoslavia has been receiving from European countries are really short to medium term supplier credits, not normal private investments which are out of the question in view of Yugoslavia's laws and institutions.

In response to our questions Vice President Todorovic indicated that the list of projects provided in the Aide-Mémoire would not replace previous lists and should be considered as the latest, up-to-date request of the Yugoslav government on the United States for financial assistance. He noted that the iron and steel project to which he had referred was not in the list of projects contained in Annex 1 of the Aide-Mémoire

and previously submitted to the DLF. He said it was not in this list because this project was not intended to be started until next year.

One general remark which the Vice President made as the discussion was breaking up was that Yugoslavia's institutions could develop in a more liberal, democratic way if essential capital assistance and the necessary internal economic base could be provided.

144. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, May 16, 1959, 4 p.m.

1041. Joint Embassy/USOM message. For State, ICA and DLF. Reference: Embassy's telegram 1029.¹ Subject: Yugoslav request for credits.

In accordance last sentence, fourth paragraph from end Embtel 1029,² have initiated arrangements with Foreign Secretariat (Markovic) for our review with Yugoslavs all matters relevant Todorovic request. Markovic agreeable this procedure but expressed concern on delay involved responding Todorovic request. He noted Todorovic requested reply soon as possible in view fact Yugoslav plans affected by our decision. He also noted Todorovic requested credits for Kosovo and Trebisnjica by July 1.

We indicated that decision Kosovo and Trebisnjica dependent on magnitude DLF Congressional appropriation currently being sought by administration and not contingent in our judgment on review we now intending to undertake with Yugoslav Government. We indicated, however, that we doubted Washington would be prepared approve credits beyond Kosovo and Trebisnjica without Embassy recommendations and that we did not feel we could make such recommendations until review in question completed.

Source: Department of State, Central Files, 768.5-MSP/5-1659. Confidential.

¹ Telegram 1029, May 13, summarized the May 12 conversation between Rankin and Todorovic (*ibid.*, 768.5-MSP/5-1359); see Document 143.

² It reads: "I indicated we would send aide-mémoire to Washington with our sympathetic comments and suggested that members of our staff get together with officials in Foreign Secretariat or whomever else Vice President may designate to review Yugoslav needs, see how much credit Yugoslavia can effectively utilize annually, review assistance other countries might provide, and consider any other relevant related problems."

In accordance foregoing, would appreciate decision on Kosovo and Trebisnjica soon as possible after funds situation clarified.

As far as balance Todorovic request concerned, would appreciate any preliminary views you may have on proposal. Such views would be helpful for us in our review matter here, including discussions Yugoslavs.³

Rankin

³In telegram 751 to Belgrade, May 23, the Department of State reported that while chances of DLF funding for the Trebisnjica project had greatly improved, final agreement on the project before July 1 was unlikely and that no action had been taken on the Kosovo project and Export-Import Bank loan request. (Department of State, Central Files, 768.5-MSP/5-1659)

145. Editorial Note

The Operations Coordinating Board Operations Plan for Yugoslavia was reviewed and minor changes were made in its text by the OCB Board Assistants at a May 29 meeting. The text of the 1958 version of the report is printed as Document 133. A copy of the 1959 revised version is in Department of State, OCB Files: Lot 62 D 430, Yugoslavia.

146. Telegram 2947 From the Embassy in Greece to the Department of State

Athens, June 25, 1959, 3 p.m.

[Source: Department of State, Central Files, 668.81/6-2559. Secret; Noform; Limit Distribution. 2-1/2 pages of source text not declassified.]

147. Despatch From the Embassy in Yugoslavia to the Department of State

No. 55

Belgrade, July 30, 1959.

REF

Rome's tel. to Dept. 297 rptd info Belgrade 6¹

SUBJECT

Escapee Flow from Yugoslavia

Conversations here with officers of the Austrian, Greek and Italian Embassies confirm drops in the flow of Yugoslav escapees to their countries.

The consensus of opinion at those embassies is that improving Yugoslav economic conditions, including the coverage of broader sections of the population by social insurance measures, have led to a decline in the number of escapees. In addition, both the Italian and Austrian Embassies report that escapees are being returned to Yugoslavia in sizeable numbers as economic rather than political refugees. While the Greek Embassy states that the flow of escapees from Yugoslavia to Greece has never been large, it concurs with the Italian and Austrian Embassies here that "the cream" of potential Yugoslav escapees has probably already been skimmed and that, therefore, fewer persons recently have been trying the escape routes.

In view of reports that many Yugoslavs have had difficulties this year in obtaining passports, and since some escapees in the past have reportedly crossed borders legally and then claimed asylum on political grounds, the Austrian Embassy was asked whether it had noticed any decline this year in Yugoslav visa applicants. In this connection, the Austrian Embassy said that from January 1 to July 28, 1958, it had issued 2,499 visitor's visas and 11,798 transit visas. During the same period in 1959 the Austrian Embassy issued 2,747 visitor's visas and 10,435 transit visas. Hence, the Austrian Embassy did not think that the decline in escapees was in any way attributable to a more stringent policy of passport issuance. That Embassy also reported that a steady flow of Volksdeutsche in Yugoslavia were being granted documentation enabling them to emigrate to West Germany and other countries.

Regarding a tightening of border controls, neither the Italian Embassy nor the Austrian Embassy knew of specific measures recently

Source: Department of State, Central Files, 868.00/7-3059. Confidential. Drafted by Wilson. Repeated to Rome, Athens, Vienna, Trieste, Zagreb, and Sarajevo.

¹ Telegram 297, July 22, reported a drop in the number of Yugoslav refugees entering Italy. (*Ibid.*, 768.00/7-2259)

inaugurated in this direction. However, the Austrian Embassy understood that persons who had accepted money and had served as guides in aiding escapees had been subject recently to severe penalties. The Italian Embassy understood, however, that the new Yugoslav penal code, which is as yet unpublished, probably will weigh less heavily on illegal border crossers than its predecessor and that, therefore, a future increase in escape efforts was conceivable.

During the course of the discussion, the Italian Embassy noted three rather dramatic, recent, successful escapes to Italy—the hijacked Yugoslav Airlines aircraft with one escapee aboard (see Embassy Despatch No. 26, July 17, 1959);² a Yugoslav twin engine military Beechcraft-type aircraft with only one aviator aboard; and a group of Yugoslav escapees picked up in the Adriatic from a small boat and deposited in Italy by a Greek steamer.

While the urge to leave Yugoslavia undoubtedly continues great in the hearts of many, improving economic conditions may well have caused numerous would-be escapees to think twice before making an effort which could result in apprehension by Yugoslav authorities or a return to Yugoslavia by foreign authorities as economic rather than political refugees. In this connection, the uncertain future facing many escapees even after receiving asylum abroad has undoubtedly proved another discouraging factor.

For the Ambassador:

Robert B. Hill

First Secretary of Embassy

²Not printed. (*Ibid.*, 768.00/7-1759)

148. Editorial Note

On July 28 the Yugoslav Government informed the United States that it accepted the proposed U.S. text of the military aid termination note. The Yugoslav Government had previously (October 23, 1958) accepted the U.S. proposed text of a note concluding an agreement for the purchase of military equipment. The two agreements came into effect simultaneously through an exchange of notes in Belgrade on August 25, 1959. For text of the agreement terminating military aid, see 10 UST 1468. For text of the agreement relating to the purchase of military supplies, materials, and services, see 10 UST 1474.

149. Memorandum of Conversation

Washington, October 5, 1959.

SUBJECT

Call by the Yugoslav Foreign Secretary: US-Yugoslav relations and the general international situation

PARTICIPANTS

The Secretary
The Yugoslav Foreign Secretary, Mr. Koca Popovic
The Yugoslav Ambassador, Mr. Nikezic
Mr. James S. Sutterlin, EE

Mr. Popovic opened his conversation with the Secretary on October 5 by stating that in his view relations between Yugoslavia and the US have been continually improving and that mutual understanding between our two countries has grown to the point where our relations can now be characterized as entirely satisfactory. Mr. Popovic added that there was, in his opinion, every prospect of continuing good relations between our two countries. The Yugoslav Foreign Secretary then went on to say that his Government is pleased with the general development which is taking place at the present time in the field of international rela-

tions. With all modesty, he said, Yugoslavia feels that it has contributed some small amount to the lessening of tension which has become noticeable. His country, he emphasized, desires to do whatever it can to encourage further relaxation in world tensions. In this connection, he asked the Secretary for his views on the significance of Mr. Khrushchev's visit to the US and the new developments in Soviet-American relations.¹ The Secretary replied that the significance of such an event as Mr. Khrushchev's visit cannot be immediately judged and it will take several years before we can really estimate its effect. He said that he was convinced that Mr. Khrushchev was sincere in at least one respect and this was concerning the onerous nature of nuclear armament expenses. That he was a dedicated Communist there could be no doubt and he seemed firmly convinced that Communism is the system of the future. While there was undoubtedly much propaganda content in his statements here, the Secretary said that he felt that there was a grain of sincerity in his proposals on disarmament.

The Secretary then commented that we have been particularly interested in observing the very different nature of Khrushchev's visit to Communist China.² He pointed to the unprecedented fact that there had been no communiqué issued by the two governments on Khrushchev's departure and noted that in the speeches given by Khrushchev and Suslov there had been scarcely a mention of China as a country but only remarks on the Communist system of government. Particularly noteworthy the Secretary thought was the fact that the Russian leaders had, during their stay, indicated no support for China in its current conflict with India.³ The Secretary then said to Mr. Popovic that Yugoslavia can no doubt judge the situation better than the US. Mr. Popovic stated that even on the basis of a conservative analysis it was necessary to conclude that there are differences between Communist China and the Soviet Union. It is very evident, he said, that the Soviet and Chinese attitudes toward India, Yugoslavia and the United Arab Republic, for example, are far from identical; but, he added, it is difficult to estimate the seriousness of disagreements between the two countries. In the Yugoslav view, he said, it is obviously in their mutual interest to continue to cooperate

¹ Khrushchev visited the United States September 15-27. In a speech to the U.N. General Assembly on September 18, he unveiled a new Soviet disarmament proposal that called for general and complete disarmament. His meetings with President Eisenhower at Camp David, September 25-27, resulted in a general improvement in the tenor of Soviet-U.S. relations. For documentation, see Part 1, Documents 108-139.

² September 29-October 4.

³ Disagreements over boundaries between the two states in the Ludatik and Lorgju areas led to armed clashes in Lorgju and a heated exchange of correspondence between Chinese Prime Minister Chou En-lai and Indian Prime Minister Nehru.

and therefore Yugoslavia does not expect a serious break between them in the near future.

The Yugoslav Foreign Secretary remarked that his Government has been happy to notice an amelioration in its relations with the Soviet Union. He felt that the improvement in the Soviet attitude toward Yugoslavia was based on two considerations: (1) the anti-Yugoslav campaign conducted by the Soviet Union and its bloc had begun to have negative effects on Soviet relations with uncommitted countries in Asia and Africa; and (2) at a time when the Soviet Union is endeavoring to give a very positive orientation to its public posture it was illogical and counter-productive to pursue an overtly negative policy toward Yugoslavia. Mr. Popovic continued that while Yugoslavia recognizes the reasons behind the changed Soviet attitude for what they are, it considers the results very real and therefore as a favorable turn in events. We believe, he said, that it is necessary to utilize the positive elements in a situation and we take the same attitude toward current Soviet interest in disarmament and *détente*.

Later in the conversation the Secretary referred to the draft Fulbright Agreement⁴ which the American Embassy in Belgrade had presented some months ago to the Yugoslav Foreign Secretariat for consideration. He said that the fact that we had received no comments on this draft from the Secretariat was quite probably due to the summer vacation, but he wondered if Mr. Popovic had any thoughts or objections concerning such an agreement which he would like to express. The Yugoslav Foreign Secretary did not appear to be aware of the status of negotiations on a Fulbright Agreement but stated that in general, while technical difficulties often arise in such negotiations, the attitude of the Yugoslav Government was positive. The Yugoslav Ambassador said that he would cable to Belgrade on the subject so that the matter could be looked into before Mr. Popovic's return to Yugoslavia.

At the close of his meeting with Mr. Popovic, the Secretary related how when he was traveling in Yugoslavia as a member of Congress in 1945 a young lady from Politika had been assigned to accompany him. He said that she had been educated at the Sorbonne and at Moscow and was a most articulate and persuasive person although she was entirely oriented against the US. The Secretary said that he had lost her name which he regretted since he had told her that he would like for her to see for herself the US and then judge if all of her conclusions were correct. This, he said, was in August or September of 1945. The girl, he added, was the wife of the Assistant Secretary of Agriculture, was from Montenegro and had taken a prominent part as a Partisan leader in the war.

⁴ Not found.

Mr. Popovic said that there had been many such women and that as a result identification would be difficult, remarking in this connection that President Tito's wife had, herself, been a Partisan and had fought under his command.

In taking his leave Mr. Popovic wished the Secretary good luck and health in carrying out his arduous duties. He said that he hoped they might meet again in New York at the UN or in Washington.⁵

⁵No further record of conversation between Herter and Popovic has been found.

150. Letter From Representative Chester Bowles to the Counselor of the Embassy in Yugoslavia (O'Shaughnessy)

November 10, 1959.

DEAR ELIM: My visit with Tito was well worthwhile although nothing particularly momentous came out of it. I doubt that you would have learned enough from it to justify your taking the long trip from Belgrade and return. Moreover, I believe Tito may have talked a bit more freely with me than he might have done if a State Department representative had been present.

Because the visibility at Belgrade airport delayed our takeoff, we arrived at Brioni two hours late. This reduced the length of our actual conversation to a little over an hour. As you know, Tito can speak simple English, and he apparently understands English well. He spoke in Serbo-Croatian, however, when we discussed complicated topics. Then the translation was handled by Mates, his Secretary General, who met us at the dock at Pula and stayed with us throughout.

Tito appeared well and strong, and was most cordial. I stated at the beginning that I had come to see him in a non-official capacity, that on some points my views might differ from our official American position, that I would speak frankly, and that I hoped he would do likewise. I added that I had no intention of publicizing our discussion in any way.

I opened the conversation by reminding him of a talk that I had had with him in March, 1957, on my way back to the States following a visit to the Soviet Union. I commented that he had then noted the changes

Source: Department of State, Yugoslav Desk Files: Lot 65 D 121, Field Administration. Secret. Written en route from Brioni to Munich. Chester Bowles (D-Connecticut), member of the House Committee on Foreign Affairs, served as Ambassador to India and Nepal, 1951-1953.

that were taking place within the Soviet Union, and that although events in Budapest might slow down further changes, the slowdown would be only temporary. I also reminded him that during this visit he had agreed that China might represent a bigger question mark for the long haul than the USSR itself.

Tito replied that changes had taken place within Russia as he had assumed they would, and that even greater and more fundamental changes might lie ahead. He then asked what I felt Khrushchev's reaction might be to his recent trip to the United States.¹

I said that one thing at least must have been clear to Khrushchev and that was our inherent good will towards all people and our strong hope for a more durable peace.

Tito immediately added that he was glad that President Eisenhower was going to India, because it was important to assure India that she has good friends.² However, he hoped that this did not indicate a long postponement to the summit meeting.³

I replied that although some of our allies were rather cool to a summit meeting, I assumed that one would be held, perhaps in the early spring. Tito said that he hoped this was the case, as it was vitally important not to allow the world situation to deteriorate again.

I mentioned in passing that many people I had talked to in his country and ours hoped that sooner or later—possibly on his way to Moscow in the spring—President Eisenhower would visit Yugoslavia, and that after the 1960 election furor died down, Tito himself might come to the United States. He offered no comment.

I then changed the subject to China. What did he think of developments there?

Speaking with considerable vigor, Tito said that he was very concerned about China and felt that the situation there was politically very dangerous. He thought that the Soviet Union was also concerned and that it would exert increasing influence on China through economic pressures to patch up the conflict with India. It was difficult for him to understand why the Chinese could be so foolish as to destroy the goodwill that they had worked so hard to create in India.⁴

I suggested that a very profound difference existed between the Russian and Chinese situation. Russia is a relatively satisfied nation

¹ See footnote 1, Document 149.

² Eisenhower's plans for an 11-nation good will tour were announced on November 4. The President visited India December 9–14.

³ Khrushchev's visit to the United States revived prospects for a summit meeting to deal with the Berlin question and other related international matters.

⁴ Indian-Chinese differences over their border led to a major incident in Ladakh, October 20–21.

economically, with few serious, internal, non-political pressures to expand. By contrast, China with 650 million dynamic people will be faced with a basic inadequacy of resources over the years and with tempting economic, political and military vacuums in Southeast Asia containing the very resources of land and minerals which China herself lacked. I said that many of us found an alarming similarity here with the situations which set Nazi Germany and imperialistic Japan on the road to open aggression. Tito nodded his head and interjected: "Of course, *Lebensraum*".

I added that many of us felt that this situation called for a dual policy on the part of the United States and other like-minded nations: first to make it clear to the Chinese that we would vigorously oppose any attempted military aggression with whatever forces were required; second, to consider as conditions enable us to do so, what measures we might take to make it easier for China to live within her present boundaries.

I suggested that possibly we had as much to fear from the failure of China's present economic efforts as from their success, and asked whether he thought it might be possible gradually to develop some degree of mutual Soviet-American understanding and even coordination in dealing with the problem.

Tito commented that this was an interesting analysis which might under certain circumstances prove to be valid. At the moment he did not feel that within China the economic pressure for expansion could be as great as I suggested. Russia no doubt was worried, but it was unlikely that the Chinese at this stage would totally ignore Soviet desires for stability in Asia, although they seemed at the moment to be making a show of independence, and even intransigence.

What concerned him more was another long-range problem. China was seeking to maintain her ties with the overseas Chinese and assert their status as Chinese citizens. Was this not an effort to recapture the vision of an all-powerful, imperialistic China?

Tito went on to say that our China policy had contributed to the present danger by isolating China and creating an opportunity for Mao to establish America as the enemy. This was dangerous for everyone and could lead to war. The answer for us was to accept China as a fact and gradually to attempt better relationships. That was why Yugoslavia had always recommended recognition of Peking and her admission to the United Nations.

When I asked if he thought the Kremlin was any more anxious than our own government was to see China in the UN, he laughed. Until recently he suspected the answer was "no", and the proof was that the USSR always brought up the question when it was least likely to be

soberly discussed. However, he now felt that the Kremlin sincerely wanted the Peking government admitted to membership in the UN because it would have a sobering effect on Chinese policy.

I pointed out that the China issue in America was a highly emotional one for very understandable reasons. We have had a long record of friendship of China—our missionary efforts, the Open Door Policy, Wilson's rejection of Japan's demands, and indeed the Pearl Harbor attack itself which to a degree was Japan's reaction to our refusal to accept Tokyo's domination of the China mainland.

I added that we had done everything in our power to persuade the Generalissimo⁵ to introduce reforms within China while he still had time, but that he had greatly underestimated Mao's military capacity. So indeed had Stalin and we Americans as well. Had their foresight been better, the Kremlin might have preferred a divided China just as they now prefer a divided Germany.

Whatever the possibilities might have been for establishing relations with the new Chinese regime, they were destroyed by China's entry into the Korean War in 1950.

Nor was the situation any easier now. Even if we agreed to exchange ambassadors and to withdraw our opposition to the Peking government's entrance into the UN, China would insist on her sovereignty over Taiwan and block Taiwan's emergence as a separate nation. Thus, I emphasized, recognition was an academic issue and was likely to remain so.

Americans disagree, I said, about our position on Quemoy and Matsu, but there was no disagreement on our all-out commitment to defend Taiwan. Moreover, the 9 million people of Taiwan, regardless of Chiang, have a right to their own future. They are highly literate, relatively prosperous with widespread land ownership, and strongly anti-Communist.

If allowed to vote in a plebiscite, they would undoubtedly choose independence as their first choice with some association with Japan possible as a second choice. With the advent of new weapons and missile systems, Taiwan's military significance for us will decrease, I added, but the people of Taiwan, like the people of Burma or Cambodia, would remain as important to us as the people of Berlin.

Tito listened to all this intently and asked many questions about the future of Taiwan and the characteristics of the Taiwanese. He said that my view was new to him and very interesting. He remarked, however, that American policies customarily lagged behind events. In Yugoslavia during the war, for instance, it took the United States much longer than

⁵ Chiang Kai-shek, President of the Republic of China.

it did the British to recognize the potential role of the Partisans. The same lag in American policies appeared in Iraq, Algeria, and elsewhere. Cuba too was an example, although it was easy for the Yugoslavs to identify themselves emotionally with Castro's guerrilla struggles because of their own experience. Now, he agreed, it is necessary for Castro to show that he can govern.

I agreed that there was something to this criticism and that indeed most Americans would accept it in greater or lesser degree. However, among other things he had overlooked the extraordinary record on land reform, cooperatives and labor organizations which MacArthur had achieved in Japan; the many improvements which we had encouraged on Taiwan; our strong backing of Nehru's economic efforts in India; and indeed the aid which we had given "socialist" Yugoslavia.

I added that there was a growing understanding in America of the importance of genuine social, economic and political reforms in world affairs, that this was in line with our own revolutionary heritage, and that as a Democrat I could say that this understanding included all the likely candidates for the Republican as well as the Democratic Presidential nominations. I said that the American people had gone through a tense period extending from the stockmarket crash of 1929, through the Great Depression, World War II and the huge demands on us following the war, and that a desire to catch our breath and recharge our batteries was inevitable. Now, I felt, we were emerging from this period of slow-down and that the next few years, regardless of the outcome of the 1960 elections, would see a resurgence of America's creative energies both at home and abroad.

Tito said he hoped that this was the case, and the friendship and understanding between Yugoslavia and America would deepen.

I concluded by asking him for his view on Germany and his expectations concerning the future of Berlin.

Tito replied that everyone, including the West and East Germans, was becoming adjusted to a divided Germany, that there was no other likely outcome, that this was probably a good thing from the standpoint of everyone's interest, and that the need therefore was to develop acceptable relations between the two Germanys.

I asked how in this case could we settle the Berlin question since Berlin's only logical role was the capital city of a United Germany. He agreed that this was difficult but said that Khrushchev's suggestion that Berlin might become a free city could serve as a basis for negotiation⁶—if not now, some time in the future.

⁶ For text of this proposal made in a November 27, 1958, Soviet note, see *American Foreign Policy: Current Documents, 1958*, pp. 591-596.

I asked him if he thought Khrushchev understood that under no circumstances would we relinquish our position in Berlin until an overall settlement could be reached that was acceptable to all concerned. He said he was certain that the Kremlin understood this and that there would be no reversion to threats. I would have liked to explore his views on Germany and Europe more fully, but at this point we ran out of time.

I brought the discussion to a close by saying that I hoped to be in Berlin itself by midnight and to spend a few days there and in Bonn. He said that he understood the rebuilding of West Berlin had been extraordinary and that he would like to see it.

On the way to the door I told him that our economic experts had high praise for the competence of his economic planners and administrators. He said that he was glad of this, but that much remained to be done.

This is the story. Nothing unusual or unexpected was revealed, but I felt that I was able to improve his understanding of us and to broaden his perspective on several questions.

I hope that ways will be found for more Americans to see Yugoslavia and Tito on both an official and unofficial basis. You know better than I how this can be encouraged, but I am convinced that it is important. If the President had chosen to visit Belgrade he would have received an enthusiastic welcome which might have had important implications further East.

Thank you again for all you did to make my time in Yugoslavia both pleasant and informative.

With my warmest regards,

Chet Bowles⁷

⁷Printed from a copy that bears this typed signature.

151. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, November 23, 1959, 6 p.m.

486. Rome for Lister. Tito at Nis November 22 expounded Yugoslav view that greater emphasis must be given UN in achieving world relaxation tensions. Summit meetings which conducive East-West rapprochement he said are highly desirable if they not indeed precondition any general relaxation. Khrushchev visit and forthcoming meetings other high government officials¹ thus welcomed, he asserted but benefits active coexistence can only be finally realized with elimination bloc concepts and development coexistence on universal basis.

Turning to immediate problems within Balkans Tito declared Yugoslavia had always favored any positive approach to general rapprochement and had only resorted to Yugoslav Greek Turkish agreement when broader understanding proved impossible. Under this agreement he said Greek Yugoslav relations had prospered. Now with elimination Cyprus issue² there are no reasons why similar improvement should not take place with Turkey and he had recently said as much to Turkish Ambassador. With respect Bulgaria, Rumania and particularly Albania, however, situation is such "there are not realistic foundations for a meeting" (presumably along lines recent Rumanian proposals).³ Unless bilateral relations improved Tito said "this meeting would be pure propaganda and it would bring more harm than benefit".

Comment: In discussions Tito speech at Nis with senior Foreign Secretariat officials Rukavina and Primozic both agreed today that statements regarding desire improve relations with Turkey rather than engage in "propagandistic" general Balkan conference represented important expression current Yugoslav attitude. Rukavina moreover volunteered additional remark that some suggestion has been made (he

Source: Department of State, Central Files, 768.00/11-2359. Confidential. Repeated to Ankara, Athens, Moscow, London, Paris, Bucharest, Zagreb, Sarajevo, and Rome.

¹ During November and early December, British Foreign Secretary Lloyd, German Chancellor Adenauer, Italian Prime Minister Segni, Foreign Minister Pella, and President Eisenhower made visits to other Western capitals to discuss plans for a summit meeting. These meetings culminated when the four Western heads of state met in Paris on December 19.

² Accords signed in London on February 19 by the Greek, Turkish, and British Prime Ministers established a Republic of Cyprus on February 19, 1960.

³ On June 8 the Romanian Government proposed a meeting of Balkan Prime Ministers with the objective of completing a collective security treaty and establishing a nuclear-free zone in the Balkans with a great power guarantee for both agreements.

failed specify by whom) that Albania might be simply ignored as way around difficulty posed by strained Yugoslav-Albanian relations⁴ thus enabling other Balkan countries achieve harmonious settlement their differences. According Rukavina Tito speech at Nis should make clear that any such suggestion completely unacceptable to Yugoslavs who adhere firmly to their now established position that substantial improvement bilateral relations must precede any generalized "settlement" (for further discussion this point see Embtel 416).⁵ Any Balkan rapprochement without Albania Rukavina added would only free that country to continue its disruptive activities thus rendering rapprochement meaningless.

Judging from Rukavina, Primozic further remarks as well as other official comment heard recently Tito references to necessity eliminate blocs in order realize benefits coexistence also represented something more than mere repetition familiar Yugoslav positions. Thus in separate conversations both men asserted East-West rapprochement without assurance of progress toward elimination blocs would only lead to kind of partition of world along lines at one time favored by Stalin. Such partition they said could only be harmful to interests uncommitted countries in manner certain to provoke rather than eliminate further tensions.

Rankin

⁴ Yugoslav-Albanian relations deteriorated during 1958 as Albania joined in the Communist bloc campaign against Tito's "revisionism." In addition, Albania accused Yugoslavia of mistreating its Albanian minorities and renewed its territorial claims against Yugoslavia. The Albanian Minister to Yugoslavia was recalled in August 1958 and returned only in the fall of 1959.

⁵ Telegram 416, November 3, reported on an editorial in the Belgrade daily *Politika* that indicated Yugoslav interest in improving its relations with other Balkan governments. (Department of State, Central Files, 033.6166/11-359)

152. Operations Coordinating Board Report

Washington, December 23, 1959.

REPORT ON YUGOSLAVIA (NSC 5805/1)¹ (Approved by the President April 16, 1958)

(Period Covered: December 10, 1958 through December 23, 1959)

1. *Independence Maintained.* During the past year there has been no basic change in the status of Yugoslav independence, nor has there been any lessening in the Yugoslav Government's determination to maintain this independence.

2. *Threat to Communist Unity.* The propaganda campaign which the Soviet bloc initiated against Yugoslavia in the spring of 1958 has been substantially moderated, presumably at the direction of Moscow, and state relations between Yugoslavia and bloc members have, except in the cases of Communist China and Albania, reassumed an air of normalcy. The economic assistance which was suspended by the Soviet Union at the time of the 1958 rift has not been resumed, however, and while both the bloc and Yugoslavia are currently avoiding heated polemics, Moscow has made it perfectly clear that Yugoslavia remains outside the pale and its revisionist practices constitute the greatest single threat to Communist unity. The Soviet bloc campaign launched against Yugoslavia was an integral part of the Soviet effort to reestablish bloc unity and to prevent further revisionist contamination in Eastern Europe. Thus the Soviets, themselves, recognized the threat which Yugoslavia continues to pose to the unity of the Moscow-dominated Communist community. Whether the bloc has been temporarily successful in preventing further revisionist inroads cannot be judged at such short perspective.

3. *Opposition to Soviet Imperialism.* As in previous years, Yugoslavia during the past twelve months has on international issues more frequently taken positions similar to those of the Soviet Union than to those of the West. One of the most notable in this connection has been the Yugoslav position on Germany. On certain questions, particularly on points of difference between the Sino-Soviet bloc and uncommitted countries, Belgrade has departed radically from the Moscow point of

Source: Department of State, OCB Files: Lot 62 D 430, Yugoslavia. Secret. In an undated memorandum attached to the source text, Bromley Smith, Executive Officer of the OCB, noted that the Operations Coordinating Board concurred in this report at its meeting of December 23 and instructed the OCB Board Assistants to prepare a revised Operations Plan for Yugoslavia for the next semi-annual appraisal of Yugoslav affairs.

¹ See Documents 120 and 122.

view, however, and there has been no reason to doubt that the Yugoslav Government assumes its various positions in the international field on the basis of its own conclusions as to where its best interests lie. There has been no evidence, and in fact no grounds for any suspicion, that Yugoslavia is cooperating with the Soviet bloc in furthering Soviet imperialism. On the contrary, Yugoslav authorities have continued to maintain that socialism can best flourish in countries free to develop without outside intervention.

4. *Useful Diplomatic Activity.* During the past year the Yugoslav Government has been particularly active in seeking and developing economic and political relations with the uncommitted and/or newly developing areas of Asia, Africa, and Latin America. Certain of the countries of these areas have evidenced interest in Yugoslav internal policies. By improving its relations with countries of these areas Yugoslavia has strengthened its position vis-à-vis Moscow and, at the same time, has through its own recent history offered persuasive evidence of (a) the political motivation of Soviet assistance, (b) the consequent dangers of becoming overly dependent on Soviet economic aid, (c) the hypocrisy of Soviet assertions of friendship and support for all neutral nations, and (d) the fact that U.S. aid entails no internal interference or compromise of neutrality. However, should it develop that Yugoslavia is encouraging the adoption of internal policies of a Communist orientation in Cuba or other Latin American countries, this would pose new problems for achieving U.S. policy objectives in the area.

5. *Increased Contacts With West.* Exchanges between Yugoslavia and the United States have continued to grow and, as a result, an increasing number of influential Yugoslavs have become better acquainted with liberal economic practices and a free and democratic society. There have been a number of visits by high-level American officials to Yugoslavia and by prominent Yugoslav representatives in the United States. Western tourist travel to Yugoslavia has increased and an American cruiser with the Commander of the Sixth Fleet aboard paid a highly successful visit to Split.² Yugoslavia has made a real effort to strengthen and improve its relations with Italy and Greece during the past year, and a sound basis of economic cooperation and political understanding appears to be developing between Yugoslavia and these two free world neighbors.

6. *Regime Remains Authoritarian.* The influence of this gradual increase in contacts with the West cannot be measured in a single year and it cannot be said that the past twelve months have seen the development

² The U.S.S. *Des Moines*, flagship of the U.S. Sixth Fleet, visited Split October 17-20. Vice Admiral George W. Anderson, Commander of the Sixth Fleet, was on board.

of a notably more liberal economy or democratic government in Yugoslavia. The Yugoslav regime remains authoritarian and continues to deal strictly with any internal political recalcitrants. It is encouraging, however, that there has been no tendency to reintroduce earlier repressive policies and that the Yugoslav Government has sought further contact with the West rather than the isolation of the Yugoslav people from Western influence.

7. *Economic Progress.* While Yugoslavia continues to have a large balance of payments deficit and inadequate foreign currency reserves, its economy has made significant progress in the past year, with a notable rise in agricultural production and a steady increase both in industrial production and in export trade. This has been accomplished in spite of the cancellation of the large-scale Soviet bloc credits and is an indication that the heavy investment policy of the Yugoslav regime, together with the assistance it has long been receiving from the United States and other Western countries, has begun to show significant results in the economic growth of the country. The Yugoslav Government has interpreted this progress as justification of its policies of decentralization, workers' self-management, and non-coercion of the peasants. This would seem to bode well for the continuation of these policies in the future.

8. *Maintenance of Armed Strength.* After prolonged negotiations the United States and Yugoslavia reached an amicable agreement on the termination of the grant military aid program.³ However, Yugoslavia is permitted to purchase military equipment, materials, and services from the United States. Credit terms of 120 days from date of delivery are available when these purchases are made from the stocks of U.S. military departments. It has purchased 78 surplus F-86E aircraft from the U.S., thus indicating that it has decided to rely primarily on U.S. aircraft for military purposes. This purchase, together with expected spare part purchases in Greece, should halt a general trend toward deterioration of the Yugoslav air force. The purchase of spare parts and maintenance items for Army matériel has been accomplished on a continuing basis through Mutual Security Military Sales and indicates an intent, within resources, to maintain MAP-furnished Army equipment. The Yugoslav military establishment continues to be hampered, however, by a lack of access to the latest types of equipment and by insufficient foreign currency to purchase more than limited amounts of spare parts and replacements. This may pose a problem in the future but for the present Yugoslavia's armed strength appears sufficient to discourage an attack by any of its Soviet-dominated neighbors.

³ August 25; see Document 148.

9. *Policy Review.* The agencies represented on the Working Group on Yugoslavia have reappraised the validity and evaluated the implementation of the U.S. Policy Toward Yugoslavia (NSC 5805/1) in the light of operating experience. They further believe there is no need for the National Security Council to review the policy at this time and that there are no developments of such significance as to warrant sending a report to the National Security Council.

153. Memorandum of Conversation

Washington, March 22, 1960.

SUBJECT

Call of the Yugoslav Ambassador

PARTICIPANTS

The Yugoslav Ambassador, Marko Nikezic
The Under Secretary
Mr. J. L. Katz, EE

Ambassador Nikezic stated that he wished to inform the Under Secretary about two matters—Yugoslavia's need for investment loans and the intention of the Yugoslav Government to simplify its foreign exchange system.

As regards the matter of investment loans, the Ambassador stated that Yugoslavia was grateful for the very great assistance afforded by the US over the past ten years. This aid, mostly in the form of food and raw materials, played an extremely important role in stabilizing the Yugoslav economy. The requirements of the Yugoslav economy had now shifted, however, from this type of assistance to a need for investment capital. The Ambassador pointed out that Yugoslavia now devoted 25% of its national income to investment but it required capital from abroad as well, since development was a basic condition for its policy of independence. Without assistance from abroad, Yugoslavia would be unable to maintain pace with its neighboring countries. The Ambassador

recalled in this connection his statements at previous meetings concerning the political importance of economic development to Yugoslavia.

The Ambassador then outlined the sources of foreign financial aid available for Yugoslavia. He pointed out first that Mutual Security assistance and PL 480 assistance were greatly reduced over the past year. The DLF had extended about \$50 million in development credits last year. This year, however, the DLF has under consideration only three projects totalling about \$35 million. One of these projects, the plastics factory, presents something of a problem. A small part of the process is available only in the UK but US financing of this portion of the project is precluded by the Buy American policy.¹

There has been no change in the situation regarding the Export-Import Bank, the Ambassador said. Although the State Department has reportedly said that it saw no reason why the Yugoslav Government could not submit applications to the Bank, the Bank has been unwilling to consider any application from Yugoslavia.

The third source of possible investment financing is the IBRD. Yugoslavia has made serious efforts to meet the Bank's conditions, the Ambassador pointed out. It had settled its pre-war debts with all countries except for a very small debt with Belgium which will be settled shortly. The Bank has now agreed to send a mission to Yugoslavia in April. Mr. Black, however, has raised two problems. For one thing he continues to insist that Yugoslavia settle also its pre-World War I debt. This debt was incurred by the Austro-Hungarian Empire prior to the existence of the Yugoslav State and represents a rather complicated problem. Yugoslavia recognizes its obligation in this connection, and it is willing to deal with the problem in due course. The Ambassador hoped this matter would not be an obstacle to Bank financing. Mr. Black had also raised a problem with regard to the Bank financing state-owned enterprises. The Ambassador expressed the hope that the Bank would show some flexibility in this regard.

These are Yugoslavia's main sources of financing, the Ambassador said, and he asked for our understanding and support of Yugoslavia's position in these matters.

The Under Secretary replied that we had tried to be helpful in these matters but so far had only had partial success. He recalled his conversation with a Yugoslav official (Nenad Popovic) in Paris last December² and had expressed his willingness to talk to Mr. Black with regard to the

¹ Reference is to Title II of the Appropriations Act of 1933 (P.L. 428), enacted March 3, 1933. For text of this act, see 47 Stat. 1489.

² During Dillon's trip to London, Paris, and Bonn December 7-14. No documentation on Dillon's discussions with Popovic has been found.

Bank sending a mission to Yugoslavia. He was pleased that the Bank had now agreed to send a mission.

As regards the Export-Import Bank, the Under Secretary pointed out that he had had some talks with Eximb officials and, although this was hard to understand, the Export-Import Bank is an independent agency.

The Ambassador asked whether Eximb was concerned about the political risk of dealing with Yugoslavia. Mr. Dillon said he was sure this wasn't the case. He frankly did not understand their attitude, but he would talk to Mr. Waugh again about the matter.

As regards the DLF, the Under Secretary pointed out that this represented a different problem. There was, of course, no connection between PL 480 and the DLF. The fact that PL 480 assistance was diminishing did not mean that the DLF could or would make up the difference. The DLF did not establish aid levels. Rather it determined how it should distribute its resources among eligible countries by priority of projects and of countries. This did not mean that the DLF did not continue to have an active interest in Yugoslavia.

The Ambassador interjected that he did not wish to be misunderstood. His Government had developed a very fine relationship with the DLF and he was sure the people there were understanding and sympathetic to Yugoslavia's problems. Progress was slow, however, because of their heavy workload.

Mr. Dillon said that he would look into the problem. With regard to the IBRD, he thought that the problem of financing state-owned enterprises could be overcome by having them finance hydroelectric power projects. Mr. Black's objections, he thought, would not extend to state-owned public utilities.

The Ambassador next raised the second matter he wished to discuss, the decision of his Government to simplify its foreign exchange system. This, he said, had been a goal of his Government for many years but it had now become imperative since Yugoslavia wished to develop as a part of the world economy. He pointed to Yugoslavia's recent association with the GATT,³ its association with the OEEC⁴ and its interest in association with the successor organization to the OEEC as evidence of its desire to be integrated into the world economy.

The decision has now been made to introduce a customs tariff and to eliminate multiple exchange rates during the period of the next five year plan. It is felt, however, that the task could be accomplished in a

³ Yugoslavia's application for association with GATT was formally accepted during the October 26–November 20, 1959, GATT meeting in Tokyo.

⁴ Yugoslavia received observer status with the OEEC in 1956.

much shorter time with help from abroad. Therefore the IMF has been approached on the problem. Mr. Jacobsen had expressed his pleasure over the idea and indicated that the Fund would like to help. He had agreed, therefore, to send a mission to Yugoslavia in May. The Ambassador stated that he hoped the US would also become interested in the idea and would extend its support. Even if the Fund found the plan worthy of support its resources might not be sufficient, and help would have to be sought from other countries.

Mr. Dillon stated that we looked upon this development very favorably and we wished to support it in every way we can. The final decision, of course, will depend on the report of the IMF mission. He cautioned, however, that we might have some problem in extending material support since we have no agency or source of funds to supplement the resources of the IMF. While we have in the past joined with the IMF in similar plans for Spain, Turkey and Argentina, what we did was to indicate the assistance we planned to extend over some period of time. In fact we did not do more than we would have done in any event but by indicating in advance our intentions, we gave a psychological boost to the efforts of the IMF. The only case where additional aid was provided was in Spain and this was done through the medium of the OEEC. Mr. Dillon suggested that it might be useful for the Ambassador to talk to Mr. Waugh about this development. He thought Mr. Waugh would be interested in it and it might provide some stimulus for action by the Export-Import Bank.

As a final matter, the Ambassador reminded Mr. Dillon of the wish of the Yugoslav Government to have Mr. Dillon visit Yugoslavia. The Under Secretary indicated that he planned to attend the Ministerial Meeting of ECOSOC in Geneva in July.⁵ Following the meeting he planned to go to Vienna for a day or two and he could then go to Yugoslavia for three, four or five days. While he did not know the precise dates, he thought he might be in Yugoslavia between the 17th and 21st of July.

The Ambassador expressed his pleasure at this news and stated that he would inform his Government immediately.

The Under Secretary said that he was looking forward to the visit and unless something unforeseen arises he expected to make the visit.

⁵ The U.N. Economic and Social Council was scheduled to meet July 5–August 3.

154. Memorandum of Conversation

Washington, April 11, 1960.

SUBJECT

Call by Yugoslav Ambassador Prior to His Return to Belgrade on Consultation

PARTICIPANTS

The Secretary
Mr. Marko Nikezic, Yugoslav Ambassador
Mr. James S. Sutterlin, EE

The Yugoslav Ambassador, Mr. Nikezic, called, at his request, on the Secretary on April 11, 1960 prior to returning to Yugoslavia for consultation. At the opening of the conversation he said that he thought greatest emphasis had been placed in Yugoslavia recently on the economic development of the country and he wished to express his Government's satisfaction at the continuing US interest in the Yugoslav economy. He noted that in past years the provision of commodities under PL 480 had been the primary method of US assistance. Now, he said, the need for this type of assistance has almost disappeared which is evidence that the purposes of this program in Yugoslavia have been largely fulfilled. The Ambassador referred to Yugoslavia's hopes of participating in the forthcoming exploratory OEEC meeting in Paris¹ and said that Yugoslavia must develop as a part of the world market and therefore attributes great importance to the patterns that will be worked out for trade through regional organizations. Noting that Yugoslavia has now had observer status for five years with the OEEC, he said that his Government would also like to have a similar status with CEMA, the Soviet economic coordination body, but its applications have thus far been rejected. Ambassador Nikezic said that significant economic progress had been made in Yugoslavia in recent years which he thought was due in large measure to the liberalization which had been increasingly introduced in the economic system. He emphasized that continuing US economic support will be essential, however, not only for economic reasons but in order to strengthen Yugoslavia's political position. There is no question of the Yugoslav Government's intention to continue its present independent policy, he said, but in order to do this it must keep ahead of its Soviet bloc neighbors in economic progress.

The Secretary, turning the conversation to current international prospects, said that his attitude toward the forthcoming summit talks²

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Sutterlin, approved in S on April 13, and initialed by Herter.

¹ Scheduled for May 21-25, the meeting was to discuss reorganization of the OEEC.

² The four-power summit was to begin in Paris on May 16.

has been somewhat pessimistic because in his view it is better not to build up overly optimistic expectations. The problems which we face, he noted, are very difficult. He then stated that we are concerned at the attitude which the Soviet Union has been taking toward West Germany of late, adding that we have noted that the Yugoslav Government has also been very critical of the Federal Republic. The Secretary emphasized that all of West Germany's armed forces at the present time are under NATO command and the arms of these forces are controlled by the WEU. It is our feeling, the Secretary said, that the Federal Republic today is dedicated to democratic principles. A long enduring division of Germany could, he continued, provide a possibility for the rise of a new nationalistic movement in Germany and it is, therefore, highly important, in our opinion, to find a solution which would overcome this division. Ambassador Nikezic replied that what worries Yugoslavia is not West Germany's present military potential but rather the spirit which underlies the social development of the highly dynamic German people. Such events as Adenauer's Rome statement concerning "Germany's mission,"³ for example, and the possibility of German military bases in Spain,⁴ give the Yugoslav Government cause for concern, he said, although he conceded that the Spanish bases question is largely one of logistics. The Ambassador commented that it is possible, due to the rise of the US and the Soviet Union as the dominant powers, that Germany will not in the future play a decisive role in threats to world peace. The outstanding question of the German border,⁵ however, and the division of Germany are dangerous elements, and in the Yugoslav view the seeds that were planted in Germany 25 years ago still remain. Yugoslavia, he stated, as a country which for centuries fought for its unification, well understands the desire of the German people to be united; but such reunification, in his view, depends on the larger issue between the West and the East and until such settlement occurs the Soviet Union is not likely to give up the part of Germany "it has".

Ambassador Nikezic then asked the Secretary how he viewed the prospects for progress in the settlement of international issues at the Summit Meeting. The Secretary replied that Khrushchev has been talk-

³ In a January 22 talk with Pope John XXIII during his January 21-24 visit to Italy, Adenauer stated that the Germans had the duty of guarding the West from the East.

⁴ On February 23, *The Times* of London reported that the Federal Republic of Germany and Spain had negotiated an agreement for the establishment of military supply bases in Spain. The German Government denied that it was establishing its own bases and insisted that it was utilizing training facilities in Spain as part of its NATO defense commitment.

⁵ Reference is to the Polish border with Germany. Large segments of pre-war Germany were incorporated into Poland in 1945. These incorporations had not been recognized by the Western powers.

ing a great deal lately about signing a separate peace treaty with East Germany.⁶ The significance of such action would obviously be its threat to the status quo in Berlin. If Khrushchev is serious in some of the threatening statements he has made on this subject in Indonesia,⁷ for example, then a very dangerous situation could develop, the Secretary said. Moreover, the attitude shown by Khrushchev on the Berlin question could have a very adverse effect on the achievement of future agreements on disarmament and the cessation of nuclear testing. How can the West enter into binding agreements with the Soviet Union on disarmament if the Soviet Union is not willing to adhere to agreements reached earlier on a subject such as Berlin, the Secretary asked. Ambassador Nikezic said that he understood this point, adding that it was clear that all problems discussed at the summit must be viewed as part of a package and not as separate items on an agenda which can be isolated from one another.

The Secretary remarked that he is hopeful that progress can be made in coming weeks on an agreement concerning nuclear testing. The Soviet representative in Geneva⁸ has stated frankly, he said, that there are two decisions pending which are of a political nature and on which he must have decisions from Moscow: (1) the number of inspections and (2) the length of the moratorium. The Secretary commented that it is possible that these questions may come up for settlement at the Summit. He noted that we are sending to Geneva a program for coordinated research on the detection problem on which we are prepared to spend a great deal of money since it is a problem for which we are deeply interested in finding a solution. We want a complete cessation of testing, he emphasized, but with inspection. Ambassador Nikezic commented that since Soviet installations are more secret than those of the West the Soviets presumably fear they will lose more by inspection than will the West. The Secretary agreed but said that further knowledge in this field is being acquired every day and that secrecy is already a wasting asset. The Soviet approach to disarmament is different from our own, he continued, and difficult for us to understand. The Soviet Union, he explained, wants binding agreements leading to total disarmament without any concern for the realistic steps which must be undertaken in order to reach such disarmament without prejudicing the security of individual states. If disarmament were achieved without some force majeure under international control then mere numbers could overwhelm other

⁶ In a statement at Paris on April 2, Khrushchev reiterated that signature of a Soviet-East German treaty would void Western rights in Berlin.

⁷ Khrushchev visited Indonesia February 18–29.

⁸ At the Ten-Nation Disarmament Conference in Geneva, which met March 15–June 27.

nations. We want to be sure, the Secretary underscored, that such a situation will not develop since it could jeopardize the independence of small nations and for that matter might pose a problem for the Soviet Union in view of the size of the Chinese population, for example. Ambassador Nikezic said that he was convinced that the Russians are now rich enough so that they do not wish to have a war.

The Secretary closed the conversation by wishing the Ambassador good luck on his trip to Belgrade.

155. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, May 7, 1960, 9 a.m.

989. Yugoslav officials commenting on one-sided nature foreign policy portion Tito's recent speech at Socialist Alliance Congress (Embtel 924)¹ have attempted defend implicitly acknowledged lack of balance with explanation Khrushchev today urgently needs all support possible in view what they perceive to be dangerous differences between USSR and Red China on questions coexistence and détente in international relations. According Yugoslavs this support desirable even though it brings them no immediate returns in terms for example greater Soviet acceptance Yugoslav brand Socialism.

Counselor on China desk in Yugoslav Foreign Secretariat said today that recent publication in Peiping theoretical journal *Red Flag* several articles ostensibly discussing Leninism were most significant, revealing high level Chinese Communist attitude toward détente sharply different from that of Khrushchev. Some Soviet officials still holding influential positions within Kremlin as well as some satellite

Source: Department of State, Central Files, 768.003/5-760. Confidential. Repeated to Moscow, Paris, London, Zagreb, and Sarajevo.

¹ Telegram 924, April 20, reported that Tito's April 18 speech praised Khrushchev's visit to the United States and other Soviet diplomatic initiatives for promoting "peace" and the "relaxation of tensions" and accused "militaristic advocates" of cold war in the Western nations of continuing to resist Soviet peace initiatives, stirring up conflict in the third world, and resisting decolonization. (*Ibid.*, 768.003/4-2060) In telegram 721, April 23, the Department of State instructed Rankin to protest to Yugoslav authorities the "continuing Yugoslav tendency to follow biased line" on foreign policy issues. (*Ibid.*, 611.68/4-2160)

leaders are sympathetic with Chinese views he said and distrustful prospects success current Khrushchev path. This thought presumably prompted remark earlier this week by another senior Yugoslav official who in discussion Tito speech with Embassy Officers finally remarked "which do you prefer, Molotov or Khrushchev?" China desk officer however deprecated idea of Soviet internal weaknesses claiming Khrushchev has introduced many measures in recent years assuring him widespread support within USSR. Difficulty he said is external rather than internal. Chinese Communists today militant aggressive and inspired (notwithstanding various admitted shortcomings and difficulties) with overall success their approach. Danger therefore lies more in possibility that if Khrushchev not able demonstrate success his foreign policies his authority will be weakened. Chinese less concerned over dangers war in view especially their huge population. They might therefore feel free embark on adventures which could be disastrous for world peace.

Views expressed by Chinese desk officer generally reflected in other private comment Yugoslav officials recent weeks. While such comment could be considered more apologia for one-sidedness Tito remarks at Socialist Alliance Congress they have virtue of consistency with previous Yugoslav interpretation Red China-Khrushchev relations and may thus reflect sincere conviction (augmented by *Red Flag* articles) that support for Khrushchev offers best hope for control as they see it of Chinese threat to world peace.

Rankin

156. Telegram From the Embassy in Yugoslavia to the Department of State

Belgrade, May 30, 1960, 4 p.m.

1076. From Rankin.¹ Department's 721 to Belgrade and 5032 to Paris.² I saw Tito for just over an hour this morning and began by following statement:

Source: Department of State, Central Files, 611.68/5-3060. Confidential. Repeated to Moscow.

¹ Ambassador Karl Rankin left Yugoslavia and was en route to Washington for consultations.

² See footnote 1, Document 155. In telegram 5032, May 25, the Department of State provided Rankin with instructions for his meeting with Tito. (Department of State, Central Files, 611.33/5-2560)

1. We appreciate obvious sincerity of President Tito's May 17 statement³ on universal desire for peace. US recognizes and shares that desire.

2. It is well established technique of Moscow and Peking regimes to label as aggression any effort by US or other independent country to protect itself against Sino-Soviet imperialist expansion. This is continuing challenge we must meet. Record of US is ample evidence we have no aggressive intent toward other nations. Nor are there groups or individuals of any significance in our government, or outside among American public, who favor aggression or increasing tensions. Notwithstanding various statements appearing in press, there is essential unity among American public on this point.

3. Khrushchev's actions in Paris and subsequently have not and will not affect basic US foreign policy objectives. These are (1) security for ourselves and for other nations desiring independence and freedom from foreign intervention, and (2) establishment of just and lasting basis for peace.

4. Our objectives demand that US continue to deal positively with Soviet Government. We have no desire to see cold war renewed.

5. We wish to cooperate with all countries seeking peace with security. Like Yugoslavia, we believe UN has role of unique importance in reducing world tensions. We hope Yugoslavia will use its influence objectively to help UN in this task.

6. Unfortunately, failure of Paris conference prevented progress on two problems of vital importance to peace: Disarmament and Germany. Secretary Herter recently discussed these questions in some detail with Ambassador Nikezic,⁴ but following points might be noted:

A. Disarmament. US sincerely seeks safeguarded disarmament. We shall continue our efforts at Geneva to reach meaningful agreements on nuclear tests and general disarmament. Our concern is to avoid undermining security of independent nations through unrealistic agreements with insufficient safeguards. Such safeguards, applying equally to US and Soviet Union, would remove any basis for complaints that they were intended for espionage. We are prepared discuss details of phased disarmament program with adequate inspection and control, which should not be too difficult. Anything approaching complete disarmament, however, would require prior creation of international police force. Otherwise smaller nations would be at mercy of nearby great powers.

³ Following the acrimonious breakup of the Paris summit meeting (May 16), Tito issued a statement that condemned U.S. handling of the U-2 incident but also stressed that the incident should not provide a pretext for breaking up the summit meeting. Tito called on the nonaligned nations to take the lead in improving international relations through the mechanisms of the United Nations.

⁴ See Document 154.

B. Germany. US continues to favor reunification of Germany, with adequate provision for the security of all nations concerned, but we would not seek reunification by force or threats of force. We remain ready to discuss Berlin with Soviets in interest of clarifying question and reducing friction, but we shall not accept the compromise of West Berlin's freedom and viability by Soviet intimidation. (end of statement)

I then remarked that President's more recent speech at Subotica May 28⁵ was being interpreted in some circles as indicating distinct shift in Yugoslavia's foreign policy in favor of east ("you know also who is chiefly to blame for this—case of unfortunate plane⁶—in difficult situation when any thoughtless gesture might cause catastrophe—here is plane which might be carrying atomic bombs"). Tito replied there was no change in Yugoslav policy. He was simply proposing toast (by intimation extemporaneously) and his remarks would be clarified.

President said he must tell me quite frankly he thought our plane had done great disservice to all nations. However he repeated his opinion expressed May 17 that case should not have prevented Summit conference. He continued consider Khrushchev our best hope. By urging Summit meetings and visiting US he had demonstrated desire for peace and relaxation and had raised his prestige accordingly. He was under great pressure from other elements in Soviet Union, also from China. Khrushchev's statements in Berlin and subsequently show he still desires rapprochement. We must make allowance for his outburst, table-pounding et cetera, as evidence of pressures on him.

Tito said it was being noted Yugoslavia replied rather mildly to public criticism from Soviets and sometimes not at all. He had been attacked for his May 17 speech and probably Moscow would criticize his May 28 remarks. Even when Khrushchev himself attacked Yugoslavia, Tito was willing to regard matter leniently in general interest.

Reverting to plane incident I observed we had simply been unlucky. Such flights had been made from time to time for several years. Soviets knew about them but said nothing, perhaps because they had no means of bringing them down. It seemed quite likely in present case plane came down to low altitude due mechanical trouble rather than as result of Soviet missile. In any case, flight was undertaken due weather favorable for reconnaissance without specific authorization from Washington. I assumed Soviets had not suspended their intelligence opera-

⁵ In this speech Tito announced that he would seek to unify the smaller nations in an effort to utilize the United Nations to ensure continued world peace and denounced the United States for the failure of the Paris summit.

⁶ Reference is to the U-2 reconnaissance aircraft that was shot down over the Soviet Union on May 1.

tions for several weeks prior Summit conference, but they had been luckier than we. He nodded agreement.

Tito then turned to relations between US and Yugoslavia. He brought up various economic matters which will be covered in air-mailed memo of conversation,⁷ and observed our relations in general remained good. I agreed but noted continuing problem a little like that existing between Yugoslavia and Soviet Union. Executive branch of US Government did not engage in public criticism of Yugoslavia, but latter felt free to criticize US. We did not object to criticism and stated we understood Yugoslav motivation. But rather difficult to explain to public and Congress how much greater utterance [*tolerance?*] shown by Yugoslavia toward Soviets, as compared with US, squared with policy of non-commitment.

President replied it was not his policy to speak out on matters which did not directly concern Yugoslavia unless they were of genuine international concern. Sometimes Yugoslavia was forced to speak on latter, as for example about Algeria, despite displeasure of France.⁸

Responding to my question about what should be done next, Tito thought we had all learned lessons from Paris failure. He believed there had not been sufficient preparation and that perhaps meeting should have been held on lower level. He agreed with my observation that Summit conferences should be held chiefly to ratify agreements already reached in detail, besides creating better atmospheres.

In conclusion Tito reiterated Yugoslav policy of independence had not changed, adding that his public opinion would not permit such a change. I said this was exactly what I told our conference in Paris last week.⁹

Tito wished me bon voyage and asked that his greetings be conveyed to President Eisenhower. He was sure that throughout remainder of his term Eisenhower would continue do all he could to contribute to peace. He thought that the general situation should not be regarded pessimistically.

O'Shaughnessy

⁷Document 157.

⁸Yugoslavia supported the Algerian Provisional Revolutionary Government, which was waging a guerrilla war for the independence of Algeria.

⁹Reference is to the Eastern European Chiefs of Mission meeting on May 26.

157. Memorandum of Conversation

Belgrade, May 30, 1960.

SUBJECT

Abortive Summit Conference and Economic Matters

PARTICIPANTS

President Josip Broz Tito
Ambassador K.L. Rankin
Secretary General Leo Mates (Interpreter)

I called on President Tito at ten o'clock this morning and spent nearly an hour and a quarter with him. Aside from his usual chain-smoking of cigarettes and normal slightly fidgety manner, he looked well and seemed if anything more friendly than on the previous occasions I had talked with him. Much of the time he was almost affable. He evidently understood nearly everything I said in English, and often answered without waiting for Mates to interpret. However, he spoke invariably in Serbo-Croat.

After a few pleasantries, during which I told President Tito that I was flying to Washington the day after tomorrow, I read a statement on United States policy. It followed rather closely the outline of the Department's telegram 5032 to Paris, dated May 25¹ and was repeated in Belgrade's 1076 of May 30.² I read it slowly and Tito seemed to understand everything. Meanwhile, however, Mates made rapid notes. All of the more significant political points raised in the conversation were covered in Belgrade's telegram mentioned above. A further comment of some interest, however, resulted from my remark that the decision to cancel out the Summit Conference evidently had been reached in Moscow before Khrushchev's departure. Tito agreed that this probably was true, and said that it demonstrated the pressures under which he had operated.

After most of our political conversation had been completed, Tito asked what I thought about Yugoslav economic progress, particularly in agriculture. I replied that evidently great progress had been made, and that I looked for further accomplishments. The President said that the results were due to better farming methods, particularly to better seed.

Source: Department of State, Central Files, 611.68/6–160. Confidential. Drafted by Rankin and sent to the Department of State as an enclosure to despatch 656 from Belgrade, June 1.

¹ See footnote 2, Document 156.

² Document 156.

Weather conditions had not been favorable so far this year, and if the same methods had been employed, the virtual crop failure of 1952 would have been repeated. As it is, the state farms and the peasants in cooperatives anticipate an average wheat yield of 30 quintals per hectare (over 40 bushels per acre, presumably applying to the Vojvodina where he was traveling last week), while other peasants may not get over 10 quintals.

I remarked that with better farming methods Yugoslavia should be able to keep ahead of other countries in Eastern Europe (Tito interrupted, with a laugh, "We want to") on condition that the genuine, voluntary cooperation of the peasantry is obtained. I thought their success to date was due in no small means to progress along this line. Tito agreed. I added that compulsion would not work, and repeated the need for seeking genuine voluntary cooperation.

Since we had touched upon one aspect of the "private sector" in Yugoslavia's economy, I ventured to mention another way in which progress could be made. I referred to the small shopkeeper or artisan, employing perhaps two or three people, and performing various services on too small a scale to interest the various social enterprises. I thought these people too should be encouraged. Tito laughed and said that they were making plenty of money already. I observed that everyone said exactly that, which probably explained why these small businesses were special targets for the tax collector. If they could only be encouraged instead of penalized, the economy would benefit greatly.

I remarked that I had been in the Soviet Union when Lenin inaugurated the New Economic Policy. I had seen some of the effects in Tiflis. The shops had been empty; business was stagnant. Yet simply by giving people some freedom the situation improved remarkably.

Tito then referred to the current visit of a mission from the International Monetary Fund.³ Its report would be submitted next week, and he had great hopes of being able to liberalize and strengthen Yugoslavia's economy by various measures to be agreed on with the Fund.

³ A joint IMF-IBRD mission to study Yugoslavia's economic situation, led by Pieter Lieftinck, Netherlands' Executive Director of the Fund, visited Yugoslavia during May 1960.

158. Operations Coordinating Board Report

Washington, June 24, 1960.

OPERATIONS PLAN FOR YUGOSLAVIA

I. Objectives and General Policy Directives

1. *Short-Term Objectives*

a. An independent Yugoslavia outside the Soviet bloc, capable of withstanding Soviet political and economic pressures, not actively engaged in furthering Soviet Communist imperialism, and with a potential for weakening the monolithic front and internal cohesiveness of the Soviet bloc.

b. Without jeopardizing the above objectives, reorientation of the Tito regime in the direction of political and economic liberalization and closer Yugoslav ties with the West in general and Western Europe in particular.

2. *Long-Term Objective.* Eventual fulfillment of the right of the Yugoslav people to live under a government of their own choosing, which maintains peaceful and stable relations with neighboring states, and participates fully in the Free World community.

U.S. Interest in Yugoslavia

3. The Tito–Kremlin break of 1948 and Yugoslavia’s position outside the Soviet bloc since then have served U.S. interests through the continued denial to the USSR of important strategic positions and other assets, and through the effects, both within and outside the Soviet bloc, of Yugoslav political independence and economic progress in the face of Soviet pressure.

4. U.S. policy in support of the maintenance of Yugoslavia’s independence constitutes an integral part of the broader U.S. policy which has as its objective the eventual attainment of complete national independence by all of the Soviet-dominated nations in Eastern Europe. The example of Yugoslavia, which has successfully maintained its independence of Soviet domination, stands as a constant reminder to the

Source: Department of State, OCB Files: Lot 62 D 430, Yugoslavia. Secret. A title page, a memorandum noting OCB concurrence, a statement of purpose and use, and three appendices (a list of selected U.S. arrangements with Yugoslavia, a financial and military aid analysis, and a list of P.L. 480 agreements and ICA-administered programs) are not printed. The report was approved by the OCB at its July 6 meeting. Minutes of the OCB meeting are *ibid.*, Preliminary Notes.

dominated regimes and serves as a pressure point both on the leaders of these regimes and on the leadership of the USSR. It is in the U.S. interest to take advantage of Yugoslavia's potential influence in Eastern Europe and in uncommitted and newly-emerging countries, insofar as such influence tends to advance U.S. objectives.

U.S. Economic Assistance to Yugoslavia

5. The United States will continue to furnish economic and technical assistance to Yugoslavia in the minimum amounts needed for either or both of the following primary purposes:

a. To encourage Yugoslavia to pursue policies which will contribute to the attainment of U.S. objectives.

b. To assist Yugoslavia in avoiding undue economic dependence on the Soviet bloc.

To the extent possible without prejudicing the above primary purposes, such assistance should also attempt to influence Yugoslavia to give greater play to free economic forces within Yugoslavia.

U.S. Attitude Toward Tito Regime

6. The United States should avoid actions which, on the one hand, could be interpreted as unreserved endorsement of the Tito regime, or which, on the other hand, would encourage attempts to overthrow that regime by violence.

7. We should expect that, as a neutral nation, and as a Communist country, Yugoslavia occasionally may undertake actions and make statements which the United States cannot approve. We should not, however, be unduly irritated at this, or allow it to influence our judgment, as long as such actions do not undermine Yugoslav freedom of action vis-à-vis the bloc or otherwise jeopardize major U.S. foreign policy objectives. Moreover, we should evaluate Yugoslav statements within the context of Yugoslavia's ideological and geographic positions.

II. Operational Guidance

Support for Yugoslav Independence

8. Yugoslavia continues to demonstrate the will to maintain its independence outside the Soviet bloc, despite Soviet pressures and blandishments. Its economy is developing favorably and its internal political situation appears stable. Nonetheless, as a small, still underdeveloped country, bordered on three sides by Soviet bloc countries, and viewed as a threat to bloc unity by Sino-Soviet leaders, it will continue to need economic and political support from the United States to help assure its independence.

Guidance

9. Make entirely clear, on a continuing basis, unflagging U.S. interest in Yugoslav independence through such means as high level visits in both directions, the provision of economic assistance, and effective U.S. diplomatic representation in Belgrade.

10. Continue to encourage Yugoslav trade with the United States and with other countries of the Free World and to provide such economic assistance as may be necessary in order to enable Yugoslavia to avoid undue economic dependence on the Soviet bloc.

11. Continue to permit the Yugoslavs to purchase U.S. military equipment and supplies as may be needed to avoid dependence on the Soviet bloc, as long as satisfactory U.S.-Yugoslav political relations continue to exist, also to train limited numbers of Yugoslav military personnel on grant or reimbursable basis.

12. [11 lines of source text and footnote (3 lines of source text) not declassified]

Economic Assistance

13. As noted in paragraph 8, while Yugoslavia's economic position has improved, it continues to need U.S. economic assistance and cooperation. Primarily this assistance is intended to strengthen the basis of Yugoslavia's independence, but it is also intended to contribute to a level of economic progress in Yugoslavia sufficient to illustrate in pragmatic terms to the other countries of Eastern Europe the benefits of Yugoslavia's independent policy and associations with the West.

Guidance

14. Consider Yugoslavia's requests for assistance from U.S. lending institutions in accordance with relevant U.S. loan policy and the criteria set forth in paragraph 5 of this paper, giving special emphasis to those projects which will serve to tie Yugoslavia more closely to the economy of the Western Community.

15. Continue Title I PL 480 sales to Yugoslavia.

16. Continue the Title III PL 480 program in support of the American voluntary organizations in Yugoslavia.

17. Continue a Technical Cooperation Program¹ for Yugoslavia since this not only will ultimately strengthen the Yugoslav economy but also is a most effective means of exposing influential Yugoslavs to Western equipment and technology and to the liberalizing influence of close working contact with Western colleagues.

¹ For text of the economic cooperation agreement signed in Belgrade January 8, 1952, see 3 UST 1.

Utilization of Yugoslavia's Potential as a Divisive Influence on Soviet-Bloc Solidarity and as a Counter to Bloc Influence in Uncommitted Countries

18. The Soviet Union and Communist China have renewed their efforts to nullify the influence of Yugoslav "revisionism" within the bloc since the turbulent events in Poland and Hungary in 1956 and they have undoubtedly met with considerable success. They also have attempted to counter the influence of Yugoslavia in the uncommitted and newly emerging nations. It is in the U.S. interest that Yugoslavia continue to exert a divisive ideological influence on the bloc and afford the uncommitted countries beneficial advice on the dangers of becoming overly reliant on the Soviet Union. At the same time, Yugoslavia's influence in the uncommitted areas poses certain problems for the United States since Yugoslavia represents a Communist economic and political system, albeit a revisionist one.

Guidance

19. Take advantage of appropriate opportunities discreetly to direct attention to Yugoslavia's successful struggle for independence and to the beneficial results which have accrued from it.

20. Take advantage of appropriate opportunities to encourage the Government of Yugoslavia to influence adjoining Soviet-dominated countries to develop a more independent position vis-à-vis the Soviet Union.

21. Facilitate Yugoslavia's efforts to remain in the public eye by such steps as high level visits to and from Yugoslavia and occasional support for Yugoslav candidates for prestige offices in international organizations.

22. Avoid a hostile or negative attitude toward Yugoslav representatives in Latin America and the uncommitted and newly emerging nations of Asia and Africa. Conduct ourselves toward such representatives in such a manner as to distinguish clearly between them and Soviet bloc representatives and to indicate that Yugoslavia, as an independent country, enjoys the respect and support of the United States. The United States should be prepared to accept a measure of Yugoslav economic and political influence in these areas, while remaining alert for any indication that Yugoslavia is actively encouraging the adoption of internal policies of a Communist orientation, particularly in Latin America, or systematically undermining U.S. interests in these areas.

Encouragement of Liberalization in Yugoslavia

23. Since Yugoslavia left the Soviet bloc many of the harsher aspects of Communist control have disappeared and a decentralized economic system has been established in which there are elements of a competitive-type market economy. Yugoslavia remains a one-party Communist

state, however, and continuous efforts are made to orient the people towards a Marxist ideology. Thus the United States is faced with the problem of seeking simultaneously to establish and maintain a smooth and friendly working relationship with the present Yugoslav Government and to bring about a gradual liberalization in the Yugoslav economic and political systems.

Guidance

24. Continue to seek procedures, consistent with U.S. internal security for expediting the issuance of non-immigrant visas to Yugoslav nationals, including representatives of Yugoslav industrial and trading enterprises, whose travel to the United States will serve United States objectives in Yugoslavia.

25. Encourage visits to Yugoslavia by prominent Americans including both high-ranking Government officials and individuals well known in the fields of art, science, professions, etc.

26. Encourage the development of closer cultural ties between Yugoslavia and the nations of the Free World, particularly those of Western Europe.

27. Continue current exchange programs with Yugoslavia and endeavor to negotiate a Fulbright Agreement with Yugoslavia and appropriate arrangements with the Yugoslav Government to facilitate the use of local currencies for PL 402² purposes to the extent such use is authorized by the Congress.

28. Cooperate with private organizations in the development and implementation of non-governmental exchange programs between the United States and Yugoslavia such as that now being conducted by the Ford Foundation.

29. Utilize cultural presentations under the President's Special International Program,³ and otherwise, to depict American cultural achievements and thus bring to the Yugoslav people a clearer concept of the range of cultural development in the non-Communist West. In this connection, be prepared to facilitate the presentation in the United States of Yugoslav cultural attractions.

30. As noted in paragraph 17, continue a Technical Cooperation Program in Yugoslavia.

31. Continue an active but circumspect USIS program in Yugoslavia. Information activities should emphasize the peaceful and con-

² For text of P.L. 80-402, U.S. Information and Educational Exchange Act of 1948, see 62 Stat. 6.

³ The International Cultural Exchange and Trade Fair Participation Act of 1956, approved August 1, 1956 (P.L. 84-860). For text, see 70 Stat. 777. The OCB was responsible for the administration of the program.

structive nature of U.S. foreign policies and show them to be compatible with the best interests of the people of Yugoslavia; should acquaint the Yugoslavs with the facts of U.S. economic assistance in terms of stronger Yugoslav economy, and, to the extent possible and without antagonizing the regime, they should encourage liberalization of Yugoslav internal political and economic arrangements, and encourage the people in their pro-Western orientation.

32. Continue VOA shortwave broadcasts daily in Serbo-Croatian and Slovenian.

33. Maintain Informational Media Guaranty Program⁴ to simulate sale of American publications and distribution of American motion pictures and television films.

34. As appropriate, encourage the Free Europe Committee⁵ to continue to resist any attempts by Eastern European émigré leaders to associate Yugoslav exile groups with the Committee or the Assembly of Captive European Nations.⁶

Closer Integration of Yugoslavia in the Western Economic and Political Community

35. The strengthening of Yugoslavia's ties with the West is an effective means of influencing its future orientation and of lessening its susceptibility to Soviet pressure.

Guidance

36. Encourage the continuing expansion of U.S.-Yugoslav commercial relations, including support of U.S. business in promotion of U.S. exports to Yugoslavia.

37. Encourage the further development of tourism between the United States and Yugoslavia and between Western European countries and Yugoslavia.

38. Continue U.S. participation in Yugoslav trade fairs and provide U.S. trade missions as appropriate.

39. Encourage expanded Yugoslav participation in the work of the GATT and such international economic organizations as OEEC, or its successor organization, and the introduction of such economic reforms in Yugoslavia as may be necessary to facilitate such participation. The question of supporting full Yugoslav participation in the GATT or

⁴ For text of the Information Media Guarantee Agreement, see 3 UST 5052.

⁵ Created in 1949, this organization engaged in studies of conditions in the Communist-ruled nations of Eastern Europe.

⁶ Established in September 1954, this body, made up of exile leaders and organizations from Albania, Estonia, Czechoslovakia, Lithuania, Poland, Bulgaria, Hungary, Latvia, and Romania, met annually to discuss the problems of their nations and encourage anti-Communist activities.

OEEC should be decided in the light of the circumstances existing at the time Yugoslavia applies for such status.

40. Consider Yugoslavia on the same basis as free European nations in evaluating Yugoslav requests for U.S. export licenses so long as Yugoslavia's export control practices are generally consistent with the objectives of the multilateral trade controls imposed against the Soviet bloc.

41. Utilize the opportunities afforded by the recent understanding reached between Yugoslavia and the United States for cooperation in the peaceful uses of atomic energy⁷ to further contacts between Yugoslav and American scientists, to bring young Yugoslav scientists to the U.S. for training in non-sensitive fields and to export to Yugoslavia reasonable quantities of materials and equipment needed for basic research and instruction in the atomic energy field, for source material exploration and for medical and normal industrial and agricultural purposes.

42. While recognizing that the Balkan Pact is dormant, encourage the continuing existence of the Tripartite Balkan Secretariat and the development of close Yugoslav relations with Greece and Turkey in economic, cultural and related fields.

43. Encourage the resolution of differences between Yugoslavia and Italy and between Yugoslavia and Austria with a view to promoting mutual understanding and improved relations in political, economic and related fields of activity.

44. In general, encourage Western European countries to adopt policies parallel to those of the United States with respect to Yugoslavia.

Utilization of U.S.-Owned Local Currency in Yugoslavia

45. The major portion of U.S.-owned dinar holdings is earmarked for economic development and social projects in Yugoslavia and its utilization no longer poses a serious problem. There are, however, large balances of dinars reserved for U.S. uses for which normal U.S. requirements are relatively limited. Moreover, the understanding reached with the Yugoslavs that we will take their balance of payments position into account in using these dinars is a major obstacle to the purchase of goods for export.

Guidance

46. A continued effort should be made to find effective uses for the dinar balances reserved for U.S. uses keeping in mind, however, current

⁷ Five officials representing the Yugoslav Federal Commission for Nuclear Energy visited the United States February 28–April 1 for a tour of U.S. nuclear installations and discussions with U.S. officials regarding bilateral cooperation in peaceful employment of nuclear energy. Documentation on the Yugoslav nuclear program is in Department of State, Central File 611.6845.

policy of the Bureau of the Budget, which subjects all "U.S.-use" local currencies to the appropriation process.

U.S. Personnel

47. The acceptance of the presence of official U.S. personnel on foreign soil directly affects our capability to achieve our national security objectives. To this end, programs should be developed and improved to encourage and strengthen the natural inclination of the individual American to be a good representative of his country and to promote conduct and attitudes conducive to good will and mutual understanding.

Guidance

48. The OCB has developed a comprehensive document which serves as a guidance for senior U.S. representatives overseas:

"Report on U.S. Personnel Overseas (July 1959), including a Statement of National Policy and a Presidential Letter as well as a reprint of the Conclusions and Recommendations of a 1958 report."⁸

49. Hold the number of U.S. official personnel in Yugoslavia to a strict minimum consistent with sound implementation of essential programs.

Note: The following NIE's are applicable to Yugoslavia:

NIE 31-57 Yugoslavia's Policies and Prospects—11 June 1957.⁹

NIE 11-4-59 Main Trends in Soviet Capabilities and Policies, 1959-1964—9 February 1960 (See para. 108).

NIE 12-59 Political Stability in the European Satellites—11 August 1959 (See para. 26).

NIE 12.6-58 The Outlook in Poland—16 September 1958 (See paragraphs 51 and 52).¹⁰

⁸ This report commented on legal, personal, and community relations problems facing U.S. military and civilian employees serving abroad. (*Ibid.*, OCB Files: Lot 62 D 430, Overseas Personnel)

⁹ For text, see *Foreign Relations, 1955-1957*, vol. XXVI, pp. 777-778.

¹⁰ The last three NIEs are in Department of State, INR-NIE Files.

Annex A**INTERNATIONAL EDUCATIONAL EXCHANGE
SERVICE (STATE)**

50. A State Department exchange program has been operating in Yugoslavia since fiscal year 1958. This program is being gradually enlarged. In fiscal year 1959 it consisted of 22 grants under PL 402 at a cost of \$60,077. All of these grants were awarded to Yugoslavs. The program for the current fiscal year (1960) consists of 29 leader and specialist grants under PL 402 at a cost of \$118 thousand. 28 of these are for foreign grantees and one is for an American. The fiscal year 1961 budget as presented to Congress provides for 92 grants of which 51 are under PL 584 at a cost of \$175 thousand in foreign currency and \$68,900 in PL 402 dollar support. The implementation of this portion of the program will depend to a large extent upon the successful completion of negotiations currently being conducted for a Fulbright Agreement between Yugoslavia and the United States. There are 41 additional grants foreseen for fiscal year 1961 under PL 402 at a cost of \$77,600 in appropriated dollar funds and \$50 thousand in PL 480 foreign currency. These are for leaders and specialists under the regular exchange program as it now exists. Also included in the request to Congress are \$75,000 in PL 480 foreign currency for the possible establishment of academic chairs and work shops in Yugoslavia, expendable over three years, and \$9,800 for farm youth and teenager projects. The total program cost for FY 1961 is estimated at \$495,700.

51. In the field of private exchanges the Ford Foundation is quite active and for two years now has been bringing over influential political and academic figures for visits and study in the United States. A number of students and scholars continue to come under private sponsorship and the Eisenhower Fellowship¹¹ has brought at least two Yugoslavs to this country. It is anticipated that further Yugoslav nuclear scientists will come to the United States for study under programs of the International Atomic Energy Agency in Vienna, and it is possible that the Institute of International Education and the Rockefeller Foundation will eventually initiate programs for bringing Yugoslav students and scholars to this country.

USIA PROGRAM FOR YUGOSLAVIA

52. Headquarters are in Belgrade. A branch office is maintained in Zagreb and a reading room in Novi Sad.

¹¹The Eisenhower Exchange Fellowships were established in October 1953 to facilitate extended visits to the United States and abroad for journalists, educators, government officials, businessmen, and other professional people.

53. Personnel complement consists of 15 Americans and 92 Yugoslavs. Twelve Americans and 67 local employees are stationed in Belgrade, three Americans and 23 local employees are in Zagreb, and two local employees in Novi Sad. Total cost of the FY 1959 program in Yugoslavia was \$569,763; FY 1960 estimated at \$594,007; FY 1961 estimated at \$661,343.

54. Information centers (libraries) are maintained in Belgrade, Zagreb, and Novi Sad, with an average monthly attendance of about 10,000, 12,000 and 4,000 respectively. Other cultural activities include lectures, book translations and presentations, English teaching, and promotion of attractions sponsored by the President's Fund.

55. USIA administers the exchange of persons program in Yugoslavia.

56. Publications produced in Yugoslavia include *Pregled (Review)*, a monthly magazine of 15,000 circulation, daily bulletins in Serbian and Croatian with circulations of 4,000 and 6,000 respectively, pamphlets and other periodical publications.

57. Documentary films are shown through Yugoslav organizations to a large audience.

58. VOA broadcasts emanating from the United States carry a daily program for a total of one hour and forty-five minutes in Serbo-Croatian and 15 minutes in Slovenian.

59. The Information Media Guarantee Program administered by USIA amounted to \$850,000 for FY 1959 and FY 1960. It is expected to continue at about the same level in FY 1961.

60. Under PL 480 (i) \$190,000 has been allocated through FY 1960 for book translations, with \$400,000 requested for FY 1961. Fifteen titles have been approved and accepted by the Yugoslavs, in a total program calling for the publication of some 64 textbooks and medical books in translation.

61. Under the President's Special International Program, U.S. participation in the Zagreb International Trade Fair is planned for the fall of 1960, and the Eastman String Quartet made an extensive tour of the country in March 1960.

ICA PROGRAMS IN YUGOSLAVIA

Objectives

62. The ICA program in Yugoslavia is designed to assist that country

- a. to maintain and strengthen its national independence;
- b. to liberalize its political and economic character.

The current and prospective programs of Technical Cooperation and Special Assistance address the various aspects of the problems in-

herent in seeking to achieve these objectives. Through Technical Cooperation, ICA is undertaking to create links with Yugoslavia which will permit expanded contact between Yugoslavs and the West. Through this program ICA also is helping Yugoslavia to increase the technical competence of training and research institutions whereby the country's productive capacity—industrial and agricultural—will be increased. The Special Assistance program is in direct support of this program for it finances the acquisition of equipment, tools, machinery, etc. to be used for demonstration and training.

Current Programs

63. U.S. assistance during the past ten years has made it possible for Yugoslavia to avoid undue economic dependence on the Soviet bloc and has strengthened the foundation upon which Yugoslav independence rests. This assistance has made it easier for Yugoslavia to undertake a number of liberalizing measures during this period; agricultural collectivization as such has been abandoned and forced deliveries terminated; decentralization has in fact been carried out in all sectors of the economy, allowing freer play of market forces. Industrial production and exports have increased steadily. In the agricultural sector, the Yugoslavs have achieved virtual self-sufficiency in wheat. As a result of the hybrid corn program initiated in 1953, the yield per acre has increased by 30 percent on an average, with increases on many individual farms of 100 percent and over. With U.S. support, the Yugoslavs have established English Language Training Centers in all of the six republics; today, English is fast becoming the second language of Yugoslavia. Through the Technical Inquiry Service and distribution of industrial information and translations, individual industrial plant managers and returned participants throughout the country are provided with a wide range of up-to-date technical information.

64. The Technical Cooperation program (in FY 1960, \$1.9 million) is the center of the U.S. activities designed to create closer ties between Yugoslavia and the West. It operates both through the medium of visits by Yugoslavs to the U.S. and Western Europe, and by the employment of American technicians in Yugoslavia. Supporting TC activities include a technical inquiry service, the establishment of English language training centers, developing relationships with American universities, trade associations, and scientific institutions, and furnishing equipment and supplies for key demonstrations. The hostility and suspicion with which the Technical Cooperation program was first regarded have largely been overcome, and, at the request of the Yugoslav Government, the program will be considerably expanded in FY 1961.

65. The Technical Cooperation program has been supported by Special Assistance grants (\$2.3 million in FY 1960) for the purchase of

demonstration equipment and supplies. However, with the increase in loans from the DLF, which are now the major source of U.S. economic assistance to Yugoslavia, non-project Special Assistance is being phased down in FY 1960 to one loan (\$3 million for coking coal).

66. Under the economic development program utilizing local currency generated by the Section 402 and PL 480 programs, grant funds have been programmed for the construction of grain storage, vocational education, and public health facilities; loan funds are being utilized for projects in industry, mining, transportation, power, and agriculture, including a large irrigation project. Section 402 sales ended in FY 1959. PL 480 Title I sales have now been sharply reduced following the achievement by the Yugoslavs of virtual self-sufficiency in wheat production.

Future Programs

67. For FY 1961, tentative plans are that *Project Aid* will consist of a \$3 million Technical Cooperation program with a \$1 million Special Assistance grant for the purchase of demonstration equipment and supplies.

DEFENSE PROGRAM IN YUGOSLAVIA

68. Since the termination of grant military assistance to Yugoslavia in December 1957, the U.S. has provided military equipment to Yugoslavia on a Mutual Security Military Sales basis, thereby contributing to the independence and pro-Western reorientation which are the objectives of U.S. policy for Yugoslavia.

69. Inasmuch as Yugoslavia neither receives grant military assistance nor is joined with the U.S. in collective security arrangements, Yugoslavia's forces are not considered as "Mutual Security Forces."

70. Grant military assistance to Yugoslavia commenced in FY 1952. From that time until the program's termination in 1957, the U.S. provided Yugoslavia with over 200 jet aircraft, 8 small naval vessels, as well as tanks, vehicles, and miscellaneous Army equipment. Since the termination of aid, Yugoslavia has purchased small quantities of equipment under the Mutual Security Military Sales (MSMS) provisions of the Mutual Security Act.¹²

71. It is expected that the U.S. will continue to sell limited quantities of military assistance under the MSMS program. Such assistance will probably consist primarily of spare parts, ammunition, and training.

¹²For text of the Mutual Security Act of 1954, P.L. 665, enacted August 26, 1954, see 68 Stat. 832

Annex B

SINO-SOVIET BLOC ACTIVITY IN YUGOSLAVIA

(Prepared by CIA without inter-agency coordination as an informal document for use by the OCB Working Group and as background for the information of the OCB and the NSC.)

June 27, 1960.

72. *General.* Belgrade's state relations with the USSR and Eastern Europe showed a limited improvement during most of the recent period manifested by the January visit and high level conversations held in Moscow by top trade unionist Vukmanovic-Tempo.¹³ The authoritative Soviet party organ *Kommunist*, however, breaking precedent with Soviet efforts in the past year to win Yugoslav support through an outward appearance of amicability, bitterly attacked Yugoslavia for its failure to follow Moscow's line on the U-2 plane incident and the summit. It accused Tito of "directly or indirectly" supporting the United States on numerous international issues and warned Belgrade that the bloc would continue to attack "revisionism." The Soviet attack followed closely that of Communist China which, together with Albania, had been leading the bloc attack on Yugoslavia. Party relations with the bloc remain deadlocked, and diplomatic relations with Peiping and Tirana are virtually suspended. The bloc once again rejected a Yugoslav request for observer status on the Council for Mutual Economic Relations (CEMA).

73. *Economic.* Yugoslavia's trade with the bloc leveled off in 1959, amounting to about \$320,000,000 or 25 percent of Yugoslavia's total imports and 31 percent of exports. Yugoslavia remains sensitive to the possibility of economic blockade and the government limits bloc trade to roughly 25 percent of total trade—a percentage that would obviate the necessity of a substantial shift of exports to Western markets. Intermittent negotiations with Moscow concerning Soviet credits suspended in 1958 have been fruitless.

74. *Yugoslav Reaction.* Yugoslavia is continuing to develop and exploit its international role "between the blocs" and supports a policy of "détente" and "coexistence." Tito has criticized the foreign policies of the West while stepping up political and economic relations with the "uncommitted" nations. Continued sniping from Albania probably has

¹³Vukmanovic-Tempo, the head of the Yugoslav Trade Unions Front, visited Moscow January 6–26 for what was officially reported as a vacation. During his stay he met with Soviet Premier Khrushchev on January 26.

been a large factor in Yugoslav skepticism of bloc efforts to create a "Balkan zone of peace." Belgrade continues its steady criticism of Communist China, which it regards as a Stalinist throwback bent on upsetting international détente. More recently resumption of criticism from other bloc nations has resulted in a renewal of Yugoslav critiques of certain bloc domestic and foreign policies.

75. *The Outlook.* Yugoslav insistence on independence in internal affairs and Belgrade's active attempts to play a significant international role by closing ranks with Asian and African neutrals will continue to strain Yugoslav-bloc relations. Any stable truce between Moscow and Belgrade is unlikely, but neither side wishes state relations to be completely ruptured.

159. Memorandum of Conversation

Washington, June 24, 1960.

SUBJECT

Discussion with Yugoslav Ambassador Concerning US-Yugoslav Relations and International Situation

PARTICIPANTS

The Secretary
Mirko Nikezic, Yugoslav Ambassador
James S. Sutterlin, EE

Yugoslav Ambassador Nikezic called today at his request on the Secretary. He referred first to the fact that he had just returned from two months' consultation in Belgrade and stated that, from his talks there with President Tito, Foreign Secretary Popovic and all other officials of the Yugoslav Government interested in foreign relations, it is clear that on the Yugoslav side conditions exist for the maintenance and further development of good relations between Yugoslavia and the US. He said that Yugoslavia's interest in good relations with the US has increased rather than the contrary. From the conversations which Ambassador

Rankin recently had with Tito and Foreign Secretary Popovic,¹ he continued, the Yugoslav Government judges that on the US side conditions are also favorable for the further development of friendly relations. Ambassador Nikezic said that Yugoslavia has tended to give publicity to its opposition to any change in the status quo in Eastern Europe. It attributes equal importance, however, to the continued political "presence" of the US in Eastern Europe and would be greatly opposed to any lessening of this. The economic support which the US extends to Yugoslavia, he continued, is of great importance in itself and is developing in a highly satisfactory manner; but the Yugoslav Government considers it important from the political point of view as well, the Ambassador emphasized, as a manifestation of this US political "presence."

Ambassador Nikezic next referred to Yugoslavia's plans for a change in its economic relationship with other countries through a reform in its exchange system. He said that he had reviewed this in detail with Under Secretary Dillon² and that the Yugoslav Government is looking forward to Mr. Dillon's forthcoming visit to Yugoslavia³ so that it may have an opportunity to discuss the plan further with him and persuade him of its merits. Mr. Dillon will see President Tito, Vice President Todorovic and Foreign Secretary Popovic, Ambassador Nikezic said, and while primary attention will doubtless be paid to economic subjects, he thought that US-Yugoslav relations and the international political situation might also be raised with Mr. Dillon if he is willing to discuss them.

Turning to the current international situation, Ambassador Nikezic referred to the two, seemingly opposing, trends in Soviet policy which have emerged: on the one hand, an evident desire to increase tensions, and, on the other, a reaffirmation of the policy of coexistence and peace. Which, Ambassador Nikezic asked, does the Secretary consider to be the dominant trend? The Secretary replied that it is difficult to say but that in his opinion it is probably the latter, adding that the Soviets seem to wish to keep channels of communications open. As to Khrushchev's performance in Paris,⁴ the Secretary said that he thought there was a real element of personal feeling toward the President involved as well as a conviction on Khrushchev's part that he could not make any progress in

¹ For reports of Rankin's meeting with Tito, see Documents 156 and 157. Rankin met with Popovic on May 17 for discussions on Popovic's visit to the Middle East and the failure of the Paris summit. The memorandum of this conversation is in Department of State, Central Files, 611.68/5-1860.

² See Document 153.

³ Dillon was scheduled to visit Yugoslavia July 17–20 as part of a five-nation good will trip.

⁴ Reference is to Khrushchev's public demands that Eisenhower apologize for the U-2 incident and especially to Khrushchev's conduct during his May 17 press conference.

Paris toward his goals in Germany. Ambassador Nikezic then queried the Secretary as to whether the US is prepared to give Khrushchev time to settle his domestic problems and his differences with the Chinese Communists and again negotiate with him at a later date when he is ready. The Secretary indicated that our policy remains the same and that we shall continue to try to find means of reducing tensions and establishing peace. In Geneva we still are endeavoring to make progress on disarmament and the cessation of nuclear testing.⁵ Unfortunately we have always run up against the same obstacle, that is, the question of inspection. In this connection the Secretary commented that he thought the U-2 incident was a real shock to the Soviets since he felt that until the plane was downed and the films developed the Soviets had no idea of how extensive our knowledge was of developments inside their country. Ambassador Nikezic noted that Soviet weakness in this connection should logically be attributed in the Soviet Union to the "generals" rather than to Khrushchev's policy of coexistence.

Ambassador Nikezic next asked the Secretary whether in view of the failure of Summit diplomacy he expected the UN to become more active in the settlement of international problems. The Secretary answered that it may well, but that it is in many ways a difficult forum for serious negotiations. As an example he pointed to the fact that the Committee on Disarmament is composed of 82 members, many of whom have little or no knowledge of the technicalities of the subject. On the other hand, he said, there are many nations interested in the maintenance of the balance of power and who thus would approach the subject in a realistic manner. Elements of mistrust are bound to continue, the Secretary noted, as long as closed societies exist. Only through a system of inspection in which all nations may have confidence can this mistrust be overcome in our present-day world. The US for its part, the Secretary said, has nothing to hide, and indeed almost anything in the country can be photographed from commercial planes.

⁵ The Ten-Nation Disarmament Conference at Geneva had deadlocked after Western rejection of a Soviet plan for disarmament on June 16. On June 17 Frederick Eaton, the chief U.S. representative, returned to Washington for consultations.

160. Editorial Note

On July 6 the Operations Coordinating Board conducted its semi-annual appraisal of NSC 5805/1 (see Documents 120 and 122). The Board concurred in the recommendation that no policy review by the NSC was necessary at this time and that there were no developments of such significance as to warrant sending a report to the NSC. In line with a Presidential directive to the OCB to bring all NSC policy papers into "a current condition for the next Administration" (NSC Action No. 2215-c, approved by the President on April 9; Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council), the OCB requested that the Department of State prepare a draft revision of NSC 5805/1. (Memorandum by Bromley Smith, July 13; *ibid.*, OCB Files: Lot 62 D 430, Yugoslavia)

161. Memorandum of Conversation Between George F. Kennan and President Tito

Belgrade, July 8, 1960.

I called on President Tito this morning and spent nearly an hour with him. The visit took place at his initiative; I had made no suggestion or request of this nature. I was simply informed by the Institute for International Politics and Economics that the visit would be part of my program. Before going to the President's office I was twice advised by Mr. Stanovnik, the Director of the Institute, that this was not to be merely a protocol visit but that the President would wish to discuss matters of substance. In reply I pointed out that I was only a private individual and could speak for no one but myself but would be happy to discuss any matters he cared to discuss.

The only other person present at the interview was the President's political secretary, Leo Mates. The discussion began, at the President's request in English, and I think he wanted it informally documented that this was the language of discussion; however, we soon moved over to Russian and finished the discussion in that language.

Source: Department of State, Central Files, 768.11/7-1160. Confidential. Drafted by Kennan and sent as an enclosure to a July 11 letter from O'Shaughnessy to Kohler. Kennan, a former U.S. Ambassador to the Soviet Union and fellow at the Institute for Advanced Studies at Princeton, was in Yugoslavia for 3 days of meetings at the Institute of International Politics and Economics at Belgrade. In January 1961 President Kennedy appointed him Ambassador to Yugoslavia.

After the usual initial pleasantries the President opened the political part of the discussion by stating it as his opinion that the United States Government would, after the forthcoming change of administration, have to have new concepts and approaches in the field of foreign policy and that these would have to be united in some sort of positive program. Otherwise, he thought, there would be continued difficulties and possibilities of a preclusive reduction of American prestige and the effectiveness of American diplomacy.

He then brought up the subject of Cuba and said that they could not help but feel sympathy for a small and economically weak country faced with the proximity of a large and powerful one. On the other hand, he could not entirely approve of the abrupt manner in which the Cubans had done what they had done.¹ He did feel that this was an important test of American policy and that much would depend on the nature of the American reaction.

I replied by saying that I thought it was the universal impression among Americans, and one which I personally shared, that we had been extremely patient with the Cubans; that there had initially been no prejudice against the Castro regime in the United States—on the contrary—he had come to the United States and been received in a friendly manner; and that I did not know what we could have done other than what we had done to show our patience and good will. Specifically, I thought the action taken with regard to the sugar quota² was the least we could do to protect our interest and represented an action which the Cubans had to expect.

The President indicated agreement with this view, and I gathered that he did not feel that our action with regard to the quota had been in any way unreasonable. His somewhat torn feelings about this question seemed to center more round the general tone of American reaction than round the specific measures we had taken, and I gathered that while he had no strong objection to voice to anything we had done thus far, he would be extremely sensitive to anything that looked like efforts on our part to apply military pressure and aggressive economic sanctions against the Cubans. For this reason I told him it was, in my opinion, most unlikely that we would undertake any military intervention in Cuba unless the Cubans behaved so provocatively as to arouse real violent reactions in American public opinion and Congressional circles. Barring anything of this sort, it was my impression that we would probably move through the Organization of American States, and that much would depend on the reactions on the Latin American neighbors.

¹ Apparently a reference to the expropriation by the Cuban Government of property owned by U.S. oil companies on June 29 and July 1.

² The United States cut off Cuban sugar imports on July 6.

I pointed out that the Venezuelans and other Latin American countries might also be the sufferers from the actions taken by the Cubans against American interests. I also pointed out to him that this was not just a question of what had been done but also of how it had been done; and stated that if the Cuban Government had decided that it did not want private foreign investment in Cuba and had approached us in a conciliatory and respectful way with a program designed to liquidate such investment in a manner least injurious to American interests, I felt sure that we would have been willing to collaborate even though we could not approve of the spirit of the measures; but when such actions were taken provocatively, in a manner deliberately offensive to our country and detrimental to our prestige it was impossible for us to show patience indefinitely.

He asked me who I thought was influencing the Cubans and whether it was not the Chinese more than the Russians. I said I was not informed about this and could give him no answer; that the actions taken by the Cubans seemed to me to correspond more closely to Chinese concepts of the cold war than to the Russian ones; but I had no precise information of any sort on this point. I said that obviously the Russians were deeply interested in this situation and it was my own view that the main source of their interest might be to build up their position in Cuba for its nuisance value with a view to bringing pressure on us at a later date to reduce the dimensions of our military commitment in Iran and perhaps in other Soviet-border countries in return for a comparable reduction of their activities in Cuba. On this the President did not comment.

Turning to the European theatre, the President observed that no one wanted the unification of Germany and that the present situation would have to endure for a long time. He saw no reason why this would not occur without producing great tension. I pointed to the Berlin situation as the main element of danger in the continuation of the present situation. He stated that Khrushchev was interested in Berlin only as a lever for getting concessions out of the West: if such concessions could not be achieved Khrushchev had no interest in going ahead with the peace treaty project.

He asked about the Soviet proposal for a free city of Berlin.³ I replied that it had been my personal view that while the proposal as made by the Russians was quite unacceptable I thought it might have received more serious study and consideration than was the case in the Western countries; however, it had to be recognized that the West German

³ Prior to the summit conference of May 1960, the Soviet Government reiterated its view that the creation of a free city was the only alternative to a separate peace agreement between the Soviet Union and the German Democratic Republic.

Government was dead [set] against any such idea and that for the Western allies to give consideration to the proposal would have meant to override the feelings of Bonn, and also of the West Berlin leaders on a matter of most intimate importance to them. He said that he himself thought that this idea, to have any reality, would have to be applied to the entire City of Berlin and not just to the Western sectors. I said I heartily agreed and also that any conceivable change in the status of Berlin would, in my opinion, have to include guaranteed facilities of communication with the outside world to be extended as a right—and not as at present—as a privilege. He voiced no objection to this, and I gathered he felt it was reasonable.

I took occasion to say to him that whatever happened in this problem it was out of the question that we could abandon the Western sectors of Berlin to any form of East German control; that this was not a partisan issue in America, both parties were agreed on it; that the West Berliners had shown courage, firmness and loyalty to us, and we would remain loyal to them.

I asked him whether he thought it would be useful if Bonn were to attempt to develop its economic and cultural relations with various Eastern European countries on a bilateral basis. He said he definitely thought it would: that this might even help with time to render the deeper political problems somewhat easier of solution. He laughed about the German break with Yugoslavia, saying that it had hardly affected the course of events at all.⁴

The talk turned to the Far East. I said I thought there was a certain evolution of opinion in our country on relations with China and that it was even possible that consideration might be given, after the change in administration, to modifications of our position with regard to official bilateral relations with China and to the participation of China in the UN. However, I wished to emphasize that people at home were under no great illusions about the possibility for agreement with the Chinese in any substantive issues. With the Russians it was one thing: we had our differences but there was no real underlying hatred; in many ways we respected and admired each other, and there was a bond of mutual appreciation among our peoples. With the Chinese we had the feeling that we were up against real emotional prejudice of the most violent sort, and that while we might have made our mistakes in policy toward China at one time or another that these mistakes did not justify or explain the violence of the Chinese Communist hatred directed toward us. Things would have to change therefore on the Chinese Communist side

⁴ The Federal Republic of Germany broke relations with Yugoslavia on October 19, 1957, after the Yugoslav Government announced its diplomatic recognition of the German Democratic Republic.

as well as on ours before any progress could be made, and it would be a long process.

The President listened attentively to all this but made no comment other than the Yugoslavs themselves knew something about the violence of the Chinese Communist emotional prejudice, and that if we were denounced in the way we were, they, too, were also denounced for allegedly being our agents.

I asked him whether he was satisfied with the state of American-Yugoslav relations and he said everything was proceeding very smoothly here.

The only specific criticism he had to make of American policy was that we often defeated ourselves in our foreign aid programs by first making generous undertakings and then destroying the psychological effect of them by petty restrictions and demands.

162. Editorial Note

Under Secretary of State Douglas Dillon visited Yugoslavia July 17-20, during a five-nation good will tour. On July 18 at 9:30 a.m., Dillon met with Yugoslav Vice President Todorovic (see Document 163). After lunch with Todorovic, Dillon visited the Pancevo fertilizer plant. That evening he attended a dinner at the U.S. Embassy. At 11 a.m. on July 19, Dillon met with President Tito at the latter's villa on the island of Vanga (see Documents 164-168). After his discussions with Tito, Dillon returned to the Yugoslav mainland and drove to Zagreb. Dillon flew from Zagreb to Paris the morning of July 20. Documentation on Dillon's visit to Yugoslavia, including memoranda of conversation, summary telegrams, and briefing papers, is in Department of State, Conference Files: Lot 64 D 559, CF 1724.

163. Memorandum of Conversation

MC/12

Belgrade, July 18, 1960, 9:30 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA
July 17-20, 1960

PARTICIPANTS

United States

The Under Secretary
Elim O'Shaughnessy, Chargé
d'Affaires, a.i., Embassy Belgrade
Leonard Weiss, Economic
Counselor, Embassy Belgrade
John Leddy, Special Assistant to Mr.
Dillon
William D. Broderick, Second
Secretary, Embassy Belgrade

Yugoslavia

Vice President Todorovic
Vladimir Popovic, Member Federal
Executive Council
Bogdan Crnobrnja, Assistant
Secretary of State in Secretariat for
Foreign Affairs
Janko Smole, Governor Yugoslav
National Bank
Franc Primozic, Director IV Political
Division

SUBJECT

United States-Yugoslav Economic Relations

Mr. Todorovic opened the talks with the remark that the timing of Mr. Dillon's visit was fortunate for a review of mutual economic relations and for seeking new forms and areas of cooperation. He stated that he wished to discuss three related topics: Yugoslavia's internal economic development; her international economic relations; and mutual economic relations between the United States and Yugoslavia.

Mr. Todorovic began with a survey of Yugoslavia's internal economic policy. He stated that preparations for a new Five Year Plan were nearly completed and that the plan would soon be presented to Parliament. In its basic character, the plan continues the present policies of (a) a further rapid development of the economy, (b) a further raising of the living standard and (c) a further development of the social system in the direction of more decentralized and more democratic self-government. Stress will be placed on self-management by individuals and groups. Progress in this direction has been considerable but it is not good enough as yet.

National income is expected to increase 11% annually in the period 1961-1965. Although this is a high rate, Mr. Todorovic pointed out that

the annual increase in national income during the last four years was 12%. Exports will increase 12% annually while imports will go up 9% annually. Thus the present \$700 million level of exports of goods and services will increase to \$1.3 billion by 1965 and imports will rise from \$800 million to \$1.3 billion. Thus it is anticipated that by the end of the Five Year Plan the balance of payments deficit will be more or less eliminated.

Mr. Todorovic pointed out that the above program was possible, as the record to date has proven; it was also essential that it be carried out. In order to strengthen Yugoslavia's independence, to raise the low level of the economy and to introduce more freedom into the social system such a program of development must be undertaken.

The present per capita national income according to Mr. Todorovic is \$350. This compares with a pre-war level of \$170 and the 1947 level, also of \$170. While this is indicative of the progress that has been made, it is in contrast to the situation in most European countries whose per capita national income is more than \$1,000. Mr. Todorovic pointed out that whereas the present level of national income is equal to that of the U.S. at the end of the nineteenth century, in 1954 it was only equal to that of the U.S. at the end of the eighteenth century. He stated that by 1965 it was expected that per capita national income would reach \$570, which would bring it close to Italy's present level.

The new Five Year Plan provides for approximately 25% of national income to go to investment, with an annual increase of personal consumption at the rate of about 9% annually, and investment in social projects (housing, schools, hospitals, etc.) at the rate of about 13% annually.

These rates, which are high, were set with two basic factors in mind. First, living standards are still low and rapid growth of living standards has taken place only in the last two years. Secondly, the Yugoslav economic system is characterized by the fact that a rapid rate of increase is linked with a rapid growth of living standards.

Mr. Todorovic stated that Yugoslavia was counting on foreign assistance for the implementation of its Five Year Plan in the gross amount of \$1 billion. He pointed out however that net foreign assistance would be significantly lower because of heavy repayments schedule for credits contracted. He stated that most currently available credits in Europe are short term.

Mr. Todorovic stated that Yugoslavia has taken great strides forward in decentralizing its economy but it is not yet satisfied with the extent of decentralization. Further movement in this direction can only come by strengthening the material basis of the economy. He pointed out that 40% of total investment is still channeled through Federal sources and that enterprises have at their free disposal only 1/6th of

their total profits after taxes. It is desirable to leave them with a larger share of profits and the Yugoslav Government will move in this direction. However, success will depend on available resources. He stated that a law is now under preparation which will increase the role of local communities in the control and operation of schools (to be managed by parent-teachers associations), hospitals and similar institutions. It is also planned to permit enterprises an increasing share in the management of funds through the creation of a system of commercial banks through which the distribution of social capital can be made.

Overall direction, however, of economic development must be based on the social plans, both to insure development along sound lines and to prevent inflation.

Mr. Todorovic next turned to the question of the foreign exchange reform. He stated that the contradiction between the movement towards economic freedom on one hand and the bureaucratic elements in the foreign trade and exchange system on the other had long been obvious to them. Efforts to date to carry out a reform have been inhibited by the lack of foreign exchange and the need for heavy expenditures on national defense and on economic development, among other things. Today however the prospects of carrying through such a reform have greatly improved. The reform itself, concerning whose details the American Embassy has been informed, marks, according to Mr. Todorovic, a qualitative change towards freer relations in this area. Although it will cause problems at first, it will in the long run provide a new impulse to the economy.

Mr. Todorovic stated that in undertaking such a reform Yugoslavia did not want to affect adversely the growth in living standards nor to slow down the rate of social economic development. He said that his country was counting on foreign aid in order to implement the reform. According to Yugoslav calculations \$340 million in medium and short-term credits would be needed to carry it out. Yugoslavia looks both to Western Europe and the United States in addition to the IMF to provide such assistance. It anticipates that much of the assistance as well as help in obtaining assistance from Western Europe must come from the United States. Mr. Todorovic stated that it was hoped that the reform could take effect on January 1, 1961. An IMF commission is to visit Yugoslavia in August and detailed estimates are now being prepared for this group.

Turning next to bilateral relations Mr. Todorovic said that mutual relations in the last ten years had been positive, successful and mutually useful and had helped Yugoslavia to weather many extraordinary difficulties resulting from the international situation and from such internal problems as drought and post-war reconstruction. The forms of aid have of course changed in accordance with changing needs. He pro-

posed to review our relations today with a view to the promotion of stable, long-range economic relations. In addition to present aid new and more lasting types of assistance would be desirable. Mr. Todorovic stated that quantitatively the general level of economic aid from the U.S. was stagnating at the same time that over-all Yugoslav exports and imports were increasing. While earlier forms of assistance had now ceased (i.e. PL 480 wheat) there were possibilities to replace them with new forms of long-term aid. He stated that Yugoslavia was not satisfied with its present level of exports to the United States and that measures, including a visit by a group of prominent businessmen to the United States, were now being undertaken to increase mutual trade. He stated that Yugoslavia found it easier to get credits and technical cooperation from private firms and banks in Europe than from those in America. He said he found it somewhat surprising that U.S. banks and businessmen were more conservative in this regard than those of Western Europe and he thought it would be useful if the U.S. Government, possibly through the EXIM Bank, could give some encouragement in this direction. He pointed out that they had done no business with the EXIM Bank or with the IBRD for ten years. Now that the problem of pre-war debts had been settled¹ his government anticipated assistance from the IBRD in the near future, and he requested U.S. support for such help.

Mr. Todorovic concluded by stating that it was hoped Yugoslav exports to the United States could be tripled by 1965.

Mr. Dillon, after thanking Mr. Todorovic for his exposition, stated that the United States has wanted to assist Yugoslav development as much as possible within the limits of its available means. He pointed out that development was perhaps the most important problem of our time, and that we considered Yugoslavia to fall within the category of those countries which have a real capacity for development. He stated that the United States wishes to continue its very satisfactory cooperation with Yugoslavia and that as the situation changes within Yugoslavia the form of such cooperation will naturally change. He stated that we agree with the goal of moving towards a more natural and long-term relationship based on trade. The decline in the total value of U.S. assistance both now and in the near future does not indicate our lessened interest in Yugoslavia but rather a change for the better in the Yugoslav economic situation. For example, the large shipments of wheat we had previously made under PL 480 were now no longer necessary because of Yugo-

¹ On April 6 the Yugoslav Government announced that it was assuming responsibility for the prewar debt of the Kingdom of Yugoslavia. A temporary 5-year settlement, approved by the Foreign Bondholders Protective Council, provided for the resumption of payment on bonds at a rising yearly rate through 1964. A final settlement more favorable to the bondholders would then be negotiated.

slavia's success in increasing its grain production. Mr. Dillon pointed out that, apart from wheat, the level of our economic assistance to Yugoslavia as a result largely of the DLF is greater than previously. He stated that we intend to continue to make loans to Yugoslavia in accordance with available funds and world-wide demand.

Mr. Dillon said he considered it useful for Yugoslavia to develop trade relations with our private companies. Insofar as the government is concerned, we favor an expansion of such trade relations. He stated that as a former businessman himself he could only speculate as to why American businessmen were so conservative vis-à-vis Yugoslavia. He suggested that once our businessmen become personally acquainted with the country and its markets this situation should improve. Many private businesses, he pointed out, like to begin operations in a new country by working out technical cooperation agreements which, if successful, are often followed by loans. Practically all private investment abroad, he pointed out, is undertaken by individual companies and not directly by banks.

Regarding Yugoslavia's exports to the U.S. Mr. Dillon observed that as the Yugoslav economy develops, its range of export products should increase. He was sure that the U.S. Department of Commerce would be ready to help in any way possible to promote U.S.-Yugoslav trade. He also stated that on his return to Washington he would see what could be done to encourage the Export-Import Bank to cooperate in this regard. He indicated however that the EXIM Bank, although within the government, is a completely independent institution not subject to the directives of the State or Treasury Departments.

Mr. Dillon expressed pleasure that relationships had been regularized with the IBRD. He stated that Mr. Black had informed him following the visit of the IBRD mission to Yugoslavia that the Bank looks forward to renewed collaboration with Yugoslavia.

Mr. Dillon then asked certain questions in connection with the foreign exchange reform. He stated that the figure of \$570 per capita national income for 1965 was most impressive and if achieved would mean that Yugoslavia should no longer be considered an underdeveloped country. It is generally calculated, he said, that when a country attains \$500 per capita national income this means that rapid and easy development is possible without outside assistance of a special nature. Pointing out that the figure was given in dollars and that a country with multiple exchange rates presented special problems in this regard, he asked what was the conversion factor. Mr. Todorovic replied that this was a very complex calculation done by the Yugoslav Planning Board taking into consideration internal prices, tariffs, etc. and for this reason he described it only as approximately \$570. Mr. Dillon then asked whether there were estimates of how much of the \$1 billion of external

assistance needed in the Five Year Plan would come from Western Europe. Mr. Todorovic said he was unable to give a precise breakdown since much depended on the types of credits available. However, they were counting on Italy, Germany and France as well as Switzerland, Belgium and Great Britain. They also anticipated getting some credits from Japan.

Mr. Dillon then stated that our Government has felt strongly that short-term credits are not very helpful for development projects. Therefore the United States had used its influence in Western Europe to lengthen credit terms. It was found that many countries, Italy and Germany in particular, had no mechanism for making longer term loans but both are now in the process of creating such mechanisms. The Development Assistance Group created in Paris last January has as its purpose to increase the amount of long-term development funds, although it does not get into specific operations. The United States and other countries have agreed that loans for a term of five years or less cannot be classified as development assistance. We believe this will help all countries like Yugoslavia which are in need of development funds.

Mr. Dillon stated that we think the proposed exchange reform should be helpful for the economy. We are not, he said, in a position to comment on it in detail. When the report of the IMF is finished and made available to us, it will be studied and determined at that time what can be done specifically by the United States to help.

Mr. Dillon stated that in Geneva he talked with Mr. Jacobsson whose impressions of Yugoslavia had been most favorable and who felt that some arrangements of this general nature were possible.

Mr. Dillon then asked whether the funds needed for the exchange reform, which had been stated at \$340 million, were included in the \$1 billion of foreign assistance anticipated in the Five Year Plan. Mr. Todorovic replied that it was not. The \$1 billion of which less than \$500 million would be available for net investment, was in addition to the exchange reform sum. Mr. Dillon then inquired as to the reasoning for assuming that the reform would cause a decrease in exports, since in most cases a unified rate at a devalued level results in an export increase. Mr. Todorovic in reply emphasized that the reform will eventually bring about an increase of exports but that there would be a temporary drop while certain firms which have to date enjoyed very high profits and premiums for their exports are able to adjust to the new conditions of the market.

Mr. Dillon felt that the unified exchange rate in itself would be a great help to an increase in trade on a multilateral basis. As to the \$340 million total it was a very large one. The first step would be to get the full agreement of IMF on details of the program and on the amount of outside funds the IMF in Yugoslavia agrees are necessary. He said he hoped

that it would be found possible to lower the total. It is difficult to find funds available for stabilization purposes only. In the help which the U.S. had given in recent years to Turkey, Spain, and Argentina it was found necessary to use all kinds of different assistance, including the DLF, PL 480 and EXIM Bank, in order to make up the overall total. Congressional funds for grant assistance had been declining in recent years. Nevertheless once we receive the IMF report we will see what can be done and talks will be held both here and with the Yugoslav Embassy in Washington at that time.

Mr. Dillon stated that we felt the Western European countries should play an important part in this effort, particularly because the immediate trade benefits would be greater for them than for us. He assured the Yugoslavs that once agreement is reached with the IMF and the Yugoslav Government, the United States Government would be glad to do everything possible to promote the cooperation of Western European countries which could assist in the reform.

Mr. Todorovic in reply stated that he had not reckoned with DLF and PL 480 as means of supporting the exchange reform because these had already been planned to be used for investment purposes, as is their function. He stated that the figure of \$340 million was a realistic sum which would enable the reform to be successful without jeopardizing economic stability. Yugoslavia he said was very sensitive regarding such stability because public opinion would not easily accept measures to check the growth in living standards. The measure he said also has important international political aspects. The Yugoslav system is considered by some a bold and risky experiment and Yugoslavia would not wish to give certain outsiders a chance to comment negatively on or attack Yugoslav economic developments. Yugoslavia feels it must be cautious in implementing such a program.

Mr. Dillon agreed that the reform would be a substantial step forward if successful and that it should be done with caution. While it is impossible for us to know at this time how much of the necessary support can be mobilized, the United States will be glad to work closely with the Fund and the Yugoslav Government to see where we can help and to energize the governments of Western Europe. Regardless of how this particular program works out, the United States will continue to support Yugoslavia in the remarkable efforts it is making. Mr. Dillon concluded by stating that he was particularly impressed by the fact that Yugoslavia's economic growth had been accompanied by improvement in the standard of human welfare and a growth in consumption. He wished Mr. Todorovic well in his efforts in the coming years.

Mr. Weiss then asked whether the \$60 million decrease in exports was an absolute or relative decrease. Mr. Todorovic explained that this was not a decrease anticipated from the present year's levels but from

what next year's exports would have been had there been no reform. Mr. Todorovic concluded by stating he was convinced the talks had been useful and that his government appreciated Mr. Dillon's appraisal of Yugoslav efforts and the role of the United States in Yugoslav developments. He stated that Yugoslavia intends to carry through an exchange reform regardless of outside aid because it is in the interest both of the government and the people of Yugoslavia. The rate at which the reform can be implemented however depends on the amount of outside assistance available.

164. Memorandum of Conversation

MC/6

Vanga, July 19, 1960, 11 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA July 17-20, 1960

PARTICIPANTS

United States

The Under Secretary
Mr. E. O'Shaughnessy, Chargé
d'Affaires
Mr. Graham Martin, Special
Assistant to the Under Secretary
Mr. Leonard Weiss, Counselor for
Economic Affairs and Acting
Director USOM

Yugoslavia

President Tito
Leo Mates, Secretary General to
President Tito
Koca Popovic, Secretary of State for
Foreign Affairs
Vladimir Popovic, Chairman FEC
Council on Foreign Economic
Relations
Bogdan Crnobrnja, Assistant
Secretary of State for Economic
Affairs

SUBJECT

Cuba

Prior to the meeting with President Tito, Mr. Dillon had met privately with Foreign Minister Popovic. (The discussion covered the

Source: Department of State, Conference Files: Lot 64 D 559, CF 1724. Confidential. The drafting officer is not indicated; approved by Dillon on July 21. The meeting was held in Tito's villa. See also Documents 165-168.

same points as in the Tito conversation and therefore is not separately reported.)¹

President Tito welcomed Mr. Dillon and, after the usual exchange of pleasantries, invited him to speak on whatever matters he wished. Mr. Dillon indicated that since our attitudes and actions relating to Cuba were apparently not well understood in Yugoslavia, it might be useful to discuss the Cuban situation putting it into its proper historical perspective. Mr. Dillon said that the Cuban problem was important to us and involved rather deep emotional reactions on the part of the American people.

Reviewing our war with Spain, regarded by our people as a war of liberation, he outlined subsequent economic measures taken to aid Cuba. He described the very profitable arrangement which had been provided in more recent times by the US to Cuba with respect to sugar. Under this arrangement we paid Cuba 2¢ a pound above the world price for sugar and thus contributed materially to Cuba's economic well being.

Mr. Dillon recalled that when Batista overthrew the Machado regime he had at first instituted some social reforms of which we had approved. His last regime had relapsed into the same repressive measures of his predecessor and the Cuban people had wanted a change. Mr. Dillon noted that the US had stopped arms shipments to the Batista government, that Castro's agents had operated in the US with relative freedom, that influential parts of the American press had been sympathetic to Castro, that after his overthrow of the Batista regime he had been permitted to visit the US and had received almost a hero's welcome. In summary, Mr. Dillon pointed out, on Castro's coming to power, the US reaction, both popular and official, was sympathetic to the social reforms expected of the new regime.

Then, Mr. Dillon noted, for reasons unclear to us, he started making antagonistic statements. He said the US would attack Cuba when we had no such idea, and indicated he would have nothing to do with the Organization of American States. He started fomenting difficulties in other countries in Latin America and developed close relations with the Soviet Union. We have reluctantly come to the opinion that he is operating as a satellite of the Soviet Union rather than being genuinely interested in social reforms.

Mr. Dillon stated that other countries in Latin America have become disturbed about Castro's activities. The statements made by

¹ On July 22, O'Shaughnessy prepared a memorandum of Dillon's conversation with Popovic. A copy was sent to the Under Secretary of State. A marginal note on that copy reads: "Not distributed as considered unnecessary by CDD[Dillon]—same topics covered in Tito conversation." (*Ibid.*)

Khrushchev regarding his intention to go to Cuba² and other related matters were very unpopular with other Latin American countries. The latter do not wish to have an outside country interfering in the affairs of this hemisphere, and now want a meeting of Latin American states on the Cuban problem.

Mr. Dillon stated that we have the greatest sympathy for social reform in Cuba. While we are concerned about expropriated American property and want to see this matter fairly settled, it is not our first concern. We are concerned, stated Mr. Dillon, about Cuba's becoming a center of Soviet influence. Because of our geographic proximity and direct effect on our interests we feel very strongly about this matter. Mr. Dillon recalled to President Tito the recent statement of President Eisenhower on this point³ and said it would be a great mistake for anyone to underestimate the seriousness with which not only this administration but any successor administration would regard this matter. We have, however, no intention to attack Cuba as the Castro regime has asserted.

President Tito thanked Mr. Dillon for his candid and lucid exposition of the problem. He stated that the Cuban people should have the opportunity to improve their economic conditions and develop the country in the manner in which suits them best. He was glad to hear from Mr. Dillon that we were not thinking of any "dramatic" action (that is, the use of force) and said he believes that the problem could be settled peaceably through negotiation. He felt that the whole problem has become accentuated by the general deterioration in the world situation. If it were not for this fact, the Cuban affair would be a relatively minor matter. He stated that with good will the problem could be peaceably settled.

He said that he was not familiar with all the details of the internal situation in Cuba and the statements made by Cuban officials. He felt, however, that the cut in the sugar quota was a very strong measure on our part and smacks of economic pressure.⁴ He suggested that perhaps measures, such as a reduction in the price of sugar rather than a cut in the quota with its discriminatory effect, would have been better in the situation.

Mr. Dillon stated that it would have been difficult to cut the price of sugar since we pay this price to other Latin American countries besides Cuba. He noted that a reduction in the price for Cuba only was also discriminatory just as a cut in the quota applicable only to Cuba. He stated that the Cubans had charged that as a result of our buying sugar from

² Khrushchev's proposed visit was announced on June 17.

³ July 9. For text of Eisenhower's statement, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960-61*, pp. 567-568.

⁴ The United States cut off Cuba's sugar import quota on July 6.

them, they were slaves to us, were unduly dependent on the US and wished to diversify. The Cubans have not been taking very good care of their sugar fields. As a consequence while Cuba will probably have a fairly good harvest next year (down only about 10%) our experts tell us there will be a big drop in the year after next and Cuba will not be able to satisfy our requirements and, at the same time, fulfill commitments to the Russians and requirements elsewhere.

Accordingly, Mr. Dillon continued, we felt that a reduction in the quota at this time and the increase of our purchases from other Latin American countries was warranted. He noted that we would still be buying substantial quantities of sugar from Cuba, some 2.5 million tons instead of the previous 3.2 million tons, that is, about 40% of Cuba's sugar crop as compared with the previous half. Mr. Dillon noted that we intended to buy more sugar from other Latin American countries. Mr. Dillon indicated that these countries felt that the present arrangement, which had been established some 20 years ago, was unfairly favoring purchases from Cuba and that some adjustment was in order.

Mr. Dillon stated that we do not intend to take other measures against Cuba unless she forces us to. In fact, the economic aggression has been the other way, from Cuba not from us. He also noted that, in addition to Cuban measures of expropriation, Cuba has run up an unpaid bill of some \$150 million on purchases from the US.

Mr. Dillon agreed with President Tito that the Cuban people should be permitted to develop their economy as they wish. He felt that the regime had gone astray and that it was up to the people of Cuba to correct the situation. He said that we do not want Cuba to become a center of international disturbances and agreed with President Tito that the general world situation had greatly exaggerated the difficulties with Cuba.

As the President later adjourned the meeting for luncheon he thanked Mr. Dillon for the clearness and frankness of his remarks, particularly on Cuba, which gave him a better understanding of that situation.

165. Memorandum of Conversation

MC/7

Vanga, July 19, 1960, 11 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA
July 17-20, 1960

[Here follows the same list of participants as Document 164.]

SUBJECT

General World Situation

Mr. Dillon then solicited President Tito's views on the general world situation and the Russian attitude with respect to it. He started out by saying that, while we could understand though not agree with the Russian reaction to the U-2 incident, we could not understand the Russian action with respect to the latest airplane situation involving the RB-47.¹ He said that the Russians knew about past RB-47 activities. He said that the plane never had gone closer than 30 miles to the Soviet Union and that we were prepared to prove this fact in the UN. He noted that Russian planes have engaged in the same kind of activities as the RB-47. He also noted the curious fact that the Russians are not saying where they shot down the RB-47. Mr. Dillon said it was strange to us why the Russians were stirring up so much trouble on the RB-47 and asked for President Tito's views.

The President replied that he does not have the facts and thus finds it hard to express views on the matter. In his opinion, however, it would have been wise, in view of the U-2 incident, to have avoided any activity close to Soviet territory that might cause another incident. Against the background of the U-2 incident, we should have been extra careful to prevent even the smallest possibility of causing another incident in the cold war situation that has now developed because any incident, otherwise small in itself, gets more "resounding" and exaggerated.

Source: Department of State, Conference Files: Lot 64 D 559, CF 1274. Confidential. The drafting officer is not indicated; approved by Dillon on July 21. The meeting was held in Tito's villa. See also Documents 164 and 166-168.

¹ A U.S. Air Force RB-47 reconnaissance bomber was shot down by the Soviet Union over the Barents Sea on July 1. Four American servicemen were killed and the survivors were taken into custody by the Soviets. See Part 1, Documents 157-165.

166. Memorandum of Conversation

MC/8

Vanga, July 19, 1960, 11 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA
July 17-20, 1960

[Here follows the same list of participants as Document 164.]

SUBJECT

China

In connection with the general world situation, President Tito stated that there was one problem very much on the mind of his government; namely, that of China. He stated that Yugoslavia believed it would be beneficial to the world community if China were represented in the UN. If she were, he argued, China would have to defend itself both in that forum and accept responsibilities in the UN. He said that there are Chinese policies and actions of which Yugoslavia disapproved, for example, India and Nepal, but felt that these and other difficulties could be better handled if China were in the UN.

Another aspect of this matter, he said, was that though China has been excluded from the UN, it was developing rapidly economically and thus constantly growing stronger (with the implication that China was thus becoming more dangerous). He also stated that the exclusion of China from discussions and agreements on disarmament would be to the detriment of the world community. He stated that with the present attitude against China, the latter might feel pressed to take harsh actions politically and to go even beyond, thus creating even more dangerous situations from which it would be difficult to disentangle.

He emphasized that the views he had presented on the matter of China were not prompted out of concern of any direct danger by China to Yugoslavia, but rather out of Yugoslavia's general assessment of the world situation, and the interest of the world community. The President solicited Mr. Dillon's views on this question.

Mr. Dillon then reviewed the position of the US against mainland Chinese membership in the UN until they could accept the principles and obligations of the UN. He appreciated the view that if mainland China were in the UN, it might be made more responsible and deterred from aggression. But, he said, the situation in our view was more com-

Source: Department of State, Conference Files: Lot 64 D 559, CF 1274. Confidential. The drafting officer is not indicated; approved by Dillon on July 21. The meeting was held in Tito's villa. See also Documents 164-165 and 167-168.

plicated. A positive step was involved in bringing mainland China into the UN. In order to do this, it must be agreed that it is a peace-loving country, willing to abide by the principles and obligations of the Charter. It was difficult to support mainland China as such a country against the background of her using force in India and Tibet.¹

Furthermore, he noted, we have responsibilities to Taiwan and other countries in Asia to take into account. Asiatic countries traditionally have been fearful of China and even now are more fearful in view of the Chinese aggressive expansionist bent. They would be greatly concerned over anything on our part that could be interpreted as our being prepared to tolerate aggressive Chinese action.

As regards Formosa, the mainland Chinese want to “liberate” Formosa, but the latter do not want to be a part of the present regime in China. Eighty percent of the people of Formosa have always been indigenous to that country and do not want to come under sovereignty or control of the mainland Chinese government. He noted in this connection that Formosa has had a remarkable economic development with a 8–9% annual increase in GNP over the last ten years. Part of this growth was attributable to successful agrarian reform in Formosa.

He also noted that we have difficulties in accepting Chinese membership in the UN in view of the fact that China is still holding American prisoners, that is, now some 4–5 out of originally approximately 40.

Mr. Dillon recognized that obviously the present situation, exclusion of China, cannot continue indefinitely. He stressed, however, that we saw no way to modify the situation until the Chinese show a willingness to follow principles of law and order envisaged under the UN Charter.

He stressed that this attitude was one held by both parties in the US. In this connection, he noted, that the recent Democratic platform takes essentially the same position on China as that which he had outlined.

Mr. Dillon also noted that the emotions stirred up by China in the American public must also be taken into account. He indicated that the strong emotional feeling in the US against China after the Korean war had subsided to a considerable extent; then came the Indian and Tibet incidents and feelings in the US were stirred up again.

Mr. Dillon indicated that we understood the point of view expressed on China by President Tito, and expressed the hope that President Tito would understand ours. He asked for President Tito’s views on Chinese-Russian relations, in particular whether recent Russian reac-

¹ Reference is to the suppression of the Tibetan revolt in March 1959 by China and the Sino-Indian border disputes which had led to armed clashes in August and October 1959.

tions were stimulated by a harder Chinese attitude on international issues.

President Tito stated that he understood the emotional reactions generated by Chinese action. But, he asked, historically how long can 600 million people be excluded from the world community? Sooner or later, he stated, something must be changed.

Mr. Dillon agreed that this situation must eventually evolve. He agreed that any eventual agreement on disarmament must include China. He noted that Secretary Herter had stated this publicly and that there was no bad reaction to this statement in the US.

We believe, however, Mr. Dillon went on, that it was not desirable to complicate the disarmament negotiations by bringing China in at this time. He stated that we felt that first we should try to make progress with the Soviets; once preliminary agreement had been reached with them, then would be the time to bring in other countries, including China.

President Tito stated that we must face up to the China situation very soon. In this connection, he noted that China might soon commence atomic tests. He stated they were concerned not with disarmament but with arming. He argued that once they had made progress in their atomic tests and otherwise in increasing their power, it would be very difficult to settle the China problem and to bring China into the disarmament arrangements in the way Mr. Dillon had suggested.

In reply to Mr. Dillon's general question about the influence of Chinese attitudes on Russian policy, President Tito stated that he did not believe that there was any action of China which was capable of breaking any Russian resolve to reach agreement on international matters. Mr. Dillon suggested that perhaps the matter was the other way, that is, that the Chinese attitude might stimulate the Russians to seek agreement with the West, particularly in nuclear test negotiations. President Tito and all his advisers agreed this was possible.

167. Memorandum of Conversation

MC/9

Vanga, July 19, 1960, 11 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA
July 17-20, 1960

[Here follows the same list of participants as Document 164.]

SUBJECT

Congo

President Tito stated that the China situation was not the only one where the unexpected can occur. The Congo difficulty is another such situation and affords another example of why we should be concerned at the failure of the Paris Conference. He stated that difficulties such as those now in the Congo grow in importance and momentum as a result of the cold war situation arising out of the failure of the big powers at Paris. Mr. Dillon agreed with President Tito on this point. He noted, however, that we were prepared to negotiate and it was the Russians who pulled out of the Paris Conference.

President Tito stated because of the sense of urgency Yugoslavia felt, as regards the world situation, the Yugoslavs had tried to prevent the complete breakdown of that conference and emphasized that the great powers should not stand on prestige. He said that Yugoslavia was greatly criticized by the East because of this statement. He was concerned with the continuing deteriorating developments in the international situation and the cumulative effect of these developments and felt that something must be done.

Mr. Dillon said "something" was very broad. He asked whether President Tito had specific suggestions.

President Tito replied that we should seek to activate the UN. He said that the appeal to the UN for assistance in dealing with the Congo rebellion is a good example of how the UN should be used.

Mr. Dillon said he fully agreed with President Tito. He noted that no country has supported the UN more than we. We have always felt it was the hope of humanity. While it was difficult to make the UN work at times because, for example, of the resort to the veto in the Security Council, we nonetheless felt we should use the UN to the greatest extent possible.

Source: Department of State, Conference Files: Lot 64 D 559, CF 1274. Confidential. The drafting officer is not indicated; approved by Dillon on July 21. The meeting was held in Tito's villa. See also Documents 164-166 and 168.

He noted that the idea for the use of the UN in the Congo case originally came from our Ambassador to the Congo. In fact our Ambassador broached this line without initially telling Washington since he could reasonably feel that his proposal was in line with American policy in this regard. We were glad our Ambassador had made this proposal and we desire to strengthen the UN in any way we can.

Mr. Mates summarized a conversation which had ensued among President Tito and other Yugoslav officials present regarding the countries invited to participate in the UN action on the Congo. In reply to President Tito's query, Secretary of State Popovic stated that Russian troops have not been invited to participate. President Tito indicated that the UN action should not be allowed to become part of the cold war.

Mr. Dillon agreed. He felt that troops for the UN action should come from small countries and from other countries in Europe, including Yugoslavia. Mr. Mates stated that Yugoslavia had agreed to provide troops. President Tito amended this to say "technicians". Mr. Dillon stated that we did not want to send American troops. He noted that when the Congo authorities had requested us to provide troops we stated that we did not wish to do so. He indicated that we were sending supplies of goods in order to assist and were assisting with the air lift, but were not sending troops. President Tito indicated that he approved of our attitude.

168. Memorandum of Conversation

MC/10

Vanga, July 19, 1960, 11 a.m.

UNDER SECRETARY'S VISIT TO YUGOSLAVIA

July 17-20, 1960

[Here follows the same list of participants as Document 164.]

SUBJECT

Algeria

President Tito noted that the Algerians had for years engaged forces in a fight for freedom, but this whole question still is not resolved.

He indicated that he understood that the US and the UK are allies to France, but he argued that the Algerian problem is a world problem and that the UN will not be able to avoid responsibility for this question. He knew of and appreciated de Gaulle's initiative and efforts to resolve the problem but there were other forces in France working against de Gaulle. He emphasized that the situation must not be allowed to drift. Mr. Dillon asked what specifically did Tito suggest. President Tito replied that the problem will have to come to the UN and the solution found there.

Mr. Dillon stated that we want to settle the problem and we desire that the Algerian people decide their future for themselves. De Gaulle had taken the same position, but the situation remains difficult. Mr. Dillon stated that we were pleased when the talks started and very much disappointed when they ran into obstacles. President Tito stated that one thing we can do is advise the French. Mr. Dillon indicated that we had done so and were prepared to continue to do so, but he stressed that it was undesirable to provide such advice publicly.

At this point President Tito adjourned the discussion for luncheon, thanking Mr. Dillon for the clearness and frankness of his remarks, particularly on Cuba which gave him a better understanding of that situation. There was no substantive discussion during lunch.

169. Editorial Note

In August 1960 the Soviet Government proposed that the 15th session of the U.N. General Assembly be the forum for a heads of government meeting on the problem of disarmament. Soviet Premier Khrushchev announced he would attend the General Assembly sessions on September 1, and a number of Communist and nonaligned heads of state followed Khrushchev's lead, including President Tito. Tito arrived in New York on the S.S. *Queen Elizabeth* on September 19 and took up residence at the Yugoslav Mission to the United Nations. Anti-Yugoslav pickets convened opposite the mission and loudly demonstrated against Tito's presence in the United States. On September 22 Tito met with President Eisenhower (see Document 170). On September 23 Tito addressed the General Assembly and on September 28 he met with Premier Khrushchev. Tito also took a leading role in the September 29 effort of nonaligned leaders to arrange a meeting between Khrushchev and Eisenhower. Documentation relating to the Tito visit to New York is in Department of State, Conference Files: Lot 64 D 559, CF 1766.

170. Memorandum of Conversation

New York, September 22, 1960, 5 p.m.

SECRETARY'S DELEGATION TO THE FIFTEENTH SESSION OF
THE UNITED NATIONS GENERAL ASSEMBLY
New York, September 19-24, 1960

PARTICIPANTS

US

The President
The Secretary
General Goodpaster
Mr. Foy D. Kohler
Mr. Charles E. Bohlen
Lt. Col. John Eisenhower

Yugoslavia

President Josef Broz Tito
Leo Mates, Secretary General to the
President
General Koca Popovic, Foreign
Minister
H.E. Marko Nikezic, Ambassador to
the U.S., Washington

SUBJECT

Visit by President Tito

There was an exchange of greetings, in which President Tito expressed his appreciation at being afforded the opportunity to meet the President, which he had desired to do for a long time.

The President said he was particularly glad also of the opportunity to make the acquaintance of President Tito, and asked how long he expected to be here and when he had arrived.

President Tito replied that he had arrived on the 20th, but expected to be here only for a very short time.

The President said that he remembered that some two or three years ago there had been a possibility of a visit by President Tito to the United States, but that some difficulties had arisen. He said he always regretted that he had never had an opportunity to visit Yugoslavia, but that when he was at SHAPE he had to avoid visiting any neutral countries, mentioning particularly Yugoslavia, Sweden and Switzerland. He remembered, however, that at that time Yugoslavia, Turkey and Greece had joined in the Balkan Pact, but still as Commander-in-Chief of NATO he did not feel it possible to visit neutral countries.

The President then inquired how the Yugoslav economic development was progressing. President Tito replied that their economy was

progressing very satisfactorily, that their industrial production was rising, and that they had made a breakthrough in agriculture so that Yugoslavia was now self-sufficient in grain. He mentioned that industrial production was increasing at a rate of from 13 to 15 percent per annum.

The President expressed particular interest in the development of Yugoslav agriculture, and there followed an extended discussion of various aspects of agricultural problems in both the United States and in Yugoslavia. The President mentioned particularly the problem of our surpluses and the difficulty of using wheat for livestock feeding. He also described the extent of the chief wheat-and-corn-growing areas of the United States and the widespread use in this country of concentrates, such as desiccated alfalfa and oil cake.

President Tito said he believed that Yugoslavia exported frozen baby beef and some canned meat to the United States. He also outlined certain of their agricultural problems and the methods they were taking to overcome them.

The President inquired about the development of hospitals, schools and roads in Yugoslavia.

President Tito said that considerable progress was being made in his country in all these three fields, pointing out that Yugoslav roads before the war had been very bad, but that now they were improving, referring in particular to two main highways—one running to Trieste and the other to Greece. He mentioned in this connection the large number of tourists visiting Yugoslavia.

The President said he would like to see more tourists in the United States, explaining that Americans were great travelers and visited almost every country in the world and spent large quantities of American dollars in the process. He would like to have more foreigners visiting the United States. He felt that this tourism was a good thing since it permitted people to see for themselves that foreigners were not devils. The President said he had read in some newspapers that the Yugoslav delegation might be in New York to act in some way as a mediator between the East and West; that he understood the neutral position of Yugoslavia, but expressed the hope that as the old saying went, it would be neutral on our side. He went on to say that the economic costs of the arms race were so great that there was every economic reason to try to do something about it, quite apart from the fear and anxiety that these excessive armaments generated. He mentioned that the United States spent in one form or another 46 billion dollars on armaments and that if this could be reduced to what was needed for domestic order, there would be an immense amount of money available for other purposes, and we would be in a position to lend much greater financial assistance to the underdeveloped countries; that even if the cost of armaments was

reduced by one-third, this would release more capital than the underdeveloped countries could possibly absorb.

President Tito said that they believed that if it were not possible to reach complete agreement on disarmament now, it would be well to take some initial practical steps and that the savings thus effected could be used for less developed countries in Asia and Africa, which would increase confidence and good will in the world. He said he would like to see any such savings earmarked in advance for this purpose.

The President said he would be delighted if it would be possible to so earmark a certain amount for this purpose.

Secretary Herter pointed out that the President had made a proposal to this effect in 1953.¹

The President then observed that it seems as though mankind had to learn the hard way, recalling that the Delphic League in ancient Greece to keep the peace between the city states had not been successful.² It seems as though human nature was the most constantly unpredictable and dangerous factor in human history.

President Tito remarked that it would be a mistake to base ourselves on past history, since we should deal with the world as it is now, particularly since technological advance at the present time had rendered the problem of armaments more dangerous.

The President agreed, adding that at the present time any great nation had enough power to destroy the whole northern hemisphere. He went on to say that he was not one to assert that all good was on our side and all bad on the other, although we did think that we did better in this regard than the other side. He said that we were ready to deal with anyone who was sincerely desirous of discussing these matters reasonably, with a view to finding some solution.

President Tito said he understood the particular problems which confronted the United States, but that he felt that despite all obstacles and feelings he could understand somehow, at some time the obstacles would have to be overcome, and contact and negotiation established without too much delay, because otherwise the situation would become extremely dangerous.

The President agreed, but felt that only in convocations such as the United Nations would it be possible to get this matter off dead center. He said he would not recite all that we had tried to do in good faith but

¹ Not further identified.

² Eisenhower was referring either to the Delian League (478-404 B.C.), an Athenian-led group of states that opposed Persia and later Sparta, or the Corinthian League, established in 338 B.C. by Phillip II of Macedonia, which confirmed Macedonian dominance over Greece.

without success. He mentioned that there would be almost 100 nations represented in the United Nations, many of whom were new and stumbling young nations, but all of whom he felt were hungry for peace. He believed that this general desire would have a good effect. He agreed that it would not be possible to wait too long for a start. He mentioned that if each country could know what the other was doing in the field of armament, this would be very helpful as a start. He said that he was getting on in years, but he hoped that his grandchildren would be able to be more optimistic about the state of the world than was now possible.

President Tito replied that the outlook for grandchildren would depend upon the wisdom of the present generation.

The President agreed, and repeated that it was important to be able to understand the point of view of others.

President Tito recalled that the President had made some reference to mediation. There was something to this, but he wished to point out that not only Yugoslavia, but others, had a desire to be helpful in this respect.

The President said he agreed, and mentioned his conversation this afternoon with the Lebanese Foreign Minister,³ who had remarked on the disparity of size and power between his country and the United States. He said in regard to spiritual and moral matters there was no distinction between the size of countries. That a small country could have as big an effect in this field as a large one and that this, in effect, was the spirit of the United Nations. He added that we all need more faith at the present time.

President Tito stated that he did not think the word "neutral", which connoted a passive attitude, applied to Yugoslavia. It was applicable if it meant not taking sides.

The President said, as he had already remarked, he hoped Yugoslavia would be neutral on his side, adding that there was no neutrality in moral questions of right or wrong.

President Tito then inquired as to what the President's opinion was as to the possible results in this General Assembly.

The President said he thought that something would be accomplished with all of the nations gathered together here with the spotlight of world opinion on them. He didn't expect any dramatic sudden agreement or the throwing into the Atlantic Ocean of missiles and bombs, although he would like to see that done, but rather a start which would give more hope to peoples everywhere. He added that we must never lose hope, and that he was not a pessimist.

³ A memorandum of this conversation is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

President Tito agreed, and said that he was more of an optimist than a pessimist.

The President said he expected to be back in New York on the 26th, since he had two meetings that morning—one in Philadelphia and one in New York.⁴ He wanted to have the opportunity of meeting some of the representatives of countries which he had not previously met.

President Tito mentioned that he had met Khrushchev in the lobby of the United Nations this morning, and expected to see him again, mentioning with a smile that it was some time since he had talked to Mr. Khrushchev.

The President said that during and after the war he had met most of the leaders of Europe, except for President Tito and Franco; he was looking forward to the opportunity of meeting some of the new leaders.

President Tito remarked that he was more hated by the Chinese than was President Eisenhower.

The President remarked that this was one thing that they had in common.

President Tito said that despite the fact that the Chinese hated the Yugoslavs, he felt it would be in the interests of the United Nations for the Chinese Peoples Republic to be represented there; it might make them more responsible, which was extremely important in regard to a country that had over 600 million people, with an increasing population and steadily arming, with the prospect of obtaining the atomic bomb in the future. He said that in such circumstances any disarmament agreement without Chinese participation would not succeed in its purpose.

The President pointed out that the hatred in the United States for the leaders of Red China was so strong that any eager politician that suggested recognition had better start swimming for London. He said that Chinese holding of American prisoners, their subversive activity throughout Asia, and threats of armed force against Formosa all contributed to the strength of this feeling, which he said was indescribable. However, he agreed that a country of over 600 million people, increasing like flies, constituted a very big problem. He went on to say that a year ago when he was in the United States⁵ Khrushchev had asked if he wished to discuss this problem. He had replied that since their views were so diametrically opposed, there was no point of even discussing it,

⁴ On September 26 Eisenhower addressed the American Institute of Certified Public Accountants in Philadelphia and a dinner for the National Conference of Catholic Charities in New York.

⁵ Khrushchev visited the United States September 15–28, 1959; for documentation, see Part 1, Documents 108–139.

to which Khrushchev agreed. However, he added that on a subsequent visit to China Khrushchev had made a very conciliatory speech.

President Tito then said he was afraid of taking too much of the President's time, and felt he should take his farewell.

The President said he had one more question he would like to ask, and that was what was the present population of Yugoslavia.

President Tito replied about 18 million, as compared to an immediate post-war population of some 16 million, pointing out in this connection that Yugoslavia had lost 1/10th of its population—1,700,000 people dead—during the war.

The President said he very much regretted that he had never been able to get to Yugoslavia. During the war he had been in command up north, where he had gone in January, 1944, instead of the southern front, where he had expected to be; and for this reason he had not been in the vicinity of Yugoslavia during the war. He said in conclusion he wished to assure President Tito that the people of the United States wished the people of Yugoslavia the best of everything and a prosperous and happy future. He said that President Tito should understand this, despite the fact that there was a small stratum of our population that had just cause for anger against their regime; but the people had only the friendliest feeling.

President Tito wished to assure the President that the people of Yugoslavia were animated by the most friendly feelings toward the United States and did not forget what the United States had done for Yugoslavia both during and since the war. He was confident that this friendship would develop further. He said he hoped that when the President had somewhat more time at his disposal he would come and visit Yugoslavia. He would like to show him Brioni, in particular.

The President, in saying goodbye to President Tito, said that this was a date.⁶

⁶ Eisenhower never visited Yugoslavia.

171. Memorandum of Conversation

Washington, September 23, 1960.

SUBJECT

Call of Yugoslav State Secretary of Finance Regarding Yugoslav Exchange Reform

PARTICIPANTS

Mr. Nikola Mincev, Yugoslav State Secretary of Finance
Mr. Marko Nikezic, Yugoslav Ambassador
The Acting Secretary, Mr. Dillon
Mr. Weiss, OT
Mr. Katz, EE

After an exchange of pleasantries, Mr. Mincev stated that he wished to inform the Acting Secretary of the present status of consideration of the Yugoslav exchange reform proposals. He explained that Yugoslav officials have been working with the staff of the Fund and, as a result of the two missions sent to Yugoslavia,¹ agreement had now been reached on the measures to be taken. The Yugoslav Government in the course of discussions with the Fund had accepted a number of Fund suggestions, such as increasing the rate to 750 dinars to the dollar. The task now was to assure that the reform would be realized. Mr. Mincev pointed out that they were at a critical stage, since the reform should start on January 1, 1961. Because of the need to coordinate the reform with the start of the annual economic plan and annual budget, to postpone the implementation of the plan would mean postponement for a whole year.

Mr. Mincev proceeded to indicate the problems in the path of early implementation of the reform. The first problem concerned the amount of the drawing from the Fund. Yugoslavia has been assured that it can draw \$50 million. He felt, however, that on the basis of need and the statutes of the Fund a larger drawing would be indicated. He stated that Mr. Jacobsson had not excluded a larger drawing, but Mr. Jacobsson felt that this should be considered after it is clear to what extent other countries would participate in supporting the reform. Mr. Mincev stated that he would appreciate the support and understanding of the American Director in the Fund.²

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Katz and approved in U on September 30. Mincev led a Yugoslav delegation to Washington for discussions on the Yugoslav economic development program with U.S. and IMF officials.

¹ Per Jacobsson, Managing Director of IMF, visited Yugoslavia July 1-8; a technical mission arrived in Belgrade on August 10.

² Frank Southard.

The second question concerned the participation of Western Europe in supporting the program. He reported that his Government, through diplomatic channels, had informed the governments of Western Europe of the exchange reform proposals and the need for external support to assure the success of the program. Mr. Jacobsson had offered to help the Yugoslavs and planned to give a luncheon on September 25 to afford the Yugoslav representatives an opportunity to explain to representatives of various governments the details of the program and the requirements for external support. With regard to the procedure for arranging external support, Mr. Mincev envisaged the possibility of arranging a program of support by means of a group of countries. He stated that Mr. Jacobsson was of the opinion that the task of arranging for support for the program was not formally a function of the Fund. Mr. Mincev agreed that the Fund should not proceed in this matter on a formal basis but he thought a practical means of approach might be to work with the various countries through the directors of the Fund. He was concerned that if the Yugoslav Government were to approach this matter on a bilateral basis the result would be lengthy negotiations with dubious prospects. He pointed out that the approaches which had already taken place through diplomatic channels have not produced any firm responses. He mentioned in this connection that an approach had been made to the Governor of the German Bundesbank, Mr. Blessing. At first Mr. Blessing had indicated considerable interest but he later indicated that he could do nothing in view of the absence of diplomatic relations between the Federal Republic and Yugoslavia. Presumably this attitude came after consultations with his Government.

The third question concerned the attitude of the US and the possibility of obtaining support from the US Government. He said that it was evident that the success of the program depended in large part on what the US could offer.

The Acting Secretary stated that we were pleased that the Yugoslav Government had reached agreement with the Fund staff on the details of the reform program. He stated that we were fully prepared to support the program in accordance with the means we have available and we are prepared to proceed parallel with the support which can be obtained from Europe.

Taking the questions raised by Mr. Mincev in order, he stated, first with respect to the drawing from the Fund, that he considered this question the least important. Even if the drawing were not increased beyond \$50 million, the funds would still be there and available. He was sure that the US Director would have an open mind and when the facts with respect to implementation of the program were clear, this question could be reconsidered. He was sure that no one would allow the pro-

gram to fail because of the small amount of money involved in a future drawing.

With respect to the participation of European countries, the Acting Secretary agreed with the Minister's thoughts concerning procedure. He felt it was important to have consideration of this matter centralized somewhere and the facilities of the Fund seemed to offer the best possibilities at the present moment. Bilateral talks would take too long and would not be a satisfactory alternative. The Acting Secretary stated that we felt that full participation by Western Europe was essential to the success of the Yugoslav reform program. We believed that European participation should be at least equivalent to our own. We were therefore fully prepared to do anything we could do bilaterally or in other ways to bring about European participation. The Acting Secretary stated that we would be interested in working closely with the Yugoslav officials to have their opinion as to which countries offer the most likely prospects. We considered that the most immediate advantages of the program would flow to Western Europe. We would, therefore, welcome any information regarding trade prospects which would be helpful in obtaining European support in order to put the package together.

The Acting Secretary indicated that he was concerned by what the Minister had said regarding the attitude of Germany. It was our feeling, he said, that it would be essential to get a substantial contribution from Germany. He recognized that the absence of diplomatic relations between Yugoslavia and Germany presented a problem but he stated it would not matter in what form the German contribution was made. It was essential, however, that it make a contribution.

Mr. Mincev at this point reported in some detail the discussion which had taken place with Mr. Blessing. He stated that at a meeting in Basle of the Governors of central banks Mr. Jacobsson had assisted Yugoslav officials in getting in touch with officials of other banks. Mr. Blessing showed greater interest than any of the other Governors. It was proposed that he visit Belgrade, not to commit him to a specific contribution but to discuss the details of the program with him. Mr. Blessing, however, subsequently terminated the correspondence, indicating that he could not come to Belgrade nor take part in discussions on this subject. He stated that he had been told that if the Yugoslav Government wished to discuss this matter with the Federal Republic it would know how to do so.

The Acting Secretary asked whether trade between Yugoslavia and Germany did not remain substantial. Mr. Mincev stated that this was so, that West Germany and Italy were Yugoslavia's two most important trading partners. At the moment Italy was first, Germany was second and the UK third.

The Acting Secretary said that the question of a German contribution was clearly our most immediate problem and that a solution would have to be found to this problem.

With respect to the US contribution the Acting Secretary indicated that we were now in the process of deciding what we might be in a position to do. He said that it had been very helpful to talk with the Yugoslav officials in the past week.³ While we had had information previously from Belgrade and from Fund officials it was extremely useful to have the information first-hand. We were particularly glad to have representatives from our other agencies brought into the discussions. The Acting Secretary expressed the hope that within two weeks we would have a firm position, provided that the European countries go along with us.

The Acting Secretary referred to one general problem which he had discussed with Vice President Todorovic when he was in Belgrade.⁴ He recalled commenting at that time that the amount of the funds Yugoslavia was requesting for support of the program seemed to be very large. On the basis of the information we have now received this view has been confirmed in all our minds, particularly since it appeared difficult if not impossible to obtain the full amount of support being requested. It appeared to us that the \$340 million estimate was more than a minimum. It is not that this amount could not be usefully employed, but it seemed to us that the program could be implemented with less. We were hopeful that arrangements could be made to obtain an amount of support which should enable the Yugoslav Government to proceed with the program even if it were considerably less than the amount previously estimated as being required. The Acting Secretary urged that the Yugoslav Government maintain an open mind on this question because we also hoped there would be no delay in putting the program into effect.

Mr. Mincev expressed appreciation for the assurances of support given by the Acting Secretary and stated that his officials would be at our disposal for any further information that we might require.

³ U.S. and Yugoslav officials held discussions on the dinar exchange rate reform on September 20, 21, and 23. Memoranda of these conversations are in Department of State, Central File 868.131.

⁴ See Document 163.

172. Memorandum of Conversation

Washington, November 2, 1960.

SUBJECT

Yugoslav Exchange Reform

PARTICIPANTS

Mr. Marko Nikezic, the Yugoslav Ambassador
The Under Secretary (Mr. Dillon)
Mr. Leddy, U
Mr. Weiss, OT
Mr. Katz, EE

The Ambassador stated that his Government had now made approaches to a number of countries (UK, France, Italy, Austria, Switzerland, Netherlands, Sweden and Canada) seeking support for its proposed exchange reform. While the initial responses were favorable, there had as yet been no definite commitments. Belgrade was thus becoming increasingly concerned, since there was very little time remaining before January 1, when the reform is to be instituted. The Ambassador wished to know, therefore, how the Under Secretary saw the situation. He asked also whether the Under Secretary felt it would be possible for the US to proceed with its share of the support together with the IMF in advance of other countries.

The Under Secretary acknowledged that European participation in the support package was taking longer to arrange than we liked or had originally contemplated. Perhaps this should have been expected since delays had also been experienced in attempting to arrange support for the Spanish and Turkish reforms.¹ He realized that the Yugoslav situation was made more difficult by the presence of a deadline which was not a factor in the previous situations.

The Under Secretary informed the Ambassador that we had made approaches to all of the countries mentioned by the Ambassador plus Germany and had talked with representatives of some of the countries on several occasions. The reactions we had received were similar to that reported by the Ambassador, i.e., most were favorable but for various reasons definite answers had not been forthcoming. The one difficult problem, however, was Germany. While they haven't refused to partici-

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Katz and cleared in U on November 9. [text not declassified]

¹ The Turkish Government had requested an IMF loan to allow it to continue a currency stabilization program begun in 1958. The Spanish Government initiated a currency stabilization program in August 1959 and requested an IMF loan in August 1960.

pate, the Germans were having considerable difficulty from a political point of view. Apart from the problem created by the Yugoslav recognition of the GDR, the Germans were unhappy about recent Yugoslav public statements directed against the FedRep.² The Under Secretary said we continued to hope that it will be possible for the Germans to participate indirectly through the BIS on the basis of commercial motivations. He pointed out, however, that there would be no opportunity for top level discussion with the Germans until he and Secretary Anderson go to Bonn on November 21.³ He realized that this delayed the matter later than had been hoped but he saw no other solution at the moment.

As regards the Ambassador's question whether the US could move first, the Under Secretary said that we hadn't planned on this for two reasons. First, the amount contributed by the US and the IMF would not be sufficient to meet the needs of the program. Secondly, we had a problem with our own monetary people who felt strongly that the US should proceed jointly with Europe on such matters in order that the burden be shared by countries able to contribute. He pointed out that we were not insisting that we necessarily know what all other countries would do. It was necessary, however, to be sure of at least the bulk of the European contribution, including the Italians and the Germans. He felt that the European participation might well be clear by December 1.

The Under Secretary asked the Ambassador whether December 1 would be too late, and if so, what were the alternatives? Would it be possible to proceed at a somewhat later date? The Ambassador was unable to answer this question without reference to Belgrade.

The Under Secretary stated that he could not realistically encourage the Ambassador to expect anything definite much before December 1. He said that we would, of course, continue our efforts in the meantime and hoped that some countries, particularly Italy, might be able to make a commitment, even though conditional on other contributions, very soon. The Under Secretary suggested that the Ambassador in the meantime talk to Mr. Jacobsson, and he stated we would talk to him also,⁴ to see whether he had any further thoughts on the matter. It was also suggested to the Ambassador that he recommend to Belgrade that Yugoslav representatives in the various capitals make further efforts which we could support.

² From September until mid-November the Yugoslav press carried out a campaign attacking the Federal Republic of Germany for systematic opposition to improvement in international relations.

³ Under Secretary of State Dillon and Secretary of the Treasury Robert Anderson visited Bonn September 19–22 during a three-nation trip to Europe. Documentation is in Department of State, Conference Files: Lot 64 D 559, CF 1781–1788.

⁴ In a November 7 memorandum attached to the source text, Walter Stoessel noted that Leddy had spoken to Jacobsson.

173. Editorial Note

On November 21 the National Security Council issued a revised version of NSC 5805/1, "U.S. Policy Toward Yugoslavia." In a November 23 memorandum accompanying the revised text, James S. Lay, Executive Secretary of the NSC, noted that the NSC Planning Board decided that "only revisions of an editorial nature were necessary to bring this policy up to date." A copy of the revised version of NSC 5805/1 is in Department of State, S/S-NSC Files: Lot 62 D 1, NSC 5805. Regarding NSC 5805/1, see Documents 120 and 122.

174. Telegram From the Department of State to the Embassy in Italy

Washington, November 29, 1960, 9:33 p.m.

1502. Subject: Yugoslav exchange reform. During Dillon conversations in Bonn Nov. 21-22 Germans gave assurances they would find way by end of month or early December participate in assistance Yugoslav program.¹ Dillon talks in Paris and London also confirmed readiness French and British participate.² Other prospective contributors have either indicated firm agreement or agreement in principle.

Accordingly believe time now ripe for meeting of all contributors and Yugoslavia to firm up amounts and discuss terms. View willingness BIS offer its administrative facilities consider Basle most suitable place. Suggest desirable time for meeting would be Dec. 9 and 10, immediately prior meeting of BIS board. This would allow time for completion and transmission to governments of revision of IMF report now being

Source: Department of State, Central Files, 868.131/11-2960. Official Use Only; Priority. Drafted by Leddy and approved by Dillon. Repeated to Belgrade, Bonn, London, Paris, Bern, Stockholm, The Hague, and Vienna.

¹ Dillon met with Brentano and Blessing in Bonn on November 21. The Germans agreed that Yugoslavia should be aided but indicated that the existing break in formal diplomatic relations made it difficult for Germany to find a means of supplying aid. A memorandum of this conversation is *ibid.*, Conference Files: Lot 64 D 559, CF 1781.

² Dillon discussed Yugoslav aid with Couve de Murville on November 24. The Under Secretary of State brought up the same subject in separate meetings with Lord Home and Lloyd on November 25. Memoranda of these conversations are *ibid.*

undertaken by Ferras who leaves for Belgrade today. (Original report based on external assistance of \$340 million instead of lowered target of \$270–275 million already in hands of govts.) According Ferras schedule revised report to be finished end this week and transmitted early week beginning Dec. 5. Following Belgrade Ferras presently plans visit Rome, Vienna and Bonn, arriving Basle in time for meeting Dec. 9 referred to above.

View foregoing Rome requested approach Carli asking whether Italy would be prepared, after consultation Holtrop, Chairman of Board of BIS, to take lead in calling meeting at BIS headquarters for Dec. 9. List of potential contributors and amounts which it is hoped they will contribute remains as in Cirtel 535.³

Meeting should be unpublicized.

All of foregoing discussed with Jacobsson and Ferras prior departure latter for Belgrade.

For London. Inform Pitblado of substance of foregoing, adding that in Jacobsson's view discussion of report by Executive Directors of Fund not necessary prior Basle meeting and emphasizing that original report already transmitted to governments. (Pitblado apparently under impression report not transmitted). Embassy may recall that Pitblado stated during Dillon visit that UK ready for meeting at any time.⁴

For Bonn. Inform van Scherpenberg of approach we making to Italians, pointing to urgency of situation and expressing hope that in light assurances given Dillon Germans will be ready in time for Dec. 9 meeting.

For Belgrade. Inform Ferras that this message has been sent and summarize contents. Also inform Yugoslavs that efforts are being made to arrange Dec. 9 meeting and indicate target figures and contributors. In presenting figures avoid impression these decided upon by U.S. or Jacobsson. Rather should be presented as estimates maximum likely contributions apparent from conversations with officials interested countries.

Dillon

³Not printed.

⁴Pitblado was present during Dillon's November 25 meeting with Lloyd and apparently made the comment at that time. The comment, however, does not appear in any of the memoranda of conversation. The memoranda of these conversations are in Department of State, Conference Files: Lot 64 D 559, CF 1781.

175. Telegram From the Embassy in France to the Department of State

Paris, December 12, 1960, 8 p.m.

2434. Subject: Yugoslav exchange reform. Following is summary discussions Basel December 10-11:

(1) Italy: Carli indicated Italians prepared extend \$35 million credit. Order implement quickly and to avoid Parliamentary action propose extend credit to existing account Yugoslav National Bank under previous agreement. \$13 million of total would be in form which would cover payments made by Yugoslavs in 1960. This amount would be available in cash immediately and could be used by Yugoslavs for purchases from any source. Remaining \$22 million would be available for purchases only of Italian goods. According Carli Yugoslavs have orders outstanding in Italy approximating \$100 million (covered by one to two year credits). The \$22 million portion would thus represent extension terms these latter short term credits.

Carli indicated Italians flexible on terms and would look see what terms offered by other participants. He mentioned 10 years as possibility if others did same. Carli had with him text agreement with only terms left blank which he discussed with Smole in Basel. Carli unable attend December 16 meeting Paris but Italy will be represented.

(2) UK: Stevens and Rootham confirmed they prepared contribute but were not prepared specify amount and terms since decision this regard will depend on what others intend do. They indicated they could not agree to repayment term as long as 15 years but did not preclude 10 years. Interest rate would be going rate in British market. Indicated they wished see credits untied to maximum extent feasible and prepared provide completely untied credit if other Europeans do so. They regard US special case and would not consider fact US credits tied as consideration their own action. They prepared use BIS as agent on strictly procedural basis but opposed any arrangement imposing long term financial liability on BIS. They appear prefer arrangements be worked out on bilateral basis with some variations possibly in terms from one contributor to another. UK plans be represented at Paris meeting.

(3) Germany: Blessing and Emminger stated decision has been taken to provide \$35 million of which \$25 million would be untied and \$10 million used to [for?] procurement in Germany under [garble] sys-

tem. \$25 million portion will be provided by private banking syndicate with guaranty through credit Anstaltfurweideraufbau. Blessing has had talks with private banks and is confident syndicate would be organized and funds provided. Terms contemplated are six years for \$25 million portion and not exceed 5 years for export credit guarantee as is normal under existing system. Blessing gave assurance Germans would attend Paris meeting but unsure type representation (i.e. government or bank).

(4) Sweden: As Brink indicated Sweden had not yet really focussed on problem. Intimated Swedes would probably participate if others do so. Expressed preference for untied credits. He expected Swedes would attend Paris meeting.

(5) Netherlands: Holtrop stated government decision not yet taken but thinking running in direction of \$5 million revolving credit available for purchase raw materials as well as equipment subject only requirement purchase through Dutch merchant. Said effect would be same as untied credit. Terms would be normal for item purchases, i.e., six months to one year but he stated money could be turned over so that could be effective five year credit. (*Note: Smole and Ferras have question utility this arrangement as part support package*). Holtrop stated Netherlands would be represented December 16 meeting and hopes firm decision will be ready by that date.

(6) Austria: Kamitz reported his government favorably inclined toward participation support package. However due past generosity Austrians to Yugoslavs (\$10 million equipment credit 1951 recently extended by \$6 million) and possible consequent Parliamentary difficulty would prefer channeling any new credits through multilateral instrument, e.g., BIS or IMF. Also feel that contribution should be less than whatever UK proposes although talked in terms \$10 million. Although Kamitz does not expect be able attend Paris meeting Austria will have representatives there.

(7) France: Brunet and Calvet not directly involved in Yugoslav program but were quite firm in stating that France could not go beyond \$10 million export credit guarantee. Were flatly opposed to any untied credit and stated would be concerned about decision IMF extend part of drawing in French francs. They point previous generous assistance given Yugoslavia by France in form export credits and technical assistance for which France has not been rewarded politically. Finally they indicated Sadrin of Treasury was appropriate official French Government for this matter and they would discuss matter with him.

(8) Switzerland: Schwenger not well informed intentions Swiss Government although appeared favorably disused [*disposed?*] personally to Swiss participation. Asked for copy IMF report which we will attempt have sent by Paris IMF office.

(9) Belgium: Although Belgians not previously consulted Upton took opportunity discuss with Ansiaux following Smole indication approach made by Yugoslav Ambassador Brussels. Ansiaux indicated \$5 million export credit guarantee might be possible. Have asked Embassy Brussels take soundings with Belgian Government order determine whether invitation should be sent for Paris meeting.

(10) BIS: Guindey and Holtrop reiterated willingness BIS offer all appropriate assistance such as (A) provision physical facilities (they in fact provided office space US representative over weekend); (B) acting as syndicate manager for assistance channeled through BIS subject examination details any proposed arrangement. Still prepared consider extension BIS credits on basis time deposits provided however no risk to BIS. For own part BIS has authorized doubling present 100 million franc limit on uncovered credits but these limited three months. Latter can be extended for additional periods but they stated credit could not be permitted degenerate into five year credit. Given limited role BIS could play (i.e., tiding Yugoslavs over brief periods when cash short) they feel their participation could not be included in package. (Note: Yugoslavs informed extension limit BIS uncovered credits but unaware precise amount new limitation.)

(11) IMF: Stated Jacobsson authorized him indicate Jacobsson prepared recommend additional \$4 million to proposed IMF drawing. Ferras has not divulged this to Yugoslavs and cautioned us not do so.

(12) Believe Basel discussions productive and that matters proceeding satisfactorily. See no need for further action by Department at this time.

Houghton

176. Telegram From the Embassy in France to the Department of State

Paris, December 16, 1960, 10 p.m.

2533. Meeting of countries participating support package for Yugoslav exchange reform held December 12 [16] at OEEC Headquarters

ters. All contemplated participants represented plus observers IMF, BIS and OEEC. Yugoslav not invited morning session. German Government not represented but official of German Deutsch Bank (Pirkham) was present as observer only.

Ferras gave brief description proposed reform and indicated IMF directors scheduled meet December 21 to act on Yugoslav drawing. It was indicated that package should be announced in connection IMF action and Ferras agreed it possible withhold IMF announcement few days order wait for those countries who have yet to take firm decision.

Following description proposed US contribution, Italian, British and French representatives described their proposed contributions along lines explained to US representatives at Basel (Paris Embassy telegram 2434 to Department).¹ Since German representative had indicated he not in position to speak US representative (Martin) summarized our understanding proposed German contribution as explained by Blessing at Basel² and confirmed by Harcourt yesterday. (Harcourt indicated yesterday delay arising out of technical problem which has arisen illiquidity private German banks.) Bundesbank understood to be seeking solution. We have asked Bonn attempt expedite decision so as in any case be prepared inform Fund prior December 21 meeting. (UK criticized failure Germans untie total amount, saying made almost impossible to untie theirs.)

Netherlands representative indicated intention offer \$5 million revolving credit as described by Holtrop at Basel.³

Swiss representative stated no decision could be expected prior January 1 and while he thought Switzerland wished to join in package Swiss contribution would be less than \$10 million.

Austrian representative indicated decision before December 21 unlikely and that his government wished to see what others prepared to do, but would participate.

Swedish representative stated he without instructions and he would report today's discussion to Stockholm.

In general discussion suggestion was made for a coordinating instrument to receive and disseminate information on implementation Yugoslav reform and status disbursement and repayment credits. Text such proposal (actually prepared by BIS representative but not attributed to him) was circulated informally. However, representatives were not in position decide such matter and it was felt that matter would have to be considered subsequently in Washington when package finally

¹ Document 175.

² Blessing's comments were reported in Document 175.

³ Holtrop's comments were reported in Document 175.

developed. If BIS is to be used in such manner, it was agreed effort would be made notify BIS authorities before next BIS meeting in January.

In afternoon session Yugoslavs were present. They briefly summarized what Yugoslav program seeking to accomplish and answered questions which had arisen in course discussion.

Meeting approved memorandum summarizing contributions envisaged by countries. Copies being carried there by Department officers. Copy given Yugoslavs with invitation to use time between now and 21st to improve amounts and terms by bilateral discussions.

US pressed for Austrian and Swiss decision in principle next week, even if necessary it be subject parliamentary approval so that announced package could be adequate, full US participation assured (re-calling US unwilling put up more than Europeans) and to take advantage of participation in multilateral package from start, point to which they had attached importance.

Houghton

177. Operations Coordinating Board Report

Washington, December 21, 1960.

REPORT ON YUGOSLAVIA (NSC 5805/1)¹
(Approved by the President April 16, 1958)

(Period Covered: December 24, 1959 through December 21, 1960)

1. *National Independence.* There has been no change during the past year in the independent status of Yugoslavia. The Yugoslav Government has continued to manifest both ability and determination to maintain its independence.

Source: Department of State, OCB Files: Lot 62 D 430, Yugoslavia. Secret. In an undated memorandum attached to the source text, Bromley Smith noted that the Board concurred in this report at its December 21 meeting.

¹ See Documents 120 and 122.

2. *International Position.* The Yugoslav Government has continued its policy of seeking to avoid alignment either with the Soviet bloc or the Western alliance. The Yugoslav leaders have increasingly sought to identify themselves with the aspirations and neutralist views of the uncommitted and newly-emerging nations of Asia and Africa and to play an influential role among these nations. Thus, at the UN General Assembly meeting in September, Tito took an active part in the preparation and presentation of the five-nation resolution calling for a renewal of contacts between the United States and Soviet heads of government for the solution of outstanding problems by negotiation.² The Yugoslav Government is also actively endeavoring to develop bilateral economic, cultural and political relations with the uncommitted countries. This course, by its prospect of new friendships with these countries and greater maneuverability in Yugoslav foreign policy, appears to have strengthened Yugoslavia's international standing, and particularly its position vis-à-vis the Soviet Union. These developing relations have the advantage of permitting the uncommitted states to contrast by first-hand observation Yugoslavia's benefits derived from U.S. assistance—which has been extended without political conditions—with the danger of Soviet political domination. On the other hand, these developing relations facilitate Yugoslavia's promotion of a philosophical and political outlook, based on its interpretation of Marxist ideology, which could affect both the internal political development and the foreign policy orientation of the uncommitted states.

3. *Sino-Soviet Bloc Relations.* Except for Communist China and Albania, which continue to be sharply critical of Yugoslav policies, the bloc, with a few noteworthy exceptions, has generally continued to refrain from polemical exchanges with Belgrade, and current state relations are relatively normal. Nevertheless, Moscow recognizes that Yugoslav revisionism (for example, Kardelj's recent book "Socialism and War") remains a significant threat to the unity of the Communist bloc and continues its effort to counteract and isolate Yugoslav political and ideological influence in Eastern Europe. Moreover, divergent views within the bloc toward Yugoslavia have exacerbated intra-bloc Party relations and the Sino-Soviet dispute.

4. *Economic Progress.* Yugoslavia has continued its rapid economic development during the past year. In order to stimulate further economic growth through removal of impediments to foreign trade arising from multiple exchange rates, the Yugoslav economic planners are

² On September 29 Presidents Tito, Sukarno, Nkrumah, and Nasser, and Prime Minister Nehru announced that they were offering a resolution to the 15th Session of the U.N. General Assembly calling for an early meeting of Khrushchev and Eisenhower. The resolution was subsequently withdrawn by its sponsors.

about to undertake a reform of its foreign exchange system. This project, if successfully carried out, will draw Yugoslavia closer to the economy of the Free World. Consequently, the United States, in cooperation with Western European countries and international financial institutions, is currently seeking to work out a program of financial support for this reform. As a result of Yugoslavia's success in the field of agriculture, U.S. assistance to Yugoslavia has shifted from the provision of agricultural commodities to supplying capital credits for industrial development. During the last fiscal year the Development Loan Fund has approved loans to Yugoslavia totaling \$37.8 million for a plastics plant near Zagreb and for additional diesel locomotives.

5. *Internal Liberalization.* While the Yugoslav regime remains an authoritarian Communist dictatorship and deals severely with any internal political dissidents, there has been a gradual and continuing, if unspectacular, trend toward liberalization within Yugoslavia, particularly in the economic sphere. Yugoslav economic development has been accompanied by some decentralization of political authority, through which the regime is seeking to broaden its base of popular support. This decentralization will be reflected in a constitutional revision in the coming year. Since the death of Cardinal Stepinac,³ a cautious rapprochement has been taking place between the regime and the Catholic Church, which has led the Church to propose certain terms that may form the basis for eventual negotiation of a *modus vivendi* with the regime.

6. *Expanded Contacts with the United States.* Both private and official exchanges and contacts between the United States and Yugoslavia have continued to grow in various fields. These have included visits by high-level officials of both countries: during the past year the Yugoslav Secretaries of Education and Agriculture have come to the United States on leader grants, and Secretary of Agriculture Benson, Under Secretary of State Dillon, and USIA Director Allen have visited Yugoslavia.⁴ In the course of Tito's attendance at the General Assembly Meeting at New York, he met with the President.⁵ The meeting was conducted in a cordial atmosphere and is believed to have made a favorable impression on Tito. In addition, the U.S. Sixth Fleet paid highly successful calls at two Yugoslav ports.⁶

While Yugoslavia remains the only Communist country in which the United States carries on a regular USIS program, Yugoslav officials

³ February 10.

⁴ Benson visited Yugoslavia on September 25, 1959; Dillon on July 17-20, 1960; and Allen on September 8-15, 1960.

⁵ See Document 170.

⁶ May 13-15; the U.S.S. *Des Moines*, *Forrestal*, and *Gyatt* visited Yugoslavia.

have shown an increasing interest in reciprocity by seeking to expand their activities in the cultural field in this country.

7. *Maintenance of Armed Strength.* After U.S. grant military assistance to Yugoslavia was terminated in December 1957 at Yugoslavia's request, a new military sales agreement was concluded, under which the Yugoslavs are permitted to purchase military equipment, materials and services from the United States. In the last year, the Yugoslavs have continued to buy quantities of spare parts in this country, as well as more than 100 jet aircraft. The Yugoslavs have also indicated interest in the purchase of 120 additional jet aircraft from the United States. While Yugoslavia's armed forces do not meet fully modern standards, its armed strength appears sufficient to discourage a limited attack by any of its Soviet-dominated neighbors.

8. *Problems in U.S.-Yugoslav Relations.* During the past year, and particularly since the collapse of the Summit Meeting, Yugoslav foreign policy has been strongly influenced by fear of war and by the strength of the Soviet Union. Partly for this reason, but more importantly because of their basically Marxist approach to such questions, the Yugoslavs have continued to side with the Soviets on most major international issues. While a principal current problem in U.S.-Yugoslav relations is to seek greater balance in Yugoslavia's positions on international issues, it should be recognized that by and large the solution to this problem lies outside the framework of U.S.-Yugoslav bilateral relations in the broader field of international developments.

9. *Policy Review.* The agencies represented on the Working Group on Yugoslavia have reappraised the validity and evaluated the implementation of U.S. Policy Toward Yugoslavia (NSC 5805/1) in the light of operating experience. They believe there is no need for the National Security Council to review the policy at this time and that there are no developments of such significance as to warrant sending a report to the National Security Council.⁷

⁷ The Semi-Annual Appraisal of U.S. Policy Toward Yugoslavia, approved by OCB on July 6, 1960, stated that although no policy review was necessary, "in the light of NSC Action 2215-c, the policy paper could be updated." The NSC Planning Board completed editorial revision of NSC 5805/1 on November 21, 1960. [Footnote in the source text.]

178. Editorial Note

On December 27 the Yugoslav Government formally announced its monetary and trade reform program. The four main points of the program were a single exchange rate, progressive liberalization of import quotas, replacement of government subsidies for exports with a system of tariffs, and credit arrangements amounting to \$275 million to facilitate these reforms. The U.S. Government and International Monetary Fund simultaneously announced that the required \$275 million would be available for the use of the Yugoslav Government. For text of the U.S. statement, see Department of State *Bulletin*, January 16, 1961, page 85.

The Yugoslav monetary and trade reform program went into effect on January 1, 1961.

FINLAND

U.S. POLICY TOWARD FINLAND

179. Despatch From the Embassy in Finland to the Department of State

No. 660

Helsinki, May 12, 1958.

REF

Deptel 698, April 17, 1958¹

SUBJECT

Suggestions for OCB Progress Report

General

Finland's situation during the period under review continued to offer grounds for guarded optimism regarding the ability of the country to maintain its status as an independent and democratic country basically oriented toward the West and without undue reliance on the Soviet Union.

On the positive side, Finland succeeded in maneuvering through the troublesome problems raised by the devaluation and trade liberalization without intensification of inflationary pressures and without depleting foreign exchange reserves. Anti-inflationary measures, particularly the tight money policy, contributed to the decline in economic activity which was already underway as a result of general world conditions, but did not produce the acute rise in unemployment, with an attendant unmanageable strain on the cash position of the Government, that many feared. (Unemployment did rise as against the same period last year, but the percentage was less than in many other countries and the level proved manageable without heavy increases in works programs.) The rate of increase in the cost of living index actually slowed down, rather than mounted as had been expected. The foreign exchange reserve position, while remaining tenuous, did not degenerate to a point where the government had to draw on the IMF, or seek short term foreign credits, contingencies for which allowance had been made at the time of devaluation.

Source: Department of State, Central Files, 611.60E/5-1258. Secret.

¹ Telegram 698 to Helsinki requested the Embassy to forward suggestions for the Progress Report on NSC 5403, on which the Operations Coordinating Board planned to begin work in May. (*Ibid.*, 121.60E2/4-1758) NSC 5403, "U.S. Policy Toward Finland," adopted by the National Security Council on January 21, 1954, and approved by President Eisenhower on January 25, 1954, is printed in *Foreign Relations, 1952-1954*, vol. VIII, pp. 773-777.

On the negative side, the political scene continued to be characterized by instability of policy and leadership. Despite the relatively firm political party structure, enduring governing coalitions have remained unattainable. It has also become increasingly apparent that real leaders of the stature Finland has known in the past are now lacking in active political life. These twin deficiencies have been intensified by the open split within the Social Democratic Party and the trade union movement. The parliamentary election of July 6-7 will not eliminate these or other fundamental difficulties, but it may lay a basis for at least a temporary solution of intra-party divisions by testing the strength of existing factions. It may also point the way to a re-grouping and possibly a consolidation of political forces, especially among the urban middle-class parties which are now largely ineffectual.

Lacking solid leadership, the government has been unable to take any of the measures necessary for a solution of basic economic problems; particularly has it not been able to make progress in restraining competition among the interest groups for ever increasing shares in the national product without regard to productivity. Thus, the economy continues to be beset by chronic unemployment, unprofitable farming, much marginal and sub-marginal manufacturing and an inability to attract investment capital.

On the international side, there has been a faltering in the trend toward normalization of Finland's position as a really neutral state, independent of Soviet pressure. Following the encouraging and somewhat bold, moves toward closer economic collaboration with the West—i.e., the institution of multilateral trade and payments agreements with most of the OEEC countries, the accompanying trade liberalization program, and overtures indicative of an early intention to apply for OEEC membership—a marked degree of nervousness has appeared in both official and business circles. This is in part explainable by concern over the sudden and sharp rise in Finland's exchange balance in the USSR. While deriving more from such factors as accelerated Soviet payments against Finnish contracts, a decline in general economic activity in Finland, a shift in the terms of trade in favor of Finland, and the virtual elimination of third country participation in Finnish-Soviet trade, than from an increase in Finnish imports from the West, the Soviets have chosen to interpret the new situation as almost exclusively the result of the latter. The Finns are admittedly fearful that the Soviets will retaliate through reducing their imports from Finland, a step that would disrupt many industries and seriously aggravate unemployment. At the same time, the Finns, although studiously asserting otherwise, are probably concerned over a possible political reaction, one that might extend to the point of impinging on the actual independence of the country. In any event, the government now clearly intends to hold back on any further

economic ties with the West until the present imbalance in Finnish-Soviet trade can be corrected and until means can be devised to keep this trade indefinitely at roughly the present level. As serious obstacles stand in the way of both of these, particularly the latter, there can be far less assurance than a few months ago that Finland's western orientation will be appreciably strengthened.

Meanwhile, the past few weeks have produced other evidences of a new caution on the part of Finland toward the USSR. Among these might be cited Finnish insistence on abstaining on even relatively harmless votes in international bodies and conferences (See D 614 of April 25, 1958);² repeated attempts of the Agrarians, presently Finland's largest party, to inject into politics the issue of "which party can best be trusted to maintain Soviet friendship"; and suggestions that Finland may be more willing than it has claimed in the past to attempt to influence Norway and Denmark to weaken their NATO ties. This last, which runs counter to assurance given or implied during the B & K visit³ last year, was especially marked in a recent newspaper editorial reliably reported to have been inspired by President Kekkonen (See D 598 of April 21, 1958).⁴ Paralleling these indications is a growing emphasis on the forthcoming visit of President Kekkonen to Moscow, speculation over the possibility of Soviet economic support for Finland, particularly in the industrial development area, and increasing emphasis on the essentiality of preventing any development or activity that might disturb the "Soviet friendship" line.

While these trends may be discounted as due in part to temporary maneuvering before the national elections and in part to the Government's anxiety to reassure Moscow in face of a definite intention to join OEEC, in at least two particulars they seem to carry a long term threat to the Western position in Finland. In all the current discussions of the USSR, there is an everpresent overtone suggestive of acceptance of a Soviet monopoly over the future of Finland. At the same time, there is incessant "window dressing" regarding Fenno-Soviet "friendship". The result might well be that ultimately the Finnish perspective on the Soviet Union will be undermined. The older Finns could be led into a "Czech" outlook, and the younger, particularly among the lower classes, could be brought to the complacent view that they not only had nothing to fear

² Despatch 614 is entitled "Finnish Position on Controversial Issues at Law of Sea Conference." (Department of State, Central Files, 399.431/4-2558)

³ Soviet Premier Nikolai Bulganin and Communist Party First Secretary Nikita Khrushchev visited Finland in June 1957. The Embassy's commentary on the visit is in despatch 564, June 21, 1957. (*Ibid.*, 033.6160E/6-2157)

⁴ Despatch 598 is entitled "Erlander Foreign Policy Speech Draws Significant Agrarian Comment." (*Ibid.*, 758.13/4-2158)

from the USSR, but perhaps much to gain. Supporters of the Agrarians and Social Democrats, along with the Communists, who together now constitute approximately three quarters of the voters of the country, seem especially likely to be influenced by this trend.

Operating Problems

Under existing U.S. programs, operating problems are currently minimal. Since the loan of \$14 million in Finnmarks to the Mortgage Bank of Finland in February,⁵ the problem of utilization of U.S. owned Finnish currency has changed from one of finding satisfactory uses to one of priorities. There now appear worthy projects in sight—primarily the purchase of defense housing—which call for more funds than will be available from the February, 1958, PL 480 agreement.⁶ However, if, as suggested below, a fiscal 1959 agreement is consummated as early as congressional action will permit, funds should be adequate to prevent delays in any of the projects which are now being given serious consideration.

The programming of Cooley Amendment⁷ loans constitutes a new operating problem, but probably not one involving a unique or especially important policy issue. Should eligible requests be slow in materializing, however, the question would arise as to when to cut off the "Cooley reservation" and release the funds for other uses.

The frequently mentioned interest of the Finnish authorities in development loans may give rise to new operating problems, particularly in view of the Battle Act question.⁸ The Finns are now seeking an IBRD loan; they may also turn to the Export-Import Bank. Assistance to a Fenno-Norwegian project in the north also is a possibility to be considered.

⁵ In an exchange of notes of February 10 and February 17, the Governments of Finland and the United States agreed to the \$14 million figure, which was to be financed from local currency proceeds from U.S. commodity sales. For texts of the notes, see 9 UST 1025. The details of the agreement were transmitted in telegram 554 from Helsinki, February 11. (Department of State, Central Files, 860E.10/2-1158)

⁶ An agricultural commodities agreement under Title I of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) was signed in Helsinki on February 21. For text, see 9 UST 230.

⁷ The Cooley Amendment to P.L. 480 was introduced by Representative Harold D. Cooley and enacted on August 13, 1957. It provided that up to 25 percent of the local currencies generated by P.L. 480 programs be made available for Export-Import Bank loans to U.S. private firms for business development and trade expansion abroad and for the establishment of facilities for expanding markets for U.S. agricultural products. For text, see 71 Stat. 345.

⁸ Reference is to the Mutual Defense Assistance Control Act of 1951 (P.L. 213), sponsored by Representative Laurie C. Battle and enacted October 26, 1951. It provided for the suspension of U.S. economic aid to nations supplying strategic materials to Communist countries. For text, see 65 Stat. 644.

The possibility of requests for shorter term credits, from IMF or elsewhere, to meet a difficult foreign exchange situation also should not be discounted, and the U.S. would have an important interest in this question in view of its intimate relationship to western trade arrangements and the OEEC.

With respect to further PL 480 agreements, the Finns have requested action as early in the fiscal year as possible. They have also urged a more favorable response to their commodity requirements, particularly cotton. There is thus a problem of granting a higher priority to Finland in the PL 480 program or risking failure to secure maximum benefits in the way of assistance to the Finnish economy and furtherance of Western orientation. It might also be noted that if PL 480 sales were cut off entirely the result would probably be a significant increase in Finnish economic dependence on the USSR.

In present U.S. efforts to influence Finland, a key role is played by the exchange of persons program. This program has long been running smoothly and does not in itself pose problems. It has been suggested, however, that the program might be reduced during the next fiscal year. Instead it should be maintained at its present level and an increased proportion devoted to an exchange of persons deliberately chosen for their influence in dominant groups, including those which are presently indifferent to the U.S. and its political objectives. Greater flexibility in the application of rules governing conditions of grant should be permitted in order to attract individuals of this type who might otherwise not be eligible, or able to leave their present positions.

Possible Additional Programs

Finland's position as an independent nation basically oriented toward the West is now obviously far more secure than a few years ago. Nevertheless it remains subject to very real dangers. Insofar as these derive from the geographic position of the country they will, of course, continue indefinitely. However, under the existing international situation they appear to derive more from conditions and attitudes within Finland itself.

In Finland the U.S. is prevented from taking certain obvious political initiatives because of the impossibility of underwriting the security of the country against possible repercussions. However, the U.S. is not denied the opportunity of acting through economic and cultural channels to achieve political aims. Specifically, it would seem that the U.S., within the framework of existing policies and without danger of provoking irrepressible Soviet countermeasures, is free to:

- 1) Help avert the damaging political effects of a continuation of certain basic deficiencies in the Finnish economy;
- 2) Exert constructive influence on the selection and training of able and responsible political leaders;

3) Interpose a strictly limited but concerted psychological alternative to the prevailing impression of Soviet monopoly over the future of Finland.

The area of greatest opportunity for the U.S. is that of investment loans. As the Embassy has repeatedly pointed out, Finland can attain real economic viability only through a substantial increase in its productive capacity. This requires a Finnish shift in emphasis from uneconomic agricultural activities and submarginal manufacturing to industries for which the country has at least some natural endowment, particularly new industries based upon forest resources and some minerals. Finland itself cannot supply the necessary capital. If the U.S. should supply it, it would not only contribute to a basic strengthening of the country's economic and political stability, but could also influence development along lines which would tie it more closely to the West.

One phase of a U.S. investment program could very profitably be the promotion of enterprises jointly undertaken by Finland and Sweden and/or Norway. An example of an enterprise of this sort is the Fenno-Norwegian project for a sulphate plant in the Kirkennes area, a project which is already in an advanced stage of planning. (See D 494 of March 3, 1958.)⁹

In the psychological field, the major need is to counter the long term trend, noted above, toward a distortion of the Finnish perspective regarding the Soviet Union. Here the most fruitful line of activity would seem to lie in directly influencing leaders, political and otherwise, through maximum exchanges.

A new means of doing this might be the inauguration of non-military programs for the utilization, with PL 480 funds, of Finnish scientists. Well thought out programs of this type would not only influence the attitudes of an important segment of Finnish society, but would help the Finnish economy through contributing to the support of scientific research. It also would increase the scientific resources available to the U.S. (See D 632 of May 2, 1958.)¹⁰

In a broader area, it may be that the time has come for at least a degree of change in our psychological approach to the Finnish people. Careful attention must still be given, of course, to the problem of avoiding precipitation of Soviet pressures on Finland. But this need not mean passivity in all fields; it should be possible within the spheres open to us

⁹ Despatch 494 is entitled "Project for Finnish-Norwegian Cooperation." (Department of State, Central Files, 657.602/3-358)

¹⁰ Despatch 632 is entitled "Visit of Dr. G. E. Hilbert and Mr. Raymond W. Sooy." (*Ibid.*, 102.602/5-258)

to act somewhat more resolutely and to seek more boldly to make psychological use of such action.

John D. Hickerson
American Ambassador

180. Operations Coordinating Board Report

Washington, July 9, 1958.

OPERATIONS COORDINATING BOARD
REPORT ON FINLAND (NSC 5403)
(Policy Approved by the President, January 25, 1954)

(Period Covered: From January 3, 1958 Through July 9, 1958)

A. *Summary Evaluation*

1. The basic U.S. objective of maintaining an independent, democratic Finland, oriented toward the West, continued to be met. It is too early to evaluate the recent agreements in principle between Finland and the Soviet Union for a large loan and on other matters (see paragraph 8 below), but their impact on Fenno-Soviet relations may have an important bearing on continued attainment of U.S. objectives.

2. Finland's contracting economy evidenced by increased unemployment and a decline in the volume of production is operating, in conjunction with other factors, to increase Finland's dependence on the

Source: Department of State, OCB Files: Lot 61 D 385, Finland. Secret. A Financial Annex is not printed. The report was approved by the OCB on July 9 on the condition that it be revised to reflect the results of the Finnish elections. (Preliminary Notes of OCB Meeting, July 9; *ibid.*) It was forwarded to the National Security Council under cover of a memorandum from Melbourne to Lay, August 11; noted by the NSC at its 376th meeting on August 14; and approved by President Eisenhower on August 18 in NSC Action No. 1968. (*Ibid.*, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council) In his August 11 memorandum, Lay noted that no Finnish Government had as yet been formed, there being "persistent difficulty in forming a coalition without communist participation." He also noted that the Finnish request for a \$30 million loan was under active consideration by both the Department of State and ICA. A copy of the previous Progress Report, January 2, is *ibid.*, OCB Files: Lot 61 D 385, Finland.

Soviet bloc as a market and as a source of capital. However, the Finnish economy is now in a sounder condition than it has been in a number of years in the sense that the inflationary problem is not as serious. This has resulted from the stringent monetary and fiscal policies and the devaluation of the Finnmark undertaken last year.

3. Extensive trade with the Soviet bloc remains economically necessary and politically expedient. Finland's large ruble balance which has, for a number of reasons, developed in the last few months may lead to increased imports, at least temporarily, from the Soviet Union. These imports suffered a drop during early 1958 in the face of an increase in total imports. Finland's economy remains dangerously dependent upon the Soviet bloc.

4. The divergent interests of the several non-Communist parties have frustrated efforts to form a stable coalition assured of a workable Parliamentary majority. This has led to the fall of two cabinets in the space of six months. The difficulty of submerging sectional and party interests has been increased in recent months by the decline in economic activity. The July parliamentary elections left this political situation fundamentally unaltered.

5. The agreements with the United States for a 1958 PL 480 program of approximately \$9 million and for the loan to Finland of \$14 million equivalent of U.S.-owned Finnmark proceeds from previous PL 480 sales contributed to Finland's ability to meet its economic problems.

6. A review of policy is not recommended. Present policy with relation to Finland is considered to be consistent with Basic National Security Policy (NSC 5810/1).¹

B. Major Operating Problems or Difficulties Facing the United States

7. *Possible Request for U.S. Loan.* Finland has just requested a U.S. Government loan of \$30 million to be utilized by the Mortgage Bank of Finland for industrial development purposes in northern Finland. Western economic assistance can make an important contribution to the maintenance of Finland's orientation toward the West. (Western economic assistance has consisted primarily of PL 480 sales and local currency credits and IBRD loans.)

Note: See National Intelligence Estimate No. 28.5-54, "Current Situation and Probable Developments in Finland During 1954", dated January 5, 1954.²

¹ Scheduled for publication in volume III.

² Not printed. (Department of State, INR-NIE Files)

Annex A

ADDITIONAL MAJOR DEVELOPMENTS

8. *State Visit to Moscow.*

a. President Kekkonen, accompanied by several Cabinet ministers, representatives of most Finnish political parties, and several Parliamentary, business and military leaders, made a State visit to the Soviet Union during the last week of May.³ The final joint communiqué stated that the Soviet Union had acceded to Finnish requests for a development loan of commodities equivalent to about \$100,000,000, and for Finnish use of the Saimaa Canal; while Finland supported the Rapacki Plan, nuclear test suspension, and seating the Chinese Communist regime in the U.N.

b. The Finnish delegation was dominated by President Kekkonen who appears to have disregarded the views of most of his advisers, at least as regards the proposed loan and Saimaa Canal agreements. However, these will have to be negotiated and approved by Parliament before they go into effect. The President was apparently motivated by Finland's genuine need for large-scale capital investment assistance; by his hope that a Soviet concession on the Canal would benefit the Agrarian Party in the forthcoming elections; and by his fear that prevailing circumstances in the West made it prudent to mend fences in the East. The communiqué statements on international political problems represent more explicit statements of positions Finland has already publicly taken. Nevertheless, consummation of agreements on the loan and on the Canal would represent a step by Finland toward closer cooperation with the Soviet Union which cannot yet be evaluated.

9. *Socialist Split.* The deep split within the Social Democratic Party and the trade union federation (SAK) was exacerbated by the political maneuvers involved in the formation of the Kuuskoski Government. Efforts, the success of which cannot yet be forecast, are under way to heal the breach. Their failure would open new opportunities for the Communists both in politics and in the trade unions.

10. *Parliamentary Elections.* In the July parliamentary elections the well-organized Communists benefited from a drop in voter turn-out, the poor economic outlook, unemployment, the Socialist split, plus timely Soviet gestures.⁴ Although the Communists raised their vote only from 433,800 in the previous election to about 441,100, they increased their representation by 7 and now control 50 of the 200 seats in

³ Documentation on the visit, May 22–31, is *ibid.*, Central File 760E.11.

⁴ See Document 181.

the national legislature. While the democratic parties are unanimous in their opposition to Communist participation in the Government, the elections did not solve the problem of their widely divergent interests on numerous other major issues, thus leaving the basic political situation unchanged. Consequently, the task of forming a new Government to replace the present caretaker cabinet will be as difficult as in the past and may not be completed until late summer. The changes brought about by the elections were as follows:

	Pre-Election Parliament	Post-Election Parliament
Social Democrats	54	48
Independent Social Democrats	0	3
Agrarians	53	48
Communists (SKDL)	43	50
Conservatives	24	29
Liberals	13	8
Swedish Party	13	14

11. *IBRD Loan.* The IBRD is currently investigating Finland's economic situation in order to determine whether it should grant a dollar loan. Such a loan would play an important role in improving the basic structure of Finland's economy, since lack of investment capital is one of its basic economic problems. While there is no firm indication at the present time on the size of any IBRD loan, it is unlikely that it will be in excess of \$20 million.

12. *OEEC.* There is still some Finnish interest in joining OEEC and the EPU; the latter have concluded, after an examination made at Finland's request, that they would act favorably upon receipt of a formal application. The Finns have informally indicated to the U.S. Embassy, however, that the Soviet Union would object if trade with the Soviet bloc were to be adversely affected. For this and other reasons, an early Finnish application for membership in OEEC is not likely.

13. *Norwegian-Finnish Cooperation.* The degree to which the United States can assist in a joint Norwegian-Finnish project for development of natural resources in their northern border area is now under study in the Department of State. Finnish participation in joint Scandinavian undertakings of this kind to the maximum feasible extent would be a contribution toward the attainment of U.S. objectives.

14. *Economic Situation.*

a. Finland adopted last year stringent monetary and fiscal policies and a devaluation of the Finnmark which have shaken out many but not all the inflationary problems besetting the Finnish economy. However, the Finnish authorities are now under considerable pressure to relax their tight credit and budgetary policies. These policies have resulted in

an inevitable slackening in economic activity compared with the previous period of marked inflation, and the increase in unemployment and decline in production in recent months has been accentuated by a fall in foreign demand for Finland's wood and wood products because of the decreasing rate of growth in the economies of western Europe. Some measures to stimulate the economy have already been taken.

b. Since the devaluation of the Finnmark last September, Finland's balance-of-payments position has improved and its gold and foreign exchange reserves (primarily non-convertible and non-transferable currencies) have increased. Finland's traditional exports have again become competitive in world markets. Finnish officials anticipate that the foreign exchange holdings of the Bank of Finland in the first half of this year will not show their usual seasonal decline. Along with devaluation, Finland took substantial steps in removing restrictions on imports from western European countries. This caused an immediate shift in Finland's sources of supply; there was an increase in imports from western European countries where goods are more competitive and a decrease in imports from the Soviet bloc. Since exports to the Soviet bloc did not fall at the same time, Finland has substantially increased its ruble balance with the USSR.

Annex B

July 11, 1958.

SINO-SOVIET BLOC ACTIVITIES IN FINLAND (Prepared by CIA)

1. *General Bloc Policy.* Bloc activity is aimed at weakening Finland's policy of "friendly" neutrality in favor of closer relations with the bloc and at advancing Soviet foreign policy objectives toward other Scandinavian countries. The USSR can put considerable pressure on Finland; however, the Kremlin realizes that such measures might move Finland closer to the West, as well as cause adverse reactions by the Scandinavian countries. Moscow has also found it profitable to point to Soviet-Finnish relations as an example of peaceful co-existence between countries having opposing social systems. Finland has thus been able generally to conduct its external and internal affairs without overt bloc interference.

2. During the period of this report, the USSR continued its efforts to use Finland to encourage the Scandinavian countries to pursue

policies which would weaken their ties with the West. Bloc countries have periodically urged Finland to support the establishment of a Baltic "sea of peace" with the objective of excluding Western forces from the area. Moscow is also attempting to strengthen its economic and cultural relations with Finland.

3. *Diplomatic Activity.* Finland maintains diplomatic relations with the USSR, Communist China, and all Eastern European countries except East Germany. The bloc missions in Helsinki are staffed by approximately 195 officials, of whom over two thirds are Soviet.

4. *Economic Activity.* Finland's over-all trade with the bloc increased from \$430,000,000 in 1956 to approximately \$518,000,000 in 1957, accounting for 29 percent of Finnish exports—a slight increase—and 31 percent of imports—a rise from 25 percent in 1956. In the first quarter of 1958, Finnish purchases from the USSR declined sharply; it cannot be determined whether this trend will continue, particularly inasmuch as Finnish officials are taking corrective measures to restore the level of trade. The USSR supplanted Great Britain last year as Finland's principal trading partner, and substantial increases in trade were registered with Poland and Czechoslovakia.

5. Last year's growth in Finnish commerce with the bloc resulted from a number of factors. Imports rose as delayed deliveries of Soviet goods were made and the Finns tried to liquidate a large credit balance with the USSR. The slight rise in exports resulted in part from expanded sales to Poland. Finnish inflation also tended to stimulate trade with the bloc: the Finnish Government increased its purchases from the bloc and held down Western imports during most of 1957 in order to conserve foreign exchange, while some Finnish goods which were priced too high for Western markets found bloc buyers.

6. On several occasions during the past year the USSR has offered credits and loans to Finland. Despite considerable agitation by Finnish Communists to accept Soviet assistance for industrialization, Helsinki has not responded to these overtures.

7. *Cultural and Propaganda Activity.* Finland is a prime target for Soviet cultural and propaganda activities, and has the largest program of cultural exchanges with the bloc of any free world country. Exchange visits between Finland and the bloc rose sharply in 1957 to a total of 180 delegations; Finland sent 106 delegations, and was visited by 74 bloc delegations.

8. The bloc supports a total of seven friendship and cultural societies and centers in Finland. The "Finland-Soviet Union Society", with 18 branches scattered throughout Finland and an estimated membership of some 230,000, is the largest and most active. While its members in-

clude many non-Communist Finns—including the President of Finland, who is the honorary president—Communists hold positions of control.

9. Sino-Soviet bloc radio broadcasts in Finnish at present total 41.5 hours per week, a slight increase since early 1957. Some of the bloc's broadcasts of about 42 hours per week in Swedish probably are also intended for listeners in Finland. In addition to a TASS representative, three Soviet newspapers have correspondents in Helsinki, and the Soviet Information Bureau—a news disseminating agency—has a sizable staff.

10. *Subversive Activity.* The Finnish Communist Party (SKP) has a membership of approximately 25,000, a drop of about 5,000 over the past year. It controls the leftist front organization, the Finnish People's Democratic League (SKDL), and the Communist deputies in parliament sit as SKDL members. The substantial gains of the SKDL in the 6–7 July parliamentary election may stimulate the Communists to resort to more under-cover activity, particularly if, as anticipated, the democratic parties refuse to accept the SKDL in any coalition government.

11. The Finnish People's Democratic League (SKDL), the parliamentary front of the Finnish Communists, is the largest party in parliament, with 50 of the 200 seats. The SKDL, which like other Communist fronts and mass organizations had been suffering from a lack of interest, will be greatly stimulated by the outcome of the election. It will demand to participate in any new government and can be expected to accelerate its whole propaganda program. The most important target of Communist penetration in Finland is the Confederation of Trade Unions (SAK). Communists and their sympathizers account for about 40 percent of the membership and hold three of the 17 seats on the executive committee. Seven of the 36 affiliated national unions are dominated by the Communists, including the key construction workers' union. The continued factional struggle among Social Democrats both in the party organization and in the trade unions can assist the Communist schemes.

12. 65 Communist or Communist-oriented newspapers and periodicals are distributed to an estimated 150,000 persons. The circulation of *Kansan Uutiset*, the official organ of the SKP and SKDL, is about 45,000, compared to 58,000 in 1956.

13. The Communists still constitute a substantial threat to Finland's internal security and political stability. The SKP hardcore which forms the basis of the Communist capability for sabotage has not been notably affected by recent difficulties; through their position in the trade union movement, the Communists are able to stimulate labor unrest and inhibit government efforts to achieve economic stability.

14. *Finnish Reaction to Bloc Activities.* Informed Finns and governmental figures are well aware of the USSR's potential for political and economic sanctions against Finland, as well as the ultimate threat of Soviet military action. The Finnish Government is therefore careful to calculate the impact of its foreign policy actions on Soviet-Finnish relations. On the other hand, Helsinki has yielded only a limited extent to pressure from Moscow to further bloc objectives among the Scandinavian countries.

15. Trade with the bloc is vital to the Finnish economy. The USSR is the main foreign outlet for the exports of the metalworking and ship-building industries which are noncompetitive in Western markets, and the USSR supplies the bulk of Finland's coal, oil, wheat, and fertilizer. Nevertheless, the economic and political implications of the progressive increase in Finnish trade with the bloc are viewed with serious misgivings by many Finns, and Helsinki has taken steps to maintain the Western orientation of the economy. Finland has concluded multilateral payments agreements with Western European countries, and in September 1957, devalued the finmark and liberalized import licenses. The currency devaluation has thus far enabled Finland to hold its Western markets in spite of a weakening demand for major Finnish products. The Finns have also shown some interest in joining OEEC, but are hesitating because they are concerned over possible disruption of trade with the bloc.

16. *The Outlook.* The gains of the SKDL will lead to its demanding its inclusion in the government, and Soviet propaganda will vociferously support this demand. The USSR may also make more direct suggestions to President Kekkonen that he press the other parties to accept the SKDL. The bitter fights within the Social Democratic Party and in SAK may benefit the Communists particularly in the labor movement. Any split in SAK would probably permit Communist elements to gain control of several of the national labor federations and possibly of SAK itself.

17. Moscow appears content to continue its policy toward Finland of "calculated tolerance", at least for the near future. Finland's ability to maintain a balance in its economic relations with the bloc and with the West is also important: increased economic dependence on the bloc could be exploited by Moscow, while a drastic change in favor of the West might result in an adverse reaction from the USSR.

181. Telegram From the Embassy in Finland to the Department of State

Helsinki, July 10, 1958, 5 p.m.

27. While all results parliamentary elections not final it is clear continuing count absentee votes will not alter fact that Communist-Front SKDL won striking victory, attaining first or second place in Diet, while Agrarians suffered severe setback to third place.

Embassy does not believe outcome is likely to produce particularly adverse political effects. All Embassy contacts assume, and we agree, Communists will not be admitted to government unless President Kekkonen in effect goes nuts. Meanwhile shock treatment suffered by non-Communist parties should have taught much needed lesson that they cannot afford luxury of fighting among themselves or underestimating potency of Communists as in recent years.

Composition of new government probably will not be clear for several weeks but first efforts will certainly be directed toward forming a majority government based on coalition of most if not all non-Communist parties.

Results of the election appear due principally to the following: (1) Generally bad economic situation and outlook; (2) the special problem of unemployment; (3) dissension within and among non-Communist parties; (4) apathetic nature of campaign of non-Communist parties; (5) the organizational effectiveness, large expenditures, and hard work of the Communists, coupled with their usual willingness to make wild and irresponsible promises and proposals; (6) the exaggerated emphasis placed on Fenno-Soviet friendship by the President and the Agrarians, particularly in connection with President's Moscow visit, which had the effect of placing a mantle of respectability about the Communists; and (7) the illusory but adroitly framed and timed series of "concessions" offered by the Soviets and accepted by the President,¹ which among other things gave a stamp of approval to a number of Communist domestic demands.

Added factors which particularly affected the Agrarians included: (1) reaction against the efforts of the Agrarians to sell themselves as *the* party of Fenno-Soviet friendship; (2) a widespread tendency to place on the Agrarians responsibility for the ineffective governments of the last

Source: Department of State, Central Files, 760E.00/7-1058. Confidential; Priority. Repeated to Stockholm, Copenhagen, Oslo, Moscow, and Reyjavik.

¹ The Soviet Government offered Finland a 400-500 million ruble credit and use of the Saimaa Canal. The Embassy's evaluation of these and other aspects of the agreement are in despatch 752 from Helsinki, June 19. (*Ibid.*, 760E.11/6-1958)

two years; and (3) widespread irritation over the Agrarian policy of favoring small farmers, particularly dairy farmers, as against grain producing larger farmers.

Contrary to first indications the election results can not be attributed to the small turnout as late returns, including a very large absentee vote, put the proportional turnout in line with previous post-war elections.

The Embassy, while discounting the effects on the likely cabinet set-up, considers that the demonstration of strength by the Communists cause for real concern. The SKDL vote can in a sense be compared with the Communist vote in France and Italy in that it very largely represented a protest vote. However, in light of harsh Finn experiences and the realness of the shadow that the Soviet Union still casts over Finland, it is difficult to rationalize the fact that roughly a quarter of Finn voters expressed their protest through a Communist dominated party. Immediate implications do not appear serious, but from the long-term standpoint it now seems clear that the internal Communist threat will remain serious unless greater progress is made toward overcoming basic economic difficulties and unless non-Communist parties show greater willingness to forego the luxury of factionalism and extreme partisanship.

Hickerson

182. Editorial Note

In telegram 87 from Helsinki, August 27, Ambassador Hickerson informed the Department of State that Dr. Klaus Waris, Governor of the Bank of Finland; Eeo Asp, Foreign Affairs Secretary of the Bank; and former Finnish Premier Vieno Sukselainen would arrive in Washington on September 2 to request a \$30 million loan from the U.S. Government. Hickerson emphasized that the decision to send this high-level mission followed repeated indications from Finnish authorities that the need for U.S. credits was considered "extremely urgent" in the present situation. (Department of State, Central Files, 760E.5-MSP/8-2758) Telegram 102 to Helsinki, August 28, responded that in view of Congressional reduction of the administration's foreign aid request by \$644 million, Finland could not be considered for a contingency loan at that time. Consequently, "any talks Waris may have with U.S. officials at this time are likely to be unproductive." (*Ibid.*, 860E.10/8-2858)

183. **Telegram From the Embassy in Finland to the Department of State**

Helsinki, August 30, 1958, 3 p.m.

93. Prime Minister-Designate Fagerholm announced formation majority five-party coalition government August 29. New 15-man Cabinet composed as follows; five Social Democrats Fagerholm, Social Affairs Vaino Leskinen, Trade Onni Hiltunen, Associate Communications (Labor) Olavi Lindblom, Associate Social Affairs Rafael Paasio; five Agrarians Deputy Prime Minister and Foreign Minister Johannes Virolainen, Interior Atte Pakkanen, Agriculture Martti Miettunen, Communications Kusti Eskola, Associate Finance Mauno Jussila; three Conservatives Finance Paivio Hetemaki, Defense and Associate Trade Toivo Wiherheimo, Associate Agriculture Niilo Kosola; one Swede Justice Sven Hogstrum; one Liberal Education Kaarlo Kajatsalo.

Of 15 ministers, all are Diet members and only three have never participated in previous Cabinets (Lindblom, Kosolam, Kajatsalo). New Foreign Minister is 43 year old Virolainen who has served in numerous Cabinets, several times as Foreign Minister (most recently 1957). Labor interests represented by Lindblom while employers have spokesman in Hetemaki. This is first political Cabinet since Sukselainen resigned October 1957 and was preceded by two professional caretaker governments, Von Fieand's (five months) and Kuuskoski's (four months). New government commands 137 of Diet 200 votes, with only Communists and SD opposition (Skogists) in opposition. Fagerholm is middle-of-road Social Democrat twice before Prime Minister. Very fact he is not considered strong or forceful politician and has avoided too close identification with Leskinen-Tanner faction of SD probably accounts for his success in rallying majority government. Inclusion outspoken and tough Leskinen is surprising and reportedly almost kept Agrarians from participating. Presence of Lindblom (fired 1957 from position SAK Secretary General) likely further antagonize trade union confederation. Except Virolainen Agrarian Ministers belong to Conservative wing of party and dominant radical wing may therefore be anticipating its failure. Conservatives have not been in political Cabinet since war.

Most urgent job new government is to face up to pressing economic problems and generally restore confidence in Parliamentary Government. Conservative control of finance indicative of concern over holding down expenditures. Questionable how effective new government will be and how long such precarious alliance can withstand internal strains sure to develop. Communists and Skogists claim represent bulk of labor strength and government can expect trouble from this quarter when expected severe winter unemployment starts, particularly as most labor contracts expire shortly.

Hickerson

184. Telegram From the Embassy in Finland to the Department of State

Helsinki, September 2, 1958, 4 p.m.

95. Reflecting further on Department's message 102,¹ I am not of course, appreciative of the obstacles that stand in the way of a government loan to Finland at this time. I nevertheless urge as strongly as I can that every possible avenue be explored to try to give a favorable answer to the Waris mission. It is not too much to say that Finland now stands at the cross roads. The government which is just taking over was organized only after the greatest difficulty. From our standpoint it is a good government bringing together as it does all of the political elements which stand most firmly for preservation of both Finland's real independence and her western orientation. Unless the new government can make visible progress toward solution of basic economic problems, including especially a start toward expanding production with an atten-

Source: Department of State, Central Files, 860E.10/9-258. Confidential; Priority.

¹ See Document 182.

dant increase in employment, it will almost certainly fall within a few months. The alternatives would then appear be either a minority government, seeking and dependent upon Communist support, or a majority government including Communists. Either of these would involve a severe weakening of the solid anti-Communist front maintained in domestic politics since 1948. And this might well be but the beginning, with the final result being over a period of years a disastrous instance of a free people voluntarily giving Communists a real voice in their affairs.

I am not so sanguine as to believe US loan will guarantee success for the present government. I am convinced, however, that failure to secure a loan will greatly increase the difficulties that the government would encounter. At the same time, it would probably lead to irresistible pressure to utilize the proffered Soviet credit of 400 to 500 million rubles with its serious implications for the rational economic development of the country and for its economic orientation.

Hickerson

185. Memorandum of Conversation

Washington, September 4, 1958.

SUBJECT

Finnish Request for a Dollar Loan; IBRD Loan; Soviet Loan Offer

PARTICIPANTS

Dr. Klaus Waris, Governor of the Bank of Finland
Mr. Jaakko Lyytinen, First Secretary, Embassy of Finland
EUR—Mr. Elbrick
BNA—Mr. Mayer
BNA—Mr. Nelson

At his request Dr. Klaus Waris, Governor of the Bank of Finland, held a conversation with Mr. Elbrick concerning the Finnish application for a dollar loan.

Dr. Waris initiated the conversation by outlining the economic situation in Finland. He said that Finland had devalued its currency last fall and had liberalized its trade controls on the pattern of the other Scandinavian countries while, at the same time, maintaining a tight money policy. The result, he said, had been generally good. The balance of trade had improved to such an extent that now Finland has a small surplus on current account. Foreign exchange reserves, while not excellent, were satisfactory for the moment. However, during the past two years Finland has been undergoing a recession marked by a small drop in the national income and a significant rise in unemployment.

As to the primary cause of the unemployment and general economic decline, Dr. Waris said that the main source of difficulty has been the deterioration of the market for Finnish exports, which consist primarily of wood products. The short-run outlook, he stated, indicated that there probably would be no marked improvement during the coming year, but the long-run prospects are generally viewed as excellent.

Dr. Waris said that the best solution to Finland's current economic problems lies in the development of productive capacity which simultaneously makes the most economic use of resources and increases trade with the West. To achieve this end the Finns' intention is to direct investment primarily into the wood products industries with a view to being prepared for expected improvement in market conditions in the early 1960s. Dr. Waris said that the Finns had about \$80 million in projects, about \$50-\$60 million of which are feasible and easily justifiable at the present time.

Referring to his conversations with the IBRD, Dr. Waris said that, although the Bank had been thinking in terms of a \$20 million loan to Finland, he was now under the impression that a loan of as much as \$40 million was not entirely out of the question. The Bank could not argue with the Finnish expectation that the proposed development in the wood products industry would ultimately lead to an increased output of \$60 million a year. He said further that the IBRD wants to be, in effect, Finland's sole banker for the wood products industry and is not favorably inclined toward any idea of approaching the Export-Import Bank for credits in this field. He hoped that the IBRD's general position as regards a possible loan to Finland would be known without too much delay.

In addition to the financing of the wood products industry which Finland may get from the IBRD, Dr. Waris stated that Finland needs some \$20 million for hydro-electric development, the construction of a titanium oxide plant, and the support of a number of small industries. He made a point of stressing the favorable psychological effect (as well as the economic benefits) of aiding the development of small industry to which he estimated about \$3 million should be allocated from a dollar

loan. Dr. Waris said that from 50 to 60 percent of the \$20 million total would actually be used for domestic expenditures. If this whole amount could be obtained in dollars, it would indirectly supply the foreign exchange necessary to absorb increased demand arising as a result of the investment program envisioned. He appeared to concede, however that a part of the \$20 million total might be supplied in the form of Finnish marks. If there were any indication that a dollar credit would be forthcoming, Finland would start immediately upon some of the projects by tapping its existing reserves. In any case, for practical effect, Dr. Waris said, Finland would need to know sometime this fall whether or not a loan could be extended.

Regarding the new Finnish Government formed on August 29, Dr. Waris said that it is subject to internal dissension and that it faces a particularly difficult time in handling budgetary matters. Its tenure will depend to a large extent on its success in dealing with the country's economic problems.

With reference to the Soviet loan offer, Dr. Waris stated that it is not very attractive since the Soviet Union does not have the commodities desired and needed by Finland. Aside from the Communists and perhaps a few others there is not any strong support for utilization of the Soviet credit. He said further that as a matter of fact Finland's ruble balance has accumulated to such an extent that the Bank of Finland could today provide 200 million rubles for any reasonable economic project without going to the USSR. Dr. Waris said he had made this point with the Government. He speculated that Finland would probably take up some of the Soviet offer because, in a way, a commitment to do so had been made. He would be surprised, however, if as much as 25 percent of the offer were actually taken up.

Referring for a moment to future Soviet-Finnish trade negotiations, Dr. Waris felt that the only thing significant they could produce in view of Finland's large and growing ruble surplus would be a reduction in the amount of Soviet purchases on the Finnish market.

Mr. Elbrick thanked Dr. Waris for his presentation and said that we certainly have an interest in the Finnish request for a loan. He said that the United States is faced with a problem of very heavy demands for loans and other economic assistance and that he could not be too hopeful regarding the Finnish request. Dr. Waris asked if a Finnish loan would be out of the question and Mr. Elbrick replied that this was not the case, but that high expectations should not be built up. Dr. Waris expressed the hope that Finland would not simply be dropped from consideration.

(After the discussion with Mr. Elbrick, the other participants had a short informal conversation with Dr. Waris concerning a possible investment guaranty agreement. Dr. Waris said he appreciated the impor-

tance of such an agreement and that he had advised the Government to move ahead on the matter. He saw no practical obstacle to the consummation of such an agreement except that certain language adjustments might have to be made to assure the most expeditious parliamentary action should that be necessary.)

186. Memorandum From the Assistant Secretary of State for European Affairs (Elbrick) to the Under Secretary of State for Economic Affairs (Dillon)

Washington, September 12, 1958.

SUBJECT

Finnish Loan

1. As a consequence of last week's Washington visit by Dr. Klaus Waris, Governor of the Bank of Finland, I think some reassessment of the Finnish request for a dollar loan is desirable. Since the IBRD is now apparently prepared to consider a credit in excess of the \$20 million originally contemplated, Finland's loan requirement from us can be scaled down from the initial \$30 million to an estimated \$20 million. If we can provide a new Finnmark counterpart credit,¹ it is likely that the more pressing Finnish needs can be met with even fewer actual dollars.

2. The political and economic foundations of Finland's independence have been subjected to a gradual but perceptible attritive process during the past two years. General economic decline has aggravated already serious political instability and contributed to the success of the Finnish Communists who now control one-fourth of the Parliament. These developments have (1) built up pressures for accepting substantial Soviet aid and (2) encouraged some serious consideration of taking Communists into the Government. The realization of either or both of these possibilities would represent a major set-back to the basic NSC 5403² policy objective of maintaining an independent, democratic and

Source: Department of State, Central Files, 860E.10/9-1258. Confidential. Drafted by Nelson.

¹ We loaned Finland \$14 million in P.L. 480 Finnmarks early this year. [Footnote in the source text.]

² See footnote 1, Document 179.

western-oriented Finland. I think that this danger can be markedly lessened and possibly removed by adequate and timely contributions to the development of productive capacity which would make the most economic use of Finnish resources and increase trade with the West. (Attached is an independent analysis of the political justification for a loan to Finland.)³

3. Therefore, I recommend that, in reprogramming MSP funds, careful consideration be given to a Finnish loan of \$10 million which would be supplemented by a substantial credit from existing and prospective PL 480 counterpart funds.⁴ In anticipation of future Finnish needs, I also propose the inclusion of an additional \$10–\$15 million for Finland in the FY 1960 MSP budget request.⁵

³ No attachment was found in Department of State files.

⁴ A \$9 million P.L. 480 agreement was made for FY 1958 and Agriculture proposes \$7.5 million for FY 1959. An insignificant amount remains from agreements prior to FY 1958. [Footnote in the source text.]

⁵ On September 19 Dillon left the United States on an 11-nation tour to study the operation of the Mutual Security Program. He returned in late October, but it is not clear that he studied EUR's proposal until mid-November (see Document 195).

187. Letter From the Ambassador to Finland (Hickerson) to the Operations Coordinator in the Office of the Under Secretary of State (O'Connor)

Helsinki, September 15, 1958.

DEAR MR. O'CONNOR: I have just received copies of the July 9, 1958 OCB Report on Finland (NSC 5403),¹ noted by the NSC on August 18, under cover of a letter from you. The report is being read by all Embassy officers with operational responsibility, including the Service Attachés and USIS officers.

While it is somewhat difficult to cite chapter and verse, I am disturbed by what seems to be a rather complacent tone to the report, a tone

Source: Department of State, OCB Files: Lot 61 D 385, Finland. Secret; Official-Informal. Copies were sent to Willoughby and Mayer.

¹ Document 180.

which I do not feel is justified by the existing situation in Finland. All of the principal Chancery officers share this reaction.

Perhaps the primary example is the statement in the summary evaluation that the July parliamentary elections left the political situation fundamentally unaltered. We are in fact quite disturbed by the results of the elections and feel that they may reflect a rather dangerous trend toward increased Communist party respectability and influence, a trend that may eventually lead to Communist participation in the Government. In addition, we are more than a little disturbed by the Moscow economic agreements and the already rather difficult economic situation, both of which threaten to increase Finnish dependence on the Soviet Union.

It has been noted in this as in previous progress reports that political developments which the Embassy thought had significance were omitted or played down in favor of operating problems in the economic field. I appreciate that this is the logical result of adherence to the letter of a policy statement which included only a few general political guide lines as against a greater number of more specific economic actions. Political decisions in Finland are definitely and closely related to economic and other activities. We feel that a somewhat more liberal definition of the contents of progress reports would avoid the risk of focusing on symptoms and overlooking causes, especially as we get farther and farther from the situation existing at the time the basic country policy paper was approved. In this connection I would like to call attention to our suggestions for the preparation of this report (D-660, May 12, 1958)² and our numerous telegrams and despatches regarding the implications of the July election and the seriousness of the present economic situation.

I have no desire, of course, to suggest revision of the report. I would, however, like the Board's attention called to this letter. I feel that it is important to make clear in Washington that in the Embassy's opinion there has been a definite deterioration of the situation here in the past few months and that there is no basis for complacency.³

Yours sincerely,

John D. Hickerson

² Document 179.

³ No reply to this letter has been found in Department of State files, but see Document 191.

188. Memorandum From Acting Director of Central Intelligence Cabell to the Under Secretary of State (Herter)

Washington, September 15, 1958.

SUBJECT

Finland's Economic Situation

1. I am aware that you are thoroughly familiar with the background of Finland's present economic difficulties, which have been high-lighted by the recent visit to Washington of the Director of the Bank of Finland to attempt to negotiate a \$30,000,000 loan. The current CIA estimate of the seriousness of this situation might be of assistance to you in determining the U.S. Government's policy with regard to this request.

2. You, of course, are as familiar as we with the intensification of Soviet economic pressure on Finland, which culminated during President Kekkonen's recent visit to Moscow in the Soviet offer of a 500,000,000 ruble loan. A key element in the Finns' increasingly desperate efforts to preserve their economic stability is of course their ability to acquire investment capital from abroad. The great majority of the Finns are naturally very reluctant to accept large scale assistance from the Soviets, since they realize that to do so is to place themselves increasingly under the control of the USSR economically—and, ultimately, politically. The only apparent alternative is to get this assistance from the United States. In our view, failure to receive economic assistance at this moment of crisis in Finland's post-war economic affairs, might well be a decisive factor in an unfavorable turn for Finland's future economic and political development.

3. I fully appreciate the severe problems that have been created for the Department by the recent curtailment of funds available for foreign assistance, at the same time that there is mounting competition from all over the world for the remaining funds available. Nonetheless, it is our view that there are few cases where the timely application of American economic assistance would have more clear-cut prospects of over-all benefit to a friendly government, the continued welfare and independence of which is of high interest to and of direct relation to the security of the United States.

4. I take the liberty of expressing these thoughts to you because it appears that an intelligence assessment of the implications of the current

economic crisis in Finland will inevitably form one part of the picture which you must view in arriving at a decision on this matter.

C. P. Cabell
General, USAF

189. Letter From the Under Secretary of State for Economic Affairs (Dillon) to Acting Director of Central Intelligence Cabell

Washington, September 19, 1958.

DEAR GENERAL CABELL: The Under Secretary has asked me to express our thanks for your helpful memorandum of September 15, 1958, concerning the Finnish economic situation. We fully agree with your assessment as to the seriousness of Finland's current position. As you point out, it is clear that economic assistance would be of substantial and highly desirable benefit to Finland, the continued independence and western orientation of which are definitely in the interest of the United States.

You are well aware that we are confronted with immediate and, in many cases, new critical problems in other areas of the world. Because of the inescapable need to meet these problems, it is impossible to allocate any funds for Finland out of the Mutual Security Program at the present time.

There are, however, several other things which can be done regarding the Finnish case. In recognition of the clear need, we are considering the inclusion of money for Finland in a possible request for supplemental MSP funds when Congress convenes in January 1959. In addition, there is a good chance that we will be able to arrange a new local currency loan for Finland with funds generated by the PL 480 Program. Moreover, there is also the possibility of securing Export-Import Bank credits for Finland.

These possibilities are being actively explored at the present time and I believe that ultimately we will be able to develop an adequate program for Finland.

Sincerely yours,

Douglas Dillon¹

Source: Department of State, Central Files, 860.10/9-1558. Secret. Drafted by Nelson.

¹ Printed from a copy that bears this stamped signature.

190. Telegram From the Embassy in Finland to the Department of State

Helsinki, October 13, 1958, 5 p.m.

166. Now clear Soviets are engaged in many-faceted pressure campaign against present Finnish Cabinet. Within last few days Embassy has been reliably informed: 1) Soviets have not responded to Finnish proposal that new trade talks begin on October 7; 2) Soviets are currently issuing no visas to Finnish nationals; 3) Soviets broke precedent and did not inform GOF that Lebedev would not return as Ambassador (Finns learned of his release from a press announcement). These developments came on top (A) Soviet failure to respond to Finnish request to begin negotiations re loan agreed to "in principle" during Kekkonen's visit last May; (B) Soviet failure take notice 4 week old Finnish request for signing of Virolahti fishing agreement concluded in August in Moscow; (C) Soviet silence re Finnish proposals on use Saimaa Canal; (D) Soviet interruption in development of arrangements for US Finnish labor in construction hydroelectric plant on Tulamo River in Murmansk provinces; (E) Soviet studied indifference to Finnish willingness consider Soviet assistance in construction Communist favored Otanmaki steel plant.

Finnish officials while privately admitting possible seriousness Soviet tactics are maintaining calm and are following a wait and see policy. Finnish concern centers primarily on possibility Soviet curtailment of trade which would of course significantly contribute to already serious unemployment. Other actions (dragging of feet on loan, fishing agreement, Saimaa Canal and Otanmaki) of little import, perhaps even welcomed by many responsible officials. Also diplomatic snubs and hold-up visas only of nuisance importance. Embassy will report further.

Hickerson

191. Memorandum From the Assistant Secretary of State for European Affairs (Elbrick) to the Under Secretary of State (Herter)

Washington, October 20, 1958.

SUBJECT

Special Report on Finland

Background

This special report¹ has been prepared as a result of Ambassador Hickerson's letter of September 15² cautioning against complacency regarding the Finnish political and economic situation which he stated had definitely deteriorated in recent months.

Salient Features

The report deals with a recently developed and serious threat to the basic U.S. objective of maintaining an independent, democratic, economically healthy, and western-oriented Finland. It concludes that the present combination of an unprecedented broadly-supported moderate Government and favorable long-run economic prospects can provide the best basis for meeting the threat. The report states that substantial and prompt Western economic assistance—more specifically, U.S. assistance—would help materially in the present situation both politically and economically.

Of possible interest in connection with the OCB discussion is our conviction (1) that U.S. security interests are deeply involved, (2) that there is need for prompt action, (3) that the Finnish request for a \$20 million U.S. loan is reasonable, and (4) that the Finns can be expected to put U.S. loan assistance to appropriate use. Given sufficient means and a sense of strong Western backing, the democratic Finnish forces can be expected to act with resolution and courage as they did in the critical year of 1948 when they ousted the Communists from the Government and preserved their independence in the face of threatening Soviet moves dramatically exemplified by the Czech coup and the Berlin blockade.

Possible OCB Discussion

Principal controversy has centered on the propriety of making a recommendation and on what should be included in a recommenda-

Source: Department of State, OCB Files: Lot 62 D 430, Finland. Secret. Drafted by Nelson.

¹ Attached below.

² Document 187.

tion. Treasury, which originally opposed any recommendation, now appears willing to recommend that the operating agencies promptly reconsider the Finnish problem. Budget and Treasury in particular have questioned the propriety of including specific amounts and sources of possible U.S. assistance to Finland; ICA's is that provision for a \$10 million loan to Finland can be made in FY 1959 only in a supplemental MSP appropriation request. Defense has yet to decide whether it is agreeable to the proposed local currency loan out of the proceeds of the FY 1958 PL 480 program; such a loan would involve a reallocation of PL 480 finnmars, part of which were originally set aside for a U.S. military family housing project. State feels that to deal promptly with the immediate problem, and in the light of other requirements, it is practicable to meet Finnish requests for U.S. aid at this time only in part, while CIA and USIA feel that the U.S. can and should provide the full amount asked by Finland immediately.

Clearances

Clearances have been obtained from IO, P, W/MSC, INR, and E. Since no one is present in the office of the Under Secretary for Economic Affairs who is qualified to give W clearance, you are asked to clear for W. In a September 19 memorandum to Mr. Smith,³ ICA, Mr. Dillon listed \$10 million for Finland as a "possible requirement." He defined this category as follows: "In this category are listed those requirements which are recognized as possible claims on available funds, but are considered not at this time to be sufficiently firm or to have sufficiently high priority to be listed in the other columns. In view of the shortage of reserve funds this year, it is highly unlikely that any of these requirements can be met. However, proposals for funding any requirements now reflected in the 'possible' column, but considered later to have high priority, may be submitted to me (or the Under Secretary in my absence) with supporting justification." At the time he prepared this memorandum, Mr. Dillon had not seen Ambassador Hickerson's letter of September 15.

Recommendation

That you urge the Board to concur in the State recommendations described in the report.

³Not found in Department of State files.

Attachment⁴

October 17, 1958.

**OPERATIONS COORDINATING BOARD SPECIAL REPORT ON
CURRENT SITUATION IN FINLAND (NSC 5403)**

1. Finland's postwar history appears to have reached a critical stage. The country is faced with both new opportunities and serious dangers at a time when the political and economic situation is temporarily stabilized.

2. The inflationary problem that plagued Finland for years is now apparently under reasonable control. The country's finances are currently in the hands of conservative elements. The downward trend in economic activity during the past two years seems to have slowed and may be coming to an end. Finnish foreign trade is expected to show an export surplus this year. With an eventual economic revival anticipated in Western Europe, Finland's long-run prospects appear favorable.

3. On the other hand, the volume of domestic and foreign trade, production, and consumption and investment are all below the level of last year. A large export surplus in trade with the USSR has developed, the Finns having accumulated a balance of 168 million rubles (\$42 million) by the end of August, an amount representing almost 70% of Finnish imports from the Soviet Union during the first half of 1958. Unemployment, which has been increasing for the last three years, is now rising steeply by Finnish standards and is expected to reach record levels this coming winter. There is no present prospect of a resurgence of economic activity in the next few months which would stimulate a rise in production, absorbing a significant part of the unemployed.

4. At the end of August, after weeks of extremely difficult negotiations, the Finns resolved the immediate political crisis by forming an unprecedented 5-party Cabinet with broader parliamentary support than any previous postwar democratic coalition. The most disruptive elements—the Communists and dissident Social Democratic splinter group—are excluded from the Government. The Conservatives hold Cabinet positions for the first time since the war. The Social Democratic and Agrarian Cabinet Ministers generally represent the moderate elements of their respective parties. By their actions the democratic parties

⁴ Secret. This report, prepared by the OCB Working Group on Finland, was transmitted to the full Operations Coordinating Board in a memorandum dated October 20 from Acting OCB Executive Officer Roy M. Melbourne. At the initiative of the Department of State, the Board at its September 24 meeting had requested the Working Group to prepare the "Special Report."

have demonstrated at least a temporary willingness to compose the deep political differences that have repeatedly frustrated efforts to establish long-term political and economic stability in the past. The Finns thus have a new opportunity to diminish bitter domestic strife, to develop more lasting and consistent national policies, and thereby to establish a sounder basis for the survival of democratic institutions.

5. However, political differences among the Government parties are merely submerged, not eliminated. The Agrarian Party, perhaps the most sensitive and unstable element in the Cabinet, was divided on the issue of taking Government posts. The Social Democrats and Agrarians are bitter competitors for rural labor support and both share suspicion toward the Conservatives. The Social Democrats are not only badly split, but they are highly vulnerable because of their governmental collaboration with the Conservatives.

6. Moreover, the Communist challenge is more threatening than at any time in the past ten years. In the July elections the Finnish Communists won the greatest popular support since 1945 (see Annex B).⁵ There has been unusually widespread consideration given to Communist participation in the Government. The Soviet Union has demonstrated its clear dissatisfaction with the present Government by harsh press criticism, by delaying trade talks and discussion of the proffered ruble loan by holding up various other economic negotiations, and by precipitately withdrawing and reassigning its Soviet Ambassador.

7. It is most unlikely that the Communist challenge can be met and the sharp intra-governmental differences kept below the surface unless the Cabinet can attain reasonable success in dealing with the nation's economic difficulties which are the focus of political contention. Although the Government faces grave problems in balancing the budget and in revision of the farm income law, the problem of unemployment is the central political issue. While unemployment in Finland has perhaps not yet reached levels which would be considered especially dangerous in some other countries, in the Finnish case it has critical political implications, particularly because of its concentration in the underdeveloped northern regions of the country. It is in this area that the major political parties—Communists, Social Democrats and Agrarians—carry on their keenest competition. The Social Democrats and Agrarians insist that the Government attempt to deal with this problem by whatever means are available and at almost any cost. Immediate political necessity, as they see it, will require prompt remedial action.

⁵ Annex B, a table entitled "Electoral Return Analysis in Finland (Communist Vote)," and dated October 17, is not printed.

8. In the long-term development of their economy the Finns envision a major investment program based to a large extent on foreign loans. As sources of these loans they would look to the IBRD, the United States, Western Europe and, as a last resort, to the Soviet Union. Private capital also represents a possible source of assistance, but thus far has not been attracted to Finland. (See Annex A)⁶

9. On July 2, 1958, Finland requested a \$30 million loan from the U.S. as a component of an estimated \$50-\$60 million in long-term low-interest foreign loans which the Bank of Finland felt the country needed and could absorb and service efficiently. A second component of roughly \$20 million was expected from the IBRD. As a consequence of the apparent willingness of the IBRD to consider a loan in excess of the tentative \$20 million originally contemplated, the Finnish request to the U.S. has been scaled down to \$20 million, a part of which could be in local currency.

10. The prospective IBRD loan will be devoted to the expansion of wood product industries, while a U.S. loan would be for hydro-electric development and the extension of credits to small industries. The great bulk of the economic development based on these loans would take place in the underdeveloped region of northern Finland. It is expected that such development would make an important contribution to the expansion of export capacity to the West, to the eventual resolution of current economic difficulties, and to the establishment of greater political stability.

11. If the Government loses its opportunity to establish a basis for long-run stability in the framework of Finland's present independence and Western orientation, there is grave danger that intense political conflict among the several democratic groups will break out anew and return Finland to the disturbed economic and political condition that has marked its postwar history. In the event of the Government's collapse in the near future, there is strong probability that its successor would include the Communists. The inclination to solve pressing economic problems and carry out industrial expansion by inflationary measures and the inefficient use of resources would increase; the pressure for closer economic ties to the USSR would inevitably mount.

Conclusions

12. The present fortuitous combination of a broadly-supported moderate Government and favorable long-run economic prospects can provide the best basis for meeting an increased threat to the U.S. objec-

⁶ Annex A, a fact sheet entitled "Foreign Economic Aid to Finland," with details of recent Finnish loan requests and possible sources of aid to meet Finnish requirements, is not printed.

tive of "continuance of an independent, economically healthy, and democratic Finland, basically oriented to the West (but with no attempts to incorporate Finland in a Western coalition), neither subject to undue reliance on Soviet bloc trade nor vulnerable to Soviet economic pressures" (NSC 5403).

13. Substantial and prompt Western economic assistance would help materially in meeting the threat. A major portion of that assistance will be forthcoming from the IBRD, but Finland has requested an additional amount for which political considerations indicate a need. Finland's excellent credit record reflects a conservatism and scrupulousness in matters of this kind which make it unlikely that the Finns would borrow more than they can service. The Finns are looking to the U.S. as a principal source of the additional amount they desire and do not consider presently-available high-interest medium term credit from private West European sources as a satisfactory alternative.

14. While U.S. aid at this time cannot be expected to solve the immediate unemployment problem, it would have a major political and psychological impact by demonstrating to the Finns that they can rely on Western support when needed, thereby strengthening the democratic forces and, if given promptly, considerably improving the chances for survival of the present Government, the preservation of which is clearly in the interest of the United States. Moreover, in conjunction with IBRD assistance, it would provide long-term economic benefits. Finally, it would afford the Government an opportunity to settle for token assistance from the Soviet Union.

State Department Recommendations

15. In the light of the above, the U.S. Government should make every effort to ensure that current Finnish requests for loans from the U.S. and the IBRD are met as fully and as promptly as practicable. (CIA and USIA concur; ICA, Treasury and Defense reserve.)

16. Taking into account other U.S. requirements, it is considered practicable to meet the Finnish request for U.S. governmental loan assistance at this time only in part as follows:

a. by an immediate Finnmark loan of the equivalent of \$3 million to be funded from the proceeds of the FY 1958 PL 480 program; and

b. by a dollar loan of \$10 million to be funded in FY 1959 if during the course of the fiscal year it develops that MSP funds can be made available for this purpose. (State will recommend to the President that any necessary funds for this purpose be included in any Congressional presentation of an FY 1959 supplemental MSP appropriation request.) (CIA concurs; USIA concurs with the following substitution for b.: "b. by an immediate dollar loan of \$10 million"; Treasury, ICA and Defense reserve.)

Notes:

(a) State has surveyed all possible alternative courses of action but has found no other practicable means of meeting immediate needs.

(b) It is the opinion of our Ambassador in Helsinki that the promptest possible action is required; that the proposed partial response in paragraph 16 to the Finnish request may be adequate to meet the immediate political dangers; that the situation is critical and should remain under close scrutiny, and that continuing consideration should be given to the need for additional loan assistance.

17. The U.S. Government should also make every effort to encourage other Western sources to provide loans to Finland to meet further Finnish credit requirements. (All agencies concur.)

192. Minutes of a Meeting of the Operations Coordinating Board

Washington, October 22, 1958.

[Here follows reporting on unrelated subjects.]

8. *Special Report on the Current Situation in Finland (Secret)*

Mr. Ernest deW. Mayer, Officer in Charge of Northern European Affairs, and Mr. Harvey F. Nelson, Jr., of the Finnish Desk, were present for the meeting.

Mr. Smith (ICA) pointed out that the question of economic assistance to Finland had been subjected to an inter-agency review a very short time ago and that if the Board were to recommend a \$10 million loan for Finland it would involve a complete reprogramming process in which \$10 million would have to be taken from some other country. Mr. Mayer pointed out that an expression of interest by the Board or a Board recommendation would be of considerable assistance not only with regard to the possibility of \$10 million loan funded in FY 1959 but also with regard to an immediate PL 480 loan of \$3 million in Finnmarks. Support therefor by CIA and USIA was noted.

Governor Herter, in stating the reason for the special report, referred to recent communications from Ambassador Hickerson stressing

the ominous deterioration in the Finnish political situation. He said Mr. Dillon, upon his return to the Department might wish to reopen the question with the interagency allocating committee. Mr. Smith said he did not believe the OCB should constitute itself a court of appeals on the reallocation of economic assistance funds. Mr. Macy (Bureau of the Budget) supported the ICA view stating the Department of State recommendation to be quite out of order and saying there were a number of sources from which funds could be made available. Mr. Macy said it was possible to obtain PL 480 funds in excess of the \$3 million although perhaps not equal to \$10 million in a relatively speedy manner. Mr. Scribner (Treasury) wondered if \$3 million Finnmarks would meet the problem. Mr. Mayer stressed the importance of the psychological factor in US assistance and noted that US funds seemed to be the best hope for meeting the problem in Finland. There followed a discussion, in which Mr. Allen Dulles (CIA) participated, on the large credit in Soviet rubles held by the Finns. [1-1/2 lines of source text not declassified] USIA suggested consideration be given to a long-range study of the Finnish problem. Treasury recommend a new look by the NSC Planning Board at United States policy toward Finland.

Governor Herter repeated the Board was in no position to recommend the reallocation of economic aid funds. He suggested State make an effort to obtain funds under PL 480 and explore other means as suggested by Mr. Macy. Mr. Harr (Vice Chairman) said considering the content of the Report, which the OCB had requested, he did not think the situation would be passed over lightly. Mr. Gray, of the White House staff, said in view of the apparent seriousness of the Finnish situation, the Board should maintain its interest in that problem. The Chairman requested the Board be kept advised of developments and of the success of the efforts to secure funds for loan to Finland.

[Here follows reporting on unrelated subjects.]

193. Memorandum From the Assistant Secretary of State for Policy Planning (Smith) to Acting Secretary of State Herter

Washington, October 23, 1958.

SUBJECT

The Current Situation in Finland

1. The present combination of a broadly-supported, moderate Government and favorable long-run economic prospects offers good possibilities for the preservation of an independent, economically healthy, democratic and Western-oriented Finland if immediate difficulties can be overcome.

2. However, unemployment has been rising and is expected to reach record levels this winter, and political differences among Government parties have been submerged rather than eliminated. Last July the Finnish Communist Party won its greatest popular support since 1945, and the Soviet Union has expressed clear dissatisfaction with the present Government both in the press and by such actions as recalling its ambassador and delaying talks on trade and on a proffered ruble loan.

3. As a result of the above, apprehension has been expressed that a new coalition government including the Communists may come to power within the next few months. Should this happen, and should Finland's trade patterns then be further oriented toward the USSR, there appears at least a possibility that Finland will find it increasingly difficult to maintain beneficial links with the West and will become correspondingly more subject to Soviet manipulation.

4. The Finnish Government has requested a \$20 million loan from the US Government which it anticipates, along with loans expected from other sources, will enable it to surmount the most critical difficulties of the next few months. The psychological effect of announcing consummation, ability to use currently other reserves which will later be replenished as loan proceeds become available, and the longer term benefits from the loan funds, are all considered important.

5. An OCB memorandum, copy of which is attached,¹ gives a good summary of the current situation in Finland and includes recommendations for early and favorable action on Finnish loan requests.

6. Without going into an analysis of the financial, economic and political factors bearing on these requests, it would seem clear that serious consideration should be given to the following underlying facts:

(a) No over-all objective of US foreign policy has a higher priority than reducing, or preventing the expansion of, the area subject to Soviet domination.

(b) With the exception of Iran, Afghanistan and Turkey, Finland is the only nation in the world free of foreign domination which possesses a common border with the USSR.² It is thus unusually vulnerable to Soviet pressures, geographically, and geography has not lost all importance even in the modern world. In addition, Finland is small, with an economy highly sensitive to fluctuations in the Western market for wood products and heavily dependent on Soviet Bloc purchases of non-competitive metal industry output, and so is especially vulnerable to Soviet economic pressures.

(c) The area of most direct confrontation between the free West and Soviet imperialism is in Europe.

(d) Finland's record for paying debts suggests that little financial risk would attach to a US loan.

7. It is submitted that a US loan to Finland of approximately \$20 million should receive very high priority among requests for US financial assistance. In addition, it would seem that certain other measures in support of Finland's economy might be considered by Western governments, e.g.: a rapid expansion in purchases of Finnish products through persuading private enterprise and directing public procurement, and arrangements to ensure access by Finland to private loans and credits of reasonable rates of interest. NATO consultation would perhaps be appropriate here, since preserving the independence of a strategically located European state, subject to Soviet pressures but possessing the will to resist these pressures, is certainly of concern to all NATO members.

8. The situation presents a good test case of Western ability to concert efforts in assisting a free nation to withstand Soviet political and economic pressures. It is also a test of ability to move swiftly when the occasion requires. If we and our allies cannot or do not meet these tests in the psychologically important case of Finland, we must recognize that there are serious limitations in our ability to compete effectively with the USSR in the cold war.

²Norway's few arctic miles are a negligible exception. [Footnote in the source text.]

194. Telegram From the Embassy in Finland to the Department of State

Helsinki, November 6, 1958, 5 p.m.

201. Delay by Soviets in starting annual trade talks combined with other less damaging Soviet pressures reported recent embassy messages raises prospect systematic Soviet economic boycott with serious economic consequences for Finland. While direct effects would not begin until existing trade agreement lapses at end December, Finnish leaders are from day to day making their estimates of whether or not real troubles with Soviets should be avoided by dismissing or reorganizing Fagerholm government to appease Soviets. This outcome, whether it should result directly from Soviet pressure or ostensibly over internal issue, would be hard blow to Finland's anti-Communist majority and to country's real independence, strengthened in recent years via carefully nurtured position of neutrality on Austrian pattern.

In circumstances I consider it essential that Department determine urgently whether emergency aid, probably in form loans, can be offered to tide Finland over transitional period between possible cut-off or sharp decline Soviet trade and time when displaced Finnish trade could be reoriented to west. Need would relate first to financing essential imports (notably fuels) now obtained from Soviets; second financing continuing production to avert additional burst unemployment this winter in lines normally exported to USSR; and third financing expansion industries capable competing in western markets and thus of taking up in long terms lack resulting from decreased eastern trade. Size of aid needed would depend on severity Soviet action but probably would not exceed 60-70 million dollars. How much initiative US should take in offering such aid will depend on circumstances, but some assurance needed very near future in effort influence decision stand firm in refusal alter Cabinet composition in face Soviet pressures. Main elements Cabinet appear resolved resist firmly Soviet pressure; certain other non-Communist elements, especially within Agrarian Party and reportedly including President, actively seeking overthrow Cabinet to satisfy Soviets. Aim of my proposal is to strengthen hand of first named and to stiffen backs of wavering groups in between. Assurance would have to be on a secret basis to selected leaders.

It remains possible, of course, that Soviets will abandon their pressure. Important note this connection they so far have avoided any positive actions, having limited themselves to dragging feet in various areas. Nevertheless discreet assurance regarding our position if worse comes

to worst highly desirable if we are not to risk loss of game by default. Separate messages on finnmark credit (Deptel 180)¹ and PL 480 wheat² follow. Immediate action on these proposals would be extremely useful as concrete interim indications US support.

Hickerson

¹ Telegram 180 to Helsinki, November 5, requested the Embassy's reaction to a recent request by the Finnish Ambassador for \$9 million in finnmark loans. (*Ibid.*, 860E.10/11–558) In telegram 202 from Helsinki, November 6, Hickerson responded that he strongly recommended approval of the \$9 million Finnish request as soon as possible. (*Ibid.*, 860E.10/11–658)

² In telegram 177 to Helsinki, October 31, the Department of State indicated that the United States could not include wheat in a P.L. 480 program for Finland as long as the Finns exported Soviet wheat. (*Ibid.*, 411.60E41/10–2758) In telegram 203, November 6, Hickerson noted that the only anticipated sales of Finnish wheat were 10,000 tons to Switzerland. He emphasized that whatever the effect of this sale might be, he strongly believed in offering wheat to Finland in order to assist it in becoming independent of Soviet trade. (*Ibid.*, 411.60E41/11–658)

195. Memorandum From the Under Secretary of State for Economic Affairs (Dillon) to Secretary of State Dulles

Washington, November 18, 1958.

I am in agreement with the attached EUR memorandum¹ with the exception of paragraph 6, which proposes that we reserve \$15 million of Mutual Security Funds for aid to Finland. The only place from which this can come, short of a supplementary appropriation which is doubtful, is from the \$20 million presently assigned to Poland. I would recommend that \$15 million of these funds be taken from the Polish allocation and transferred for use of Finland. I feel this advisable for two reasons:

1. The preservation of the western-oriented government in Finland is more important to us than the volume or regularity with which we give aid to Poland. From Gomulka's recent actions² it is clear that aid

Source: Department of State, Central Files, 760E.5–MSP/11–1858. Secret.

¹ This may refer to the attachment to Document 186, which was not found in Department of State files.

² During his trip to the Soviet Union October 24–November 12, First Secretary of the Polish Central Committee Wladyslaw Gomulka made several speeches in which he criticized certain aspects of U.S. foreign policy. See footnote 2, Document 56.

to Poland at this time can at the best only be of very long range benefit to the United States.

2. If we go up to the Congress for a supplementary appropriation, as I hope we will, our chances of success will be gravely prejudiced if we should have an amount anywhere near \$20 million set aside for possible use in Poland. In view of the after effects of Gomulka's trip I do not see how we can be in a position to negotiate any substantial aid agreement with Poland in the near future.

196. Telegram From the Department of State to the Embassy in Finland

Washington, November 25, 1958, 8:33 p.m.

228. For Ambassador. Careful consideration has been given to steps which might be taken in light prospects outlined urtel 201¹ and subsequent messages. While we share your hope that assurances US sympathy and desire help may bolster Finnish will to resist Soviet pressures, we do not wish any US offer assistance to create situation in which US and USSR would appear engaged in economic struggle over Finland. Such situation in our view would not be in best interest US or Finland.

You are authorized your discretion and bearing in mind latter consideration to inform appropriate Finnish leaders on confidential basis we are prepared offer Finland limited economic assistance, if in their opinion such assistance would enable Finland withstand Soviet economic pressures to force change in composition Finnish government with result that USSR would renew trade on reasonable terms.

Exact nature and dimensions of assistance we might offer Finland have not been determined. For your guidance, however, it might consist of a combination of following elements:

- a) Sale of surplus agricultural commodities for local currency under PL 480 to replace certain imports from USSR;
- b) loan of US-owned foreign currencies for purchases in third countries of other essential commodities normally imported from USSR;

Source: Department of State, Central Files, 460E.6141/11-658. Secret. Drafted by Mayer and Nelson and approved by Assistant Secretary of State Merchant, who signed for Dulles.

¹ Document 194.

- c) sale on credit by US oil companies of crude and refined petroleum requirements (US oil companies have indicated willingness to extend credits if Dept so recommends);
- d) loan of finnmarks which would be generated under a) above;
- e) limited dollar loan assistance.

Report promptly any action you may take under this instruction and results thereof.

Dulles

197. Telegram From the Embassy in Finland to the Department of State

Helsinki, November 26, 1958, 5 p.m.

251. Deptel 228.¹ Conveyed points to Waris and Kaila in joint meeting. Choice these two based upon fact had talked to them re finnmark allocation (Embtel 250).² Do not feel wise for Embassy to relay to others this stage view delicacy present situation and danger misunderstanding or distortion motives.

Emphasized US had no intention trying interfere Finnish domestic affairs; also that US does not wish create situation that would appear US and USSR engaged in economic struggle over Finland. In connection latter, point out US has no intention try influence Finland to modify neutral position, a position we accepted as in Finland's best interest. Said our only concern was to insure that proper authorities in considering possible alternatives of Finns in present situation would have reliable indication US position so they would be able judge extent they had freedom of choice.

Kaila and Waris made clear they viewed the statement as of major importance. They expressed their appreciation for position US is taking

Source: Department of State, Central Files, 460E.6141/11–2658. Secret; Niact.

¹ Document 196.

² In telegram 250 from Helsinki, November 26, transmitted at 2 p.m., Harvey reported that the Embassy was informing Waris and Kaila that the U.S. Government had allocated a \$5 million finnmark loan to Finland from 1958 P.L. 480 funds. (Department of State, Central Files, 760E.13/11–2658)

and showed complete understanding of the motives underlying it. They stated that they would immediately inform appropriate Ministers of Government, indicating at same time that some choice would be involved so as to reduce chances misunderstanding and distortion our motives. [6 lines of source text not declassified] Same meeting Waris informed us he and board mortgage bank had decided following receipt information this morning of finnmark allocation (Embtel 250) to take chance and announce immediately credits for domestic ship orders without however, reference prospective loan. He and Kaila felt announcement, which is being given press this evening, would have highly beneficial effect in relieving pressure on shipbuilding industry. Both [garble—had earlier?] expressed satisfaction over finnmark loan development and had urged earliest possible finalization.

Re overall prospects, seems certain some reorganization government will have to take place. Issue is whether essential character present general alignment will be maintained. Embassy convinced position taken in Department will greatly encourage those resisting capitulation. Even now, however, we of course feel no assurance as to final outcome.³

Harvey

³ In telegram 267 from Helsinki, December 2, Ambassador Hickerson reported that on November 28 he had reviewed the aid matter with Secretary of State Vahervuori who had "expressed warm thanks for the offer." He added that besides himself, only Kekkonen, Fagerholm, Virolainen, Waris, and Kaila knew of the U.S. proposal and expressed the hope that "for the present, no others be informed." He stated that although the U.S. credits were "probably too late to help the present government," they might be of great importance to its successor. (*Ibid.*, 860E.10/12-258)

198. Telegram From the Embassy in Finland to the Department of State

Helsinki, December 3, 1958, 6 p.m.

269. Re Embtel 251.¹ At request of Prime Minister Fagerholm, I discussed with him fact that US will not offer assistance in such manner to create situation in which US and USSR would appear engaged in economic struggle over Finland. I said that our purpose was to consider

Source: Department of State, Central Files, 860E.10/12-358. Secret.

¹ Document 197.

extending limited economic assistance along lines set forth in reference telegram if in judgment of Finnish leaders this would enable Finland to withstand Soviet economic pressures to force changes in Finnish Government. I did not mention a figure, nor did he request me to, for "limited dollar loan assistance." I did say that although available funds are limited, US Government might consider seeking further funds from Congress, if required, and that Finland's excellent reputation in US should facilitate favorable action. Fagerholm expressed deep appreciation proposals. He said that he had reluctantly decided that "minor" changes in government should be made but that he would not be a party to major change in alignment. He says Agrarians want him to offer resignation of Cabinet but he will not do so; if Agrarian Ministers resign, then he will have to resign but then the responsibility will be "on them where it belongs." He said that Cabinet negotiations may go on several days and the final outcome is anybody's guess. He concluded by saying that of course in his view there could be no question of a popular front government with communist participation. He lamented lack of coverage in "certain high places" (i.e. the President).

I told Fagerholm that purpose of US proposals was to help Finn Government resist Soviet economic pressure and avoid changes in Cabinet under such pressure; that if substantial changes in fact occurred, a new situation might be created and US Government would have to consider whether its present proposals were appropriate. He indicated complete understanding.

Hickerson

199. Editorial Note

On December 4, the Fagerholm government submitted its resignation to President Kekkonen. The Cabinet crisis, which led to the fall of the majority coalition government, was precipitated by the withdrawal of the Agrarian Ministers whose party had taken the position that the Fagerholm government could no longer maintain good relations with the Soviet Union. (Despatch 447 from Helsinki, January 14, 1959; Department of State, Central Files, 760E.00/1-1459)

200. Telegram From the Embassy in Finland to the Department of State

Helsinki, December 9, 1958, 5 p.m.

283. Re Deptel 231¹ and Embtels 251,² 267,³ 269.⁴ While I do not yet feel in position make final appraisal effect steps taken by US re government crisis, I am convinced we followed right course. Although we did not succeed in preventing fall Fagerholm government, we certainly have strengthened hands of those favoring minimum concessions USSR and this should be of importance in negotiations incident to formation new government and perhaps in future. Also, as one key official emphasized to me, our assurances may be of great help to new government in future handling Soviet problem. It is my hope that despite success combined Soviet-Agrarian campaign, Finns generally recognize that strict line must be drawn beyond which there must be no yielding to Soviets. This may even apply to President. Important factor affecting extent our actual helpfulness is fact we have maintained utmost secrecy about aid offer and have talked with only few carefully selected Finns. *Newsweek* leak⁵ upset this somewhat, but effect minimized because no confirmatory evidence of rumors here. It was partly because of this consideration that I sent my telegram 281⁶ urging no discussion Finnish problem NATO Council. Believe our previous assurances sufficiently comprehensive serve purpose of convincing Finns they have alternative to submitting continued pressure. Additional offers at this time e.g., from NATO countries would not measurably add to this and run risk repelling Finns.

New government will probably be formed this week. Following this Soviet pressures may well be removed. If Soviets do not immediately change course, in my estimate several weeks will be required for Finns to conclude their gestures have not satisfied Moscow and that they must again face up to choice of additional concessions or turning to

Source: Department of State, Central Files, 760E.00/12-958. Secret

¹ Telegram 231 to Helsinki, November 26, authorized Hickerson to offer the Finns P.L. 480 assistance totaling \$6,520,000. (*Ibid.*, 411.60E41/11-1258)

² Document 197.

³ See footnote 3, Document 197.

⁴ Document 198.

⁵ In its December 15 issue, *Newsweek* published a summary of Finnish developments from the July parliamentary elections through the fall of the Fagerholm government. The article, which was critical of Soviet economic and political measures designed to undermine the Finnish Government, implied that Finnish leaders feared the loan would bring still harsher Soviet pressure.

⁶ Not printed. (Department of State, Central Files, 740.5/12-958)

West. If Soviet pressures do continue it may be desirable even without Finnish initiative for us to reaffirm discreetly our offer. I anticipate that this would not be judicious for some time, however, and I would consult with Department before taking action. For the time being therefore I feel that our proper course is to sit tight. This of course does not apply to \$5 million finnmark loan or normal PL-480 negotiations, with both of which we are committed to proceed.

Hickerson

201. Editorial Note

On December 10, President Kekkonen delivered a nationwide address to the Finnish people. His comments regarding Western offers of loans or other forms of economic assistance to Finland read as follows:

"We have been given in the press of many western countries and also in other ways good advice as to what we should do. We have been promised aid and support, as it is said, against a bad day. I wish to point out to these givers of advice that we must in the end and with our own power take care of our own foreign policy. We have done so until now and will do so also in the future. Just that circumstance, that we have since the war managed our delicate foreign relations by ourselves, has given us recognition abroad. Certainly we need all moral support and all economic assistance falling outside the realm of political speculation which we can get, and we pay our loans to the last penny. But politically our position is permanently determined. Every intervention from outside, however well intended, will be rejected from our side because it damages us. I have said to foreign newspapermen that no country should wish to impair Finn-Soviet relations because that would mean no material damage to the USSR and no gain to any other state, and it would not in the least help Finland—rather the contrary." (Telegrams 285 and 286 from Helsinki, December 10 and 11; Department of State, Central Files, 660E.61/12-1058 and 660E.61/12-1158)

202. Telegram From the Embassy in Finland to the Department of State

Helsinki, December 11, 1958, 5 p.m.

288. Comment on Embtel 287.¹ President Kekkonen in December 10 radio speech appears to have gone dangerously far toward giving Moscow free hand in determination how far Finland must go to restore Soviet confidence and trust in Finland. He skillfully sought, through drawing heavily on Paasikivi and other statements re past crises, to give impression that he simply reminding nation of necessity strict adherence to established and proved policies. Embassy feels however that he postulated degree of subservience that can only be described as new. In reply to "generally asked" question of whether Soviet Union has any reason for suspicions towards Finland, President treated query as irrelevant and said no way conceal or deny fact of Soviet dissatisfaction and "it is up to us to decide what conclusions to draw". The conclusion he himself in effect drew is that irrespective of "rights" to contrary, Finland cannot afford to manage its affairs as it wishes, or even as required honestly to keep faith with Soviets, but must act in manner which will meet subjective Soviet standards as to what is proper. President argued USSR had not interfered in Finland's internal affairs, but had merely "indicated its views, right that cannot be denied to it." He placed blame for present situation almost entirely on Finns, although only specifics he cited were post-Porkkala appearance of critical writings and "underestimation" in Finland of significant results obtained during his visit to Moscow last May.

President failed give indication of what he had in mind to remedy situation. He did however through references to successful policies of late forties and to "pre-Porkkala" period seem intent upon preparing way for significant, perhaps open-ended, concessions. Vague allusions to return to conditions of "end 1940s" could be used to justify inclusion Communists in the Cabinet as in 1946-1948 period, but does not necessarily point to such inclusion immediately.

President's motivation for what Embassy can only characterize as shocking abnegation of Finland's position can only be conjectured. On basis variety reports he seems in recent days to have been intent upon

Source: Department of State, Central Files, 660E.61/12-1158. Confidential; Priority. Repeated to Moscow.

¹ Telegram 287 from Helsinki, December 11, which summarized the December 10 speech, underlined Kekkonen's insistence that Finland's foreign policy "can henceforth never run counter to the Soviet Union, and our Eastern neighbor must be convinced of our determination to prove this." (*Ibid.*)

giving impression of being deeply troubled, if not outright alarmed, over Soviet situation. Should be noted in this connection that in his speech and in other public and private statements, he has related "critical" international situation, including "threat of war", to Finland's position. This feeling may be genuine. In appraising President's stance, however, it is important to note that he has consistently and freely utilized a "viewing with alarm" technique in his post-war career. Many astute Finn observers have indicated that Kekkonen and his Agrarian Party are in real trouble in consequence policies and actions re Fagerholm Government, particularly loose use of "Soviet displeasure" issue. Entirely possible therefore Kekkonen is seeking shore up his own and party's position by direct, and alarmist-colored, justification his position to people.

Disdain expressed for "advice" and "promised aid" based on political considerations from western countries could fit same pattern. Probable that in inter-party debates President's opponents arguing that Finland can safely risk continued Soviet economic boycott since assistance could be secured from west. Hence logical President should point to "danger" such aid. (It must be allowed, on the other hand, that the President may have felt compelled take such position view possibility Soviet protest based on *Newsweek* and follow-up stories regarding US assurances.)

Whatever President's motivation the Embassy convinced that Finn position vis-à-vis Soviets has been worsened and that serious undermining Finn independence now real possibility. Final outcome this phase which will probably not be determined for several months, will depend on way in which Soviets seek to capitalize on opportunities open to them, and on courage and good sense of political opponents to President's course. These opponents are numerically predominant although at present poorly organized and virtually leaderless.

Embassy believes that best course for US is to sit tight from standpoint both comment and action and await developments.

Hickerson

203. Telegram From the Embassy in Finland to the Department of State

Helsinki, December 11, 1958, 7 p.m.

289. Re Embtels 285 and 286.¹ While President in his references to Western aid doubtless had in mind, among other things, the US offer (Deptel 231)² and possibly other offers including one reported from West Germany, his thinking was such as to place emphasis on press with result that only those officials who know of these offers would recognize the importance of the words "and otherwise" following mention of press.

Statement clearly constituted rejection, under present circumstances, of US contingency package program. President appears expect that Government changes will satisfy Soviets and bring alleviation pressure. If this not true and Soviets demand unacceptable concessions, President may decide or be forced turn to US although he certainly would insist that all appearances political strings be avoided. His references to need for non-political economic aid presumably intended primarily to protect position re such normal transactions as IBRD loan and PL 480 sales but could be used in extremity as cover for piecemeal acceptance US special assistance along lines submitted. I expect however that resort to US will come, if at all, only after all hope appeasing Soviets exhausted. I therefore continue to feel that proper course for us for time being is to sit tight (Embtel 283).³

It goes without saying that I feel that there was an element of dirty pool based on partisan considerations in the President's publicly airing aid issue, particularly the overtones on "intervention".

Hickerson

Source: Department of State, Central Files, 660E.61/12-1158. Secret; Priority.

¹ See Document 201.

² See footnote 1, Document 200.

³ Document 200.

204. Editorial Note

During the 6 weeks following the resignation of the Fagerholm Cabinet, President Kekkonen made 11 unsuccessful attempts to form a governing coalition. Finally, on January 13, 1959, he appointed Diet speaker Vieno Johannes Sukselainen to head an Agrarian Party minority government. Sukselainen subsequently filled 14 out of 15 Cabinet positions with Agrarians (not including the five Agrarian Ministers who had served in the previous Fagerholm government), with the sole exception being Deputy Prime Minister and Foreign Minister Ralf Törnngren, a member of the Swedish Party. (Despatch 447 from Helsinki, January 14, 1959; Department of State, Central Files, 760E.00/1-1459)

205. Despatch From the Embassy in Finland to the Department of State

No. 576

Helsinki, March 3, 1959.

[Source: Department of State, Central Files, 033.60E61/3-359. Confidential. 4 pages of source text not declassified.]

206. Despatch From the Embassy in Finland to the Department of State

No. 806

Helsinki, June 4, 1959.

REF

Deptel 596¹

SUBJECT

Suggestions for OCB Progress Report

The Embassy believes that several significant developments during the past year should be taken into account in assessing progress toward the objectives stated in NSC 5403. Discussion of those developments and of possible courses of US action are not limited to the specific programs envisaged in that paper, inasmuch as the situation and the dangers are different from those of five years ago.

In its "Suggestions" to the Department on this subject a year ago (D-660, May 12, 1958),² the Embassy reported a number of adverse trends and tendencies within Finland, particularly with regard to relations with the USSR, and foresaw the possibility that future developments might well be such as to constitute a long-term threat to the Western position in Finland.

Events since that time have unfortunately strengthened the Embassy's forebodings. Beginning with the outcome of President Kekkonen's state visit to Moscow at the end of May,³ particularly Kekkonen's acceptance of a number of double-edged Soviet economic "concessions" and his agreement to a communiqué that echoed several stock Soviet propaganda demands, and continuing until the present, Finland's ability to maintain true independence and neutrality has been steadily impaired. Among the successive responsible developments, following on Kekkonen's Moscow venture, have been: (1) the injection of "who can best maintain friendship with the Soviet Union" as a central issue in the election campaign of the summer of 1958; (2) the deepening of the split in the Social Democratic Party with the opposition Skogists moving closer to the position of the Agrarian extremists and the Communists; (3) the success of the Communist controlled SKDL in the July Diet election; (4) machinations of the extremist (Kekkonen) wing of the Agrari-

Source: Department of State, Central Files, 611.60E/6-459. Secret.

¹ Telegram 596 to Helsinki, May 18, requested the Embassy to forward suggestions for the next OCB Progress Report. (*Ibid.*, 121.60E2/5-1859)

² Document 179.

³ May 22-31, 1958; see Annex A to Document 180.

ans and of the Skogists (Social Democratic opposition) to secure SKDL representation in the post-election cabinet; (5) the increasingly shrill charge of the Agrarian extremists and the Skogists that the Fagerholm coalition government, which was formed in August, was incapable of handling Fenno-Soviet relations; (6) the Soviet campaign of passive economic pressures against the Fagerholm government; (7) the flat rejection by Finnish authorities (read Kekkonen) of US offers to lend assistance if needed and desired to withstand Soviet economic pressures; (8) the fall of the Fagerholm Government in December in consequence of withdrawal of the Agrarians on insistence of Kekkonen; (9) Kekkonen's meeting in Leningrad with Khrushchev and his acquiescence in Khrushchev's flagrant admission of Soviet intervention in Finnish affairs; (10) complete abandonment of the once vigorous Finnish interest in joining OEEC; (11) renewal of Khrushchev's attack on Social Democratic leaders in May;⁴ and (12) indications of Finnish interest in promoting Nordic neutrality, culminating in a May 10 statement by Foreign Minister Törngren that "in the present situation it is obvious that . . . it would be of great advantage to us for the Nordic area as a whole to remain outside the fields of military tension of the great powers."⁵

Against these adverse developments the only positive trends from the western standpoint were (1) a seeming strengthening of Finnish interest in Nordic cooperation; (2) economic stability despite a strong recession with unusually heavy unemployment during the winter of 1958–59 and the fall and winter difficulties in trade relations with the USSR; (3) progress with expansion plans in the western export industries, aided by a \$37 million IBRD loan consummated in March, and (4) the recapture of control of the SAK (labor confederation) by moderates in April 1959.

In analyzing the unfavorable trend of the past year, the feature that stands out is that the basic factors involved were not of outside origin, either in the way of pressures or blandishments, but internal. The simple fact is that after years of successfully withstanding severe pressures and difficulties from within and without and achieving a real degree of independence and neutrality, Finnish leaders, largely because of internal factionalism and machinations, created situations that made a downward spiral almost inevitable. Some leaders, notably among the Agrari-

⁴ Reference is to Khrushchev's interview, published in *Pravda*, May 8, in which he criticized certain elements in the Finnish Social Democratic Party for resorting to "plotting, slanders and low attacks against the Soviet Union." (Despatch 747 from Helsinki, May 12; Department of State, Central Files, 660E.61/5-1259)

⁵ Ellipsis in the source text. This statement is quoted in full in despatch 787 from Helsinki, May 29, "Finland and the Problem of Nordic Neutrality." (*Ibid.*, 760E.5/5-2959)

an extremists and the Skogists, went even further and directly played with the interests of the country in order to further their own ambitions and personal spites.

The internal splintering of Finland's non-Communist political parties, which first became serious in 1957, deepened throughout the year. In the 1958 elections not only did the Social Democrats appear with divided slates and afterward split still further, but also the Agrarians suffered a sharp loss which was reflected partly in Conservative gains but still more in the increased strength of the Communist-front SKDL from 43 to 50 seats. Thus the SKDL strengthened its claim to Cabinet representation by becoming the largest united group in the Diet, at the same time as the two parties that were formerly largest lost their combined majority. Formation of a dissident Agrarian party (Small Peasants) since the elections still further weakened the potential coalition considered basic to stable, non-Communist government in Finland.

Notwithstanding these difficulties, the Fagerholm coalition formed at the end of August 1958 represented a sound and basically stable government. However, domestic political rivalry which manifested itself in differences relating to how Soviet policy should be applied, aided and abetted by willing Soviet leaders, condemned the Fagerholm Government to death. Regardless of the motives and decisive influences involved, the manner of its death constituted a precedent for future Soviet intervention in Finland's internal affairs. With this precedent Soviet interference in the future could well be considerably less apparent to outsiders while still being sufficient to accomplish Soviet aims.

One kind of far-reaching Soviet interference appeared, in fact, on the heels of the change of government and has since been repeated in intensified form—the stigmatization by Khrushchev of the leadership of the Finnish SDP. His two statements, in January and May, had the immediate effects of sustaining and deepening the divisions within the Social Democratic movement and between the SDP and the Agrarians, thereby paralyzing efforts to restore a normal non-Communist governing coalition. They also had a potentially significant contrary effect, however, of administering a shock to those elements in Finland that had supported the Fagerholm Government, but were inclined to “wish away” the memory of how it fell. Under the proper conditions, this group could provide the basis for stable, non-Communist government, but thus far it has proved unequal to the task of either outwitting or joining the President who, in his turn, has not been sufficiently clever to avoid approaching the status of a captive of the opposition SDL and the SKDL.

Signs of further deterioration in Finland's claim to neutral and fully independent status have appeared in official and semi-official support for the idea of a neutral Nordic bloc, implying advocacy of the detach-

ment of Norway and Denmark from NATO. As this plan is completely visionary under conditions now foreseen, it is difficult to understand the motives for what is obviously a concerted move which surely has the blessing of Kekkonen. While the latest Finnish statement has not attracted public attention, minimum unfortunate effects of such official pronouncements are to impair Finland's neutral status by appearing to enlist it in the service of the Soviets, while feeding materials to Norwegian and Danish opponents of NATO.

From this summary statement it is easily seen that US policy faces a variety of problems in Finland, among which the most important are:

1. A growing Finnish tendency, especially apparent in the words and actions of President Kekkonen and certain Agrarian politicians, as well as the Skogists, to sacrifice bit by bit the country's claim to neutrality and independence on the alleged ground that Finland's interests dictate that the Soviets be appeased in advance of a local or general crisis when it could be completely at Soviet mercy.

2. An inability of moderate elements, which together command a preponderance of popular support, to marshal their forces so as to resist successfully the above trend.

3. Deep-seated concern among virtually all elements of the population over the geographic vulnerability of Finland to the USSR and an accompanying conviction that the West could not be depended upon for support "in an emergency".

4. A latent desire among probably a majority of Finns for association of Finland in a neutral Nordic bloc as a haven from the danger of Soviet domination in peace or war.

5. Economic dependence on the USSR, born in part from the fact that the USSR offers virtually the only market for certain important but non-competitive Finnish products, and in part from the government's feeling that close economic ties are essential for maintenance of Soviet "confidence" in Finland.

6. A solid block of Communist electoral support, encompassing something over one-fifth of the total vote which, in contrast to the trend in other countries of Europe, has not diminished but tended to increase, at least slightly, in recent years.

7. Increasing support in narrow but influential non-Communist circles for abandonment of a ten year rule and granting the Communists a share in the government.

8. A carefully nurtured official campaign to depict Soviet-Finnish "friendship" as a positive good, and therein increasingly to down play the objectionable features and inherent dangers of the Soviet system and policies.

The courses of action open to the United States in the face of these problems are, to say the least, circumscribed. There are, on the one hand, the limitations imposed by geography and by the practical difficulties which stand in the way of the US extending to Finland security guarantees. Even more important, perhaps, are the limitations imposed by the Finns themselves. The difficulty about these is that they are not confined to such as derive from an "understandable caution" regarding Soviet

sensibilities, but increasingly verge on an anticipatory appeasement of the type noted above.

Even this generalization does not cover the whole problem raised by Finnish attitudes. Popular reaction to events of the past year give cause to question the degree of will to stand firm against Soviet encroachments that actually exists under present circumstances. It almost appears as if a "grand duchal" complex is becoming increasingly prevalent, one that harks back to the latter days of Tsarist rule when the Finns had to play a tricky and dangerous game of yielding here in the hope of holding fast there. Given more able, selfless, and courageous leaders, the situation might be changed and a willingness emerge to take the perhaps not too serious risks necessary for true independence. But with things as they are, [2 lines of source text not declassified] the outlook is anything but bright.

Despite these limitations and difficulties, however, the US can hardly afford to let the game go by default. The Embassy feels that at a minimum the US should continue, or adopt, as definite policy:

(1) A quiet readiness, as during the autumn 1958 crisis, to provide adequate emergency assistance to enable Finland to withstand a partial or complete break in trade relations with the USSR. This readiness should include, on a standby basis, all necessary internal clearances so that in case of need it could be translated into action without delay. The fact that the Finnish authorities publicly rejected and privately ignored US offers last fall, and almost certainly would not give advance assurance that aid would be requested or accepted in a future emergency, should not be allowed to affect this matter. Finland remains for the present at least as vulnerable to Soviet economic pressure as last year, if not more so. At the same time, the Soviets having tasted the heady fruit of an easy victory through only passive action on their part may well resort to a similar course again. While nothing about the present situation gives assurance that Finnish reaction would be different from last time, it could be. If so, the chance of success would be immeasurably enhanced by the availability of US aid of the type planned during the previous crisis. Conversely, if the Finns tried to resist and failed because of lack of outside help, the result could only be described as disastrous, since it would confirm the worst fears of the Finns that they are in truth at the mercy of the USSR in peace and war.

(2) Economic aid as requests and requirements justify. A basic long-term need that must be met to insure long run stability in Finland remains the expansion of productive capacity, and for this foreign credits are essential. This is the need which is directly reflected in last winter's peak unemployment and indirectly in the maintenance of a highly uneconomic farm population, with all the political consequences of these structural problems. Steps have already been taken which go a

long way toward meeting present investment needs, particularly the \$37 million IBRD loan announced in March. This credit provides the foreign exchange necessary for a planned major expansion of the pulp and paper industries and domestic investment resources are probably sufficient to furnish the complementary domestic investment. Foreign exchange reserves on the one hand and bank liquidity on the other are in fact in such a relatively good situation currently that the question arises whether business enterprise, further specific investment plans, and confidence among those controlling funds are not for the present more needed than capital. Because of the uncertainty about future US aid cited above, however, there is probably a strong tendency to conserve foreign exchange for use in the event of recurrent Soviet trade pressure. This could in the long run also act as a danger to private investment. Another factor which must be borne in mind is that some Finnish industries, as a purely economic matter, probably should not be maintained even at present levels. Shipbuilding is the foremost example.

In any case, the United States clearly cannot offer credit assistance with good effect unless the Finns want it and unless they have plans for the use of funds.

For these reasons, and because any assistance must avoid the appearance of a political label and credits or investments must respond to requirements, the best possibilities for the time being may relate to the encouragement of non-governmental credits and private investment. We are of course doing what we can in this line. We have offered an investment guaranty agreement, which the Finns have indicated they may accept, and we have consistently encouraged sound credits to Finnish business from American public and private financial institutions, e.g. Eximbank loans to U.S. exporters of paper-making machinery, as well as commercial bank credits. Continuation of P.L. 480 agricultural surplus sales also appears very desirable as a means of generating potential investment funds as well as for other reasons.

Beyond measures of this type, which would stay largely in normal commercial channels, our immediate ability to help under present circumstances is doubtful. The Embassy has recommended that we program \$10 million for credit to Finland in FY 1960, with the understanding that a decision on actually extending a credit would be postponed until the Finns came forward with a specific request and program which could be judged on its merits. Finnish authorities have on several occasions referred to their desire for an early procurement of this sum and they may at any time present a concrete request. The Embassy therefore considers that this recommendation remains valid.

For the longer pull, the Finns may at any time come forward with new requests for substantial funds. They are in process of developing expansion programs that will require perhaps 200 million dollars of for-

eign credit over the next five to ten years. In conversations with the Ambassador, President Kekkonen has touched upon, in general terms, Finland's interest in new American loans to help with this program. All that can or should be done at present in regard to this matter is, however, to prepare the way for prompt and sympathetic consideration of specific requests when and if they are presented.

(3) Continuation of a maximum cultural exchange program, with some shifts in emphasis. In view of the special circumstances existing in Finland, our exchange program is of very special significance. In particular, it is one of the most important of the very few means available to us to influence Finnish attitudes.

The first essential regarding the exchange program is to insure continuation of funds. Under existing agreements the present level of dollars used in the program will remain available through 1984 from Finland's payments against its World War I debt. Finnmark funds are, however, on a year to year basis. The Embassy feels that there should be favorable action on the proposition that payments against recent US Finnmark loans be set aside to insure the long term availability of Finnmarks for the part of the exchange financed in this currency (Embdes 1022, April 30, 1958⁶ and Dept.'s A-88, January 7, 1959).⁷

Of the exchange program, the Embassy, including the Public Affairs Officer, considers the leader-specialist part by far the most important. In it, in fact, lies our best chance of directly influencing Finnish opinion and perhaps alignment. The Embassy feels, therefore, that the program should be substantially expanded. To this end the Embassy is recommending separately that beginning with fiscal 1960, allotment of funds for the purchase of books and technical equipment be ended, and that the funds previously employed for this purpose be shifted to the leader-specialist category and to certain specific projects (see below). The book-technical equipment program met a serious need when first inaugurated, but considering the present situation in Finland its continuation would be like carrying coals to Newcastle.

The Embassy for the past two years has been seeking to direct the emphasis in the leader-specialist program away from strictly cultural and business leaders to those who more directly influence Finnish opinion and public affairs, leaving it to the teacher-research student category and to private arrangements, to take care of the former groups. The Embassy is particularly interested in enabling representatives of groups that are lacking in knowledge of American conditions and policies to

⁶ Reference should be to despatch 622 from Helsinki, April 30, 1958, "Educational Exchange: P.L. 265—ASLA Program." (*Ibid.*, 511.60E3/4-3058)

⁷ Instruction A-88, "Educational Exchange: P.L. 265—ASLA Program." (*Ibid.*)

visit the United States. These include representatives of certain political parties, leaders of youth organizations, leaders of certain labor groups, etc. The Embassy also wants to increase the number of influential newspaper people, particularly of the provincial partisan press.

Difficulties that stand in the way of the Embassy's objective are (1) the rigid application of visa restrictions for persons who have been members of Bloc "friendship societies", and (2) prevailing language requirements. The Embassy has recommended that policy in regard to the former be modified (D-661, April 7, 1959, and D-759, May 15),⁸ and would appreciate favorable action on its recommendation. The Embassy also feels that more provision should be made for translators to accompany groups of non-English speaking leaders, in order to permit broader selection from among the most influential leaders regardless of knowledge of English.

The increase of assistance to certain selected "projects" referred to above is considered desirable since through such projects we should, with ingenuity, be able to combat more effectively Communist activities and influences in traditional Communist strongholds, particularly in the northern provinces. (See D-760 of May 19, 1959)⁹

It goes without saying that the Embassy favors the strongest sort of support and encouragement of privately sponsored Finnish-American exchange programs.

(4) Maximum utilization of Sections 104(a) and (k) of Public Law 480.¹⁰ The Embassy has repeatedly pointed out the importance of US sponsored research and related programs in Finland. In Embassy despatch of May 2, 1958,¹¹ for example, Ambassador Hickerson made the following points:

"Finland as a result of its excellent educational system, particularly its first rate universities, has for its population an unusually large number of highly trained and skilled scientists. Because of the nature of Finland's economy, full utilization of these is not possible domestically.

⁸ Despatches 661 and 759 from Helsinki are both entitled "Policy Toward Soviet Bloc Friendship Societies in Finland in Relation to Visa Regulations and United States Exchange of Persons." (*Ibid.*, Visa Office Files)

⁹ Despatch 760 from Helsinki is entitled "Educational Exchange; Request for Fiscal Year 1961 Country Proposed Program." (*Ibid.*, Central Files, 511.60E3/5-1959)

¹⁰ Section 104(a) of P.L. 480 empowered the President to enter into agreements with friendly nations to help develop markets for U.S. agriculture "on a mutually benefiting basis." For text, see 68 Stat. 456. Section 104(k) enacted as an amendment to P.L. 480, June 30, 1958, provided that he could make such agreements to support mutual scientific cooperation and research against diseases. For text, see 72 Stat. 275.

¹¹ Reference is to despatch 632 from Helsinki, "Visit of Dr. G.E. Hilbert and Mr. Raymond W. Sooy." (Department of State, Central Files, 102.602/5-258) Both individuals were officials in the Agricultural Research Service.

There is consequently open to us an opportunity to add indirectly to our own scientific resources and at the same time to contribute to the maintenance of a high level of scientific competence in Finland.

"As the Department is aware, Finland's position as against the USSR rules out the utilization of Finnish scientists under any of the programs sponsored directly by the Department of Defense. However, the response to the Department of Agriculture's program confirms indications that we have previously had that approaches by civilian agencies or groups will be warmly welcomed.

"I recommend to the Department that it give any support needed to the Department of Agriculture for its program, and that it encourage exploration of similar programs by others that might be interested. The Department is familiar with the extensive activity that the Soviet Union is carrying on in this field under the auspices of the Fenno-Soviet Scientific and Technical Collaboration Committee (D-520, March 18, 1958 and D-120, October 12, 1956).¹² While my recommendation is in no sense based upon the simple concept that we must respond to any and every Soviet challenge, I do feel that it is important that we not concede the USSR a monopoly of the field, not only because of the concrete advantages to be gained, but also because of the probable consequences on the orientation of Finnish scientists, a highly influential sector of Finnish society."

The Embassy at present feels especially that care should be taken to prevent programs of lesser importance, including Defense housing, from monopolizing P.L. 480 funds that might be used for research and related purposes. In this connection, the Embassy feels that after maintenance of the exchange program at its present level, research and related projects should have top priority in the disposition of Finnmark funds.

Aside from the program recommended above, the Embassy suggests that consideration be given to devising some means of convincing Finnish leaders and the Finnish public of the deep US interest in Finland's survival. The need for this derives from the fact that much of the weakness of anti-Kekkonen forces in Finland in their efforts to maintain a national policy clearly independent of Soviet pressures lies in their inability to answer effectively the Kekkonen thesis that Finland will always be at the Soviet Union's mercy in either a local or general emergency. Aside from domestic political calculations, there is also good evidence that Kekkonen himself and his associates may be strongly influenced in their attitudes by the assumption that the Soviets do in fact have a monopoly over Finland's fate. A factor in this might well be a genuine failure on the part of these individuals to evaluate correctly United States resources relative to those of the Soviet Union.

¹²Despatch 520 from Helsinki is entitled "Fourth Meeting of the Fenno-Soviet Scientific and Technical Collaboration Committee." Despatch 120 from Helsinki is entitled "Finnish Reaction to P.L. 480 Program." (*Ibid.*, 960E. 801/3-1858 and 411.60E41/10-856)

Any steps taken by the US along these lines should be unmistakably authoritative. They should avoid military implications which we would not be reasonably able to fulfill in all foreseeable circumstances, but they should make clear our continuing interest in true Finnish independence, and our willingness to promote by all means economic and cultural ties. In any propaganda or political attention to our concern over Finnish independence, it should be stressed that we are interested in the independence and neutrality of the country per se and not in attempting to use Finland as a weapon against the Soviet bloc.

(In Embdes 787, May 29, 1959, the Embassy recommended for consideration one possible means of giving the Finns the type of assurance discussed here.)¹³

For the Ambassador:
Mose L. Harvey
Counselor of Embassy

¹³In despatch 787 from Helsinki, the Embassy expressed concern at the possibility that Finland, with Soviet encouragement, would seek to persuade Norway and Denmark to abandon NATO in favor of establishing a neutral bloc of Nordic countries, which would remain outside the East-West conflict. The Embassy interpreted this possible *démarche* as a way for Finland to buttress its position against future Soviet encroachment. The Embassy recommended that the United States publicly reassert its intention never to violate Finnish neutrality. Such a statement, by reducing Soviet suspicions of Western intentions regarding Finland, would ultimately moderate Finland's need to reinforce its neutrality. (*Ibid.*, 760E.5/5–2959)

207. Operations Coordinating Board Report

Washington, July 1, 1959.

OPERATIONS COORDINATING BOARD
REPORT ON FINLAND (NSC 5403)
(Policy Approved by the President, January 25, 1954)

(Period Covered: From October 17, 1958 Through July 1, 1959)

1. Review of U.S. policy toward Finland (NSC 5403) is recommended in the light of developments during the five years since the policy was approved, such as, impairment of Finland's ability to preserve its independence, proposals for a "Nordic Common Market" which would include Finland and changes in the structure and purpose of European economic organizations. The recent events outlined below highlight the need to: (1) bring the statement of U.S. policy toward Finland up to date, (2) redefine the objective which unrealistically infers that Finland is "neither subject to undue reliance on Soviet Bloc trade nor vulnerable to Soviet economic pressures", and (3) review courses of action which the U.S. might take to cope with the changed circumstances regarding Finland.

2. During the final months of 1958, the Soviets, taking advantage of heavy Finnish reliance on Soviet Bloc markets, threatened to reduce significantly Finno-Soviet trade levels unless the composition of the newly-formed and broadly-based Finnish Government were changed to their satisfaction. At the same time, the Soviets capitalized on a lack of sufficient determination and unity within and among the democratic parties in Finland and on what appeared to be an unnecessarily accommodating attitude toward the Soviets on the part of President Kekkonen and his wing of the Agrarian Party. The Soviet initiative at this time stemmed not only from a decision to exploit a particularly favorable tactical situation in Finland, but probably also from the desire to arrest what they considered to be a general Western gravitation in Finnish policy, both economic and political.

3. Ultimately, withdrawal of the Agrarian ministers at the insistence of Kekkonen brought about the down fall of the government,

Source: Department of State, OCB Files: Lot 61 D 385, Finland. Secret. Approved on July 1 by the OCB, which agreed that the review of NSC 5403 should address itself to the problems of Finnish economic dependence on the Soviet Union, Soviet interference in Finnish affairs, and the issue of Western political and economic support for Finland. (*Ibid.*: Lot 62 D 430, Preliminary Notes, IV) On July 23, the report was noted by the National Security Council, which also noted that the NSC Planning Board would undertake the review of NSC 5403. The report was approved by President Eisenhower on July 27 in NSC Action No. 2113. (*Ibid.*, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

which, after a protracted interregnum, was replaced by a weak one-party Agrarian cabinet. This action was followed shortly by a surprise conference between Kekkonen and Premier Khrushchev in Leningrad. Subsequent actions by the Soviets showed their willingness to accept the new Finnish Government. However, at the Leningrad talks and later, Khrushchev concerned himself even more openly than in the past with domestic Finnish political affairs through public vilification of certain prominent Social Democratic leaders.

4. Largely at the behest of Kekkonen, the Finns made other efforts to mollify the Soviets, including—in a significant departure from past practice—negotiations for the purchase of Soviet military equipment (the extent of which purchase is not yet clear).

5. Immediately prior to collapse of the Finnish Government under Soviet pressures, the U.S. offered a \$5 million finnmak loan to Finland and held out the promise of more substantial assistance should the economic effects of Russian actions become critical. However, this offer did not alter the determination of Kekkonen and his followers to remove the Cabinet which was so objectionable to the Soviets.

6. Although the Finnish moves to accommodate the Soviets constitute a dangerous trend, they do not result from the adoption of a new basic policy. While continuing a policy of amicable relations with the USSR and non-involvement in great power disputes, Finland remains a Western-oriented country. The Finns have continued to exclude the Communists from the government and have avoided a sizeable increase in Finno-Soviet trade levels for 1959. Moreover, they recently strengthened their economic ties with the West by joining the Western European nations in significantly expanded currency convertibility, and by relaxing somewhat further their restrictions on dollar trade.

7. The weakness of the Finnish position vis-à-vis the Soviet Union has now been somewhat alleviated by improvements in the economic situation. In addition, a recent IBRD loan of \$37 million to the wood-working industries will contribute to the alleviation of seasonal unemployment and to the further development of industries which are not principally dependent on Soviet bloc markets.

8. Considering all factors, Finland remains, in almost any conceivable circumstance, vulnerable to Soviet economic and political pressures. That vulnerability is undoubtedly enhanced not only by the fact that, on the basis of their experience since 1939, the Finns tend to consider themselves alone and defenseless. The sense of helplessness seems most pronounced in Kekkonen and among his Agrarian supporters who appear inclined to doubt the willingness and ability of the West to provide effective counter-weights to Soviet pressures.

208. Despatch From the Embassy in Finland to the Department of State

No. 34

Helsinki, July 17, 1959.

REF

Embtel 31, July 13, 1959¹

SUBJECT

Emergency Economic Assistance to Finland

In view of Prime Minister Sukselainen's recent public announcements of Finnish intention to consider affiliation with the "Outer Seven"² and the possibility of an adverse Soviet reaction, I recommended in the reference telegram that the United States be prepared to offer emergency assistance along the lines promised last November if Soviet pressures do materialize and President Kekkonen shows a will to stand firm. An immediate standby decision and authorization was recommended, with actual assurances to be given only if and when circumstances warrant. The Embassy had recommended earlier in D-806 of June 4,³ which discussed the basic NSC paper on Finland and the current OCB Progress Report, that the U.S. should continue, or adopt, as definite policy a quiet readiness, as during the autumn 1958 crisis, to provide adequate emergency assistance to enable Finland to withstand a partial or complete break in trade relations with the USSR.

In November-December 1958, pursuant to authority given in the Department's telegram 228 of November 25,⁴ the Embassy informed selected Finnish leaders that the U.S. was prepared to offer Finland economic assistance if such assistance were necessary and desired by the Finnish authorities to enable Finland to withstand Soviet economic pressure. It was stated that the exact nature and dimensions of assistance we might offer had not been determined, but that it might consist of a combination of the following elements:

1. Sale of surplus agricultural commodities for local currency under P.L. 480 to replace certain imports from the Soviet Union.
2. Loan of the Finnmark proceeds of these sales.
3. Loan of other U.S.-owned foreign currencies for purchases in third countries of other essential commodities normally imported from the USSR.

Source: Department of State, Central Files, 611.60E/7-1759. Secret.

¹ Not printed. (*Ibid.*, 440.002/7-1759)

² The "Outer Seven" refers to the seven European nations, Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom, whose Foreign Ministers met July 20-21 to establish a European Free Trade Association (EFTA). The EFTA agreement was formally initialed on November 11, 1959.

³ Document 206.

⁴ Document 196.

4. Credit from U.S. oil companies to cover crude and refined petroleum requirements.

5. Limited dollar loan assistance.

This offer followed closely the information that consideration was being given to declaring Finland eligible for assistance on a continuing basis (which was accomplished in December) and a commitment in principle to a loan for the shipbuilding industry which had been urgently requested by the Finnish Government.

The Fagerholm Government fell—we had considered its fall inevitable before the assurance was given—but the Embassy is convinced that there was a major strengthening as a result of the U.S. action in the position of Finnish political elements determined to resist Soviet domination. Their stronger position had favorable effects in the period of nearly six weeks between the fall of the Fagerholm Government and the appointment of its successor under the present Prime Minister, minimizing the damage by forcing the President to limit the extent of his retreat before Soviet pressure to less than that which he was first prepared to make, thereby avoiding, e.g., Communist participation in the new Government. Therefore, the assurance may be said to have accomplished the limited objective which was possible of attainment, considering the domestic political angles involved and the novelty of our assurance in Finnish circumstances.

The situation today and in the immediately foreseeable future is somewhat different, but has many elements similar to that last year. The Finnish economic situation is better and foreign exchange reserves are in a better position. Both of these factors would improve Finland's ability to resist Soviet economic sanctions to a limited degree. The loss or postponement of export orders or uncertainty regarding their continuation is less serious, at least less immediately serious, in a reviving economy with low unemployment than in a stagnant one with unemployment high. However, present reserves of some Fmk 63 billion (nearly \$200 million) are still equivalent only to some 3–4 months normal import requirements, and leaving out Fmk 11 billion in Eastern Bloc currencies, which might not be usable in a crisis, they are still less. A small increase in exchange reserves with the main export season still ahead also would be helpful, though in this case only in postponing difficulties.

The Russians are at present in a somewhat less good position to exert quiet pressure through inaction on trade matters. In the fall of 1958 there were no contracts for 1959 deliveries and the failure to proceed with trade negotiations meant potentially substantial unemployment almost at once during the coming winter. Now contracts for 1959 have been concluded. Talks for 1960 would not normally begin for several months and the five-year trade agreement talks now on (recessed until late this month) do not directly affect trade until 1961. However, stalling

on the five-year trade talks would quite quickly be seen as a sign of displeasure, and stalling on trade talks for 1960 could be an effective Soviet weapon later this year if the matter has not progressed too far before they become due. A more rapidly effective means of Soviet action would be stalling on acceptance of deliveries, and this is a form of action for which they have a successful precedent in December last year. The Soviets could again do this under the guise of balancing the bilateral account. They also have available, of course, the usual means of presenting their views through the press or through direct diplomatic action.

On the political side the situation is also more favorable than last year in that the present Government has not been subjected to accusations of unfriendliness to the USSR and that there would be no political advantage to President Kekkonen in not supporting it, rather the reverse. The Government could doubtless rely on solid support from most of the parties making up last year's coalition if it stands firm. On the other hand, the Soviets, having had one recent experience with Finnish appeasement, might be more strongly inclined to persist in any pressure campaign they may undertake.

The Embassy of course does not know what the Soviet reaction to Finland's step toward the Outer Seven will be, or what the Finnish reaction will be if the Russians indicate objection. There have been certain preliminary indications that the Soviets will not object and there also have been statements by very high authorities in Finland that they regard the matter as strictly Finland's business. The Soviets have strongly condemned the Community of Six on the basis of its political objectives, and steps to work out arrangements between the Seven or Eight and the Six therefore may present additional risks of Soviet disfavor. Finnish officials naturally are concerned about this.

As we have noted in the reference telegram and G-1 of July 3,⁵ there is a compelling economic reason for Finland to persist: Finland cannot afford to stay out of an Outer Seven free trade area, if it is formed, because of the competitive disadvantage to her exports. On the other hand an adverse Soviet reaction seems likely at some point in direct proportion to the degree of success accompanying Finland's desire to affiliate.

The next week or two, with an Outer Seven meeting scheduled for July 20-21, probably are critical. The Soviets are now under clear notice that Finland may join the "Outer Seven"—will join, it might be said, if the Seven are agreeable and necessary conditions can be met; a stronger initial statement could hardly have been expected—and the lack of any reaction now will certainly be construed in Finland as tacit assent.

If the Soviets object, they may show their position in any of a number of ways; direct diplomatic action, economic actions, and press attacks are among the possibilities. Whatever the initial action, eco-

⁵ Not printed. (Department of State, Central Files, 440.002/7-359)

conomic measures are likely to follow or be threatened within a short time if the Finns persist in their course or take any line short of capitulation. In this case, assurances that economic assistance, if needed, will be forthcoming could be of prime importance. They might be needed within a very few weeks, or at latest when Khrushchev visits Finland August 26–30.

In last year's crisis we estimated that needs would not exceed \$60–70 million for a transitional period. Probably the same might be said today, except that with both foreign exchange reserves and commodity stockpiles somewhat larger, need for actual use of funds (as opposed to assurances) might not begin quite so soon. However, it would not be necessary to decide amounts in the first instance or to say anything about amounts in giving assurances. A general assurance of the type given last year would serve the immediate purpose.

The importance of the Seven plan to Finland, whether Finland joins or is forced to back away, can scarcely be overemphasized. If Finland moves forward, with or without Soviet objection, it will be a major step toward real independence and the establishment of further long-term and binding economic ties with the West; if Finland should back down in the face of Soviet pressure, it will be another major step toward greater dependence, political and economic, on the USSR. In the circumstances, and with the critical period potentially very near at hand, I urge the earliest possible authorization for the necessary assurances should appropriate circumstances arise.

In speaking of appropriate circumstances, I have in mind not only the threat of Soviet economic pressure, but evidence of Finnish will to resist which would be benefited by quiet American support. There may be already a widespread assumption that we would be prepared to help. However, should the question arise and should we be asked by the President or the Prime Minister, for example, or should we learn that they had doubts of western support, the authority to answer or volunteer assurances promptly could be crucial. I would not, however, volunteer assurances in circumstances where they evidently would not be effective in combating Soviet pressure.

I would appreciate special efforts to avoid any leak to the press regarding this recommendation or subsequent assurances. President Kekkonen evidently felt the leak last December to "Newsweek" was embarrassing to his position and he may even have felt that we sought to bring public pressure on him in this way. In such circumstances I believe that publicity is definitely harmful.

John D. Hickerson
American Ambassador

209. Telegram From the Department of State to the Embassy in Finland

Washington, July 27, 1959, 6:58 p.m.

76. Embtels 31, 64, and Emdes 34.¹ Dept appreciates important effect offer US assistance might have on Finnish decision associate with OS as well as desirability being ready on standby basis to make such offer.

However, several additional factors bear on problem: (1) As Embassy aware might prove difficult reconcile Finnish participation OS at this time with realization OS accommodation EEC. (2) MSP funds extremely tight and it would have to be clearly demonstrated that any aid program with dollar loan component (which necessarily quite limited) would in fact be essential and effective quite apart from immediate psychological impact. (3) Compared to situation last November, present Government much softer toward Soviets and therefore less reliable than Fagerholm Government. (4) Question whether present Govt would challenge Soviets if drastic trade sanctions and attendant economic, social, and political crisis in prospect. (Such crisis could only be partially ameliorated by US aid regardless of size, not avoided.) (5) Dept not convinced critical moment yet near since Finns not contemplating decision at least until fall. If Finns remain outside OS, Finnish economy not likely be struck crippling blow in early stages OS and therefore Finns may be inclined delay decision indefinitely, possibly hoping for change in Soviet attitude. (6) Moreover, commercial policy aspects would require thorough study.

Dept does not consider it feasible develop standby assistance program until above uncertainties clarified.

Embassy's comments on foregoing would be helpful in getting full picture for evaluation present situation and for pending policy review. In particular, Dept needs detailed analyses products, markets, industries, foreign exchange, employment factors involved if Finland (1) joins OS in near future and Soviets employ trade sanctions, (2) remains outside OS, (3) delays decision for year or two.

Dillon

Source: Department of State, Central Files, 611.60E/7-1759. Secret. Drafted by Nelson and approved by Deputy Assistant Secretary of State for European Affairs Ivan B. White, who signed for Dillon.

¹ Telegram 31 from Helsinki, July 13, is briefly summarized in despatch 34, Document 208. Telegram 64 from Helsinki, July 22, reported that Finnish leaders appeared willing to persevere in their attempts to join the "Outer Seven" despite apparent Soviet objections. (Department of State, Central Files, 440.002/7-2259) On July 19, *Pravda* had published an article critical of Finland's association with any Western trade bloc. (Despatch 42 from Helsinki, July 20; *ibid.*, 440.002/7-2059)

210. Telegram From the Embassy in Finland to the Department of State

Helsinki, July 29, 1959, 7 p.m.

80. Re Department telegram 76.¹ Apparently I did not make myself completely clear in my previous messages. My proposal was simply that as soon as possible I be given standby authority to give assurances to the Government of Finland that limited US economic assistance along lines offered last fall would be available to soften effects of new Soviet economic pressures if and when, and only if and when, circumstances warranted. I envisaged that circumstances might warrant such assurances if (1) Finland had made clear its definite intention to associate with the OS; (2) Soviet pressures were being applied or clearly threatened; and (3) Finnish authorities gave indication that they intended to stand firm in face of Soviet pressures. As I pointed out in my previous messages, I am by no measure sure that these circumstances will arise. If they should, however, I feel it essential from the standpoint of our national interest that we be able to back up the Finns to the extent feasible and without delay. In other words, I am requesting that preparations, including necessary clearances and decisions, be made in advance of a crisis which admittedly may never arise but which if it does arise will require fast action on our part.

I would also like to make clear that I am not now asking for a policy decision as to what steps, if any, the US should take if Finland decides not to join the Seven and finds itself in position where it will have to get special treatment from Western countries including the US, or fall into increased economic dependence on USSR. This is an important question and I feel that both the Department and the Embassy should give serious thought to it. However, it is a different question entirely from the one posed above. For it I agree that a basic study of the type requested at end of your telegram is required and such a study will be prepared by the Embassy as quickly as possible.

My comments on six numbered points in reference telegram are:

(1) I agree that negotiations on broader FTA between the Outer Seven and EEC would raise second hurdle for Finland in relations with USSR but I do not see that Finnish participation in OS will measurably slow progress toward FTA. I doubt that other participants at that stage will be greatly influenced by Finland's special needs and Finns probably

Source: Department of State, Central Files, 611.60E/7-2959. Secret; Limit Distribution.

¹ Document 209.

will have to find ways of meeting conditions or dropping out. I am influenced in this by expectation that Finns will probably be associate rather than full member even in OS. If this point was intended to imply that Finland would be some kind of "Trojan horse" for Soviets, I find no evidence to support this view. If the Soviets accept it, they probably are deluding themselves, just as they may have done in 1955 when they consented to Finland's entry into the Nordic Council.

(2) I agree that the dollar loan component of a standby aid program could be quite limited and I am thinking strictly within the limits of an initial authority of the type granted to me last fall. I entirely agree that this might prove inadequate in the long pull if there were a complete break in Finno-Soviet trade. I feel, therefore, that we must also give thought to what we could and should do in this circumstance, although I agree that further basic studies will be required before any decisions are made on this particular point.

(3) Composition of the present Sukselainen Government is not at issue here, since I had no idea of extending the assurances of aid in the absence of evidence of will to resist Soviet pressures. Minority Government naturally not as good as Fagerholm government, but it never was intended to be permanent solution. Also should be remembered that Fagerholm government, with best will in world, was hampered in standing firm because it lacked support of President, partly because it was vulnerable to charges of being anti-Soviet. Present government in much better position to stand firm because it is closely identified with it in the eyes of the Soviets.

(4) It was not my thought that a crisis could be avoided through our aid, particularly such as we might be prepared to offer in an initial stage, but only that the effects of a crisis could be ameliorated at least during a period of transition which it would be in our interest to facilitate. In the longer pull, we would have to face up squarely to the issue of whether we were prepared to let Finland fall prey to Soviet economic pressure.

(5) Critical Finnish move probably will not come before September at the earliest and may well be some months off. This should not, however, bar advance planning on our part.

(6) No comment at this time; bearing of this on our problem not clear to me.²

Hickerson

²No telegraphic response to this message was found in Department of State files, but see Document 211.

211. Letter From the Ambassador to Finland (Hickerson) to the Director of the Office of British Commonwealth and Northern European Affairs (Willoughby)

Helsinki, September 30, 1959.

DEAR WOODY: Your letter of September 9¹ was, as you no doubt expected, not encouraging as regards prospects for a decision favorable to prompt action in the event we are asked in the coming months for emergency assistance to Finland. The main opposition to our proposal, namely that we are over-burdened with world commitments, must be placed against the stark fact of Finland's vulnerability to Soviet pressures and the risk we run if Soviet influence is permitted to expand into northern Europe. I cannot believe, for the scope of envisaged needs here, that the opposing argument has essential national security validity, but you have the battle to fight in Washington and I trust you will let us know if further information or support from here is needed. If crisis action at the time is the only way, experience has shown that it could be more costly, run the danger of losing timing impact and thus possibly the game, while possibly not helping our relationships with the Finns during and following a period of uncertainty.

More serious to my mind are basic misconceptions, presumably in the Department and elsewhere, concerning our proposal shown in the counter-arguments you list, which sometimes might be grasped to justify the theme of over-commitment which you mentioned. There must be an adequate fund of readily available basic factual intelligence reports and studies, not to mention our Embassy messages, both in the Department and other concerned responsible government agencies, which could not be questioned by proponents of some of the points you list.

Let me take up points one and two, the danger of lapsing into "massive aid" and the current shortage of MSP funds. Such aid would not be wanted and would be refused by the Finns even if proposed, since the latter action would be to misread the entire situation known to us. It is important to appreciate that while the proposed aid would be limited to the dimensions already known to the Department, within the Finnish environment its chief value could well be psychological in convincing the Finns that we would stand behind them if they in turn stand firm in maintaining their economic independence from the USSR. Thus there is the real likelihood of only a portion of the trump suit proposed would be actually used to win the hand.

Source: Department of State, Central Files, 760E.5–MSP/9–3059. Secret; Official–Informal.

¹ Not found in Department of State files.

The point three, that proposed aid might encourage the Finns to take rash action, would be far from the case. It seems to me that what we must seek by our own moves is to discourage any trend toward progressive accommodation to the Soviets. The Finns are most cautious and are equally alive to the dangers of their situation as we and intelligence reports in Washington, including a current Embassy despatch on the Finnish Government soon to go forward, should be adequate to counter the observation you list.

Points four and seven are similar. One is to the effect that United States aid might be related by the Soviets to possible Finnish participation in the Outer Seven and induce the Russians to put pressure on the Finns to remain outside. The other idea is that we should not help the Finns join the Outer Seven until we are sure of the consistency of this proposed organization with our commercial policies. I do not think it is necessary to link the Outer Seven with our proposed action for Finland, since the contingency could arise apart from the Outer Seven. If we first need a U.S. policy toward the Outer Seven before discussing our proposal for Finland, you are best aware of the time this might entail to the detriment of our taking any serious action with respect to Finland. The cautious attitude of the latter toward the Outer Seven is only too clear and at present, as you know, presumably partially at the request of the British, Finland does not even have observer status at the current sessions of the proposed club members.

The fifth point you mention, doubt whether any offer of aid could shore up Finnish resistance and whether our efforts of last November had any real effect, we think could be answered in the following fashion. Any possible counter-productive elements in our approach at that time resulted from the risk that President Kekkonen might regard our action as being either aimed at him personally in Finland's domestic politics, or mainly at achieving a U.S. propaganda victory over the Russians. The leaks to the press during and after the crisis may have tended to reinforce his suspicions on both counts. At the time of any future crisis, our problem will not be to convince the Finns of our readiness to help, but rather to make good on what the Finns will expect of us as a result of our approach last year. Were we to fail to respond promptly in the future to a request for aid in a similar crisis, the "counter-productive" suspicions present last year would be confirmed and thus we would directly contribute to the growth of the type of undesirable neutralism the Soviets are now seeking to promote in Finland.

The point seven to the effect that we should first explore the willingness of other western countries to aid Finland, is a desirable principle but we wonder whether the increased danger of publicity is worth expected benefits. You may recall I was concerned for this reason over a decision to raise this issue in the NATO Council last year. However, my

impression is that our allies are now alert to the possible recurrence of Soviet pressures. Advance consultation with so many countries could cause obvious difficulties and varying assessments which could have a most inconclusive outcome. On the other hand, if pressure actually develops, I would expect, on the basis of the views of my foreign colleagues here, that the response of our allies would be generally favorable.

My comments set forth above may be of use to you in connection with the problem we are both facing and, in conclusion, all best wishes.

Sincerely,

John D. Hickerson

212. Memorandum of Discussion at the 420th Meeting of the National Security Council

Washington, October 1, 1959.

[Here follow a paragraph listing the participants at the meeting and agenda item 1.]

2. *U.S. Policy Toward Finland* (NSC 5403;¹ OCB Report on NSC 5403, dated July 1, 1959;² NSC Action No. 2113;³ NSC 5914;⁴ Memo for NSC from Executive Secretary, same subject, dated September 22, 1959⁵)

Mr. Gray presented NSC 5914 to the Council. (A copy of Mr. Gray's Briefing Note is filed in the Minutes of the Meeting and another copy is

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Prepared by Marion W. Boggs on October 2. Secretary of State Herter presided at the meeting.

¹ See footnote 1, Document 179.

² Document 207.

³ NSC Action No. 2113, in which the National Security Council noted the OCB report of July 1, was taken at the 414th Meeting of the NSC, July 23, and approved by the President the same day. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

⁴ Dated September 10, not printed. (*Ibid.*, S/S-NSC Files: Lot 63 D 351) NSC 5914/1 is printed as Document 213.

⁵ This memorandum enclosed a memorandum from Chief of Naval Operations Burke, dated September 21, advising the Secretary of Defense that the Joint Chiefs of Staff recommended that he support NSC 5914. (Department of State, S/S-NSC Files: Lot 63 D 351)

attached to this Memorandum.)⁶ In the course of his briefing, Mr. Gray read the last sentence of paragraph 1 of NSC 5914 as follows: "Furthermore, if Finland is able to preserve its present neutral status—that of a nation able to maintain its independence despite heavy Soviet pressure—it could serve as an example of what the United States might like to see achieved by the Soviet-dominated nations of Eastern Europe."

Mr. Dillon said the problem was that it might not be in the interest of either Finland or the US to force a row between Finland and the USSR. Economic pressure by the Soviet Union against Finland could be very intense. We had already faced this problem a year ago and had decided we did not have the means to counteract Soviet economic pressure against Finland. In this connection Mr. Dillon suggested that the second sentence of paragraph 21 of NSC 5914 should be amended so that instead of "encouraging efforts" aimed at ensuring some form of association or accommodation between Finland and Western European economic cooperation movements, we would "support efforts consistent with US and Finnish interests." The change would mean that we would not have to act automatically to "encourage".

Mr. Gray noted that there appeared to be no objection to Mr. Dillon's proposal; but pointed out that the point he was making with respect to the last sentence of paragraph 1 of NSC 5914 was different.

Mr. Allen observed that refugee groups were always alert for any implication that the US might support a Communist separatist movement. Such groups are opposed to Tito-type governments in the satellites, since they regard such governments as just as bad as the present Communist governments there. Mr. Allen thought perhaps paragraph 1 of NSC 5914 should say that a Finnish-type government in the satellites would be acceptable for the present but was not the ultimate solution.

Mr. Gates felt it was unnecessary to write overall policy into the paper on Finland. Such a procedure could reflect back on Basic Policy. He believed the last sentence of paragraph 1 did not belong in NSC 5914; he suggested that NSC 5914 be confined to Finland and not mention the Soviet-dominated nations of Eastern Europe.

Secretary Herter asked whether the sentence in question was contrary to Basic Policy. Mr. Gray said it was not, and added that it was not necessary to include the sentence in US Policy toward Finland.

Mr. Dulles preferred to include the sentence in NSC 5914. He would be delighted if a Finnish-type government developed in Poland or Czechoslovakia because Finland was essentially a Western-oriented,

⁶ Not printed. The minutes of all NSC meetings held during the Eisenhower administration are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

democratic country. In effect we are saying to the USSR, you can live with a Western-oriented, democratic Finland, why not with Eastern European countries organized along the same lines?

In response to a question from Mr. Gates, Secretary Herter said he agreed with the last sentence of paragraph 1 of NSC 5914, though he felt it might be out of place.

Mr. Gray said the sentence had been included as a bit of background to our policy of helping Finland stay Western-oriented and democratic. Mr. Gray then called attention to the Financial Appendix which showed that assistance to Finland is in the form of loans and PL-480 rather than grants. The IBRD was the largest single source of aid to Finland. Mr. Gray then summarized a request by Ambassador Hickerson that he be given authority to assure the Finnish Government of limited economic assistance under certain conditions if Finland seeks to associate with the Outer Seven and the Soviets retaliate with threats of economic sanctions. Mr. Gray said the policy guidance in NSC 5914 authorized State to give the Ambassador the authority he requested.

Secretary Herter said that on the financial side the Finns were as honorable as any people he had ever dealt with; and Mr. Dillon added that the Finns were the only people who wanted to pay their World War I debt.

*The National Security Council:*⁷

a. Discussed the draft statement of policy on the subject contained in NSC 5914; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of September 22, 1959.

b. Adopted the statement of policy in NSC 5914, subject to the amendment of the second sentence of paragraph 21 on page 11 by substituting for "encourage efforts" the words "support efforts consistent with the United States and Finnish interests".

Note: NSC 5914, as amended by the action in b above, subsequently submitted to and approved by the President; circulated as NSC 5914/1 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.

[Here follow agenda items 3 and 4.]

Marion W. Boggs

⁷ Paragraphs a-b and the Note that follows constitute NSC Action No. 2132, approved by the President on October 14. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

213. National Security Council Report

NSC 5914/1

Washington, October 14, 1959.

STATEMENT OF U.S. POLICY TOWARD FINLAND

General Considerations

1. Finland is one of the countries which has a common border with the USSR but which has managed to date to remain free from Soviet domination. Aside from Norway, it is the only such country with long-established Western traditions. It stands as an example of democracy on the Communist threshold and a buffer against further Soviet encroachment in an area of direct confrontation between the West and Soviet imperialism. Complete Soviet domination of Finland would be a heavy blow to Western morale and could weaken the resistance of some other small Free World nations to Soviet Bloc pressures. In addition, it would put the USSR in control of advance air defense and early warning positions and additional naval bases in the Baltic. Its continued denial to the USSR is thus both psychologically and militarily important to the West. Furthermore, if Finland is able to preserve its present neutral status—that of a nation able to maintain its independence despite heavy Soviet pressure—it could serve as an example of what the United States might like to see achieved by the Soviet-dominated nations of Eastern Europe.

2. All significant Finnish moves are calculated in terms of their effect upon the ever-present danger of gradual absorption into the Soviet orbit. The capacity of the Finns to deal with this overriding problem is circumscribed by the influence of the USSR resulting from Finland's geographic proximity to Soviet power and its singular vulnerability to Soviet economic pressures, as well as by internal Communist influence and political dissension among non-Communist elements.

3. On the other hand, any significant move by the USSR to capture Finland militarily or politically would have certain adverse effects on the Soviet position. For example, such a move would probably push Sweden into closer association with the West and possibly with NATO. Moreover, the Russians would suffer a substantial propaganda setback, inasmuch as Finland is cited by them as an example of "peaceful co-existence".

Source: Department of State, S/S-NSC Files: Lot 63 D 351. Secret. Adopted by the National Security Council on October 1 subject to the amendment set forth in NSC Action No. 2132-b (see footnote 7, Document 212). Approved by the President on October 14 as NSC 5914/1, it superseded NSC 5403, in effect since January 25, 1954. An "Annex on Finland's Foreign Trade, 1953-1958," the Financial Appendix, and annexes entitled "Cost Implications of the Proposed Policies" and "ICA Comments" are not printed.

Military

4. Finland's vulnerability is increased further, first, by the 1947 peace treaty that limits Finland's military force to 42,000 men, 60 warplanes (none of which may be bombers), and a total navy not in excess of 10,000 tons; and, second, by the Soviet-imposed mutual assistance pact of 1948 that prevents the Finns from seeking refuge in alliances with the West. Apart from this, Finnish actions are strongly influenced by a natural sense of isolation, reinforced by Finland's lone struggle with the USSR in 1939–40, subsequent Soviet encroachment into Central Europe, and the impressive growth in Soviet military capability.

*Economic*¹

5. The principal non-military basis of Finland's vulnerability is dependence on the USSR for roughly one-fifth of its total foreign trade, or one-fourth if trade with the satellites is included.² Finland's economy, like that of other small European countries, relies heavily on foreign trade. The Soviet Bloc purchases Finnish products that are largely non-competitive in Western markets—primarily products of the un-economic metal industries that Finland, under Soviet compulsion, established to meet reparations payments to the USSR following World War II. Because Finland obtains non-convertible Bloc currencies for these exports, it is compelled to purchase about one-fourth of its total imports from the Bloc. In this way the Bloc has become the supplier of a large portion of Finland's needs for certain essential commodities—oil, coal, cereals, sugar, fodder, cotton, fertilizer, vehicles, iron and steel. Any significant disruption in this trade, which the USSR could bring about with ease, would stimulate social, economic, and political disturbances in Finland, a consequence that all democratic political elements in Finland urgently desire to avoid.

6. Some of Finland's trade with the Soviet Union might be shifted Westward without undue difficulty, except for the danger of Soviet retaliation. There is, however, little practical possibility of a major reorientation of trade away from the USSR. It would be politically impossible—and not necessarily advantageous to the West—for the Finns to make such an adjustment in their economy, unless forced by Soviet action permanently cutting off trade. Such reorientation would involve an expensive replacement of most of the high-cost productive capacity now finding markets in the USSR with new industries competitive in the West. Most seriously affected would be the metal industry which employs roughly 100,000 persons, a substantial portion of whom

¹ On the current situation with respect to Battle Act restrictions on U.S. aid, see footnote a on page 11 of the Financial Appendix. [Footnote in the source text.]

² For figures on Finland's foreign trade, see Annex. [Footnote in the source text.]

would have to be re-trained and relocated. Other enterprises, particularly those serving the metal industry, would be similarly affected, although probably to a lesser extent in most cases. For an extended period heavy expense, unemployment, social disruption and a decline in the general level of living would be unavoidable. Only if there were no other alternatives would a Finnish government risk subjecting the country to these difficulties. In the light of these considerations, the Finns focus instead on resisting expansion of Finno-Soviet trade while seeking to strengthen economic ties with the West.

7. Economic ties with the West were strengthened recently when Finland joined the Western European nations in expanding currency convertibility and by further relaxing restrictions on dollar trade. The weakness of the Finnish position vis-à-vis the Soviet Union has also been somewhat alleviated by improvements in Finland's economic condition, evidenced by significantly increased exports to Western markets and marked improvement in the country's balance of payments situation. In addition, a recent IBRD loan of \$37 million to the woodworking industries will contribute to the easing of seasonal unemployment and to the further development of industries which are not principally dependent on the Soviet Bloc markets.

Political

8. Politically there is also a fundamental weakness in the Finnish position deriving from persistent and intense conflict among and within the several non-Communist parties, none of which controls more than one-fourth of the Parliament. Governments rest impermanently on tenuous political compromises. It is often extremely difficult, and at times impossible, for the parties to agree on measures calculated to put the Finnish economy on a sounder basis, to lessen social and political discord, and, thereby, to reduce the country's vulnerability to Soviet influences. The Communists, who have controlled from one-fifth to one-fourth of the Parliament since the war, derive considerable profit from this political dissension which on occasion places them in pivotal parliamentary positions and which gives them an extra electoral advantage by keeping numerous frustrated non-Communist voters away from the polls. Finland's policy toward the USSR is significantly affected by President Urho Kekkonen, the country's leading political figure who, while not a Communist, believes that Finland's best interests are served by greater accommodation to Soviet wishes than many of his countrymen consider necessary. This factor is unusually important since the Presidency, already constitutionally strong, has grown in influence as a consequence of the intense dissension among the political parties.

9. Fully aware of their isolated and exposed position, the Finns follow a cautious policy designed to avoid involvement in East-West

disputes, while, at the same time, attempting to preserve ties with the West and to maintain amicable relations with the USSR. Although by cultural orientation and historical experience strongly pro-Western and anti-Russian, Finland is to some extent an unwilling pawn in Soviet efforts to demonstrate the virtues of "peaceful co-existence" and to weaken Scandinavian ties with the West. While often in disagreement on specific actions, the Finns see little alternative to attempting to maintain a facade of good relations and considerable trade with the Soviet Union. In their anxiety to draw closer to their Scandinavian neighbors and in the hope of gaining abrogation of their mutual defense obligations to the USSR, the Finns have shown periodic interest in the concept of a neutral Scandinavian bloc encompassing Finland and, by implication, involving withdrawal of Norway and Denmark from NATO. They have never pressed their Scandinavian neighbors in this respect, however, and it is doubtful that any attempt to do so would be successful.

10. The Finns do not and would not deliberately serve Soviet interests. They have preserved their democratic institutions intact and, since 1948, when they courageously removed the Communist cabinet ministers, they have joined forces to isolate the Communists from the government. Despite Soviet urging, they have skillfully avoided participation in Soviet-sponsored enterprises such as the Warsaw Pact. Moreover, the Finns have thus far maintained and, in some measure, strengthened their economic ties with the West. In this regard, the Finns have a strong desire to associate in one way or another with emerging West European economic cooperation movements such as the Outer Seven free trade area, exclusion from which could mean deterioration of Finland's Western trade and, consequently, increased dependence on the Soviet Bloc. Besides the Outer Seven, other possibilities are a Nordic common market or, as an alternative to association with such groupings, bilateral arrangements with each of Finland's principal trading partners. The ability of Finland to associate in one way or another with those economic cooperation movements which would seriously affect access to Western European markets is of such far-reaching importance that it may ultimately be a major determinant of Finland's fate as an independent and Western-oriented country. Finland's ability to so associate itself will depend upon the Soviet reaction, which may be severe, and upon the nature of subsequent Western support. Finland may be required to make decisions in this area in the near future.

11. In case of an East-West armed conflict in Europe or Soviet pressures for military concessions, the Finns would do whatever they could to preserve their independence and neutrality and to avoid assisting the USSR. A Soviet attack on Finland itself would probably meet armed resistance and Soviet occupying forces would be subjected to intensive guerrilla warfare.

12. Finland's independence contributes to the security of Scandinavia in particular and Western Europe in general. Although the Finns have thus far had remarkable success in staving off Soviet domination with little outside help, the threat of absorption into the Soviet orbit will long persist. The Finns will continue to endeavor assiduously to maintain their independence, but there will be fluctuating tendencies of firmness and softness in dealing with the Soviets. The extent to which the Finns are firm will depend in large measure on the strength of their Western ties and on their confidence in the position of the West and in its ability and willingness to provide meaningful support.

13. The measures which can be taken in support of Finland are restricted in number and scope because of the necessity of taking into account the danger of Soviet countermeasures and Finland's determination to attempt to avoid that danger. While there is thus little possibility, short of a situation in which Finland's independence is endangered, of bringing about a dramatic or major change in the Finnish situation, it is clearly in the interest of the United States, as well as the West in general, to continue efforts to strengthen Finland's independence and Western orientation.

Objective

14. An independent, democratic, and Western-oriented Finland as free as possible from vulnerability to Soviet pressures.

Policy Guidance

15. Strengthen Finland's hand whenever possible in combatting the ever-present danger of gradual absorption into the Soviet orbit. Bearing always in mind the danger of drastic Soviet counteractions and Finnish sensitivity thereto, be particularly alert to opportunities to attain U.S. aims and make special efforts to anticipate and counter Soviet moves likely to jeopardize Finnish independence.

16. Seek by appropriate means to strengthen democratic elements, encourage anti-Communist sentiments, and particularly among those inclined toward excessive accommodation of the Soviet Union, promote firmer resistance to the USSR.

17. With a view to reducing Finland's sense of isolation and strengthening its confidence in dealing with the USSR, support efforts directed at closer cooperation between Finland and other West European countries, particularly those of Scandinavia.

18. Be prepared to provide Finland with limited economic assistance for the purpose of mitigating the impact of Soviet pressures or to take advantage of opportunities to make a significant contribution to the strengthening of Finland's Western orientation.

19. Encourage other Free World governments and private sources to provide economic and other types of assistance to Finland.

20. Support loans to Finland by international organizations consistent with relevant U.S. loan policies.

21. Encourage a high and expanding level of trade and close economic ties between Finland and the Free World. In particular, support efforts consistent with the United States and Finnish interests, and be prepared to provide assistance under paragraph 18 above, aimed at ensuring some form of association or accommodation between Finland and West European economic cooperation movements. In administrative actions, including those involved in U.S. procurement programs, aid to other countries, and import restrictions, take into account, as far as feasible or legally permissible, the desirability of facilitating Finnish exports and dollar earnings.

22. Although a careful case-by-case review should be made in order to minimize any contribution which U.S. exports to Finland might make to the Eastward flow of strategic items from Finland, continue to export materials which are necessary to Finland's economy and seek practicable Finnish cooperation on East-West trade controls.

23. Maintain cultural, information and exchange programs aimed at influencing Finnish attitudes favorable toward the West and toward firm resistance to the USSR. Operate such programs at levels adequate to support this objective, strengthening them if necessary.

24. In the event of a serious crisis endangering Finland's continued independence, be prepared to take all necessary and appropriate measures to increase the will, strength, and ability of Finland to maintain its independence.

214. Memorandum of Conversation

Washington, October 23, 1959.

SUBJECT

General Marshall; Outer Seven; Finno-Soviet Trade; Finnish Cabinet
Reorganization

PARTICIPANTS

The Secretary
Finnish Foreign Minister Törnngren¹
Finnish Ambassador Seppala
Ambassador Edson Sessions—Ambassador to Finland²
Harvey F. Nelson, Jr.—BNA

Foreign Minister Törnngren initiated the conversation by expressing Finland's sympathy and condolences over the death of General Marshall³ whom he said Finland considered a great statesman.

The Foreign Minister said he is most appreciative of the understanding and helpful attitude the United States has shown toward Finland. The Secretary replied that there is a very good reason for our attitude, namely, the great respect the U.S. has for Finland's courageous and skillful handling of its very difficult situation.

After referring to the new 5-year Finno-Soviet trade agreement⁴ and noting that the bulk of Finland's trade is with the Free World, Mr. Törnngren commented on the potential importance of the Outer Seven Free Trade Area to the Finnish economy. He noted the negative Soviet attitude toward the Outer Seven and the possible political difficulties for Finland, if it were a member of the Outer Seven, when some form of agreement is reached between the Seven and the EEC. The Secretary responded that the Soviet Union appeared to oppose the formation of any kind of a bloc, be it military or economic. Mr. Törnngren said that, as a

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Nelson.

¹ Foreign Minister Ralf Törnngren was in the United States to attend the U.N. General Assembly.

² Sessions was the Ambassador-designate to Finland. Although appointed on October 20, he did not officially present his credentials to the Finnish Government until November 28. Ambassador Hickerson remained at post until November 3.

³ General George C. Marshall, Secretary of State under President Truman, died on October 16.

⁴ Signed in Helsinki on October 22, the new trade agreement provided for a 2 percent annual increase in Finnish imports from the Soviet Union for the years 1961-1965. (Telegram 248 from Helsinki, October 23; Department of State, Central Files, 460E.6141/10-2359) Department of State intelligence sources estimated that during the 5-year period the trade agreement would not significantly expand the relative share of Finnish trade with the Soviet Union, which was expected to remain at about 17 percent of Finland's total trade. (INR Report No. 8156, November 16; National Archives and Records

solution for Finland, he is thinking in terms of a kind of associate membership in the Seven.

Discussing the possibility of a summit meeting in response to a question by Mr. Törnngren, the Secretary said that the U.S. hopes for a Western top level meeting soon, perhaps within the next six weeks, but that in all probability an East-West summit meeting would not be held before the end of the year.

The Secretary asked whether there has been anything concrete behind the recurrent reports of possible Cabinet reorganization in Finland. Foreign Minister Törnngren replied that this had been a matter for discussion. He said that it is quite difficult for a minority to govern and that some reorganization of the Cabinet might occur about May 1960.

215. Letter From the Ambassador to Finland (Sessions) to the Under Secretary of State (Dillon)

Helsinki, February 2, 1960.

DEAR DOUG: I am attaching two copies of my "Suggested Plan For Finland".¹ The plan is responsive to your letter of January 4, 1960,² in which you advised me of the program to expand U.S. exports. If implemented, I believe it will be of substantial assistance to U.S. firms in selling their goods and services in Finland.

Because I have submitted the "program" as a despatch and because I wanted our entire top staff to participate, certain observations were not included. Perhaps some of these may be of interest to you. They include:

1. The U.S. program in Finland has "coasted" during the past few years, while the Russians in this period have made substantial gains on the political and economic fronts. I have often wondered if your characterization of Helsinki as a "listening post" came about through Washington listening to the snores of the personnel here!

Source: Department of State, Central Files, 611.60E/2-260. Secret.

¹ Document 216.

² Not found in Department of State files.

2. The U.S.I.S. program needs recasting and its operations should be expanded. The present program is largely cultural with academic leanings. I think we spend too much time with friendly groups such as the Finnish-American Society, Helsinki University, the business sector and the international Finns. The program should be enlarged to include other uncommitted groups and possibly some of the unfriendly groups. I am not sure how we will get this done unless we have a survey made in order to shake up the present complacency in Washington about our U.S.I.S. operation.

3. Our officers spend too much time in Helsinki and not enough time in the provincial areas. Our inadequate travel allowance and small staff (who are snowed under most of the time with an avalanche of paper work of questionable value) may be partially responsible, but I think that we can do considerably better than we are doing as evidenced by the fact that last year the post only spent \$1,324 of its \$1,680 budget for travel and I believe a substantial portion of this was spent on officers' travel to the American Days Festival.

4. The new Chancery building program (construction was to start in July 1960) shows a lack of careful planning. I have sent Hughes and Loy Henderson a factual report on this program and have advised having the plans redrawn.

5. The Department has acquired some questionable impressions about Finnish industry and one of these is in the OCB paper for Finland. The paper states, "Trade with the USSR is vital to Finland because it offers an outlet for high cost products of the Finnish metalworking and shipbuilding industries which were expanded after the war to meet reparations payments."³ I have sent a letter to Bob Brandin of BNA correcting this statement.⁴ The facts are that many of the Finnish plants can produce as cheaply as their European or U.S. competitors, but some prefer to sell to Russia because:

- (a) They get a high price.
- (b) No competition is involved.
- (c) The Russians' orders enable them to plan financing, inventories and production ahead for the entire year.

You may wonder why we have not presented the program as specific projects with the details spelled out. With our small staff this would take a minimum of three to six months. In addition, I have thought that

³ This quotation is from Annex C of a working draft of the Operations Plan for Finland, forwarded to the Embassy on January 25. (Department of State, Helsinki Embassy Files: Lot 65 F 78, 320-OCB) This sentence was retained in Annex C of the approved Operations Plan, Document 222.

⁴ The letter from Sessions to Brandin, February 1, is in Department of State, Helsinki Embassy Files: Lot 65 F 78, U.S. Program for Finland.

the paper could be used as source data for the new OCB paper which is about to go into final draft.

There are a number of interesting facets about this situation, but I will hold them for a personal discussion at a later date. As this letter is on a personal basis, I would appreciate your not giving it any further circulation.

Incidentally, we hear nothing but laudatory comments about your handling of the difficult negotiations on the Six and Seven.

Sincerely,

Ed

216. Despatch From the Embassy in Finland to the Department of State

No. 497

Helsinki, February 2, 1960.

REF

Emdes 419, December 21, 1959¹

SUBJECT

Proposed U.S. Program for Finland

Present Situation

Finland is rapidly emerging from an existence as a small isolated nation devastated by two major wars in one decade into a technically competent, industrialized, viable economy.

Her political situation should be improving in view of Russia's seeming determination to use Finland as a show window for coexistence, but actually it has deteriorated in recent years. The major causes of her political retrogression to the Eastern sphere are:

1. Increasing Soviet effectiveness.
2. Internal political dissension.

Source: Department of State, Central Files, 611.60E/2-260. Secret.

¹ Despatch 419 from Helsinki transmitted a 22-page report covering specific aspects of recent Finnish-Soviet military, economic, political, and cultural relations. Its three major conclusions were that recent developments in Finnish-Soviet relations had impaired Finland's independence and freedom of action, that internal Finnish political dissension had contributed to this process, and that continuing Soviet pressures and activities foreshadowed a growing Communist influence in Finland. (*Ibid.*, 660E.61/12-2159)

3. Role of President Kekkonen.
4. Physical isolation.
5. Economic instability.

Although all of these causes have been fully discussed in recent Embassy communications, including Desp. 419, Dec. 21, 1959, "Assessment of Finnish-Soviet Relations", a brief review here may be helpful.

The U.S.S.R. has applied increasingly effective pressure on Finland during recent years. This pressure has manifested itself in a number of ways including:

1. An increased number of exchange visits of officials between the U.S.S.R. and Finland. For instance, President Kekkonen visited Moscow in May and June in 1958. In January 1959 he visited Leningrad for a meeting with Khrushchev. There has also been a large number of visits of cabinet, military and labor officials. In the last eighteen months there have been 32 visits of Russian labor officials to Finland and 35 visits of Finnish labor officials to the U.S.S.R.

2. Top policy speeches by Soviet officials such as Mikoyan's speech in Helsinki in October of 1959 at the opening of the Russian Trade Fair.

3. The trade agreements with the U.S.S.R. offering attractive terms as a lure to increase Finnish dependence on the Russian market. The latest agreement also gives Russia a more complete monopoly of Finland's oil imports.

4. The U.S.S.R.'s present Ambassador to Finland, A. V. Zakharov, is a specialist in trade and industry. Moreover, the present roster of the Russian Embassy includes 198 persons, which is four times as many as the U.S. Embassy staff.

5. The impact of Soviet technological advances implying a shift in world power relationships.

6. Increased activity of Communist front groups throughout Finland.

7. Soviet sales of military hardware to the Finnish defense forces. The first such sale was made a year ago. Russian technicians have now arrived in Finland to train the F.D.F. in use and maintenance of the equipment.

The election of Kekkonen as President in 1956 and the nature of Finland's foreign policy (which he largely determines and which includes a large degree of accommodation to the U.S.S.R.) have been accompanied by a period of increasing internal political instability. Partisan dissension reached a peak in the parliamentary elections of 1958 and led almost directly to a Communist gain, making its front organization the largest unified group in Parliament. This situation continued under the succeeding non-Communist Fagerholm government until it was

overthrown in circumstances which gave the Soviets a new lever with which to manipulate Finnish affairs.

Finland's economic situation is for the present reasonably good with imports and exports approximately in balance (and with the country currently experiencing a small boom) yet unemployment still remains a problem, and Finland has little ability to withstand any major worsening of economic conditions without additional erosion of her independence. With approximately 17% of her exports going to the U.S.S.R. on a non-competitive price basis and approximately 24% of total exports to the Eastern Bloc, she is open to economic pressures from the Russians.

With a tremendous potential market on her eastern border, it would be unrealistic to assume that Finland will not wish to enjoy the advantages of this market. Therefore, the problem is not one of futilely trying to coerce Finland into denying herself these advantages, but rather one of helping Finland increase her ability to export to the West so that she would not suffer as drastically if suddenly she had to discontinue exports to the Eastern Bloc.

Our proposed operational program is directed primarily to regain the ground that the United States and the Western World have lost here in recent years by helping Finland back to a position of pure neutrality, not the kind of spurious neutrality that exists today. To do this the United States must show a genuine interest in Finland's problems by a continuing series of reasoned, carefully planned actions, rather than by a few dramatic moves.

Needs of Finland

The following list includes many of Finland's current major needs:

1. Finland's sense of isolation must be removed. She needs more contact with the Western World, especially for those Finns living in provincial areas.
2. The degree of economic dependence on the Soviet Union should be reduced by increasing Finland's ability to export to the West in larger volume and in other products in addition to those of pulp, paper and timber.
3. Finland needs to train her sales forces in many industries in modern marketing practices in order to sell in Western markets.
4. Although designers and manufacturers in some fields such as architecture, furniture, glass and china have an ability to create satisfactory styles, yet designers in many other fields, such as the textile and appliance fields, require more training in order to be competent in designing for the high style Western market.

5. There is a serious shortage developing of trained mechanics and engineers. More technical facilities including new manual training and engineering schools are needed.

6. There are no fossil fuels in commercial quantities in Finland. Finland purchases all of her oil, coke and coal. (86% of her oil is supplied by the U.S.S.R.) Finland's potential in water suitable for power generation has largely been developed. To decrease her dependence on overseas fuels Finland should prepare a program as rapidly as possible to utilize atomic power for central heating and power generation.

7. An improved transportation system is needed. The present roads are inadequate and the railroads need modernization and expansion. There were only 150,000 passenger autos in Finland for 4,500,000 people at the end of 1959. Finland needs more autos and trucks for private and commercial transportation, particularly in provincial areas.

8. Finland needs to increase promotion of tourism which would bolster and diversify her economy and decrease her isolationism. This would require improved transportation, better recreational facilities and new hotels.

9. As the Finnish language is only used in Finland, it is important for all Finns to learn English in order to facilitate trade and cultural relations with the Western nations.

Basis for a U.S. Program

There are certain basic prerequisites for a U.S. program which would assist the Finns in resisting further Communist gains and allow the country to pursue its course of neutrality. Finland's location on Russia's border inhibits freedom to become a member of Free World political and economic organizations and, by inclination (to date) she will not join the Soviet Bloc. Our efforts should first be: (a) to make the Finnish public aware of our firm and continuing concern for the country's independence and integrity, as a means of maintaining morale and the will to remain independent; (b) to convince the Finnish Government of our readiness to give it tangible assistance, both in emergencies and over the long term, in solving problems which threaten the country's independence and basic existence; and (c) to promote the long range objectives of more firmly "neutralizing" Finland as an object of Soviet domination by removal of any basis for Soviet pretensions that Finland would be used against the U.S.S.R. in the event of hostilities.

Suggested Program

Our suggestions for a program which would meet these basic prerequisites are:

1. A visit by President Eisenhower on his way to Moscow. The Finnish Government is most careful not to take steps which would dis-

please the U.S.S.R. With President Kekkonen so sensitive to Soviet reactions it is logical to assume that he and the government would not have personally invited President Eisenhower to visit Finland if they had thought it would be objectionable to Russia. We believe that it would be a huge propaganda victory if President Eisenhower could make at least a refueling stop and greet the President and other government leaders. The importance of such a visit cannot be overestimated. Some indication of how the visit is regarded by the Finns may be seen from the fact that Foreign Minister Törngren, when he offered the invitation, said that it was of the "highest political importance". In addition, such a visit would be an ideal time for President Eisenhower to give a brief statement which could include assurances of our interest in Finland and possibly disavow any desire to change Finland's post-war neutrality.

2. Invite President Kekkonen to the United States, on an "official" visit, this spring. This clever politician has great influence. His term as President does not expire until 1962. He may be re-elected, and he is leading Finland into a type of cooperation with the U.S.S.R. which goes considerably beyond the bounds of pure neutrality. Like many other Finns, he believes that Finland would be abandoned by the United States in time of war.

If President Eisenhower cannot stop in Finland, then it becomes even more important to invite Kekkonen to the United States. The invitation, however, should be extended if possible before March 15 of this year, in order to plan his visit before President Eisenhower leaves for Moscow.

3. In order to enlarge the Finnish claim to neutrality, which is now based only on the 1948 Treaty with the Soviet Union, we should seek ways of formalizing the "neutralization" of Finland through a bilateral treaty or multilateral convention.

4. Since Finland has become a show window of coexistence for the Soviets, we should on all relevant occasions insist upon reciprocity of treatment or parity with the Soviets whenever the argument is raised that they have a special position in Finland. The justification for this position lies in Finland's commitments to "remain outside great power disputes" (1948 Treaty) and to prevent "organizations conducting propaganda hostile . . . to any of the . . . United Nations"² (1947 Peace Treaty). Carefully chosen examples of this kind might also induce the Soviets to temper their own attitude toward Finland in an effort to avert unfavorable Scandinavian opinion and new United States initiatives.

² Ellipses in the source text.

5. Establish closer contact between American officials and Finnish military in order to help maintain the morale of the Finnish Defense Forces as a strong non-Communist element and seek to have Finnish officers, such as General Simelius (whose invitation is being temporarily withheld) visit military installations in the United States and in Europe.

6. Remove the restriction on potential Finnish military purchases in the United States under the Mutual Security Act in order to help maintain the morale of the Finnish Defense Forces.

7. Survey the technical school situation to determine what steps the government is planning to take to establish additional manual training and engineering schools or to enlarge existing facilities. In case the government cannot finance the necessary expansion, the survey should ascertain what foreign funds could be made available.

8. The Embassy is planning a program to have all officers spend as much time as practical visiting key locations in provincial Finland. Present travel funds are inadequate to enable officers to do the necessary travel to meet Finn leaders in small villages and towns.

9. The English language training program should be enlarged as rapidly as possible. For instance, contingent upon a revitalization of the Finnish-American Society, increased aid be given it for teaching English in provincial areas.

10. For economic-political objectives, arrange a large U.S. trade fair in the fiscal year 1961. Now that import regulations have been liberalized there is an added attraction to the Finnish market for United States products. The political motive should also be prominent as it was in recent major fairs held here by the British, French, Germans, and the Russians.

11. Prior to the trade fair, there should be a number of U.S. trade missions and technical exchange groups planned and one or more U.S. groups should be on hand when the fair opens. As an example, it would be most helpful to have a large group of perhaps twenty-five to fifty Finn marketing experts spend a minimum of six weeks to three months in the United States and have a U.S. group plan a similar visit to Finland. We should also send students and junior marketing experts from Finnish firms for longer periods, up to one year, for on-the-job training. There are many other classes of exchangees who would be almost equally helpful, such as production experts, designers, highway and airlines specialists, and management engineers.

12. Although Finland has not been classified for DLF purposes as an underdeveloped country, certain portions of Finland, notably the north, are as undeveloped as the areas where projects have been placed

in some of the countries where the Development Loan Fund³ is currently making loans. We believe an objective review of the north of Finland would show this area to be undeveloped, with timber and mineral resources. The area has considerable recurring unemployment, with a large Communist vote and a vigorous campaign by the Communists. The area should be surveyed to ascertain if a sound project could be developed to qualify for a DLF loan.

13. Encourage favorable consideration by the international lending agencies of appropriate industrial, utility and transportation projects.

14. Consideration should be given to proposing a modern Treaty of Friendship, Commerce and Navigation to replace the 1934 Treaty of Friendship, Commerce and Consular Rights.⁴

15. We must recognize that the standby economic aid offer made through the Embassy in November 1958 is interpreted by the Finns as an assurance of U.S. action in the event of like circumstances as a continuing United States commitment. Thus we should be prepared promptly to offer assurances of economic assistance to the extent needed to buttress Finland in resisting further Soviet economic pressure.

16. The Finns should be encouraged to plan a worldwide "Visit Finland in 1961" (or for the year 1962) campaign. Finland's sense of isolationism can be lessened by such a project, and the stage is set by the increasing amount of tourist travel to the U.S.S.R. Finland has many natural attractions for tourists which are presently unexploited.

17. We think that USIS should expand its present program. Emphasis in the past has been largely on a cultural program. The program should include more emphasis on specific groups and organizations vulnerable to Communist infiltration such as labor, youth, sports and farm organizations.

18. In intensifying American official contacts among the Finns on behalf of the entire program, a substantial representation allotment would be needed. For example, a series of luncheons are being held each Wednesday in the Residence with Embassy officers and various groups of Finns. Luncheons have been held to date with representatives of the motion picture industry, the automobile industry, oil, importers and labor. Invitations have been issued to a military group. It is also planned to include groups of farm leaders, the forest products industries, public administrators, and other groups in the future. These large luncheons

³ The Development Loan Fund was created by Section 6 of the Mutual Security Act of 1957, enacted August 14, 1957, to provide friendly countries with low cost capital for economic projects not fully financeable from private sources. For text, see 71 Stat. 357.

⁴ For text of the treaty, signed on February 13, 1934, see 49 Stat. 2659.

have proved successful in creating an informal atmosphere in which everyone freely interchanges ideas.

19. The direction of the leader grant program should be changed and expanded, and also the ASLA program should be influenced to lessen academic weighting and include more of the uncommitted provincial groups uncontacted by the U.S. program to date. This will be difficult because of the language problem, but special arrangements for an expanded program of English language training would be helpful. In the leader grant program, continue the present emphasis directed toward political and public opinion elements.

20. The Investment Guaranty Agreement should be made operative.

21. Encourage more signs of the American presence in Finland through obtaining a greater number of visits of prominent Americans, more tourists, ranking performers in the fine arts, good musical presentations and leading athletes in view of Finnish preoccupation with sports.

22. Expand by 50% in FY 1961 the entire exchange program of approximately \$650,000 a year using mainly the approximately \$600,000 from accrued savings in the ASLA account.

23. Promote the historic and natural ties between Finland and Scandinavia which represent a continuing factor for improvement in Finland's position. This, while less sensational and far reaching, constitutes a development similar in kind to the integration of the six countries in the EEC.

24. In view of the political-economic importance of Finnish participation in EFTA, we should take any appropriate measures we can to encourage this end or make the path easier. Particularly we should be prepared to recognize Finland's special situation in our negotiations with the Six and the Seven and avoid creating obstacles or discouraging accommodation of Finnish needs in the EFTA and the GATT context.

Edson O. Sessions⁵

⁵ Printed from a copy that bears this typed signature.

217. Telegram 415 From the Embassy in Finland to the Department of State

Helsinki, February 8, 1960, 3 p.m.

[Source: Department of State, Central Files, 760E.001/2–860. Top Secret; Priority; Eyes Only. 4 pages of source text not declassified.]

218. Telegram 415 From the Department of State to the Embassy in Finland

Washington, February 11, 1960, 6:48 p.m.

[Source: Department of State, Central Files, 760E.001/2–860. Top Secret; Eyes Only. 2 pages of source text not declassified.]

219. Letter From the Under Secretary of State (Dillon) to the Ambassador to Finland (Sessions)

Washington, March 17, 1960.

DEAR ED: Thank you for your letter of February 2 with its interesting enclosure of your "Suggested Plan for Finland".¹ This will be most helpful to our studies here, and I appreciate the rapidity with which you turned it out.

I was also interested in your other comments. With reference to the possible desirability of recasting the USIS program and operations, my

Source: Department of State, Central Files, 611.60E/2–260. Secret; Personal. Drafted by Merchant and Dillon.

¹Documents 215 and 216.

suggestion would be that you write directly to George Allen on this matter, and send me a copy so that I can follow it up here. Your thought of having a survey made seems to me a good one.

On the question of travel around the country by yourself and your staff, I wholeheartedly support your ideas and certainly in your place I would encourage your officers to do so within the limits of the budget for local travel. Unhappily, I can not realistically foresee much relief from the limitations which the Congress puts on us for this classification of expenditures.

I am sure that Loy Henderson and Hughes will study carefully your report on the Chancery building program and will want to take into account your ideas as communicated to them.

At this time we are, of course, particularly interested in having a clear and accurate understanding of Finnish industry and the orientation of its trade. I count on you to bring the figures up to date or to correct any misapprehensions such as the one you refer to in the OCB paper. In this connection, I think your February 2 despatch will be extremely valuable in the preparation of the new OCB paper.

Reverting to your very first comment, it seems to me true that the Soviets have made gains on the political and economic fronts in Finland in the recent past. We have not liked it and in the Department over that period we have endeavored, as we are still trying, to arrest and reverse such an unfavorable trend. It is, of course, true that from time to time in the past few years suggestions which originated with the Embassy for action were turned down here in Washington for reasons such as availability of funds or general policy with which no one Embassy can be expected to be fully up to date at all times. Nevertheless, please do not hesitate to pass on any specific action suggestions you may have. You can rest assured that we will do our best to back you up in their implementation.

Please write me in future as the spirit moves. Meanwhile, my thanks again for your stimulating letter.

Sincerely yours,

Douglas²

²Printed from a copy that bears this stamped signature.

220. Telegram From the Department of State to the Embassy in Finland

Washington, March 23, 1960, 12:52 p.m.

507. Paris for USRO and Emb, Brussels for USEC and Emb. Finnish Ambassador March 18 raised with Dept question possible Finnish membership or association EFTA which will be discussed between Finns and EFTA study group in Geneva March 22. Dept informing him, Helsinki should inform Govt. Finland and govts of other addressee posts may be informed as you consider appropriate along following lines:

1. Question Finnish relationship EFTA is one for Finland and the Seven to decide in first instance. US overall views re EEC, EFTA and related questions are well known to Finland and other interested parties. Moreover present situation very fluid with early discussions to take place in Paris pursuant resolution adopted by 20 governments and EEC Commission last January. (For basic US views re Six and Seven see Dept Cirtel 840 Dec 20, 1959.)¹

2. Irrespective broad US views re EEC and EFTA, US recognizes Finnish interest EFTA both in relation July 1 date and longer term. We appreciate fully possible political and economic advantages to Finland and benefit to West in close Finnish link with Western European trade arrangement. Therefore US desires that Finland and the Seven be aware that US would view favorably Finnish membership or association EFTA provided parties directly concerned desire it. However US reserves right examine arrangements between Finland and EFTA for conformity GATT standards and adequate protection third country interests. Therefore Dept hopes will be understood that US attitude re principle of Finnish/EFTA association can not constitute advance agreement on specifics to be negotiated. Believe entire postwar record makes clear US sympathetic interest and support for Finland and recognition special problems it faces.

Herter

Source: Department of State, Central Files, 375.42/3-2360. Confidential; Priority. Drafted by Jacob M. Myerson; cleared by the Office of the Under Secretary of State, the Executive Secretariat, the Bureaus of European Affairs (EUR) and Economic Affairs (E), and the Offices of Regional European Affairs (RA), International Trade (OT), and British Commonwealth and Northern European Affairs (BNA); and approved by Dillon who signed for Herter. Repeated to London, Stockholm, Oslo, Copenhagen, Bern, Vienna, Lisbon, Paris, and Brussels.

¹ Circular telegram 840 set forth the basic U.S. position toward the European Economic Community and the European Free Trade Association in light of Under Secretary of State Dillon's talks with European leaders in December 1959. (*Ibid.*, 398.00-PA/12-2059)

221. Despatch From the Embassy in Finland to the Department of State

No. 612

Helsinki, March 25, 1960.

REF

Embdes 419, December 21, 1959—"Assessment of Finnish-Soviet Relations"¹

SUBJECT

Domestic Factors Undermining Finland's Power to Resist Soviet Domination

As a supplement to the despatch cited above, the attached report defines and analyzes the principal internal factors that are bringing about a basic change in Finnish conditions which are affecting the ability of the country to preserve its independence. The substance of the report and its successive drafts were intensively discussed by substantive officers of the Embassy, and the Chief of the Political Section has drafted the final report. The document is additional evidence of the need for countering the unfavorable trend for American interests in Finland which was suggested in the Embassy's "Proposed U.S. Program for Finland". Embdes 497, February 2, 1960,² to which the Department is giving careful and urgent attention.

E.O. Sessions**Enclosure³***Summary*

The events of recent years clearly demonstrate that there is developing in Finland a political and psychological transformation which, if it continues, will ultimately lead to Soviet satellite status for Finland. The most crucial characteristics of this transformation are (1) the persistent rise in already substantial Communist strength and influence and (2) the

Source: Department of State, Central Files, 660E.61/3-2560. Secret.

¹ See footnote 1, Document 216.

² Document 216.

³ Drafted by Nelson.

increasing prevalence of a fatalistic concept of Fenno-Soviet relations. These are not transitory, superficial trends that can readily be reversed or eliminated. Behind them are at least three basic and interrelated influences: (1) the breakdown of cooperation between and the internal splintering of the Social Democrats and Agrarians, (2) the ascendancy of President Kekkonen, and (3) a deterioration of confidence in the western counterpoise to the USSR.

Loss of Finland's independence does not appear imminent, but the country's freedom of action, already severely limited by external geopolitical conditions beyond its control, is threatened with further circumscription by the continuous operation of these debilitating internal influences. The longer they persist as major determinants of Finland's course the easier it will be for the Soviet Union to manipulate Finnish affairs and the less capability Finland will have to respond effectively in defense of at least its internal sovereignty. At present there is a strong tendency to belittle the danger, wish it away, accept it as inescapable, or simply not to recognize it, while those who see it and feel something can be done have so far demonstrated insufficient will or ability to reverse the trend.

Disintegration of Democratic Cohesion

Intense infighting among non-Communist elements is not foreign to Finland, but there is no postwar precedent for the extent and bitterness of the current struggles among the Agrarians and Socialists who once formed the nucleus of democratic strength in Finland. Nor have the possible consequences of domestic political conflict been so threatening to the nation as a whole. Spreading throughout the society—the Parliament, the trade unions, and numerous other significant institutions—conflict is undermining the cohesion of the country's democratic majority.

Termination of any real semblance of the Social Democratic-Agrarian collaboration by mid-1957 removed the foundation for the modicum of political stability achieved in Finland after ejection of the Communists from the Finnish Government in 1948. Conflict between these two groups has grown in bitterness over the past three years, thus rendering prospects of durable reconciliation less and less likely, while no viable alternative base for reconstructed democratic strength yet appears in the offing.

Simultaneously, schisms within both Social Democratic and Agrarian ranks are reducing the possibilities that revived Social Democratic-Agrarian collaboration—even if achievable—could once again become an adequate basis for minimum political stability. The emergence of the Social Democratic Opposition (TPSL) and the Small Peasants Party as independent political organizations and the depth of their

disputes with their parent parties have markedly reduced the influence a revived combination of regular Social Democrats and Agrarians could be expected to wield. Moreover, the Agrarian Party is plagued by an internal conflict between supporters and opponents of President Kekkonen.

Inevitably, cabinet crises have tended to become more frequent and prolonged; governments have become largely incapable of performing other than caretaker tasks. A portion of the electorate—particularly adherents of the disputing Social Democratic and Agrarian Parties—has been apathetic and disillusioned, some taking refuge in withdrawal from concern for political affairs.

Emergence of the Communist-controlled Finnish People's Democratic League (SKDL) as the largest parliamentary group in the 1958 elections is principally attributable to the combined effect of the faithful turnout of SKDL supporters, the split in the Socialist vote, and the abstention of numerous disillusioned non-Communist voters. There is every likelihood that, in addition to enjoying these same advantages in the next elections, the Communists will benefit further from the breach that has appeared in Agrarian ranks with the foundation of the Small Peasants Party.

In the trade union movement the Communists have gained markedly in influence as a consequence of the Social Democratic split. As their dispute with the regular Socialists has solidified, the trade union supporters of the TPSL have progressively increased their collaboration with the Communists until it now includes the Executive Committee of the Finnish Confederation of Trade Unions (SAK). For the present, control of SAK has shifted from the regular Social Democratic faction to a coalition of TPSL supporters and the Communists. Similar developments are taking place in other important local and national organizations such as the cooperatives, youth groups, and sport associations.

Growth of Communist influence throughout the society has encouraged a tendency among certain non-Communists to advocate abandonment of the 12-year old policy of isolating the Communists from Cabinet positions. On abstract idealistic grounds, as well as on alleged practical grounds, it is argued that since the Communists represent such a large portion of a democratic community, they can no longer be ignored. There is some inclination to believe that Communist participation in the Cabinet should be tried as a means of achieving effective stable government. Also playing a role is anxiety over possible serious Soviet reaction to further prolongation of Communist isolation from the Cabinet. An argument with perhaps greater appeal is that governmental responsibility would severely limit the Communists' freedom of action and inevitably lead to the discredit of the Communists and their policies and, thus, to their decline. Such argumentation was strong in two

lengthy government crises of 1958; only because of the opposition of a portion of the Agrarian Party was Communist participation in the Cabinet avoided. That the TPSL and a portion of the Agrarian Party have supported the idea of experimentation with Communist participation in the Cabinet is one of the clearest demonstrations of the political deterioration that has occurred. In the decade prior to 1958 the one issue on which all democratic elements were united was isolation of the Communists.

Kekkonen's Ascendancy

President Kekkonen's ascendancy, combined with the effects of democratic disunity, has altered the nature of the Finnish Presidency and of Finland's relationship to the USSR in a manner potentially dangerous to the country's continued independence.

In Kekkonen's hands, the Presidency has become an effective partisan instrument thanks to the President's own skill and to the debilitation of his opponents through incessant conflict among themselves. When elected, Kekkonen was the able, aggressive, and firmly entrenched leader of the Agrarian Party. Breaking with the tradition of a non-partisan Presidency, he proceeded to exercise his new powers by the only method familiar to him—i.e., as a party leader. He unhesitatingly uses his office to advance his own ideas and interests and those of his Agrarian adherents. By thus making himself the focus of bitter controversy, Kekkonen lacks the prestige and the unifying authority which are ordinarily associated with the Finnish Presidency and which have been important elements in Finnish strength in the past.

Benefitting from national disunity, to which he has contributed, Kekkonen has been able to ensure that his views on Fenno-Soviet affairs prevail. He and his countrymen are in agreement that the country's situation demands the smoothest possible relations with Russia. Differences have arisen because Kekkonen has breached the previously accepted limits of the policy of accommodation by making sacrifices in excess of those ordinarily associated with neutrality and the preservation of internal sovereignty. Due to the general opinion that a correct attitude toward the USSR is necessary, public criticism of Kekkonen's management of Fenno-Soviet affairs can readily be and is misconstrued as opposition to amicable relations with the Soviet Union. Thus, effective open debate of the President's policy—even if cautious and taking full account of the realities of Finland's sensitive position—is practically precluded. Kekkonen makes full use of his resultant freedom of action, while much of the public, subjected to constant and unrebutted conditioning, remains unappraised [*unapprised?*] of the hazards involved in his policy. In consequence, Finland is drifting away from a course toward neutrality to one which, in effect, grants the Soviet Union—and

encourages the Soviet Union to exercise—an increasingly influential voice in Finnish affairs.

Kekkonen, of course, is not a free agent. His scope of action is severely circumscribed by his country's unfavorable geo-political position. Furthermore, he cannot be held responsible for such factors as the Socialist split, for the Soviet Union's new-found aggressiveness and self-confidence, or for the leverage the USSR enjoys through Finland's heavy dependence on trade with the Soviet Union and through the Treaties of Peace and Fenno-Soviet Mutual Assistance.

While Kekkonen may be guilty of over-confidence in his own ability to handle the Russians, there is no reason to doubt he is motivated by devotion to Finland's welfare. Even though he may well be aware of the inherent dangers involved, he is apparently convinced that there is no practical alternative to his course. His avowed and not unreasonable objective is to create conditions in which the USSR has enough confidence in the permanency and determination of Finland's neutrality to allow the Finns to pursue an independent, unmolested existence. Kekkonen is undoubtedly encouraged in the belief that this objective is achievable by the fact that his Agrarian Government enjoys good repute in Moscow and has had more freedom of action than its predecessors. Moreover, it cannot be incontrovertibly demonstrated that Finland would be more secure today if Kekkonen had followed another line.

Regardless of Kekkonen's motivations, however, the practical effect of his actions has been erosion of (1) the substance of independence, (2) the capacity to preserve it, and (3) Soviet willingness to respect it.

Kekkonen's domination of Finland's course is likely to be perpetuated for almost a decade unless there occurs a significant, and as yet unanticipated, change in the Finnish political situation. There is a strong possibility Kekkonen will be re-elected for a 6-year term in 1962 and, in any event, continuation of his influence for some time to come appears assured through gradual occupation of high public office by Kekkonen adherents.

Defeatism

The President with his countrymen shares a deeply felt and growing sense of isolation. This outlook is, of course, not new to Finland; political geography has made of Finland an outpost throughout its history. It is doubtful, however, that the conviction that Finland stands quite alone and helpless has been as acute since World War II as it is at present. The groundwork for this attitude was laid by the failure of western aid to materialize in meaningful quantity during the Winter War, the subsequent disaster experienced in military collaboration with Nazi Germany, postwar Soviet entrenchment well inside Central Europe,

and the major shift in the balance of power brought about by the dramatic advance in Soviet military capability.

Despite bitter experience and the reality of Finland's exposed and vulnerable situation, there was a period of optimism when Finland appeared to be progressing toward generally accepted status as an independent neutral nation. A turning point came about 1956 with the shattering of illusions by the Hungarian revolution which made a deep impression in Finland and shook confidence in the effectiveness of the western counterpoise to Soviet power. Coincidentally the weakening in Finland's internal strength and powers of resistance to Soviet domination had reached a critical stage. The result has been an increasing inclination to adopt the fatalistic view that Finland has no real alternative to its present course which amounts to piecemeal surrender to the USSR. As the decay of resistance progresses it tends to dull concern about the consequences of Kekkonen's actions, bitter internal conflict, economic ties with the USSR, disillusionment of the electorate, and the rise in Communist influence and strength. A clear example of how acceptance of the situation affects Finnish thinking is provided by the inclination in the economic community to lose sight of the political implications of trade with the USSR and to be motivated solely by the attractiveness of the ready market, long-term contracts, and high prices offered by the Soviet Union.

Positive Factors

While deep-seated democratic disunity, Kekkonen's views, and the pervading sense of isolation have made themselves felt to the detriment of the nation's independence, Finland is not on the verge of slipping into satellite status. To the harmful political and psychological transformation developing in Finland there is substantial, if disorganized, resistance. At present the positive factors supporting Finnish independence do not outweigh those creating the adverse trend described, but the country is still capable of taking some positive measures despite the known risk of Soviet displeasure. Kekkonen himself, even at the height of the 1958 crisis, declared that there can be no question of being "ideologically neutral" toward Finland's Communists. Opposition to Communist participation in the Cabinet, although weakened, remains effective. The Social Democrats are reacting energetically to the Communist-Skogist move to control the trade union movement. Only a week after Mikoyan, during a late 1959 visit to Helsinki, stated that Finland has no need for a military establishment, spokesmen for all the non-Communist parties advocated an increase in the defense budget (which available information indicates has been obtained). It is possible that the recent invitation to President Eisenhower reflects an awareness of a need to strengthen Finland's western ties. The Finnish Government

has held the line against Soviet pressures for a substantially increased share of Finland's foreign trade. Although it is probable the Finns would retreat should the Russians ultimately oppose the move, Finland is at least moving cautiously ahead with negotiations to associate with the EFTA.

Conclusion

The basic internal political and psychological weaknesses remain. The Finns have yet to be tested by another crisis in their relations with the USSR comparable to that of 1958, but the preponderance of evidence indicates that they are even less capable of a firm stand than they were 18 months ago. For the present, the deteriorating trend in Finland's ability and determination to resist will continue unless the non-Communists can moderate their disputes and achieve some semblance of unity on basic issues, Kekkonen can be convinced of the existence of practical and desirable alternatives to his present policies, and the Finns gain greater confidence in the possibilities for preserving their independence.

222. Operations Coordinating Board Report

Washington, April 27, 1960.

OPERATIONS PLAN FOR FINLAND

Objective and General Guidance

Objective

1. An independent, democratic, and Western-oriented Finland, as free as possible from vulnerability to Soviet pressures.

General Guidance

2. The U.S. is interested in seeing Finland acquire the status of a true neutral and maintain a position as a democratic country, with predominantly Western cultural and economic ties. These western ties can be strengthened, but there is little chance under existing circumstances of bringing Finland into direct political or military alignment with the

Source: Department of State, OCB Files: Lot 61 D 385, Finland. Secret. Annexes A and B, a Financial Annex, and a Pipeline Analysis are not printed. A copy of this operations plan, which was approved for implementation by the Operations Coordinating Board at its meeting on April 20, was forwarded to Ambassador Sessions under cover of a letter from Deputy Under Secretary of State for Political Affairs Hare, May 2. (*Ibid.*, Helsinki Embassy Files: Lot 65 A 78, 350-U.S. Program for Finland)

West. It must also be recognized that Finland's geographical situation, economic structure, and treaty obligations make unavoidable a special degree of political accommodation to and economic intercourse with the USSR and other Soviet Bloc countries.

3. In the event of a serious crisis endangering Finland's continued independence, the U.S. should be prepared to take all necessary and appropriate measures to increase the will, strength, and ability of Finland to maintain its independence. While the possibility of outright Soviet aggression against Finland cannot be completely ruled out, the much more likely danger is that Finland will slide gradually into a position of political subordination, economic dependence, or military tutelage vis-à-vis the USSR. The trend of events in Finland indicates that Finland's determination to resist becoming a Soviet satellite is deteriorating and that Finland might take a less firm stand against possible Soviet pressure now than 18 months ago. U.S. attention should be directed toward means of counteracting the factors contributing to this trend—viz., undue dependence upon Soviet markets and fuel resources with resulting economic and political pressure, appeasement and opportunist tendencies, neutralist and co-existence sentiment, a general feeling of isolation and helplessness, lack of confidence in Western power and readiness to help Finland, internal Communist influence, and, last, but not least, chronic dissension among democratic elements.

4. Major emphasis should be on increasing Finland's ties with the West and on strengthening democratic elements in Finland, particularly those with pro-Western orientation. In doing so, however, the U.S. should avoid weakening its general influence by appearing to play favorites among the democratic parties. Cultural and economic fields should be thoroughly developed and exploited on both private and official levels. The U.S. should be prepared to act promptly in seizing opportunities to advance its aims regarding Finland. Every effort should be made to stimulate a greater sense of responsibility among Western European nations, particularly the Scandinavian countries, for assisting Finland.

5. In promoting firmer resistance to the USSR and encouraging anti-Communist sentiments the U.S. must act with discretion and caution in Finland. The USSR is extremely sensitive to what occurs in Finland and might easily be prodded into action inimical to Finnish independence. The Finns themselves are aware of this danger, and can be expected to make every effort to avoid becoming a major pawn in the Free World-Communist conflict even if it involves concessions to the USSR. The U.S. should avoid (1) conducting or becoming publicly identified with overt anti-Communist and anti-Soviet activities, (2) encouraging democratic elements to engage in political activities of such outright anti-Soviet nature as to compromise their future usefulness,

and (3) relying unduly on well-known anti-Soviet elements whose extreme views limit their effectiveness.

6. The U.S. should also bear in mind the possibilities of influencing Finland indirectly through West Europeans liked and respected in Finland.

Operational Guidance

A Sound and Western Oriented Economy

7. As a result of improvement in the Finnish economy over the past year, Finland's trade with the West has grown and unemployment has declined. It is desirable that this trend be continued as a means of creating conditions more conducive to social and political harmony and lessening somewhat Finland's vulnerability to Soviet economic pressures.

Guidance

8. Favor Finland's association with the European Free Trade Association (EFTA) and encourage countries participating in Western economic cooperation movements, and European regional trade arrangements, particularly the members of the EFTA, to make whatever arrangements are necessary and feasible, consistent with the GATT, to protect Finland's trade with them. Be prepared to provide limited economic assistance if necessary to insure some form of association or accommodation between Finland and West European economic cooperation movements.

9. Encourage Finland with the cooperation of the free nations to reduce its reliance on bilateral trade arrangements in favor of unrestricted trade development within the framework of the GATT. In particular, through future tariff negotiations under GATT seek to provide greater export opportunities by offering a significant value of tariff reductions in return for reciprocal concessions by Finland and encourage other Western nations to do likewise. In other administrative actions—including those involved in U.S. procurement programs, aid to other countries, and import restrictions—take into account, as far as feasible or legally permissible, the desirability of facilitating Finnish exports to the West.

10. Stimulate measures to help Finnish exporters to develop U.S. and other Free World markets, including the promotion of Trade Fairs and trade missions to Finland and arrange for Finnish marketing technicians, production experts, and designers to receive appropriate training in the U.S. and in other countries whose experience in the American market will be helpful.

11. While seeking practicable Finnish cooperation on controls over trade with the Communists and attempting through a case-by-case re-

view to minimize any contribution which U.S. exports to Finland might make to the eastward flow of strategic items, continue to export materials necessary to Finland's economy.

12. Support loans to Finland by international lending agencies for industrial utility and transportation projects consistent with relevant U.S. loan policies. Support loans to Finland by other Free World governments.

13. Encourage private U.S. investment in Finland. Consider utilizing the authority of the Investment Guaranty Program on a case-by-case basis when such a step would contribute to reducing Finnish economic dependence on the USSR.

14. Support sound Finnish proposals to stimulate tourism in Finland and encourage international cultural, educational, and scientific organizations to schedule conferences in Finland as a means of reducing the Finnish sense of isolation.

Confidence in Dealing with the USSR

15. The Finns' marked sense of isolation and consciousness of the rapid rise of Soviet power have implanted a growing tendency toward accommodation to the USSR. Although found in all parties, this tendency is perhaps most marked among certain Agrarians, including President Kekkonen, who will probably remain in positions of power for some time to come. The Finns must be convinced that they have Western backing sufficient to warrant firmer resistance to the Soviet Union.

Guidance

16. Seek to increase frank exchanges of views with key Finnish personalities, particularly Agrarians, in whom it would be desirable to instill the realization that the West is concerned about Finland's well-being and that Western unity and strength, rather than concessions to the USSR, help Finland to maintain its independence. Attempt to convince the Finns that acceptance of such concepts as coexistence, a "Baltic sea of peace" (closure of the Baltic to the warships of all except the littoral powers), and an neutral Scandinavian bloc would weaken rather than improve Finland's position.

17. Focus cultural, information and exchange programs on the development of attitudes favorable toward the West and toward firm resistance to the USSR. Keep these programs under continuing review to assure maximum achievable impact and consider strengthening them if necessary. Consult with other Western countries regarding the possibility of coordinating cultural, information and exchange programs.

18. On a selective basis, invite leading Finns to visit the U.S. Watch for an appropriate time to reconsider a state visit by President Kekkonen

to the U.S. in an effort to gain his confidence and to bring him to realize the full measure of the strength Finland derives from Western power and unity. Promote visits to Finland by leading U.S. and other Western personalities and groups in the field of performing arts and sports as tangible evidence of continuing Western interest in Finland.

19. To increase Western concern for the stake in continued Finnish independence and, thus, to improve Finland's position vis-à-vis the USSR, encourage the closest feasible Finnish participation in Western cooperation efforts—especially among the Scandinavian countries—in the social and cultural as well as economic fields.

20. Be prepared to provide promptly limited economic assistance when such a step would contribute to strengthen Finland's hand in resisting Soviet economic pressure or, in the event of deterioration of the Finnish economy, where necessary, to prevent significantly increased economic dependence on the USSR.

21. By discreet means maintain and continue to develop close relations with the Finnish military establishment in order to sustain their morale and anti-Communist posture, being careful, however, not to provoke Soviet pressure for further Finnish concessions. As appropriate, encourage the continuation and expansion of close relations between the Scandinavian military and their Finnish counterparts.

22. Seek to expand the information program to enable it to place greater emphasis on specific groups and organizations vulnerable to Communist infiltration such as labor, youth, sports, and farm organizations.

Democratic Unity

23. Finland's effectiveness in attempting to maintain its independence is hampered by dissension among democratic elements—particularly between and within the Social Democratic and Agrarian parties. A firm stance vis-à-vis the USSR is rendered extremely difficult because governments are unstable, splinter parties acquire disproportionate influence, policies are often only temporary compromises, power tends to concentrate in the hands of President Kekkonen, and the Communists have increased their parliamentary representation and threatened to overthrow Social Democratic control of the Finnish Labor Federation.

Guidance

24. While maintaining friendly rapport with all democratic factions, the U.S. should promote political cooperation between the Agrarian and Social Democratic parties, including the re-establishment if possible of a coalition government embracing these parties.

25. Seek the advice and assistance of West European Socialist political and labor organizations—particularly in Scandinavia—as well as

officials of the International Confederation of Free Trade Unions (ICFTU) and the U.S. trade union movement in attempting to help the Finnish Social Democrats to reunify their party and prevent Communist control of the labor federation. If necessary, be prepared to support by all feasible means the formation of a non-Communist labor federation. Attempt to secure similar cooperation from Scandinavian Agrarians with respect to the schism in the Finnish Agrarian Party.

U.S. Personnel

26. The nature of the acceptance by the people and government of Finland of the presence on their soil of official U.S. personnel directly affects our capability to achieve our national security objectives. To this end, programs should be developed and improved to encourage and strengthen the natural inclination of the individual American to be a good representative of his country and to promote conduct and attitudes conducive to good will and mutual understanding. In this connection, OCB has developed two comprehensive documents which contain recommendations for action and serve as guidance for senior U.S. representatives overseas:

- a. "United States Employees Overseas" (April 1958), and
- b. "Report on U.S. Personnel Overseas" (July 1959),¹ including a Statement of National Policy and a Presidential Letter and also a reprint of the Conclusions and Recommendations of the 1958 report.

Guidance

27. Insure that U.S. official personnel and their dependents are aware of the importance to the United States of their role as personal ambassadors.

28. Develop and strengthen activities that promote good personal relations between foreign nationals and U.S. personnel bearing in mind that contacts in the capital city should be continually supplemented by the maintenance of relationships with provincial leaders in towns and villages.

29. Develop and strengthen activities aimed at maintaining knowledge of and respect for local laws and customs and a high standard of personal conduct by U.S. personnel.

30. Hold the number of U.S. official personnel in Finland to a strict minimum consistent with sound implementation of essential programs.

Note: The last Intelligence Estimate on Finland is NIE 28–5–54, dated January 8, 1954.²

¹Neither printed. (*Ibid.*, OCB Files: Lot 62 D 430, Overseas Personnel)

²Not printed. (*Ibid.*, INR–NIE Files)

Annex C

April 20, 1960.

(An uncoordinated and informal background paper prepared by CIA for use of the Finland OCB Working Group and OCB background.)

INTELLIGENCE PRECIS

Sino-Soviet Bloc Activity in Finland

Political

1. Moscow has been seeking to preserve Finland's unique dependence on the USSR while preventing Finland from moving toward closer ties with the West. The USSR directly interfered in Finland's internal affairs when the strong Fagerholm coalition government was toppled in 1958, largely as a consequence of Moscow's economic sanctions. Although Soviet leaders continue to cite Finland as a prime example of the "peaceful co-existence" between two countries with different social systems, Moscow has warned the Finns against forming another such coalition containing leaders unacceptable to Moscow. The USSR appears to be satisfied for the present with the minority Agrarian party government which is highly sensitive to Soviet pressures.

2. During his October visit to Helsinki, Soviet Deputy Premier Mikoyan virtually precluded any increase in Finnish defense forces, stating that under the 1948 treaty the USSR and its military might guarantee Finland's security. This was the first time Moscow had publicly espoused a "liberal" interpretation of the treaty and is a further Soviet effort to become the open and avowed protector of Finland. Soviet officials are voicing strong objections to the "anti-Soviet attitude" of the Finnish Defense Force. Following up previous unofficial warnings, Mikoyan both publicly and privately warned against participation in European economic groupings—such as the seven nation European Free Trade Association (Outer Seven)—which he called "remnants of the cold war era" that divide Europe. The Finns are, nevertheless, negotiating with EFTA countries regarding possible Finnish association.

Diplomatic

3. Finland maintains diplomatic relations with the USSR, Communist China, and all of the Eastern European Satellites except East Germany. While Finland has managed to sidestep the problem of German recognition by maintaining only trade missions with East and West Germany, East Germany continues to press for formal recognition. Bloc missions in Helsinki are staffed by over 200 bloc officials, of whom over

two thirds are attached to the Soviet Embassy and commercial mission. The appointment in February 1959 of Soviet Deputy Foreign Minister A. V. Zakharov—an economic relations expert long associated with Finnish affairs—as the new ambassador indicates that Moscow intends to keep a close watch over Finnish foreign trade developments during the next few years.

Economic

4. Finland's 1959 trade with the bloc—as a proportion of total foreign trade—remained at about 1958 levels. In 1959, the bloc share of Finland's total exports amounted to 23.5 percent and imports of 24.5 percent. Total trade with the bloc was valued at \$400 million compared with \$380 million in 1958. Trade with the USSR is vital to Finland because it offers an outlet for high price products of the Finnish metalworking and shipbuilding industries which were expanded after the war to meet reparations payments. The Finns also obtain from the USSR the bulk of their requirements for basic raw materials, such as fuels, metals, grains, and fibers, thereby saving hard currency. In December 1959, Finland reluctantly accepted a Soviet commodity credit of \$125,000,000 (500,000,000 rubles) first offered in 1958. Implementation of the credit would tend to perpetuate Finland's economic dependence on the USSR.

Subversive

5. The Communists continue to represent a substantial threat to Finland's internal security and political stability. Although the Finnish Communist Party (SKP) is small—with an estimated membership of 25-30,000—it controls the Leftist political front, the Finnish People's Democratic League (SKDL). The SKDL has the largest grouping of parliamentary seats—50 of 200—having increased the number of their deputies from 43 in the 1958 elections. The SKDL continues to demand participation in a governing coalition. The most important target of Communist infiltration is the Confederation of Trade Unions (SAK). The decision of the opposition Social Democrats (Skogists) to end cooperation with the moderate Social Democrats on the SAK executive committee places the balance of power in the hands of the Communist minority and deepens the Social Democratic split. Within the SAK membership of about 240,000, the Skogists and Communists substantially outnumber the moderate Social Democrats. Through their position in the labor movement, the Communists are able to stimulate labor unrest and to inhibit government efforts to achieve economic stability.

Finnish Reaction to Bloc Activity

6. The present Agrarian minority government, and President Kekkonen as well, feel that the wisest course for Finland at the moment is to emphasize accommodation toward Moscow rather than to rally the

democratic parties behind a moderate but resolute policy toward the USSR. The population is, however, anti-Communist. Kekkonen himself, despite his willingness to accede to Soviet demands on relatively minor issues, would probably resist any major encroachments on Finnish sovereignty. The Finns are determined to maintain good relations with the USSR while adhering to a policy of strict neutrality. They face, however, a problem in developing ties with the West while not antagonizing the USSR. Finland realizes that it cannot afford to remain aloof from Western European economic integration in which case it would ultimately find itself unable to compete in Western markets. The Finns probably believe they still have room for maneuver vis-à-vis the USSR because of Soviet sensitivity to world public opinion, Moscow's desire for a showcase demonstration, however forced, of peaceful co-existence, and Soviet awareness of the historic inability to digest the Finns.

The Outlook

7. Moscow's success in replacing the distrusted Fagerholm coalition constitutes a precedent for future interference in Finland's affairs should Moscow deem it necessary. The implication that the USSR regards Finland as a protectorate brings the Finns face to face with the reality of the situation and will inevitably depress public morale unless countered by signs of a more independent official attitude. The Agrarian party is trying to entrench itself in power by insisting that it is the only party capable of maintaining correct and "friendly" relations with Moscow and will probably continue this tactic. Return to a strong democratic coalition government, which would inevitably have to include the Social Democrats, at present appears unlikely, particularly since the reelection of the aging party Chairman, Vaino Tanner, on April 17. New elections would not necessarily improve the political atmosphere. On the other hand, a popular front cabinet including the SKDL appears to be excluded by strong opposition from the ranks of the Agrarians. The recent hardening of the split in the Social Democrats in SAK foreshadows the possible loss of control of SAK by the moderate Social Democrats at the 1961 Congress and could lead to a dangerous increase of Communist influence in organized labor.

223. Telegram 1466 From the Department of State to the Embassy in the United Kingdom

Washington, September 2, 1960, 9:05 p.m.

[Source: Department of State, Central Files, 660E.61/9–260. Secret. 3 pages of source text not declassified.]

224. Telegram From the Embassy in Finland to the Department of State

Helsinki, September 9, 1960, 8 p.m.

192. After discussion with my staff and reviewing proposed action program of February 1¹ in light current situation in Finland, as stated by telegram 172² am submitting following proposals many which can be related to my earlier suggestions. Likewise would welcome Department's thinking of new or supplemental measures US could take with respect to Finland since Embassy in next few weeks will submit an elaboration of its proposed program. In message I do not wish to repeat Embassy comment in my letter May 5 to Director BNA with respect to status report on Department agreed action program³ since we hope it will be feasible to press forward on opposite items.

New or re-emphasized proposals follow in outline:

(1) Examine feasibility even at this late date of extending invitation President Kekkonen visit US in event UK extends such invitation which,

Source: Department of State, Central Files, 611.60E/9–960. Secret. Repeated to London.

¹ Reference is to the proposals contained in Document 216.

² In telegram 172 from Helsinki, September 5, Ambassador Sessions reported that the situation in Finland had passed beyond the stage where the steps outlined in telegram 1466 to London (Document 223) would solve problems. He promised to submit a new action plan by September 9. (Department of State, Central Files, 611.60E/9–560)

³ Under cover of a letter to Ambassador Sessions dated April 4, Willoughby forwarded a status report containing Department decisions and comments on the 24 Embassy proposals included in Document 216. On May 5, Sessions mailed back his comments on the original status report. (Department of State, Helsinki Embassy Files: Lot 65 F 78, 350–U.S. Program for Finland)

according British Ambassador, now being studied. His role in Finland is so decisive that it indispensable he gain first hand impression to offset his respect and admiration for Soviet personalities and accomplishments. If not feasible would strongly recommend making a proposal early next year.

(2) Would recommend Department keep in mind possibility of visit to Finland of new US President next year.

(3) Since now understand President has gained good reading knowledge English, systematically with Department's help transmit to him carefully selected material giving US viewpoint in significant fields.

(4) Seek obtain visit US of ranking government figures such as Trade and Industry Minister Karjalainen on short duration leader grants since such men unable remain long away from Finland.

(5) At Mannerheim stamp ceremonies Washington October 26 use occasion for policy statement of US interest in Finland by Secretary or Under Secretary. In comparable ceremonies Helsinki, depending on US official attending, arrange for similar speech to be made before some Finnish organization echoing policy interest.

(6) In giving greater attention to need to emphasize US presence in Finland, systematically arrange that all appropriate US ranking officials and cultural presentations when known to be scheduled for visits to Europe to include Finland on itineraries. This essential to help counter movement Soviet bloc activity.

(7) Arrange for cooperation with UK in activities and programs in Finland.

Sessions

225. Telegram From the Department of State to the Embassy in Finland

Washington, September 19, 1960, 9:49 p.m.

150. Helsinki's 192, repeated info London 20.¹ Department has reviewed possible courses of action set forth Deptel 1466² and proposals

Source: Department of State, Central Files, 611.60E/9-960. Secret. Drafted by Burdett and approved by White. Also sent to London.

¹ Document 224.

² Document 223.

in Helsinki 192 which appear generally consistent. Comments on proposals given below.

Department continues believe courses of action in Deptel 1466 seem offer best practical approach at this juncture to strengthening Finnish ties with West. Embassy Helsinki should be guided by this program and is requested as appropriate submit additional specific recommendations for implementation.

Embassy London authorized discuss Deptel 1466 and Helsinki's 192 together with following comment with FonOff. Embassy Helsinki at its discretion similarly authorized discuss with British Embassy.

1) Despite British invitation to Kekkonen (London's 1356 repeated info Helsinki 33)³ factors outlined Deptel 116⁴ continue to make invitation to US impossible during remainder this administration. We unable predict possibilities under next administration.

2) We also unable forecast whether new President will decide undertake overseas visits early in administration and even if he does possibilities including Finland.

3) Opportunities provide President Kekkonen with selected reading material should be fully utilized. Suggest Embassy and PAO make available to him selected items from USIA material regularly sent to post such as State Department *Bulletin*. Will forward periodically additional documents which Ambassador may wish deliver personally to President.

4) Believe Karjalainen would be excellent choice short leader grant. Urge you issue invitation soonest. Visit of two weeks duration may be planned. Department glad consider other specific suggestions along this line.

5) Concur in proposal use Mannerheim stamp ceremony as occasion for statement US interest in Finland. Extensive press coverage here unlikely view UNGA and electoral campaign activity but will arrange for publication in State Department *Bulletin* and *Wireless Bulletin*. Embassy requested submit to Department text of possible statement at Helsinki and amplify thoughts re US official representation in Helsinki ceremony.

³ Telegram 1356 from London, September 15, reported that the Foreign Office had decided to invite Kekkonen to visit the United Kingdom in the near future, probably not before the end of the year. (Department of State, Central Files, 760E.11/9-1560)

⁴ In telegram 116 to Helsinki, August 24, the Department of State indicated that anticipated demands on the President's time, including the election campaign, three State visits scheduled earlier, and the expected attendance of many chiefs of state and heads of government at the fall meeting of the U.N. General Assembly, made a Kekkonen visit unfeasible. (*Ibid.*, 761.11/8-2460)

6) Will continue endeavor include Finland in itinerary appropriate cultural and official visits but cultural program in European area is being greatly curtailed. Assume Embassy in cooperation with USIS will continue take all opportunities publicize unofficial as well as official American interest in Finland. Airlines might be asked supply Embassy names distinguished personalities visiting Finland. Numerous visits by Finns to US this summer provide additional opportunity demonstrate Finnish-American ties. Views and opinions these travelers and favorable reactions returning grantees could be elicited and appropriately publicized.

7) Department hopes discussions with British FonOff and British Embassy Helsinki will result in desired close cooperation with UK activities and programs in Finland.⁵

Dillon

⁵In telegram 157 to Helsinki, October 14, the Department of State noted that it "would appreciate having report any consultation with British Embassy re our assessment Finnish trends and possible courses action and your own comments." (*Ibid.*, 611.60E/10-1460) No further documentation on joint U.S.-U.K. consultations on Finland has been found in Department of State files for 1960.

226. Telegram From the Embassy in Finland to the Department of State

Helsinki, November 10, 1960, 4 p.m.

305. President Kekkonen scheduled depart for Moscow November 20 to seek agreement with Khrushchev re MFN treatment of Soviet trade with Finland in event GOF associates with EFTA. President told me last week in brief meeting that he wanted to have serious discussion with me some time next week before his departure for Moscow and mine for US.

In view Soviet trade-EFTA situation involving strong Soviet pressures on Finland, I earnestly recommend being authorized to give an assurance to the President as a means of strengthening his backbone in

the forthcoming negotiations. I would urge that I be authorized to tell him that the US is prepared to provide limited economic assistance if necessary, in the event Soviet economic pressure required this, to insure some form of association between Finland and EFTA. This assurance, which is contained in OCB agreed guidance (Operations Plan paragraph 8),¹ if ever it is to be applied with timely and needed effect that time is now.

Sessions

¹ Document 222.

227. Telegram From the Department of State to the Embassy in Finland

Washington, November 14, 1960, 7:37 p.m.

245. Helsinki's 305¹ and 309² not rptd all addresses. We have carefully studied complex interrelated questions raised by reftel, i.e. Finnish membership in EFTA, Finnish-Soviet negotiations on subject, GATT waiver, and effects on Norwegian and Swedish position vis-à-vis USSR on MFN issue. We have given special attention to whether US offer of economic aid to Finland desirable at this time. We continue to favor Finnish association with EFTA, consistent with GATT, and believe it would help check current erosion Western position in Finland. Such association should be brought about however in manner which would not facilitate increase in Soviet trade with Finland, or establish precedent detrimental principles GATT or seriously affect trade interests third countries. Our on balance conclusion is that US intervention at this stage with economic aid offer would do more harm than good. Among our reasons are: 1) not clear in what specific way US economic aid offer

Source: Department of State, Central Files, 760E.11/11-1460. Secret; Niact; Limit Distribution. Drafted by Burdett and approved by White, who signed for Herter. Repeated to Stockholm, Oslo, Moscow, Geneva (GATT), London, Vienna, Copenhagen, and Lisbon.

¹ Document 226.

² In telegram 309 from Helsinki, November 14, Ambassador Sessions notified the Department of State that if it wished him to raise any particular matter with President Kekkonen before he returned to the United States, Kekkonen had invited him to private luncheon on November 15 and would receive him for a farewell call on November 17. (Department of State, Central Files, 760E.11/11-1460)

would reduce Soviet economic pressure; 2) signs of particular US interest or involvement could cause Soviets to adopt tougher position on Finnish EFTA membership; 3) recalling Kekkonen's public rejection of \$5 million US aid offer during Fagerholm cabinet crisis we question how he would react to economic assistance offer; 4) most effective manner strengthen President's backbone could be to convince him wide concessions to Soviets would not prove acceptable to EFTA or West and would bring down upon him onus for failure EFTA negotiations to which he publicly committed; 5) preferable leave to EFTA partners, especially Scandinavians main responsibility providing support and advice to Finland (London's 48 to Helsinki³ indicates this being done); 6) because of general considerations US policy we wish avoid any possible inference US would support general GATT waiver on MFN request. Therefore we believe US should not involve itself closely, should avoid coaching Finns on tactics and while reflecting negative view re general GATT waiver defer detailed determination US position other possibilities until all facts and attitudes of EFTA members are known.

In your anticipated discussion with Kekkonen suggest you take following line:

1) Call attention to Department's public statement of policy towards Finland made at Mannerheim stamp ceremony.⁴ Note statement conforms to our understanding of Kekkonen's own objectives which we agree with him are best under circumstances for Finland.

2) Stress risk slippage towards Soviets and fallacy of any belief soft-line would result in escape from pressures. US experience with dealing with Soviets all around world has convinced us firmness pays off.

3) US would like to see development of greater contacts between Finland and West and continued expansion of Finnish trade with West. As evidence you may cite increase in number of exchange grants from 156 in FY 60 to 236 in FY 61 and plans for trade fair in Helsinki in May 1961. We assume Kekkonen shares this desire and would welcome suggestions from him for further steps in this direction consistent with Finland's policy of neutrality.

³ Telegram 2178 from London, November 10, repeated to Helsinki as telegram 48, reported that the Foreign Office had given the Finnish Minister of Trade and Industry no reason to believe that Finland could obtain a GATT waiver to permit it both to associate with the EFTA and to maintain its special trading relationship with the Soviet Union. It further reported that a Foreign Office representative nevertheless conceded that granting Finland a limited waiver might not be too high a price to pay for the political advantages of allowing it some form of EFTA membership. (*Ibid.*, 394.41/11-1060)

⁴ For text of Merchant's remarks at the dedication of the Gustav Mannerheim "Champion of Liberty" postage stamp on October 26, see Department of State *Bulletin*, November 14, 1960, p. 751.

4) In our view EFTA membership would be valuable Western tie for Finland and in addition would provide useful countervailant to Soviet pressures. We recall that Kekkonen stated immediately after Khrushchev's visit that Soviets would not invite him to Moscow unless they had reached agreement with Finns. Desired outcome of negotiations would be frustrated by yielding to Soviet demands which diluted EFTA or contravened GATT principles and Western opinion would consider Finland responsible for failure.

5) Should Kekkonen take initiative and ask for US economic aid, you should say you will transmit his request to US Government. Should Kekkonen request US commitment to support general GATT waiver on MFN question, you should discourage him from believing US would respond affirmatively.

Other recipients may use above for background in confidential discussions Government officials. At their discretion they may say US continues to favor Finnish affiliation EFTA. However US in not involving itself at this stage and beyond antipathy to general waiver approach does not plan to reach a position on other possibilities until all facts are known including views other EFTA members. On other hand believe support and advice EFTA members to Finland entirely appropriate at this time.⁵

Herter

⁵No documentation on the results of Sessions' last meetings with Kekkonen has been found in Department of State files. Sessions left Helsinki on November 20.

228. Despatch From the Embassy in Finland to the Department of State

No. 258

Helsinki, December 3, 1960.

REF

CERP Section D, Item I-A-6¹

SUBJECT

Moscow Economic Agreements, November 1960

Source: Department of State, Central Files, 660E.6141/12-260. Confidential.

¹Section D, Item I-A-6 of the Comprehensive Economic Reporting Program (CERP) of 1957, identified economic relations with the Soviet Union as a subject of general and continuing interest to the Department of State. (*Ibid.*, 121.60E2/3-1957)

President Kekkonen returned from his four-day visit to Moscow November 25 with a series of economic "agreements" reminiscent of his 1958 visit. He announced that a satisfactory understanding had been reached on the EFTA/MFN question, the 1961 trade agreement had been signed, and that the Soviets had agreed in principle to a 50-year lease of the Saimaa Canal and to consider arrangements for a new saw-mill to be built in eastern Finland using Soviet timber as material.

The parallel with 1958 is striking. In 1958 the underlying motive on the Finnish side for the agreements was widely believed to be to soften up Russian opposition to Finnish participation in OEEC. The "package" then included an unneeded ruble credit, again Saimaa, a butter-wheat barter of dubious utility, and an announcement regarding the next anticipated five year trade agreement, and the whole was described in glowing terms as if a substantial triumph had been achieved. Again on this occasion it appears that substantially nothing has been accomplished, and again virtually worthless "concessions" are glowingly received.

The most important objective of Kekkonen's visit was to reach agreement with the Russians on how to reconcile Finland's MFN commitment to the Soviet Union with association with EFTA. The exact nature of the agreement reached is still not publicly known and the Government has announced that it would divulge no details until discussions have been held with all of the EFTA countries. It was generally felt before the visit that the Soviets would demand the same treatment for its products that Finland would give to the other EFTA countries, which would necessitate Finland's seeking some sort of GATT exception. The unanswered question was, and still is, whether the Finns' concessions to the Soviet Union were such that the other EFTA countries cannot accept Finnish association with EFTA. Immediately after Kekkonen's return, Olavi Munkki, Director of Commercial Affairs in the Foreign Ministry, and Reino Rossi, a Director of the Bank of Finland, left on a tour of EFTA capitals to explain the Finnish-Soviet agreement. In the light of press reports from Stockholm, Copenhagen, and London, it is now widely believed that no substantial concession on the MFN question was obtained in Moscow, though there has been no published comment to this effect by the Finnish press.

Negotiations on the Finnish-Soviet trade agreement for 1961 had been largely completed prior to Kekkonen's departure and signature was delayed to coincide with his visit. The agreement calls for an estimated 7-9% increase in trade over the level of this year's basic agreement. Some observers expressed surprise at the size of this increase, but the general tenor of press comment was that the increase was not unusual considering the strong upswing in Finland's total trade this year.

The Embassy's D-253 of November 30 and D-255 of December 1² discuss the provisions of the agreement in greater detail.

The two other items raised at Moscow on Finnish initiative came as a surprise. The Saimaa Canal question was considered pretty well buried after negotiations following Kekkonen's 1958 visit. The only new aspect raised this time is that the suggested 50-year lease would include areas of land on the sides of the canal. This meets to some extent the criticism of the 1958 proposed lease, when land rights were excluded, but does not solve the basic problem of how to be certain of continuity of operation in Soviet territory and subject to the whims of Soviet policy. The Finns are understandably chary of placing an important investment in a position vulnerable to Soviet interference. The canal has deteriorated over the years and will take billions of Finnmarks merely to restore it to its pre-war condition. Even that would be insufficient, however, because the pre-war width was already too small. Experts say that the canal must be both wider and deeper if it is to handle the size of craft which can operate economically in canal traffic. These vessels present another problem. A fleet of specially designed ships operated in the pre-war Saimaa Canal, and these for the most part have been scrapped. Regardless of whether the canal is enlarged or merely restored, Finland therefore would need a new fleet of canal vessels. Finding funds for building such a fleet would not be easy.

Another point to be considered is that during the postwar years alternate means of transport have been developed. Goods which once were shipped via the Saimaa and Viipuri now are transported by rail or truck to Hamina or Kotka for export shipment. Costs of rail and truck shipment have decreased steadily, so that the competitive position of the Saimaa would not be indisputable. There are of course political considerations involved.

Much as the notion of using the Saimaa Canal may appeal to the uninformed in eastern Finland, it appears highly unlikely that Finland will elect to make the large investment needed for the canal so long as it runs through alien territory. Nevertheless the matter will be pursued, as it has been periodically, for years. A Finnish committee is to be appointed to study the matter as a first step.

At this stage, there is little known about the sawmill proposed by the Finns for eastern Finland, except that it is planned to use timber supplied by Russia. Negotiations on this facility are planned for "the near future." Finnish reaction to the plan was somewhat cool since the mill would have but slight effect on the employment situation in eastern Finland and there is little interest here in investing a sizable sum in a saw-

² Despatches 253 and 255 from Helsinki are both entitled "Finnish-Soviet Trade Agreement for 1961." (*Ibid.*, 660E.6141/11-3060 and 660E.6141/12-160)

mill which would merely create forest employment for Soviet workers. There is already exchange of timber in both directions between Finland and the USSR. The differences in the new proposal evidently are that the amount imported by Finland would be larger, a new area might be involved, and there would be a greater dependence on Soviet supply. The annual quota for saw log imports into Finland from the USSR in 1960 was 170,000 piled cubic meters and the quotas for 1961-65 are 200,000 tons; the new mill, by comparison, it is estimated would use 400,000 cubic meters.

Several press comments have been reported in earlier messages. Probably most worthy of note is that of the governing Agrarian Party's "Maakansa," which began laying the groundwork even before the Moscow meeting for blaming the Seven rather than Kekkonen and the USSR if Finnish affiliation with EFTA is not accepted on the basis of the Moscow terms. "Maakansa" said in an editorial November 26, for example, that "not the least of questions now is the importance of a reasonable western attitude toward the EFTA matter."

Other press reaction to Kekkonen's visit was generally friendly, though not overly enthusiastic, except for "Maakansa" which pointed to the "spirit of cooperation" and "strengthened goodwill" which the trip engendered. Much of the comment consisted of speculation as to the terms of Finland's agreement with the Soviet Union on the EFTA/MFN issue and its effect on Finland's association with EFTA. Most took a sanguine view of things, saying that it "appeared as if EFTA association could be worked out." At the same time there were enough expressions of concern to suggest that some of the optimism may be whistling in the dark.

For the Chargé d'Affaires ad interim:

William K. Miller
*Counselor of Embassy
for Economic Affairs*

229. National Security Council Report

NSC 6024

Washington, December 30, 1960.

STATEMENT OF U.S. POLICY TOWARD FINLAND

General Considerations

1. Finland is the only European country other than Norway having a common boundary with the USSR which is not now under Communist domination. It is the last former territory of Imperial Russia to enjoy democratic practices and remain outside the sphere of direct Soviet imperialism. Finland stands as an example of democracy on the Communist border, and although it cannot be viewed as a strong buffer between the area of the Free World and the Soviet Union, to the degree that Finland resists Communist blandishments, and maintains its Free World orientation and trade it serves as an example of what can be achieved by other countries in Eastern Europe. Complete Soviet domination of Finland would be a heavy blow to the posture of the Free World and could weaken the resistance of other small nations to Soviet Bloc pressures. In addition domination would put the USSR in control of advance air defense and early warning positions and additional naval bases on the Baltic. The continued denial of Finland to the USSR is thus psychologically and militarily important to the Free World. On the other hand, Finland can be useful to the Soviets to the degree that it acquiesces under a steady and sophisticated Communist campaign of pressure and infiltration, serves as a laboratory in which the Communists can practice and perfect their subversive techniques, and while ostensibly practicing democratic methods, is flaunted by the Soviets as an example of neutralized "peaceful co-existence".

2. All significant Finnish moves are calculated in terms of their effect upon the ever-present danger of absorption into the Soviet orbit. The capacity of the Finns to deal with this overriding problem is circumscribed by the influence of the USSR resulting from Finland's geographic proximity to Soviet power and its singular vulnerability to Soviet economic pressures, as well as by internal Communist influence

Source: Department of State, S/S-NSC Files: Lot 63 D 351. Secret. An "Annex on Finland's Foreign Trade, 1954-1959," the Financial Appendix, and an annex on "Cost Implications of the Proposed Policies" are not printed. NSC 6024, approved by the NSC Planning Board on December 21, superseded NSC 5914/1 (Document 213). The President's approval of NSC 5914/1 on October 14, 1959, and his order for implementation continued to apply to the new statement of policy in accordance with NSC Action No. 2215-c. (Note from Lay to the NSC, December 30; Department of State, S/S-NSC Files: Lot 63 D 351)

and political dissension among non-Communist elements. One result of this has been the takeover of the Finnish Trade Union Confederation by the Communists and the fellow-traveling Skogists and the splitting off of a rival non-Communist national Labor Organization.

3. On the other hand, any significant move by the USSR to capture Finland militarily or politically would have certain adverse effects for the Soviets. For example, such a move would probably cause Norway and Denmark to reconsider their position on the use of nuclear weapons in their territory and push Sweden into closer association with the West and possibly with NATO. Moreover, the Russians would suffer a substantial propaganda setback, inasmuch as Finland is cited by them as an example of "peaceful co-existence".

Military

4. Finland's vulnerability is increased further, first, by the 1947 peace treaty that limits Finland's military force to 42,000 men, 60 war-planes (none of which may be bombers), and a total navy not in excess of 10,000 tons; and, second, by the Soviet-imposed mutual assistance pact of 1948 that prevents the Finns from seeking refuge in alliance with the West.¹ Apart from this, Finnish actions are strongly influenced by a natural sense of isolation, reinforced by Finland's lone struggle with the USSR in 1939-40, subsequent Soviet encroachment into Central Europe, and the impressive growth in Soviet military capability.

Economic

5. The principal non-military basis of Finland's vulnerability is dependence on the USSR for nearly one-fifth of its total foreign trade, or roughly one-fourth if trade with the satellites is included. Finland's economy, like that of other small European countries, relies heavily on foreign trade. The Soviet Bloc purchases Finnish products that are not now competing in the Free World market, primarily products of the metal industries that Finland under Soviet compulsion expanded to meet reparation payments to the USSR following World War II. Under bilateral trade agreements and because Finland obtains non-convertible Bloc currencies for these exports, it is compelled to purchase about one-fourth of its total imports from the Bloc. In this way the Bloc has become the supplier of a large portion of Finland's needs for certain essential commodities—oil, coal, cereals, sugar, fodder, cotton, fertilizer, vehicles, iron and steel. Any significant disruption in this trade, which the

¹ Finland does not take advantage of even these meager allowances, however. Finnish military equipment is largely of World War II and earlier types and has been procured from various foreign sources. The defense budget amounts to only 5.5 percent of the national budget and 1.6 percent of the gross national product. As of August 15, 1960, there was a total of only 37,300 personnel in the Finnish armed forces. [Footnote in the source text.]

USSR could bring about with ease, would stimulate social, economic, and political disturbances in Finland leading to a condition of crisis, a consequence that all democratic political elements in Finland urgently desire to avoid.

6. Some of Finland's trade with the Soviet Union might be shifted toward the Free World without undue difficulty, except for the danger of Soviet retaliation. There is, however, little practical possibility of a major reorientation of trade away from the USSR. It would be politically impossible—and not necessarily advantageous to the Free World—for the Finns to make such an adjustment in their economy, unless forced by Soviet action permanently cutting off trade. Most seriously affected would be the engineering and shipbuilding industries which employ roughly 60,000 persons, a number of whom might have to be retrained and relocated, unless a vigorous attempt were made to compete in the Free World market. For an extended period heavy expense, unemployment, social disruption and a decline in the general level of living would be unavoidable. Only if there were no other alternatives would a Finnish government risk subjecting the country to these difficulties. In the light of these considerations, the Finns focus instead on a relatively modest expansion of Finno-Soviet trade while seeking to strengthen economic ties with the Free World.

7. Economic ties with the Free World were strengthened recently when Finland joined the Western European nations in expanding currency convertibility and by further relaxing restrictions on dollar trade. The weakness of the Finnish position vis-à-vis the Soviet Union has also been somewhat alleviated by improvements in Finland's economic conditions, evidenced by significantly increased exports to Free World markets and marked improvement in the country's balance of payments situation. In addition, an IBRD loan of \$37 million to the wood processing industries will contribute to the further development of industries which are not principally dependent on the Soviet Bloc markets and thereby to the easing of seasonal unemployment. There is overwhelming sentiment in Finland for affiliation with the European Free Trade Association as a means of insuring that Finnish products remain in a competitive position in the Free World market. The Soviet Union has insisted that the most favored nation treatment to which it is entitled by treaty be accorded it should Finland affiliate with the EFTA.

8. Politically, there is also a fundamental weakness in the Finnish position deriving from persistent and intense conflict among and within the several non-Communist parties, none of which controls as much as one-fourth of the Parliament. Governments rest impermanently on tenuous political compromises. It is often extremely difficult, and at times impossible, for the parties to agree on measures calculated to put the Finnish economy on a sounder basis, to lessen social and political

discord, and, thereby to reduce the country's vulnerability to Soviet influences. The Communists, who have controlled from one-fifth to one-fourth of the Parliament since the war, derive considerable profit from this political dissension which on occasion places them in pivotal parliamentary positions and which gives them an extra electoral advantage by keeping numerous frustrated non-Communist voters away from the polls.

9. Finland's policy toward the USSR is to a great extent determined by President Urho Kekkonen, the country's leading political figure who believes that Finland's best interests are served by greater accommodation to Soviet pressures than a number of his countrymen consider necessary. He is apparently convinced that the world balance of power has shifted to a point where the Soviet Union now has ascendancy over the United States and NATO and that for this reason Finland cannot expect effective aid from the Free World should there be a crisis in its relations with the Soviets. He acknowledged an implicit Soviet veto over participation in the cabinet by persons unacceptable to Moscow and has endeavored to increase Soviet confidence in Finland's posture as an example of peaceful co-existence. His views are unusually important since the Presidency, already constitutionally strong, has grown in influence as a consequence of the intense dissension among the democratic political parties.

10. Fully aware of their isolated and exposed position, the Finns follow a cautious policy designed to avoid involvement in Soviet Bloc-Free World disputes, while, at the same time, attempting to preserve ties with the Free World and to maintain amicable relations with the USSR. Although by cultural orientation and historical experience strongly pro-Free World and anti-Russian, Finland is to some extent an unwilling pawn in Soviet efforts to demonstrate the virtue of "peaceful co-existence" and to weaken Scandinavian ties with the Free World. While often in disagreement on specific actions, the Finns see little alternative to attempting to maintain a facade of good relations and considerable trade with the Soviet Union. In their anxiety to draw closer to their Scandinavian neighbors and in the hope of gaining abrogation of their mutual defense obligations to the USSR, the Finns have shown periodic interest in the concept of a neutral Scandinavian bloc encompassing Finland, and, by implication, involving withdrawal of Norway and Denmark from NATO. They have never pressed their Scandinavian neighbors in this respect, however, and it is doubtful that any attempt to do so would be successful.

11. The Finns do not and would not deliberately serve Soviet interests. They have preserved their democratic institutions intact and, since 1948, when they courageously removed the Communist cabinet ministers, they have joined forces to keep the Communists isolated from the

government. Despite Soviet urging, they have to date avoided participation in Soviet-sponsored economic and military enterprises such as the Warsaw Pact. Moreover, the Finns have thus far maintained and, in some measure, strengthened their economic ties with the Free World. The ability of Finland to associate in one way or another with European Free Trade Association is of such far-reaching importance that it may be a major determinant of Finland's fate as an independent country oriented toward the Free World. Finland's ability to so associate depends upon the nature of the Soviet reaction and upon the ability of the EFTA countries and the GATT to make appropriate accommodations.

12. In case of a Soviet Bloc–Free World armed conflict in Europe or Soviet pressures for military concessions, the Finns would do whatever they could to preserve their independence and neutrality and to avoid assisting the USSR. A Soviet attack on Finland itself would probably meet armed resistance and Soviet occupying forces might even be subjected to intensive guerrilla warfare.

13. Finland's independence contributes to the security of Scandinavia in particular and Western Europe in general. Although the Finns have thus far had success in staving off Soviet domination with little outside help, the threat of absorption into the Soviet orbit continues to persist. The Finns will continue to endeavor assiduously to maintain their independence, but there will be fluctuating tendencies of firmness and softness in dealing with the Soviets. The extent to which the Finnish people are firm will depend in large measure on the strength of their Free World ties and on their confidence in the position of the Free World and in its ability and willingness to provide meaningful support.

14. The measures which can be taken in support of Finland are limited because of the danger of Soviet counter-measures and Finland's determination to attempt to avoid that danger. While there is thus little possibility, short of a situation in which Finland's independence is endangered, of bringing about a dramatic or major change in the Finnish situation, it is clearly in the interest of the United States, as well as the Free World in general, to continue efforts to strengthen Finland's independence and Free World orientation.

Objective

15. An independent, democratic, and Western-oriented Finland as free as possible from vulnerability to Soviet pressures.

Policy Guidance

[Here follow paragraphs 16–25, which are identical to paragraphs 15–24 of NSC 5914/3 (Document 213).]

GREECE

U.S. POLICY TOWARD GREECE

230. Memorandum of Conversation

Washington, January 6, 1958.

SUBJECT

Greece: Economic Aid

PARTICIPANTS

Ambassador George V. Melas of Greece
Mr. C. Douglas Dillon, Deputy Under Secretary
Mr. L. Bruce Laingen, GTI

Mr. Melas said that since the time when he had requested to see Mr. Dillon his government had been officially informed of the level of our economic aid to Greece in FY 1958.¹ He, therefore, only wished to say today that although the aid to be provided fell short of his government's expectation, it was his personal view that the United States had made a prompt and honest effort to meet as many of the Greek requirements as possible. He wished to reiterate, however, that his government had hoped that the defense support would be at the same level as in FY 1957.²

Mr. Dillon pointed out that in determining aid levels for FY 1958 we were faced with a particularly difficult problem because of the large cuts made by Congress in appropriations. Therefore, we were forced to do otherwise than we might have liked to do under more favorable circumstances.

Mr. Melas said he wished to take the opportunity to mention several projects for which his government hoped to obtain financial assistance under the Development Loan Fund. He hoped that Mr. Dillon would regard his listing of these projects as an official request. Mr. Melas named the following four projects:

1. Fertilizer Plant at Ptolemais
2. The National Highway from Athens north to Salonika and on to the Yugoslav border

Source: Department of State, Central Files, 781.5-MSP/1-658. Confidential. Drafted by Laingen on January 7 and initialed by Dillon.

¹ On January 4, Williams informed Phedon Cavalierato, Counselor of the Greek Embassy, that Greece would receive \$15 million in defense assistance, all on a grant basis. A memorandum of Williams' conversation with Cavalierato is *ibid.*, 781.5-MSP/1-458.

² \$25 million.

3. Thermo-electric Plant at Ptolemais
4. Electric Power and Irrigation Dam on the Akheloos

Mr. Melas said these projects add up to a sizable sum, somewhere around \$75 million. He said this would, of course, be spread over a two to three year period.

Mr. Dillon thanked the Ambassador for this information and said it would be helpful to have this list of projects available in connection with requests made to Congress for FY 1959. He told the Ambassador that specific requests for assistance under the Fund should be made directly to the offices of the Fund itself.

Note: After leaving Mr. Dillon's office the Ambassador again expressed to Mr. Laingen appreciation for the amount of aid being extended in FY 1958. He said he was personally convinced that the amount provided, particularly for military consumables and for uniforms, was largely due to the efforts of Mr. Dillon following conversations on this subject between him and Greek officials in Paris.³

³The Department of State summarized Dillon's December 17 talks with Greek Minister of Finance Protopapadakis in telegram 2084 to Athens, January 3. (Department of State, Central Files, 781.5-MSP/1-358)

231. Memorandum of Conversation

Washington, January 16, 1958.

SUBJECT

Greek Dollar Bonds

PARTICIPANTS

Messrs. Nicholas Gazis, Representative of Governor, Bank of Greece
Francis F. Lincoln, Department of State/GTI

Mr. Gazis came to the U.S., as the personal representative of the Governor of the Bank of Greece, to initiate highly confidential discussions with the Foreign Bondholders Protective Council in order to find a

Source: Department of State, Central Files, 881.10/1-1658. Confidential. Drafted by Lincoln on January 17.

possible basis for the settlement of Greek prewar foreign bonds.¹ Mr. Gazis called on January 16 and told me of the failure of the conversations he has had with the Council to reach an agreement. He made a proposal already described to us by Mr. Spang, the President of the Council.² Mr. Spang worked out a counterproposal which began with an interest payment at the level proposed by Mr. Gazis and in the course of 5 years, through gradual increase in percentage, reached a level double that proposed, or 50 percent of the contractual rates for the several issues of bonds. Mr. Gazis is without authority to accept such a proposal as something which the Bank of Greece would submit to the Government and is taking it back to Athens for further consideration.

Mr. Gazis very adroitly implied that it would be well for the Department to urge the Council to change its position. Foreseeing that this situation was likely to arise, I had discussed it with Mr. Hamlin Robinson and we had agreed that Mr. Gazis should be told that the Council is a semi-official body entrusted with handling debt adjustment and that the Department would not take any position with respect to details but would emphasize its confidence in the Council. I maintained this position with Gazis.

I spoke of the fact that there is a tranche of one of the publicly-offered issues held by the U.S. Treasury originally upwards of \$12 million reduced to upwards of \$10 million. We recognized that the Council was not a spokesman for these bonds. Mr. Gazis said that the Greek Government in this offer was not dealing with inter-governmental debt. I pointed out that this was a somewhat unique situation in which the Government took a portion of a publicly-offered loan and that it would be important that in any settlement it should receive comparable treatment. Gazis parried with the comment that should the Government and the Council work out a settlement, it was expected that it would be the basis for the treatment of other issues.

Mr. Gazis said that he was returning to Athens quite directly.

The proposal as worked out by Mr. Spang and approved by the Council for the treatment of outstanding dollar bonds is attached.³

¹ In a January 9 letter to Rountree, Zolotas, Governor of the Bank of Greece, noted that the lack of a settlement of the bond issue was hindering Greece's economic development, that he was sending Gazis to the United States to initiate a new round of discussions, and that Greece would welcome U.S. assistance in settling the outstanding issues. A copy of this letter is *ibid.*, 881.10/1-958.

² Apparently during a December 3, 1957, meeting at the Department of State. A memorandum of this conversation is *ibid.*, 881.10/12-357.

³ Not found with the source text.

232. Telegram From the Embassy in Greece to the Department of State

Athens, January 17, 1958, 4 p.m.

1978. This is country team message. Greek-US economic relations have deteriorated sufficiently to cause concern, with Greek officials and press indignant and piqued over alleged reduction US economic assistance. These reactions are psychological and stem we believe from fear of progressive US economic disengagement. It would be most salutary if rapid progress could be made on nitrogen fertilizer plant financing under the Development Loan Fund. This is one of four preliminary applications submitted by GOG and is the one to which GOG attaches greatest urgency. Nitrogen fertilizer plant is a "natural" not only for improvement Greek-US relations but also for internal political and economic reasons. Plant would satisfy conservative estimate of farmer demand for fertilizers and would save Greece 15 to 20 million dollars annually in foreign exchange.

For past two years country team has consistently urged US financing this project. (See Embtel 3420, June 12, 1956, and Embtel 128, July 12, 1957.)¹ We would have to search long time to find project as ideally suited for Development Loan Fund financing as nitrogen fertilizer plant.

Country team recognizes that final decision necessarily dependent many factors not subject immediate resolution either by US or GOG. Furthermore, realize many difficulties might be attendant on any preliminary announcement, but if something like this could be worked out for immediate future it would be highly desirable.

Penfield

Source: Department of State, Central Files, 781.5-MSP/1-1758. Confidential.

¹ Neither printed. (*Ibid.*, 781.5-MSP/6-1256 and 781.5-MSP/7-1257)

233. Memorandum of Conversation

Athens, February 3, 1958.

PARTICIPANTS

H.E. Averoff-Tosizza, Minister of Foreign Affairs
H.E. Demetrios Helmis, Minister of Coordination
H.E. Panayiotis Papaligouras, Minister of Commerce and Industry
H.E. Aristides Protopapadakis, Minister of Defense
H.E. Gregory Kassimatis, Minister without Portfolio
General Dovas, Chief of Staff, Greek Armed Forces
Mr. C. Goustis, Special Assistant to Minister of Coordination
Hon. William M. Rountree, Assistant Secretary of State¹
Mr. James K. Penfield, Chargé d'Affaires ad interim
Mr. Owen Jones, Director, Greek, Turkish and Iranian Affairs, N.E.A.
Mr. L. Wade Lathram, Director, Regional Affairs, N.E.A.
Mr. Clarence E. Birgfeld, Counselor of Embassy for Economic Affairs

SUBJECT

Military and Economic Requirements of Greece

Background: The economic portion of this conversation is briefer than it otherwise might have been owing to the fact that on the preceding day Messrs. Helmis and Goustis had given Messrs. Jones and Birgfeld a lengthy and exhaustive analysis of Greek economic trends and developments and their relationship to defense expenditures and the balance of payments.² The main substantive point of difference between the two conversations was the fact that on the preceding day the Greek Government had requested \$15 million of additional defense support for this fiscal year (as it also does in the Economic Aide-Mémoire),³ whereas the result of the conversation reported in this memorandum shifted this request for additional defense support to fiscal year 1958-59.

Mr. Protopapadakis opened with a brief statement of military requirements, which he merely highlighted to avoid repetition of material in the Military Aide-Mémoire³ which he proffered. The Minister said that with respect to the Army it was a question of speeding up the program of deliveries. However, he felt that the United States assistance for

Source: Department of State, Central Files, 110.10-RO/2-758. Confidential. Drafted by Birgfeld. Sent to the Department of State as an attachment to despatch 578 from Athens, February 7.

¹ Rountree visited Athens February 1-3. Regarding his talks with Karamanlis and Averoff on the Cyprus issue, see Part 1, Document 182.

² No record of this discussion has been found.

³ Dated February 3; it was sent as an attachment to despatch 578.

the Navy and the Air Force was inadequate, and the Minister mentioned specifically new DD's and the need for all-weather aircraft. He said that the Government of Greece attaches great importance to new weapons and also to the need for a military consumables program.

Mr. Rountree said that we are naturally greatly interested in the Greek defense establishment and that he would discuss the points made orally and in the Aide-Mémoire with his colleagues. Mr. Rountree also pointed out that congressional action is required on more ships and that, furthermore, it is the Defense Department which is primarily responsible for military end-items.

Mr. Papaligouras presented the economic case, at the request of Mr. Helmis, since the former speaks English better. The Minister admitted that the economic situation is improved but he said that organic weaknesses exist especially in the balance of payments. Stable prices have caused foreign exchange reserves to fall. Greece is going through a transitory period in which she is also experiencing budget difficulties. Defense expenditures are high compared with gross national product, the relationship being 6.8 percent. On the other hand, Greece's per capita income is only \$230 per year (the Embassy believes more correct and more current figures to be 5.3 percent and \$270 per capita, but did not mention these statistical differences). Mr. Papaligouras said that a high level of investment characterizes the current transitory period, and that this investment must cause either inflation or higher levels of consumption. He said that it is in recognition of this general principle that the World Bank seldom if ever extends developmental loans without simultaneously extending grants for consumer goods. The Minister questioned whether the present rate of growth and of investment is high enough from a political point of view. Greece's nearness to her communist neighbors makes it important for comparative purposes that she do better than they are doing. Mr. Papaligouras then related these developments to the proposed European Free Trade Area,⁴ to the tariff and other problems thereby created, and to the competition which will exist under these future conditions between investment and consumption. The basic economic problem, said the Minister, is related to the balance of payments, but an equally significant social problem affects the budget and causes high central administration spending. The maintenance and development of social order is dependent on a high rate of investment.

Mr. Papaligouras then spoke directly to the economic assistance desired. He claimed that loan assistance for defense or consumption is uneconomic, and that the grant assistance is extended in such a way as to

⁴ On February 7, 1957, the British Government proposed the establishment of a European Free Trade Area. This British proposal followed publication of an OEEC report on the feasibility of a free trade area in Europe (February 5).

make it difficult to absorb. This latter point applies to the Section 402 requirement⁵ of \$5 million out of the defense support total of \$15 million. The Minister urged that the present Section 402 requirement be converted either to global procurement or to triangular deals. Mr. Papaligouras then spoke of Greece's needs from the Development Loan Fund, and especially the importance of early favorable action on the nitrogen fertilizer plant, on which the Greek Government is being pressed for political reasons to take an early decision. He emphasized the importance of the favorable reaction which would be obtained from farmers as a result of United States financing. Consequently, an early answer is needed on political as well as on economic grounds.

Mr. Papaligouras closed by stating that the Greek problem is peculiar to this area, first because Greece is a democracy and second because her standard of living is higher than other countries in the area. Greece needs a few years to build certain key industries, and her own resources are inadequate for this purpose. The Minister pointed out that Greece's foreign exchange reserves fell for the first time last year and that a continuation of this trend would bring about psychological repercussions in Greece. Greece, he said, is the only underdeveloped country following liberal economic policies.

Mr. Rountree replied that he would study these matters with great care. He said that he was impressed with the stability of prices and with recent budgetary performance, but recognized that not all of Greece's problems have been solved. He realized the need for further development and for an improvement in social welfare, and was cognizant of the fact that the progress made to date must be continued. This progress reflects credit on the present government. The Assistant Secretary said that it would be hazardous to try to guess what the congressional developments might be, but that he personally would assume that there would be some continuation of United States economic assistance programs and that the needs of Greece would be given appropriate consideration. Mr. Rountree said that funds for this current year are tight and that he did not know whether there would be any possibility of making any shifts in funds such as would be required to convert the Section 402 requirement to global or triangular procurement. Mr. Rountree concluded by saying that if there should be anything which we could do, we would take this matter under consideration.

Mr. Papaligouras responded by saying that Greece exported inflation to the amount of \$10 million in 1957, and that this cannot go on forever (the actual figure exceeds \$20 million and it appears that erroneous

⁵ For text of Section 402 of the Mutual Security Act of 1954 (P.L. 83-665), enacted August 26, 1954, see 68 Stat 832. Section 402 was amended by the Mutual Security Act of 1955 (P.L. 84-138), July 8, 1955. For text of the amendment, see 69 Stat 283.

statistics caused the Minister to understate Greece's balance of payments needs). Mr. Papaligouras said that Greece is not asking for more aid this year but is merely asking for a shift of the Section 402 \$5 million. He then referred to losses of revenue which will be sustained as a result of the current shipping crisis.

Mr. Jones then asked what had been the rate of increase in consumption during recent periods and what would be the minimum required rate of increase in consumption during immediate future periods, in the Minister's opinion. Mr. Papaligouras side-stepped this question by saying that higher rates of investment could be used politically to induce the people to accept lower rates of increase in consumption. He said that Greece's national income rose 9 percent in 1957. The Minister then described the present Greek situation as being typical of that of underdeveloped countries which have followed a liberal economic policy, and he compared the current situation with that of the British Dominions in the early part of this century, when the London market financed consumption, according to him.

Mr. Averoff-Tosizza then referred in turn to the transitory period through which Greece is moving. He said that the population is increasing by from 80 to 100 thousand persons a year. Social problems are real and the Government of Greece wishes to avoid a near crisis. The Minister also pointed to the immigration which is taking place from the Near East and creating additional pressure.

Mr. Rountree replied to the effect that the future emphasis of United States economic assistance programs probably would be on developmental assistance, rather than on short-term budget or balance of payments support. He said that study is being given to the nitrogen fertilizer plant, and then referred to policy difficulties which had been encountered in another country in trying to finance a Government-owned plant.

Mr. Papaligouras responded by pointing to the lack of entrepreneurs and of private capital in Greece.

Mr. Rountree said that he wished merely to identify a possible problem and that he would take the matter up in Washington.

Mr. Helmis pointed out that increased military end-item assistance means increased defense expenditure. Defense support assistance helps not only to hold to acceptable limits the relationship of defense spending to national income but also helps the balance of payments.

Mr. Rountree said that he did not wish to appear to give a quick answer, but that it was difficult to know where to find more money for this fiscal year (Mr. Helmis interrupted to say that it was not this year but next fiscal year when they wanted more money). The Assistant Secretary went on to say that the general tendency in the United States is not

to increase defense support programs, but rather to put the emphasis on development. However, he appreciated the local problems and would consider them, even though he must say again that we are not thinking in terms of increased defense support programs.

Mr. Papaligouras concluded the meeting by saying that the Greek Government wishes to prevent a crisis and a crash approach to a crisis situation like in Turkey. Greece's economy is good, he said, but it is not static. It will continue to move. A \$10 million foreign exchange reserve loss in 1957 could grow to \$15 million in 1958 etc. etc. In one way or another, the Minister said, Greece needs United States economic assistance for investment, for her balance of payments, and for her budget.⁶

⁶ In telegram 2167 from Athens, February 5, Penfield reported: "Rountree on departure told me he was impressed with desirability helping Greeks." (Department of State, Central Files, 781.5-MSP/2-558)

234. Editorial Note

Prime Minister Karamanlis resigned on March 2, after 2 Ministers and 13 other members of his parliamentary majority voted against a government bill to change the Greek electoral system. King Paul appointed Constantine Georgakopolous to head a caretaker government. New elections were set for May 11. In a memorandum to Rountree, dated March 5, Owen T. Jones commented:

"During the interim 45 day pre-election period after a new electoral law has been passed and the parliament dissolved, the caretaker Government will operate the Government bureaucracy. However, it has no authority to take much action of a substantive nature, such as on the Cyprus issue. Our present problems in the economic aid field are largely administrative and we should be able to go ahead on these. By and large, however, the next two months are likely to see virtual paralysis in Greece as far as government policy decisions of substance are concerned." (Department of State, Greek Desk Files: Lot 61 D 1, Elections)

235. Despatch From the Embassy in Greece to the Department of State

No. 660

Athens, March 10, 1958.

REF

Embassy despatch No. 656, March 10, 1958¹

SUBJECT

Audience with Queen Frederika, March 5, 1958

With reference to the Embassy's despatch No. 656 of March 10, 1958, some of the remarks offered by the Queen upon the occasion of my audience with her on March 5, 1958, may be of political interest to the Department. Immediately after the amenities were concluded, the Queen observed that I had arrived concomitantly with a government crisis which presented the King with a difficult problem. Political instability had been so characteristic of Greece for so many years that her husband was determined to do everything he could to strengthen the political structure of the country and avoid frequent crises. This was no easy task given the nature of Greek politics. Great progress had been made under Karamanlis who, according to the Queen, was perhaps somewhat rough in dealing with politicians but an able and energetic Prime Minister who had the welfare of his country at heart. While the Queen did not predict the outcome of the election, I had the impression she considered the prospects of Karamanlis to be good. She said that while she did not pretend to understand the intricacies of the electoral law,² she hoped it would lead to greater political stability.

In speaking of United States policy, the Queen said it was perhaps difficult for an American to understand the great faith and confidence which many small countries had in us. The United States represented a hope of freedom and progress which was a tremendous asset in the struggle against communism. She thought our policy in the Suez crisis, for example, had been absolutely right and it had reinforced the confidence which many small nations had in us. She expressed the greatest admiration for the stand we had taken in the face of what must have been a most difficult decision involving our major allies.

Source: Department of State, Central Files, 781.11/3-1058. Secret; Limited Distribution. Drafted by Riddleberger. James W. Riddleberger arrived in Athens on February 27 and presented his credentials to King Paul on March 4.

¹ Not printed.

² The proposed law introduced a system of "reinforced proportional representation" designed to ensure a working majority to the party with the largest number of votes and to discourage the formation of splinter parties.

The Queen then put a number of questions to me about Yugoslavia³ and related a number of anecdotes on the various visits. She listened attentively to my description of present Yugoslav policies but it was apparent from several of her comments that she personally entertains considerable doubts about Tito and his ultimate intentions.

The end of the interview was somewhat surprising. Referring once more to the difficulties with which her husband was faced and repeating once again how glad she was we had arrived in Athens, the Queen then made what I can only describe as an urgent plea that I keep in close and intimate touch with the King. She emphasized it was most important that there be no misunderstanding between the Embassy and the Palace and said she hoped I would feel free to talk to them at any time. She explained that I need not follow the customary protocol and that informal meetings could quickly be arranged through her ladies in waiting. She reiterated the necessity of a close relationship and terminated the audience in expressing the hope we could continue our conversation in the very near future. It goes without saying I propose to take advantage of this offer and discreetly establish what I hope will be a useful personal relationship.

[1 paragraph (9-1/2 lines of source text) not declassified]

James W. Riddleberger

³Riddleberger served as Ambassador in Yugoslavia, 1953-1957.

236. Memorandum of Conversation

Washington, March 24, 1958.

SUBJECT

Greece: Missile Bases Issue and Other Military Questions

PARTICIPANTS

Mr. Phedon Annino Cavalierato, Counselor of Greek Embassy
Murat W. Williams, GTI

During my conversation with Mr. Cavalierato today, he called attention to a series of articles by Mr. Lambrakis in the Athenian

Source: Department of State, Central Files, 781.00/3-2458. Secret. Drafted by Williams.

newspaper *Vima*. To Mr. Cavalierato the most important point made by Mr. Lambrakis was that the missile bases issue would not be so important in Greece now were it not for the fact that Greece had been relegated to a "secondary place in the Western alliance".

When I questioned this, Mr. Cavalierato said he thought that Greece was in a secondary position both because of the lack of sympathy among its allies for Greece's position on Cyprus and because of the favoritism shown towards Turkey in the military preparedness of NATO. He said he was speaking primarily of the "favoritism" shown Turkey in the supply of equipment—above all, naval equipment.

In response, I pointed out to Mr. Cavalierato that the supply of ships and guns to Turkey was determined by the military requirements of the Alliance as judged by the military authorities. Turkey's geographical position, especially with respect to Russia and the straits, would seem to require that Turkey have ships to enable her to perform the missions thus imposed upon her.

Mr. Cavalierato said he realized that I looked on the problem this way, but he pointed out that the Greek people could not help but think of Turkey's growing military strength in terms of her "unfriendly" attitude towards Greece and the centuries of Greco-Turkish conflict which lay behind it. I reminded him again that Greece and Turkey were still allies.

**237. Telegram 2727 From the Embassy in Greece to the
Department of State**

Athens, March 28, 1956, 5 p.m.

[Source: Department of State, Central Files, 781.5-MSP/3-2858. Secret; Limit Distribution. 2 pages of source text not declassified.]

238. Editorial Note

Greek parliamentary elections were held on May 11. Karamanlis' National Radical Union (ERE) won 41 percent of the vote and an absolute majority of 171 seats in the lower house. The pro-Communist United Democratic Left (EDA) emerged as the second largest party with 79 seats. The centrist Liberal Party lost heavily and retained only 36 seats.

King Paul asked Karamanlis to form a new government, which took office on May 17. Telegram 3238 from Athens, May 21, analyzed the results of the elections. (Department of State, Central Files, 781.00/5-2158)

239. Memorandum for the Files

Washington, May 14, 1958.

SUBJECT

OCB Consideration of Progress Report on Greece¹

In OCB consideration of the Greek Progress Report today the following matters came up:

1. *Greek Elections.* There was general surprise at the strong showing of the EDA. Several members noted that, with only a slightly larger popular vote than the Liberals, the EDA unfortunately have 78 seats in Parliament compared to only 36 for the Liberals. Governor Herter told Mr. Sprague that he had read a good discussion of the mechanics of the Greek electoral law and recommended it to Mr. Sprague. (Governor Herter referred to the Greek Embassy release dated May 1 which Mr. Williams had left with him.)²

Source: Department of State, Greek Desk Files: Lot 61 D 1, NSC-OCB. Secret. Drafted by Laingen. Sent to the Embassy in Athens as an enclosure to a letter from Williams to Penfield, May 15.

¹The OCB report is printed as Document 240. The approved minutes of the May 14 OCB meeting are in Department of State, OCB Files: Lot 62 D 430, Minutes VI.

²Not found.

Mr. Allen Dulles expressed the concern of his Agency over the display of EDA strength. He suggested that in two or three weeks it would be helpful for the Board to have a rundown on the reasons for this strength. He said his Agency was also working on this subject.³

Mr. Dulles also referred to the proposed new paragraphs in the Operations Plan⁴ recommending U.S. action to discourage legalization of the Greek Communist Party (KKE). He said that he was not suggesting that these paragraphs be changed now but thought they should be kept under continuous review. He said that instances may arise where it might be better to see communist parties such as the KKE kept legal in order that a better check might be kept on them. He said that this had always been our position in this country with respect to our own domestic politics. Governor Herter said that he concurred very much with Mr. Dulles' point of view and agreed that this should be kept under review.

2. *Greek-Yugoslav Relations.* Mr. Karl G. Harr, Jr., representing General Cutler, asked Mr. Williams what effect recent developments in Soviet-Yugoslav relations⁵ might have on Greece's attitude toward Yugoslavia and on Turkey. Mr. Williams said that he thought it could only encourage Greece to strengthen its relations with Yugoslavia. Mr. Williams said that we had this very much in mind in our suggested change to the progress report on this matter. Our suggested language stated that any U.S. encouragement of closer Greek-Yugoslav relations should bear in mind strained Greek-Turk relations growing out of the Cyprus dispute.

3. *F-100s.*⁶ Mr. Harr asked Mr. Sprague whether something might not be done to get a squadron or so of F-100s for Greece. He was aware of the military and maintenance problems involved in doing so. Mr. Sprague said that Defense had to delete about \$130 million in the FY '58 MAP program for such aircraft, largely because the U.S. Air Force had cut down on its own procurement. Because of the latter there simply were not enough F-100s to give away. However, there were now indications that France, for whom 5 squadrons had originally been allocated, might now not be able to take more than 3 or 4 squadrons. Mr. Sprague said that SACEUR and the JCS have indicated that they would be willing to see at least one of these squadrons assigned to Greece. (Mr. Laingen was told by Col. Haynes of ISA subsequent to the meeting that he

³ A Department of State-CIA study of the Greek elections, prepared for the OCB, dated August 29, is in Department of State, OCB Files: Lot 62 D 430, Greece.

⁴ Document 241.

⁵ At the 7th Congress of the League of Yugoslav Communists April 22–26, the Soviet Delegation walked out during a denunciation by Rankovic of the Soviet Union's interference in the internal affairs of Yugoslavia. See Documents 123 ff.

⁶ Averoff requested these aircraft on February 3; see Document 233.

was well aware of this possibility. He also said it was his personal belief that by the end of this fiscal year there would be more F-100 squadrons available "than they know what to do with.")

4. *Cyprus*. There was virtually no discussion of Cyprus after a reference by Governor Herter to the problem, his observation that the NSC had approved a separate paper on Cyprus⁷ and a general review of the paper by Mr. Williams. Governor Herter observed in passing that one of the effects of the Cyprus issue locally was that it kept Ambassador Melas "up in the chandeliers" during much of the time when he came in to call on Department officers.

Ambassador Allen was not present.

5. *Middle East Resolution*.⁸ Governor Herter asked whether it had been finally determined that Greece was considered within the confines of the area covered by this resolution. Mr. Williams replied that it has always been his understanding this had been purposely kept vague.

6. *USIA Libraries Overseas*. Governor Herter told the USIA representative that he thought it would be helpful to have a rundown on the number of such libraries burned or otherwise damaged overseas and what the probable reasons for this were.⁹ He said he thought it would be an indication of the effectiveness of these libraries in the USIA program. Mr. Williams observed that one of the reasons that such libraries are the brunt of attacks is that they are frequently located in an easily accessible location. He described his own experience in Salonika as an example.¹⁰

⁷ Apparently a reference to the supplement to NSC 5718, approved by the President August 5, 1957. For text, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 493-494.

⁸ In a January 5, 1957, address to a joint session of Congress, President Eisenhower requested authority for a military and economic assistance program for the Middle East. Eisenhower also requested authority to employ U.S. armed forces "to secure and protect the territorial integrity and political independence of such nations, requesting such aid, against overt armed aggression from any nation controlled by International Communism." The resolution (H.J. Res. 117 and S.J. Res. 19) was approved by Congress and signed by the President on March 9. For texts of the initial resolution and its amended version, see *American Foreign Policy: Current Documents, 1957*, pp. 791-792 and 829-831. The resolution was popularly known as the American Doctrine or the Eisenhower Doctrine.

⁹ The USIA facility in Athens was burned by rioters on the night of December 12-13, 1957, during a mass protest regarding the Cyprus situation.

¹⁰ Reference is to anti-American and anti-British rioting in Salonika in December 1954 by Greeks protesting the two governments' respective policies over Cyprus. The U.S. Consulate was among the buildings attacked. Williams was Consul General in Salonika at the time.

240. Operations Coordinating Board Report

Washington, May 14, 1958.

OPERATIONS COOPERATING BOARD
REPORT ON GREECE (NSC 5718/1)¹
(Approved by the President, August 5, 1957)

(Period Covered: From August 5, 1957 Through May 14, 1958)

A. *Summary Evaluation*

1. In the period under review, we have experienced some difficulty in progressing toward our objectives in the political field. However, the elections of May, 1958, have given Greece the promise of stable government under a strong party, the ERE of Karamanlis. On the other hand, Communist-front political groups have achieved new power by winning a sizeable bloc of seats in the Greek Parliament. The Cyprus problem remains unsolved and threatens to provide a rallying cause on which further left-wing successes will be scored. Greek-Turkish relations, embittered by the Cyprus dispute, have not been improved. Although the United States and NATO have unlimited access to Greek military facilities, there has been considerable public disappointment with NATO for what is interpreted to be support by its members for Turkey rather than Greece on the Cyprus issue. There has also been a tendency to blame the Karamanlis government for reductions in United States aid. With the weakening of popular support for the Western alliance and the considerable popular wish for reduction in military expenditures, it seems unrealistic to expect the Greek Government to assume a larger share vis-à-vis the United States of its total defense budget, assuming that the total defense costs will remain at or above present levels.

2. On the other hand, continued progress was made in achieving a more viable economy able to support reasonable economic develop-

Source: Department of State, OCB Files: Lot 62 D 430, Greece. Secret. A title page, covering memorandum, and three annexes (a survey of additional major developments, a financial annex, and an MSP pipeline analysis) are not printed. In the undated covering memorandum, Elmer Staats, Executive Officer of the OCB, noted that the Board concurred in the report at its May 14 meeting and that the CIA and Department of State would prepare an analysis of the success of the EDA Party and the extent of KKE membership among winning EDA candidates. Staats also reported that the NSC had noted the report on June 4. A copy of the State-CIA study of the Greek elections, dated August 29, is *ibid.* Regarding the May 14 OCB meeting, see footnote 1, Document 239.

¹ For text of NSC 5718/1, see *Foreign Relations, 1955–1957*, vol. XXIV, pp. 585–592.

ment. Substantial economic growth was indicated by an increase of approximately 10 percent in the gross national product in 1957 while financial and price stability were maintained. A decrease in United States aid shipments was largely responsible for a fall in hard currency reserves, but this was partially offset by an improvement in Greece's balance of payments on current account.

3. No review of policy is recommended.

B. Major Operating Problems or Difficulties Facing the United States

4. *Cyprus Problem.* The unresolved Cyprus problem is a continuing cause of dissension between Greece and its NATO allies. However, recent British talks in Ankara and Athens² and the prospect of their continuation offer some hope. The tense relationship on the island, especially between Greek and Turkish Cypriots, continues as the Turkish Cypriots demonstrate against the British, and the EOKA (Greek Cypriot underground organization) carries on a passive resistance campaign supplemented by numerous acts of sabotage. Renewed all-out violence by the EOKA, in addition to thwarting efforts to reach a settlement through quiet diplomacy, might further provoke the Turkish Cypriots to intercommunal strife, and strengthen the Turkish Government's insistence on partition of the Island as the only practical solution. The U.S. is encouraging the British to continue these talks.

5. *Weakened Ties with the West.* Although Greece has a government which is firmly allied to the West, there has been a gradual decline over the past two years in popular support for NATO. A spectacular increase in the political strength of EDA, the Communist-front party in the recent elections, is partly the result of this trend. It suggests that further difficulties may be encountered in ensuring Greece's strong support for NATO. Basic discontent over the Cyprus issue and some public uneasiness over the prospect of IRBM bases in Greece lend themselves to political exploitation, and the communists are vigorously pursuing such exploitation in an effort to develop popular opposition to the establishment of such bases and to create a popular front which could promote further disengagement of Greece from its Western commitments. The lessened popular Greek support also is due in part to a decline in the Greek estimate of the danger from the Soviet Bloc, to a growing sense of national self-confidence which permits Greece to play a more independent role in foreign affairs, and to Greek reaction to reduced American economic aid levels. U.S. efforts, chiefly informational, have been concentrated on the importance of NATO to Greece's security and contin-

²Lloyd held talks with Turkish leaders in Ankara January 25-30 and with Greek leaders in Athens February 11-13. Sir Hugh Foot, Governor of Cyprus, was also present for the talks in Athens. See Part 1, Documents 178 and 186.

ued independence. These efforts, however, have not diminished a general feeling of dissatisfaction with NATO which stems in large part from the unsolved Cyprus question.

6. *Greek Relations with the Soviet Bloc.* a. *Political.* The Soviet Bloc continued an offensive on diplomatic, trade and cultural fronts aimed at further weakening Greek ties with the West, increasing popular support for front parties in Greece and fostering growth of a climate in which legalization of the outlawed Communist Party could be achieved. The Soviet Union can be expected to make further efforts toward promoting political cooperation in the Balkans, probably through satellite proposals for conferences dealing with economic and social matters. In this respect, although Greece rejected the recent Rumanian proposal for a general Balkan conference, its reply did not completely close the door to future suggestions of this kind.

b. *Economic.* Greek trade with the Bloc as a whole has been steadily increasing although still below pre-war. Greek exports to the Bloc rose from \$19.6 million in 1956 to \$24 million in 1957. Imports rose even more, from \$21.3 million to \$30.5 million. At the same time, the percentage of this Bloc trade to total trade increased, for exports, from 10.3 percent in 1956 to 10.9 percent in 1957, and for imports, from 4.5 percent in 1956 to 5.8 percent in 1957. The need to dispose of certain agricultural surpluses presently not easily marketable in the West, such as lower grades of tobacco, makes Greece vulnerable to potentially greater dependence on Bloc trade and thus to exposure to possibly greater Soviet influence.

c. *Effects on Greece.* This Soviet Bloc campaign has not as yet shaken Greece's fundamentally pro-Western position. Greece has been receptive to our suggestions in resisting a Russian request for traffic and transit rights for the Soviet airline, Aeroflot, through Athens to the Middle East. It has refused to renew a previous one-year grant of such rights to the Polish and Czech airlines and has instead offered temporary rights to these airlines terminating in Athens. Also, the Greek Foreign Office has sought our assistance in countering the pressure Greece is under to accept visits by Soviet Bloc cultural and athletic groups by increasing our own programs of this kind. Nevertheless, the Russian campaign is undoubtedly contributing to a gradual erosion of the previous firmness of Greece's ties with the West, especially among the public. A heated election campaign, in which aspects of these ties become the subject of debate, could prove further detrimental to Greece's Western alignment.

7. *Economic and Military Aid Problems.* The Greek economy has grown substantially in the past several years. This growth is continuing. At the same time the burden of its defense effort in relation to per capita income remains considerably greater than that of most other NATO

members. In the past year there has also been some loss in hard currency reserves.

a. *Economic Aid.* The Karamanlis Government repeatedly requested increases in U.S. defense support assistance in FY 1958. The present caretaker government also requested that we increase this aid by \$10 million. Similar requests can probably be expected when the next government takes office. Nevertheless, the United States reduced its defense support assistance from \$25 million in FY 1957 to \$15 million in FY 1958, and all requests that this be increased have been refused. However, we did reconstitute the content of our FY 1958 program in response to Greek requests (see paragraph 13).³

b. *Greek Share of Defense Costs.* To help determine the future course of our Defense Support and MAP programs in Greece, there is currently underway a joint US-Greek study of the impact on the Greek defense forces of the projected calendar 1958 Greek defense budget as supplemented by U.S. aid. The study will include a review of the extent of any gap between the cost of military requirements (based on NATO force goals) and the funds to meet these costs in the Greek defense program as supplemented by U.S. aid. In view of prevailing public opinion that the Greek defense effort is already very high for such a poor country, it is unlikely that Greece would be willing to accept a larger proportionate share of total defense costs vis-à-vis the U.S., as long as total defense costs remain at or above present levels.

c. *PL 480.*⁴ The good 1957 harvest in Greece reduced its import needs for grains supplied under PL 480 with the result that shipments under the \$19.8 million PL 480 agreement of December 1957 are being delayed. In view of this situation only \$1.5 million of our FY 1958 defense support program is being extended in agricultural commodities in contrast to last year when the entire program was in such commodities. Delayed shipments under the present agreement will cause a delay in the availability of PL 480 generated local currency earmarked for the Greek development budget. Expected good crops again this year will further decrease requirements for U.S. surplus commodities. This will also increase the pressure from the Greek Government for additional defense support assistance to compensate for reduced assistance through PL 480.

d. *MAP Deliveries.* The Greek press frequently reflects the feeling of most Greeks that the U.S., in its military aid program as in other ways,

³ Paragraph 13, regarding Greek applications to the Development Loan Fund, is in Annex A, not printed.

⁴ For text of P.L. 480, the Agricultural Trade Development and Assistance Act of 1954, see 68 Stat. 454.

gives preference to Turkey and is mistaken in the reliance placed on Turkey in the Middle East area. In planning allocation of F-100 aircraft squadrons to Turkey with less advanced types (F-84F) going to Greece, we may very likely aggravate this feeling. However, there are presently available only twelve squadrons of F-100's for allocation under MAP. Under present plans, arrived at after careful consideration of military and political factors and the desirability of single typing of aircraft, all have been allocated to France, Denmark and Turkey.

Note: See NIE 32-56, *The Outlook for Greece*, June 26, 1956.⁵

⁵ For text, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 566-567.

241. Operations Coordinating Board Report

Washington, May 21, 1958.

OPERATIONS PLAN FOR GREECE

I. Introduction

A. *Special Operating Guidance*

1. *Objectives.*

a. An independent and stable Greece, cooperating in Free World defense and maintaining the will and ability to resist Communist subversion and influence.

b. Access by the United States and NATO to military facilities in Greece, and Greek cooperation with NATO countries.

c. Greek armed forces capable of resisting, as part of a concerted allied defense, direct Soviet or satellite attack.

Source: Department of State, OCB Files: Lot 62 D 430, Greece. Secret. A title page, covering memorandum, statement of purpose and use, and an MSP pipeline analysis are not printed. In the undated covering memorandum, Elmer Staats noted that the Board revised and concurred in the Operations Plan for Greece at its May 14 meeting, and that the plan superseded the December 11, 1957, Operations Plan for Greece and a draft dated May 6. A copy of the December 11, 1957, Operations Plan is *ibid*. Destruction of the May 6 draft was authorized and no copy was found.

d. Improvement of Greek-Turkish relations, and Greek participation in the further development of the Balkan Pact among Greece, Turkey and Yugoslavia.

e. Settlement of the Cyprus dispute.

f. Lessening of Greek irredentism.

g. A Greek economy which can support reasonable economic development and assume a larger share of the cost of the Greek defense establishment.

2. *International Role of Greece.* The growth of Greek national self-confidence should be encouraged in the direction of making Greece a stronger ally. Irredentist tendencies, of which the Greek Orthodox Church is the foremost exponent, should be discouraged. The community of Greek and Western interests should be highlighted and the necessity stressed for settling, or at least avoiding intensification of, issues causing interallied tensions. Greek participation in international and regional organizations and projects furthering Western interests should be encouraged. Recognizing that the Balkan Pact¹ is dormant, Greece should be encouraged to develop closer relations with Yugoslavia in economic, cultural and related fields of activity as a means of weakening Soviet power in the Balkans. Such encouragement should be undertaken discreetly to avoid any further strain on Greek-Turkish relations, already damaged by the Cyprus dispute.

3. *Impact of Cyprus on Greek Foreign Policy.* The Cyprus question has permeated virtually all aspects of Greek politics and foreign policy. It has seriously harmed Greek-Turk relations, frustrated virtually all policies requiring Greek-Turk cooperation, such as in the Balkan Pact, and has even impaired Greek support for its ties with NATO and its Western allies. This factor should be kept carefully in mind in estimating the degree to which Greece identifies its interests with those of the West and the cooperation which can be expected from Greece in furthering Free World objectives in the area. The long term importance to Greece of good relations with Turkey as a close neighbor and the need for Greek-Turk consultations in facilitating a Cyprus settlement should continue to be emphasized in discussions with the Greek Government.

4. *Settlement of the Cyprus Dispute.* In encouraging the Greek Government to reach an understanding on the Cyprus question with the United Kingdom and Turkey, the U.S. should continue to emphasize the necessity that Greece assume its full share of responsibility, that both interim and long-term solutions should be sought, and that while the U.S. is prepared to assist the parties concerned procedurally, it does not

¹ For text of the Treaty of Bled, signed August 9, 1954, by Greece, Turkey, and Yugoslavia, see RIIA, *Documents on International Affairs, 1954*, pp. 197-200.

intend to assume direct responsibility for any particular solution. In any efforts to assist the parties, the U.S. while recognizing the primarily international interests of the three countries, should not ignore the primarily local interests of the Cypriots. The U.S. is prepared to assist NATO in any reasonable attempts to assume a mediatory role.

5. *Relations with Political Parties.* The U.S. should not be overtly identified with any political party or figure and should retain friendly relations as feasible with all responsible leaders. Efforts should be made through these contacts to counteract local communist influence.

6. *Greek Communist Party.* In addition to efforts mentioned above to counteract local communist influence, U.S. officials should appraise carefully and move towards legalization of the KKE (Greek Communist Party). Following the banning of the KKE in 1947, the party's leadership as well as many of its adherents went behind the Iron Curtain. Since 1949 there has been a gradual acceleration of propaganda designed to have the KKE made legal once more in a deliberate campaign of "forgetfulness" and "normalcy". Successive Greek governments have relaxed the laws dealing with communism in Greece, but no government has, to date, seriously contemplated legalization of the KKE. However, the success of the Communist-front EDA in the May, 1958, elections may raise the issue again.

7. *Aspirations for Area Leadership.* While looking to the U.S. for world leadership, Greece considers that it is capable of playing a larger role in the Near East. Greece is jealous of the role envisaged by Turkey for itself in the area. The Greek desire to play a larger role in the Near East was in part responsible for the decision of the present government to give public support to the American Doctrine² after its announcement. However, it should be recognized that Greek sensitivities regarding the Arab states can be a restraint in the degree of open support which Greece can be expected to continue to give the American Doctrine. These sensitivities grow out of such factors as the Cyprus question, the Orthodox Church and Greek communities in such places as Alexandria. For example, the Greek colony in Egypt enables Egypt, if it wishes, to exert pressure on Greece. Greek views on an increased role in the area, therefore, should be entertained sympathetically, and opportunities sought to make appropriate use of such influence in furtherance of U.S. policy objectives, but caution should be observed in encouraging Greek initiative.

8. *Economic and Technical Assistance.* Economic assistance, including Defense Support, PL 480, and the possible financing of sound loan projects under the Development Loan Fund, should continue as neces-

² See footnote 8, Document 239.

sary in order to make possible the maintenance of an appropriate Greek defense position as well as to continue a modest rate of economic growth. Technical assistance emphasis should continue in the fields of agricultural and industrial productivity and marketing. The Greek Government should also continue to be encouraged to formulate a sound, long-range, economic development program.

9. *Military Assistance.* The U.S. is reviewing the possibility of achieving a reduction in NATO-approved force levels for Greece and, in phase with the effective integration of advanced weapons in the Greek armed forces, of appropriately revising Greek force levels in the light of NATO requirements. This subject is under continuing review in the NATO annual review process. Nevertheless Greece should be encouraged to continue to increase its share of the total military budget gradually, looking toward a greater degree of military self-sufficiency, especially as the country's gross national product grows. It must be recognized, however, that no Greek Government is likely to reduce significantly its economic development program in order to increase defense expenditures. Further, it should be noted that Greek opposition leaders have announced their intention to press for a reduction in Greek military spending.

10. *Military Effectiveness.* NATO military guidance and U.S. military judgments eventually may alter the size and composition of the Greek armed forces somewhat in favor of a smaller and more efficient force. Whether or not these force levels are reduced, U.S. efforts should be directed toward improving their effectiveness. It should be made clear in this connection that the U.S. military assistance program is based on the assumption that the Greeks will try to correct their own military weaknesses and deficiencies. Critical comments on these points may be required from time to time, but U.S. officials should miss no opportunity to commend Greek officials on progress towards improving the effectiveness of their armed forces.

11. *Information and Cultural.* U.S. information and cultural programs should seek to convince the Greek people that Greece's alliance with the West represents the best means of maintaining political and economic independence. The programs should seek to promote confidence in the U.S. and in NATO by publicizing their military and economic strength and promote understanding of special aspects of U.S. policy of particular interest to Greece. The programs should seek to promote confidence in American leadership by publicizing U.S. achievements in scientific, cultural and social fields. The programs should emphasize the mutuality of Greek-American security interests and political ideals and give recognition to American heritage of Greek culture. At the same time, in view of the increasing respectability of the Soviets in Greece, the programs should publicize events and writings which

expose Soviet strategy and those which emphasize the dangers inherent in the communist economic, political and cultural overtures designed to maneuver the country toward neutralism. The principal effort should be directed to Greek media officials and opinion-molders in the political, military, professional and educational fields, who are in turn capable of reaching large segments of the population.

12. *Attitudes Toward U.S. Personnel Overseas.* The Operations Coordinating Board has given particular attention over the past several years to ways and means of improving foreign attitudes toward U.S. personnel overseas. This involves both the positive actions which can be taken to improve these relationships as well as the removal of sources of friction and difficulties. The special report prepared by the Board, "United States Employees Overseas: An Inter-Agency Report," dated April 1958,³ is an effort to provide on an over-all governmental basis a common approach and guidance in this field. All supervisory employees in the field should familiarize themselves with the substance of this report and all U.S. personnel should know the substance of the Conclusions and Recommendations set forth in Section V, Volume I. Attention is directed to the President's remarks in the Foreword of the report.

13. *Internal Security.* The Soviet Bloc has carried on an offensive on diplomatic, trade and cultural fronts aimed at weakening Greek ties with the West, increasing popular support for front parties in Greece and fostering growth of a climate in which legalization of the outlawed Communist Party could be achieved. This effort is against a record of six years of political stability and reasonable economic growth. The Communist-front EDA won increased political power and prestige in the May 1958 elections as its number of seats in Parliament increased from 18 to 78. Thus, although the Greek Government remains firmly anti-Communist, EDA and the political groups which follow the Communist line have become a political force to be reckoned with.

14. The Communist Party of Greece (KKE), which has been illegal since 1947, has been following a policy of active participation in non-Communist and even non-leftist groups in the achievements of its aims. Greek security agencies have noted a significant decline in the fear of communism among the population and a general relaxation of vigilance even by public authorities.

15. As a result of this relaxation and "in the interest of economy", the Gendarmérie was reduced, in August 1956, from 15,670 to 13,300 and the City Police was reduced from 6,252 to 5,127. The Gendarmérie

³ A copy of this report, which outlined legal, personal, and community relations problems facing U.S. personnel overseas, is in Department of State, OCB Files: Lot 62 D 430, Overseas Personnel.

has an authorized peacetime force of 21,986 which could be increased to 23,356 in the event of international strife or hostilities. The City Police has an authorized strength of 8,573. These Greek security forces are moderately efficient, but there is room for improvement along the lines envisaged by the police training program.

16. In addition to these forces, there is a para-military force (TEA) of 83,530 men, loosely organized into 104 national defense battalions under the supervision of the Greek National Army. It has the mission of providing security to the local rural population and of contributing raw intelligence. One third of the battalions are located close to the northern borders, another third are near army concentrations in rear areas and the remainder are scattered throughout communications zones and in the islands.

17. Given the relatively favorable internal security situation in Greece it would seem that a modest U.S. internal security program should be adequate. Such a program should devote particular attention to border control (in view of the fact that nearly all of Greece's lengthy land frontiers adjoin countries with Communist governments) and to the urban and industrial areas where local Communist organizations are strongest.

B. Selected U.S. Arrangements⁴ With or Pertaining to Greece

18. U.S. Involvements Which May Imply Military Security Guarantees.

a. *NATO.* In accordance with Article 5 of the North Atlantic Treaty, the United States is committed to regard an armed attack against Greece as an attack against itself and to take "such action as it deems necessary, including the use of armed force, to restore and maintain the security" of Greece.

b. *Middle East Resolution.* The United States by a Joint Resolution on the Middle East, signed by the President on March 9, 1957, announced its determination to assist Middle Eastern nations to maintain their independence. The resolution declared that the U.S. is prepared to commit its military force, on the determination of the President, against overt armed aggression from any nation controlled by international communism whenever a victim requests such aid.

19. Other Arrangements.

a. *Military and Economic Assistance.* The basic agreement concerning all U.S. aid to Greece is that signed on June 20, 1947.⁵ Under the Mu-

⁴ See State Department publication *Treaties in Force* for additional arrangements. [Footnote in the source text.]

⁵ For text, see 61 Stat. 2907.

tual Security Act of 1951, further agreements were signed on February 7, 1952 to bring Greece under MDAP.⁶

b. *Joint Use of Facilities.* A U.S.-Greek Agreement was signed in Athens on October 12, 1953⁷ providing for the improvement and use of certain air and naval facilities in Greece, in implementation of Article 3 of the NATO Treaty.

c. *Status of Forces.* The basic military assistance agreement of June 20, 1947 provided complete immunity for personnel of the military mission. This immunity was extended to other U.S. military personnel by subsequent agreements. Status was modified by the Status of Forces Agreement of September 7, 1956,⁸ based upon the Netherlands formula; however, JUSMAG retains its earlier privilege.

d. *Atomic Energy.* Agreement for cooperation concerning civil uses of atomic energy was signed August 4, 1955.⁹ The U.S. Atomic Energy Commission has officially informed the Greek Government that the U.S. is extending a \$350,000 grant to help pay for a one megawatt "swimming pool"-type research reactor, to be located in Athens and operated by the University of Athens. It is expected to be in operation by January 1959.

e. *Voice of America Facilities.* A ten year agreement for continued operation of Salonika Relay Base and Rhodes USCGS Courier broadcasting station concluded with Greek Government November 28, 1955, also provides for shifting of facilities now on Board the Courier to a land-based installation with the consent and cooperation of the Greek authorities. However, the proviso as regards transfer of USCGS Courier facilities to a land installation is inoperative due to Greek refusal, growing out of sensitivities regarding the Arab states, to permit a land-based installation intended for use in broadcasting to the Near and Middle East. The Greek Government, however, has agreed to negotiate a new base site which will permit greatly increased broadcasting power toward the Balkans in exchange for all of the Salonika Relay Base complex except certain shortwave transmitter equipment. USIA is including funds for this purpose in its budget request for FY 1959.

II. Current and Projected Programs and Courses of Action

Individual action items when extracted from this Plan may be downgraded to the appropriate security classification.

⁶ For text, see 3 UST 4569.

⁷ For text, see 4 UST 2189.

⁸ For text, see 7 UST 2555.

⁹ For text, see 6 UST 2635.

A. *Political*

20. Seek to strengthen the conviction of the Greek leaders and the public that Greek interests lie with NATO, keeping them aware of the dangers of possible collaboration with the Soviet Bloc.

Assigned to: State
Support: USIA
Target Date: Continuing

21. Cooperate with Greece as feasible in the advancement of the principles of the American Doctrine, taking into account Greek sensitivities regarding their relations with the Arab states. Utilize on a moderate basis, and without overstimulating Greek aspirations, visits between Greek officials and officials of Balkan Pact and Middle Eastern countries as a means of advancing U.S. objectives in those countries.

Assigned to: State
Target Date: Continuing

22. In encouraging Greece to keep the Balkan Pact among Greece, Turkey and Yugoslavia in existence, the United States should emphasize its potential future value but should proceed cautiously and avoid heavy pressure which might be counterproductive in view of strained Greek relations with Turkey, and the significant improvement of Greek relations with Yugoslavia.

Assigned to: State
Target Date: Continuing

23. Keep under review our policy of encouraging the Greek Government to resist continuing Soviet and Greek Communist efforts to obtain legalization of the Greek Communist Party (KKE).

Assigned to: State
Target Date: Continuing

24. Hold to a minimum consistent with the program requirements the number of U.S. citizens employed by the U.S. Government in Greece; insure that newly assigned U.S. personnel receive orientation and that their dependents receive appropriate indoctrination in the field; and periodically remind them that they represent the United States abroad and are expected to maintain a high standard of personal conduct and of respect for local laws and customs.

Assigned to: All Agencies
Target Date: Continuing

25. Continue to support those elements in Greek labor which contribute to the strengthening of the Greek General Confederation of Labor (GSEE) in its anti-Communist efforts. Encourage better cooperation

between the GSEE and the Greek Government in an effort to prevent repetition of the early 1957 wave of strikes.¹⁰

Assigned to: State, ICA
Support: USIA
Target Date: Continuing

B. Military

26. Continue to implement the military assistance program for Greece. The FY 1958 program provides additional F-84F aircraft, M-47 tanks, and maintenance and training support. The proposed FY 1959 program provides modernization, maintenance, and training support; major items of equipment include helicopters, heavy special-purpose vehicles, artillery, two destroyers (loan) and Air Force ground handling equipment and communications and electronics equipment. (Financial information appears in attached MSP Pipeline Analysis.)

Assigned to: Defense
Target Date: Continuing

27. Continue efforts to encourage Greece to increase its share of the military budget, including assumption of costs for maintenance and effective use of military end-item assistance, recognizing the political problem involved for the Greek Government of also maintaining emphasis on economic development.

Assigned to: State, Defense, ICA
Target Date: Continuing

28. Continue efforts through the medium of the NATO annual review and visits of JUSMAG officers to elements of the Greek armed forces, to implement U.S. military recommendations designed to stimulate Greek correction of military weaknesses and deficiencies, bearing in mind the guidance on this matter contained in paragraph 10.

Assigned to: Defense
Target Date: Continuing

29. Continue to review the possibility of achieving a reduction in NATO-approved force levels for Greece and, in phase with the effective integration of advanced weapons in the Greek armed forces, appropriately revise Greek force levels in the light of NATO requirements.

Assigned to: Defense
Target Date: Continuing

C. Economic

30. Implement, as appropriate, the defense support program designed to maintain, and if possible, enhance Greece's current

¹⁰ Apparently a reference to a series of localized general strikes which the GSEE called in May and June 1957 in protest against the labor policies of the Karamanlis government. The strikes began in Athens on May 28, 1957, with a 24-hour general strike and were gradually extended throughout the country.

contribution to its military effort. (Financing is shown in the attached MSP Pipeline Analysis.)

Assigned to: ICA

Target Date: Continuing

31. Implement PL 480 program for Greece in FY 1958 amounting to \$19.8 million (export market value), designed to provide local currency for U.S. uses in Greece, for lending to Greek and U.S. private enterprises in Greece, and for support of the Greek development program.

Assigned to: ICA, State

Target Date: Continuing

32. Consider requests by Greece for assistance which meet the criteria of the Development Loan Fund.

Assigned to: ICA (DLF)

Target Date: Continuing

33. Continue to implement the Technical Cooperation program (see Pipeline Analysis), with emphasis on agricultural and industrial productivity and marketing.

Assigned to: ICA

Target Date: Continuing

34. Continue informal consultations with Greek economic ministries on their economic and financial policies, encouraging them to continue policies designed to maintain financial stability and reasonable economic growth.

Assigned to: ICA, State

Support: USIA

Target Date: Continuing

35. Encourage the Greek business and political community to recognize the importance of collaboration with private foreign capital and managerial talent, giving special attention to the need for local capital participation. Consider qualified American investments in Greece under the Investment Guaranty Program.

Assigned to: ICA, State

Support: Commerce (W), USIA

Target Date: Continuing

36. Encourage the development of appropriate national programs in the peaceful uses of atomic energy, including as appropriate, support for suitable research and training programs in the application of atomic energy to agriculture, medicine, industry and science.

Assigned to: AEC

Support: State, ICA

Target Date: Continuing

37. Encourage the Greek Government and business community to continue efforts to improve tourist facilities in Greece, particularly

better hotel facilities and improved highways. Consider requests for appropriate assistance in these efforts.

Assigned to: State, ICA
Target Date: Continuing

D. Information and Cultural

38. Continue information programs which include (1) operation of libraries and library programs; (2) assistance to the Greek Government in the establishment of Greek lending libraries; (3) distribution of books, periodicals, films and wireless file material; (4) production of periodicals, pamphlets and unattributed newsreel footage; (5) support of VOA and production of radio programs for VOA and local use; and (6) publication of selected American books by Greek publishers. In this connection, develop extensive personal contacts with Greek media representatives at all levels to facilitate placement and development of material favorable to U.S. objectives.

Assigned to: USIA
Support: State
Target Date: Continuing

39. Continue efforts to stimulate publicity for the Technical Cooperation, economic assistance and military aid programs for the purpose of creating a better understanding of their aims and benefits.

Assigned to: USIA
Support: ICA, Defense
Target Date: Continuing

40. Strengthen activities which will contribute to better relations between the U.S. military group and the Greek community.

Assigned to: USIA, Defense
Target Date: Continuing

41. Cooperate with Athens and Salonika Universities in the creation of curricula to include more subjects pertaining to U.S. history, literature, etc.

Assigned to: USIA, State
Target Date: Continuing

42. Strengthen existing cultural ties and counter the increasing efforts of the Soviets in this field by arranging for and supporting visits of American musicians, writers, artists and others through the President's Special International Program.

Assigned to: State, USIA
Target Date: Continuing

43. Stimulate activities to maintain ties with those Greeks who have studied or visited in U.S.

Assigned to: USIA
Support: State, Defense, ICA
Target Date: Continuing

44. Proceed as feasible with the establishment of a Greek-American cultural center financed in part from PL 480 funds when available, and in part by private contributions.

Assigned to: State, USIA
Target Date: Continuing

45. Continue the Exchange of Persons program under PL 402 with emphasis on political, educational and cultural leaders.

Assigned to: State, USIA
Target Date: Continuing

46. Continue to support U.S. educational institutions in Greece through PL 480 and Fulbright programs.

Assigned to: State, USIA
Target Date: Continuing

E. Internal Security

47. Proceed with a modest Technical Assistance Program in Civil Police Administration. This assistance as presently planned includes furnishing police advisers in such fields as administration and organization, training, laboratory and scientific investigation, communications, traffic control and other police matters, as well as furnishing a limited amount of commodity assistance. Be prepared upon request of the Greek Government to provide participant training in the United States or third countries for police officials.

Assigned to: ICA
Target Date: Continuing

48. Within available funds, in conformity with mutual security policy concerning the supply of military consumables, program and deliver uniforms and items of individual equipment, other than arms, to the Greek National Army, with the understanding that Home Defense Forces (among other internal security forces) are to be eligible to obtain uniforms and items of individual equipment thus rendered surplus to the army.

Assigned to: Defense
Target Date: Continuing

Note: Latest National Intelligence Estimate is:

NIE 32-56, The Outlook for Greece, June 26, 1956.¹¹

¹¹For text, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 566-567.

242. Memorandum From the Greek Government to the United States Government

Athens, undated.

The Greek Government believes that the elections of 11th May have revealed certain developments in public opinion in Greece, which must be studiously examined and also coped with effective measures. Apart from the known political reasons, the low standard of living and employment and the lack of the conditions for an optimistic prospect of future development, as they are progressively made aware of, constitute the main cause of the manifestation of 11th May.

It is not possible to escape anyone's attention that the political and defensive contribution of a nation depends upon both the morale of the people, and its means of defence, as well as the material means available for its life and economic progress.

Greece is determined to make every possible effort in order to sustain an increase of her political and defensive contribution; if however a solid economic substratum is not ensured for this endeavor, there is a danger that people's resourcefulness will be shaken with a consequence that this effort will be put into jeopardy.

It is well known that defensive ability is directly related to the degree of military preparedness of a country as well as to the morale of its people. The morale of every people is affected from the overall economic situation and from optimistic or pessimistic expectations as to how the future will turn out to be.

With \$240 annual per capita income and with about one-fourth of our country's labour force either unemployed or underemployed, the need to take decisive measures in an effort to establish confidence in the future becomes evident.

For the confrontation of this situation, a decisive acceleration of economic development is deemed essential. Experience of recent years has shown once again that under the known strains and weaknesses of the Greek economy even a maximum domestic effort and mobilization of local resources cannot provide the warranted rate of progress without a positive and well-organized support from abroad and especially from the United States.

Source: Department of State, Central Files, 781.13/5-2958. Confidential. Sent to the Department of State as an enclosure to despatch 902 from Athens, May 29. In the despatch Riddleberger reported that Karamanlis handed him this memorandum during a May 26 discussion. Riddleberger reported on this discussion, which centered on the Cyprus issue, in telegram 3319 from Athens, May 26 (*ibid.*, 781.00/5-2658), and telegram 3323 from Athens, May 27 (*ibid.*, 411.8141/5-2758).

Sufficient and timely support would on the one hand make full use of all hitherto rendered aid, and on the other will contribute towards avoiding an economic impasse with unpredictable political consequences, the restoration of which would necessitate far greater sacrifices.

In view of the above, the Greek Government wishes to present the following proposals:

a) That, in view of the reduction by \$23 m. of the country's dollar reserves during 1957 and an anticipated increase of the level of imports by about \$50 million, the sum of \$10 million be put at the disposal of the Greek Government, within the fiscal year 1957-58.

b) That \$35 million in global or tripartite P.A.'s be issued as defense support grants. Because of the fall of freight rates and the current American recession, without adequate aid a further reduction of the country's dollar reserves must be certainly anticipated which would bring in its train cumulatively adverse consequences.

c) That any need of the Greek economy during the year 1958-59 in agricultural surpluses be met under Public Law 480.

d) That, considering the needs of the 5-year development program, some indication be given of current American economic aid if possible until 1962; otherwise a long-term view of the necessary investments, as it might be expected, would be very hard put to be effectively implemented.

e) That an immediate and positive answer is given to the proposals submitted about six months ago in connection to financial support from the D.L.F. first of the Nitrogenous Fertilizer and the Athens-Salonica road, and in succession of the Hydroelectric Plant of Acheloos and the Thermoelectric Plant of Ptolemais.

It is worth being noted that until about one year ago, the U.S. economic aid to Greece was of the order of \$40-50 m. Its effective fall to about \$20 million for Fiscal Year 1958 led to the consequential reduction of Greece's dollar reserves during 1957 of about \$23 million, a fall of about 12%.

The Greek Government would like to assume that her foregoing proposals will be met favourably and timely, in a spirit of mutual friendship and understanding of the immense difficulties laying ahead for both the Greek Government and the Greek people.

243. National Intelligence Estimate

NIE 32-58

Washington, September 23, 1958.

THE OUTLOOK FOR GREECE'S STABILITY AND FOREIGN POSITION¹

The Problem

To estimate probable developments in Greece over the next few years, with particular reference to the implications of the Cyprus problem, Greece's relations with the West and its role in NATO, and its orientation vis-à-vis the Soviet Bloc.

Conclusions

1. Prime Minister Karamanlis' National Radical Union (ERE) won a clear parliamentary majority in the 1958 elections and may retain power for several years. However, there is a possibility that the elements composing ERE might disintegrate, making new elections necessary, although we believe the chances of this happening within the next two years or so are less than even. Moreover, Karamanlis himself might choose to resign at any time as a means of underlining dissatisfaction over the course of the Cyprus controversy. (Paras. 8, 12-13, 17)

2. The elections demonstrated a marked increase in the appeal of the extreme left, with the Communist-front United Democratic Left (EDA) more than doubling its previous vote and emerging as the principal opposition party. This weakening of the center, trending towards political polarization between the right and the extreme left, appears likely to continue. The forces represented by EDA may in the process gain as much as a third of the popular vote in future elections. (Paras. 9-10)

3. We do not believe, however, that EDA will gain any participation in the government within the next few years. In the event of Karamanlis' resignation, any EDA bid for power would almost certainly

Source: Department of State, INR-NIE Files. Secret. A note on the cover sheet reads in part as follows:

"Submitted by the Director of Central Intelligence. 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 United States Intelligence Board on 23 September 1958."

¹ The present estimate is largely confined to Greece's political stability and foreign policy. Much of the discussion of basic political, economic and military conditions and prospects in NIE 32-56, "The Outlook for Greece," 26 June 1956, remains valid. [Footnote in the source text.]

be blocked through establishment of a Palace-backed anti-Communist coalition, or possibly by creation of an authoritarian regime based on military support. (Paras. 11–12)

4. A substantial factor in EDA's growth is discontent over conditions of chronic unemployment, low living standards and lack of economic opportunities. There is little likelihood that the Greek Government can ameliorate these conditions unless it receives large-scale external economic aid. Whether or not it receives such aid, the government will nevertheless be under considerable pressure to embark on a sizeable program of economic development, although such a program would be a serious threat to the delicate stability of the Greek economy. (Paras. 14–16)

5. We foresee little chance that the Cyprus issue will be settled, during the period of this estimate, on terms sufficiently satisfactory to the Greeks to eliminate it as a source of severe strains in Greek relations with the UK and particularly with Turkey. The Greeks would respond bitterly to any moves by the UK that appeared to lead toward partition of Cyprus, and they are convinced that the present UK plan has this effect. If the UK goes ahead with the plan—as now appears likely—Greece's reaction might include at least a partial disengagement from its NATO obligations. There would almost certainly be critical strains in Greek-Turkish relations if not a complete disruption, and the danger of wide-spread violence on Cyprus itself would be great. If the US publicly supported the present British plan, American influence in Greece would be seriously affected. (Paras. 17–23)

6. Barring an extremely serious deterioration of the Cyprus situation, Greece will probably remain active in NATO and continue to permit operation of existing US and NATO military facilities on its territory, and may even permit establishment of missile bases under NATO aegis. The growth of neutralist sentiment, however, and particularly Greece's sense of disenchantment with its Western allies over the Cyprus issue will probably impel Greece to take a more independent line in NATO and UN affairs affecting Greek interests. This tendency would be modified though not entirely offset by increased US economic aid or markedly greater US sympathy and support for Greece on the Cyprus question. (Paras. 26–28)

7. Greece is not likely to prove receptive to Soviet political blandishments or to accept significant Bloc economic aid during the next several years. Greek trade with the Bloc, however, will probably continue to grow, and this, together with the present trend toward normalization of Greek-Bloc relations, may increase the popular appeal of neutralism. (Paras. 33–34)

[Here follows the "Discussion" section.]

244. Telegram From the Embassy in Turkey to the Department of State

Ankara, September 28, 1958, 8 a.m.

1061. From Dillon.¹ Pass Defense for Sprague. While Greek economy moving forward rapidly with internal stability, this situation seriously threatened by drain on foreign exchange reserves. My best guess is that calendar year 1959 might see loss of Greek foreign exchange amounting to as much as \$45 million before American aid. Strict control of defense requests might reduce this to order of \$35 million. Unless this eliminated, or very substantially reduced, we can expect loss of confidence in Greek currency with resulting internal dislocations. Figure would have been considerably larger except for import and credit restrictions recently taken by Greek Government which should improve Greek foreign exchange position by about \$20 million next year and by maybe a further \$10 million in 1960, thus reducing 1960 deficit to about \$35 million. Greek Government has asked for \$53 million in American aid in calendar year 1959 as they estimate balance of payments deficit somewhat higher than we do. Without political complication of Cyprus situation, I would feel that \$20 million for Fiscal Year 1959 defense support plus about \$12–13 million from military assistance funds for purchase of “common support items” making effective total of \$32–33 million would have been adequate. If Cyprus turns for worse, Greeks may well feel that this is a punitive reduction from their own estimated requirement of \$53 million and intensive effort may be necessary to increase our help. In any event, Department should use every effort with Defense to ensure figure of \$12–13 million for common support items in Fiscal Year 1959. Defense support figure of \$30 million recommended for Fiscal Year 1960 in order enable reduction military assistance funds for common support items to \$5 million or less. Estimate total of \$35 million these two categories will be required in Fiscal Year 1960.

Greece’s economic planning for long term seems well oriented and gives promise of favorable development. Import costs will be reduced by creation of fertilizer plants, and foreign exchange earnings will be increased by continued growth in diversified agricultural exports as well as by foreseeable substantial increase in tourist receipts once hotel accommodations, presently under construction, are completed.

Source: Department of State, Central Files, 781.5–MSP/9–2858. Secret. Repeated to Athens.

¹Dillon visited Athens September 25–27, together with DLF Director Dempster McIntosh, and held talks with Greek officials. He flew to Ankara on the evening of September 27.

However, magnitude of Greek defense effort poses major problem. I do not feel it is consistent with desirability continued economic development for Greece to spend much over 4-1/2 percent of GNP for military purposes. Military expenditures under present plans will rise rather than fall with introduction of new weapons. This will mean increased requirements for US aid, the need for which could well reach as much as \$50 to \$60 million a year. The alternatives are two-fold: First, a serious effort to reduce cost of Greek defense effort. Holcombe informs me that Greek use of equipment and ammunition for training purposes considerably higher than comparable MAP supported countries. If such reduction is to take place it will require high level decision by Defense and new instructions for JUSMAGG.

I am afraid, however, that even with whatever reductions in maintenance costs may be possible, defense expenditures will still remain too large to allow adequate economic development without very substantial and continuing US aid. Therefore, unless US prepared to face up to such an aid requirement of which I doubt feasibility in view recent Congressional reactions to military assistance, substantial reduction must be made in Greece's defense effort, even though this might involve failure to meet some MC 70² goals. It will also involve difficult problem with Greeks who feel present forces necessary for defense against ancient Bulgarian enemy. Nevertheless, Greece is clearly one country where scope of defense effort requires prompt and serious review. In this connection see Riddleberger's views on military assistance in Athens despatch number 93.³

Hall

² The MC-70 Program, approved by NATO in May 1958, established a Minimum Essential Force Requirements plan for the period 1958-1963 for each member state. Documentation on the implementation of MC-70 is in volume VII, Part 1.

³ Despatch 93, August 4, reviewed U.S. aid programs for Greece for fiscal year 1960. (Department of State, Central Files, 781.5-MSP/8-458)

245. Letter From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) to the Ambassador to Greece (Riddleberger)

Washington, September 29, 1958.

[Source: Department of State, Central Files, 781.00/9–2958. Secret; Official–Informal; Limit Distribution. 3 pages of source text not declassified.]

246. Telegram From the Embassy in Greece to the Department of State

Athens, October 2, 1958, 4 p.m.

897. 1. We have learned that Fotis Makris, Secretary General Greek General Confederation of Labor (GSEE) sent letters dated September 26 to George Meany and Walter Reuther of AF of L–CIO:

- a. Alleging GOG withholding labor funds due GSEE in order prevent triennial conference October 15;¹
- b. Attacking government for interfering with trade union movement; and
- c. Requesting AF of L–CIO grant or lend approximately ten thousand dollars finance conference.

2. For Department's background in event matter under discussion with AF of L–CIO:

- a. Recent similar request addressed ICFTU and ERO for twelve thousand dollars was refused;
- b. Schevenels in August made strong criticism Makris administration;
- c. Kyriakopoulos, Deputy Secretary GSEE, broke last week with Makris and is expected challenge Makris for leadership at conference.
- d. Makris' name, mentioned in a corruption case few months ago, was mentioned again last week in another corruption trial;

Source: Department of State, Central Files, 881.062/10–258. Confidential. Repeated to Brussels.

¹Reference is to the Panhellenic Labor Conference.

e. Makris' high-handed administration and opportunistic playing with Communists to counteract growing opposition within GSEE to his leadership have made him many enemies and there is now strong movement from below to oust him;

f. Not yet certain GOG will withhold funds. Minister Labor Dimitratos told Embassy officer last week he has not yet decided what to do about releasing funds;

g. Strong indications government is working with Kyriakopoulos and other trade union leaders to oust Makris, or at very least curb his power, and to induce GSEE adopt constitutional changes that would permit more vigorous measures to combat Communist penetration of trade unions;

h. AF of L-CIO support for Makris at this juncture would be used by Makris to fortify his position in current struggle over leadership and policy.

[1 paragraph (4 lines of source text) not declassified]²

Riddleberger

²In telegram 1119, October 6, the Department of State replied that it was unlikely that the AFL-CIO would respond to Makris' appeal. (Department of State, Central Files, 881.062/10-258)

247. Memorandum of Conversation

Athens, October 21, 1958.

[Source: Department of State, Greek Desk Files: Lot 61 D 1, Political Parties. Secret; Limited Distribution. 4 pages of source text not declassified.]

248. Editorial Note

Queen Frederika of Greece visited the United States October 21–December 14. Her visit was an informal one primarily concerned with studying the U.S. atomic energy program. The Queen was in Washington October 22–25 for discussions with Department of State officials and on December 9 for a meeting with President Eisenhower. No records of her talks with Department of State officials have been found. In an October 30 letter, Rountree reported to Riddleberger that discussions with the Queen centered on the Cyprus question. (Department of State, Greek Desk Files: Lot 61 D 1, Athens Embassy) During her December 9 meeting with Eisenhower, the Queen discussed prospects for world peace and disarmament. A memorandum of this conversation is in the Eisenhower Library, Whitman File, DDE Diaries.

249. Telegram From the Department of State to the Embassy in Greece

Washington, November 14, 1958, 6:22 p.m.

1489. Athens Despatch 348.¹ Department officials have discussed recent triennial Greek Labor Conference with Irving Brown, AFL–CIO European representative. Brown reserved and careful in statements. He said Schevenels might have spoken unwisely “in the heat of the convention”.² Brown said he withholding judgment events pending Schevenels statement at ICFTU Executive Council meeting now scheduled Brussels November 24. Brown volunteered he has not been in Greece since May 1957 in order avoid involvement in Theorodu–Makris differences. Recent failure Brown appear Athens result his continued determination this regard. While Brown well aware Makris embracing communist support represents setback Western interests [*1 line of source text not declassified*].

Source: Department of State, Central Files, 881.062/10–3158. Confidential. Drafted by Finch. Also sent to Brussels and repeated to Geneva and Salonika.

¹ Despatch 348, November 3, reported on discussions with Schevenels while he was in Greece attending the Panhellenic Labor Congress. (*Ibid.*, 881.062/11–358)

² Reference is to Schevenels’ opposition to a resolution put forward by the anti-Communist faction at the GSEE congress and his public attack on Greece as a “police state.”

While professing continuing friendship all elements Greek labor leaders, Brown conclusion is that only Makris has sufficient stature in Greek labor movement and among Greek politicians to qualify as national labor leader. Theorodu was described as able, but requiring further "seasoning". [2 lines of source text not declassified]

Brown confirmed his recent meeting with Makris in Paris. Brown, alleging that he gave Makris no encouragement that aid would be forthcoming. [2 lines of source text not declassified] In view Makris' present indebtedness communists, Brown believes it unlikely even moral encouragement forthcoming.

Embassy Brussels requested report fully Greek question as discussed ICFTU meeting.³

Foregoing conversations took place prior receipt referenced despatch. In view Embassy suggestions Department officials will make further effort ascertain AFL-CIO views and intentions.

Dulles

³ Telegram 708 from Brussels, November 17, reported that the ICFTU would propose a \$25,000 grant to GSEE in order to keep Makris "in the free camp." (Department of State, Central Files, 881.062/11-1758)

250. Telegram From the Embassy in Belgium to the Department of State

Brussels, December 1, 1958, 5 p.m.

825. Deptel 922.¹ ICFTU tells us \$25,000 appropriated from solidarity fund for Greek GSEE as initial step in aid program which will be given under "most stringent conditions" including efforts reform dues structure, reconstruction GSEE along conventional union lines, new ap-

Source: Department of State, Central Files, 881.062/12-158. Confidential. Repeated to Athens and Paris.

¹ Telegram 922, November 19, reported on discussions in the Department of State with Brown and Michael Ross concerning the AFL-CIO position on ICFTU aid to the GSEE. (*Ibid.*, 881.062/11-358)

proach collective bargaining and "disentanglement" from government. The \$25,000 for immediate use paying bills but as with all subsequent aid it must be matched "drachma for drachma" by GSEE and will be dispensed under supervision of yet unnamed ICFTU representative who must be satisfied matching GSEE funds come from union sources.

ICFTU does not envision attempt call new congress GSEE but representative will work toward bringing Theodorou group and others back into GSEE in interest building strong unified free movement. ICFTU's Malles and Millard say no one has any illusions about quality of Makris but board members and Irving Brown agreed no other course at this time but to try work with him under very strict supervision. They say ICFTU of course will make every effort decrease or eliminate Communist influence GSEE and offer reassurance that "every step" taken ICFTU will be made with this in mind. ICFTU plans reassess situation March 1959.

ICFTU leaders recognize Greek Government belief it can control Communist labor under present subsidy system but they charge this only temporary at best and that better way defeat Communists is promote independent effective union movement along lines ICFTU program. Millard says that throughout lengthy GSEE discussions Irving Brown performance "excellent" and while disagreed on certain points he generally backed program as drawn by Millard. "Disentanglement" was term used by Brown throughout board session, referring to reduction government control unions, according to Malles. British TUC's Tewson and ICFTU President Geijer went along only reluctantly with program.

Millard hopes Greek Government will take friendly view ICFTU efforts and expressed interest higher level discussion GSEE issues with US Government representatives in hope enlisting US support "selling" to Greek Government ICFTU views regarding "disentanglement". [2-1/2 lines of source text not declassified]

Sprouse

251. Operations Coordinating Board Report

Washington, December 17, 1958.

OPERATIONS COORDINATING BOARD
REPORT ON GREECE (NSC 5718/1)¹
(Approved by President—August 5, 1957)

(Period Covered: From May 15, 1958 Through December 17, 1958)

A. Summary Evaluation

1. The Cyprus issue remained unresolved and there was a somewhat less favorable attitude toward the U.S. because of a popular feeling in Greece that its NATO allies, especially the U.S., have let Greece down on this crucial issue.

2. On the surface the political stability enjoyed over the last six years continued, but several factors had an increasingly adverse effect on this stability. These factors include popular frustration over Cyprus, discontent stemming from social and economic grievances and the marked absence of effective political leadership in the center and moderate left. The danger of future instability was highlighted by the results of the May 1958 elections which, although they gave the governing National Radical Union (ERE) of Karamanlis an increased majority, also saw a sharp increase in the extreme left at the expense of moderate opposition elements.

3. The effectiveness of the Greek armed forces continued to increase with U.S. assistance. A major problem confronting the Greek and U.S. Governments is the cost involved in providing for a modernized defense establishment of the kind and size called for by the NATO planning document entitled MC-70.² Greece is already bearing a very heavy defense burden and a significant increase in U.S. aid is not likely. Several steps to meet this problem are under study, including one to de-

Source: Department of State, OCB Files: Lot 62 D 430, Greece. Secret. A title page, covering memorandum, and four annexes (a survey of additional major developments, a summary of Sino-Soviet activities in Greece, a financial survey, and an MSP pipeline analysis) are not printed. In the undated covering memorandum, Bromley Smith, Executive Officer of the OCB, noted that the Board revised and concurred in the draft report on December 17 with the understanding that its suggestions for revision would be included prior to transmittal of the report to the NSC. No copy of the draft report has been found. Smith also reported that the NSC had noted the report on January 23. The minutes of the December 17 OCB meeting are *ibid.*, Minutes VI.

¹ For text of NSC 5718/1, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 585-592.

² See footnote 2, Document 244.

termine the extent to which the cost of modernization of Greek forces called for by NATO MC-70 could be offset by reducing those national forces which are in excess of MC-70 goals. However, Greek political considerations, especially Greek sensitivity regarding the Turkish military position, may cause Greece to resist any proposals to pare its conventional national forces and limit military buildup plans.

4. Greek Government plans for economic development have been strengthened by the extension in November 1958 of a West German Government loan of \$47.6 million and a German Government guarantee on commercial credits totaling \$95.2 million.

5. No review of U.S. Policy Toward Greece (NSC 5718/1) is recommended.

B. Major Operating Problems or Difficulties Facing the United States

6. *Cyprus and Greek Allegiance to NATO.* In the absence of a settlement of the Cyprus question, Greek relations with the U.K. and particularly with Turkey deteriorated further, with little immediate prospect for improvement. Greek-Turk cooperation within NATO has virtually ceased, following Greek withdrawal in June 1958 from NATO Southeast headquarters at Izmir, Turkey.³ Even though the Karamanlis Government considers itself bound to the West by solid interest and commitments, the effect on public opinion of a further worsening of the Cyprus dispute could bring about some further weakening of the NATO ties. It seems probable that Greece will follow at best a more independent line in NATO affairs and in matters affecting U.S. interests elsewhere, especially in the UN, so long as the Greek sense of annoyance with its allies over the Cyprus issue persists. Partially in view of this situation no approach has yet been made by NATO to obtain agreement for the establishment of NATO missile sites or atomic storage facilities in Greece. Action to obtain Greek agreement to base right for the U.S. at the NATO infrastructure field at Andravida was postponed.

Status of U.S. Actions. The U.S. has continued to seek through quiet diplomacy to help bring about agreement among Greece, Turkey and the U.K. on Cyprus. It has actively assisted the NATO Secretary General in his efforts to get agreement by the principal parties to an international conference and was instrumental in obtaining concessions from British, Greeks and Turks toward this end.⁴ Although these efforts have not as yet succeeded they appear to have at least temporarily halted the Greek public trend away from support for NATO. However, the U.S. has not been able to take a stand on the Cyprus issue to the satisfaction of Greece

³ June 14–15.

⁴ For documentation on U.S. efforts to find a solution to the Cyprus question within the framework of NATO, see Part 1, Documents 242 ff.

and no agreement has been achieved on either an interim solution or on the makeup or agenda of a conference to discuss the matter. The United States intends to continue to place major reliance on NATO as the most appropriate area in which to pursue efforts for a solution.

7. *Declining Greek Support for U.S. Policies.* a. During the past two years there has been a gradual decline in the degree of Greek support for U.S. policies generally. This has been most evident on issues in which Greece has a direct interest, such as Middle East developments, but also on such other matters as policy toward Communist China. In the Middle East, Greece has for some time criticized our approach toward Arab nationalism. During the Lebanese landings,⁵ it was only with much difficulty that landing and overflight rights were obtained for U.S. aircraft, and even then all operations had to be conducted in secrecy at the request of the Government. (See paragraphs 13 and 14.) Some Greek officials reportedly have also given thought to greater Greek collaboration with the Cairo-Belgrade type of neutralism. During voting at the 13th UN General Assembly on the question of Communist Chinese representation, a Greek decision to vote in favor of the Chinese People's Republic was changed to abstention only at the last moment.⁶ This was the most significant departure to date from previous Greek policy of generally supporting U.S. positions in the UN. The Greek Government has also recently issued a decree removing the restrictions on Greek shipping calling at Chinese Mainland and North Korean ports.⁷ A ban on traffic in strategic goods to these ports continues, but there is some danger that this will be circumvented by chartering of presently laid-up Greek shipping to certain Bloc countries, notably Czechoslovakia.

b. Although the Cyprus issue has undoubtedly greatly aggravated this trend away from support for U.S. policies, it probably stems from basic changes in Greek attitudes over the past several years. These include a growing sense of national self-confidence and a desire to demonstrate a more independent role in foreign affairs, a decline in the popular Greek estimate of the danger from the Soviet Bloc and to Greek reactions to reduced American economic aid levels. On Middle East policies, it also reflects Greek conviction that U.S. policies fail to recognize the strength of Arab nationalism and place excessive reliance on Turkey.

Status of U.S. Actions. The U.S. has sought to demonstrate, in conversations with Greek officials and through appropriate use of political

⁵ U.S. forces were sent to Lebanon on July 15 after a coup in Iraq toppled the monarchy.

⁶ September 19. Discussion of Chinese admission was put off by a vote of 12 to 7 with 2 abstentions.

⁷ Announced on August 14 and effective August 15.

influence, that Greece's continued independence and national integrity can best be assured in close cooperation with the U.S. and in NATO. We have emphasized repeatedly our hope that frustration over Cyprus will not be allowed to weaken Greece's Western ties or adversely to affect the broad range of U.S.-Greek relations. USIS informational activities have been concentrated on the importance of NATO to Greece's security and continued independence. During the Lebanese operation, arrangements were made for Greek and other journalists to visit Lebanon and observe American units there. This resulted in good press coverage, but probably had little effect on over-all Greek attitudes toward U.S. Middle East policy. It is recognized that success in all these efforts will be limited so long as the Cyprus issue remains unresolved.

8. *Unsatisfactory Trends in Greek Domestic Politics.* a. Although the Greek Government remains firmly in the hands of pro-Western conservative leaders who are committed to the broad lines of policy followed in the past, the present political trend is toward a polarization between the right and the extreme left, at the expense of the center and moderate left groups. This trend may threaten the relative political stability of the past six years. This polarization was demonstrated in the May 1958 elections when the Communist-front United Democratic Left (EDA) won an impressive 25 percent of the popular vote, compared with about 10 percent in previous elections, and as a party became the principal opposition group in Parliament. The trend has not been ameliorated by the continued splintering of the non-Communist opposition parties and the marked absence of new and inspiring leadership among them. At the same time EDA has been effectively improving its party organization throughout the country and actively exploits chronic economic discontent. This discontent has probably been accented rather than allayed by recent increases in gross national product because of a feeling that a disproportionate share of the income has gone to the higher income groups. In this situation and in view of rising public frustration over Cyprus, the EDA might gain even greater popular support in the event of new elections. This danger has led to talk among some opposition leaders and some of the press of the desirability of a broadened government to include some of the present non-Communist opposition. There have also been rumors of a rightist dictatorship with or without Royal acquiescence should the present Government fall.

b. Continued strengthening of extreme leftist elements poses a threat to internal security as well as to broad lines of policy in Greek-NATO defense matters, as memories of the civil war with the Communist guerrillas have faded and as Greek Communist-front elements have been made more respectable. Soviet efforts in the diplomatic, trade and cultural lines have helped in this regard and previous experience with communism is taking a back seat to the Cyprus issue. Communist ele-

ments have also made disturbing inroads in the Greek trade union organization, highlighted by the action of the GSEE trade union congress in October 1958 in readmitting certain Communist-dominated labor federations into the GSEE.

Status of U.S. Actions. The United States seeks to demonstrate, through the entire range of U.S. policy in Greece and especially through its economic aid and technical assistance programs, that social process and economic development are possible in Greece within the framework of that country's present democratic system. Greece's recovery from World War II and from the Communist guerrilla warfare of 1945-49, and its economic growth since then was made possible by a combination of Greece's own efforts and U.S. economic aid which has totaled more than \$1.5 billion since June 1947. Currently, U.S. efforts to counter unsatisfactory trends in Greek domestic politics are handicapped by Greek concentration on the Cyprus issue and a tendency to judge everything in terms of that issue. Nevertheless, through our programs in Greece, efforts are being made to continue to identify the United States as effectively as possible with the aspirations of the Greeks for improved economic and social conditions. [8-1/2 lines of source text not declassified]

9. *Greek Defense Program.* a. U.S. policy has provided for a review of the possibility of achieving a reduction of NATO-approved force levels for Greece and, in phase with the effective integration of advanced weapons in the Greek armed forces, appropriate revision of Greek force levels in the light of NATO requirements. Our policy has also looked toward the assumption by Greece of a larger share of the cost of the Greek defense establishment.

b. Total defense expenditures for Greece have been steadily increasing over the past several years, including those for recurring maintenance requirements. While the Greek portion of total defense expenditures has remained relatively constant, it already imposes one of the heaviest defense burdens in NATO relative to available national resources. With a per capita income of only about \$280, Greece currently spends about 5% of its Gross National Product for defense. Moreover, the Greek Government is under increasing political pressure to expand its economic development program, and the Greek economy has recently experienced some deterioration in its balance of payments and a loss of hard currency reserves. In view of these pressures, it would be difficult for Greece to expand its share of total defense expenditures to finance a defense modernization program without jeopardizing either its development plans or its hard-won financial stability.

c. The NATO document, MC-70, approved for planning purposes on May 9, 1958, concerns the major combat unit requirements of NATO through 1963. This document reflects an eventual reduction in

Greek army forces requirements approximating 20%, and a gradual and substantial modernization and force improvement in all three services, including the provision of certain short-range missile units. Fulfillment of these objectives cannot be realized without external aid. Further, the burden on the Greek economy would be excessive if the NATO MC-70 or MAP supported Army units were brought up to desired strengths without corresponding reductions among the units with purely national missions and which are in excess of MC-70 or MAP supported goals. If reductions can be achieved, the released resources might help reduce future defense costs in Greece to more manageable proportions. MAP objectives on a world-wide basis, including Greece, are currently under review and are expected to be completed in early February.

d. However, the problem of achieving such limitation or reduction in Greek defense forces is difficult because Greece's determination to maintain approximate military parity with Turkey has increased as relations over Cyprus have worsened. Greek fears of Bulgaria also remain strong. Consequently, it can be expected that Greece will continue its military spending at somewhere near current levels and will put increasing pressure on the U.S. for additional defense support assistance to permit a continuing defense buildup. The outlook is that Greece will retain its national units in excess of NATO or MAP supported requirements while failing to bring the NATO MC-70 or MAP supported units up to higher strength levels, counting upon reservists in the event of emergency. It is possible, of course, that Greece would resort to domestic borrowing to continue a military buildup while increasing expenditures for economic development.

e. Greece has also been placing increasing emphasis on obtaining economic assistance from non-U.S. Western sources, and recently secured from West Germany a government loan of \$47.6 million; a government guarantee on commercial exporter credits of up to \$95.2 million and a promise of German technical assistance grants over the next five years totalling \$3.6 million. This is the first time since World War II that a Western European nation has provided substantial loans to Greece.

Status of U.S. Actions. In the current fiscal year the U.S. increased defense support assistance to \$20 million from \$15 million in FY 1958 and is providing Construction and Consumables assistance under MAP valued at \$12 million as against \$6 million in FY 1958—to ease the resource and foreign exchange burden imposed on Greece by the defense program. With regard to future years, a marked increase in U.S. defense support allocations is not likely. Therefore, it may be necessary, in connection with the implementation of MC-70 or MAP goals, to seek some reduction in forces maintained by Greece for purely national purposes, and the U.S. is now examining this question. The U.S. has also proposed to the Greek Ministry of Defense that it join us in a new effort to prevent

an increase in recurring maintenance costs in the Greek defense program. An analysis is being made of Embassy Athens recommendations that we seek Greek Government agreement to impose ceilings at present levels in Greek ground force personnel and in Greek-financed defense expenditures, provided these ceilings are not detrimental to NATO requirements. This study also includes consideration of cutting back on the more costly elements in future MAP, specifically certain advanced weapons. Depending upon the outcome of this analysis, consideration will be given to making representations along these lines to the Greek Government. It must be borne in mind, however, that Greek receptivity to all these proposals will be limited by the politico-military factors described above, including Greek relations with Turkey and Bulgaria.

Note: See NIE 32-58, *The Outlook for Greece's Stability and Foreign Position*, September 23, 1958.⁸

³ Document 243.

252. Editorial Note

On December 17, the Operations Coordinating Board reviewed and revised an Operations Plan for Greece dated December 12. The Operations Plan adopted on December 17 contained minor revisions to the text of the May 21 Operations Plan (Document 241). The text of the December 17 Operations Plan is in Department of State, OCB Files: Lot 62 D 430, Greece. Minutes of the December 17 OCB meeting are *ibid.*, Minutes VII.

253. Editorial Note

On January 2, 1959, General Lauris Norstad, Supreme Allied Commander, Europe, informed the military representatives of the Greek and Turkish Governments at NATO Headquarters in Paris that he was ready to initiate formal discussions regarding the deployment of IRBMs in Greece and Turkey. For documentation on the U.S. decision to place intermediate range ballistic missiles in Greece and Turkey, see Documents 331 ff.

254. Memorandum of Conversation

Washington, January 20, 1959.

SUBJECT

Greek Bond Negotiations

PARTICIPANTS

Greek Ambassador Alexis S. Liatis

Mr. Douglas Dillon, Under Secretary of State

Mr. Hamlin Robinson, E

The Greek Ambassador opened the conversation by referring to the common market and free trade area discussions, and asked Mr. Dillon whether he had any information about the development fund and other longer term aspects of the European economic integration movement of particular concern to the lesser developed countries of the area. Mr. Dillon said he was not aware of any recent developments in this aspect of the discussions in Paris, and presumed that everyone was so preoccupied with the recent crisis that these matters had been put aside for the moment.

The Greek Ambassador alluded briefly to the current discussions between Mr. Gazis, of the Bank of Greece, and Dr. Dana Munro, President of the Foreign Bondholders Protective Council. Mr. Dillon said he

was informed of the general nature of these discussions, and had the feeling that the time was ripe for a compromise which could lead to final agreement. Whereas the Greeks and the Council had been thinking in terms of an ultimate annual service burden of around \$7 million and \$8.2 million respectively, he suggested that something like \$7.5 million might possibly lead to agreement. He noted that the Council felt that a 12-year period for reaching this figure was too long, and wondered whether a lower figure of 9 or 10 years, for example, might be acceptable to both sides. Mr. Dillon added that the U.S. Government was very interested in the successful conclusion of these negotiations, particularly so as to remove this impediment to the possibility of International Bank loans.

The Greek Ambassador said he also felt that an effort should be made to reach agreement on the bonds at this time. He said that he was urging Mr. Gazis to return to Athens to explain the situation and seek further instructions which might enable him to reach agreement with the Council. He said that he would talk further to Mr. Gazis and would convey Mr. Dillon's views to him. The Ambassador said that he was considering a short visit to Greece in the near future himself, at which time he would use his influence to resolve the present impasse.

In connection with his possible trip, the Ambassador referred to the DLF loan which he expects to sign within a few days, and said that he would welcome Mr. Dillon's suggestions for any other matters which he might discuss with his government while in Athens.

Mr. Dillon said there was one other matter which concerned him. This related to the dispute with the contractors building the NATO air base in Crete.¹ He could not understand why this problem never seemed to get resolved. The Greek Ambassador said his Government was not prepared to accept the principle involved in recognizing the contractors' claim as it would affect other contracts in which the Greek Government itself is directly involved. He felt that it should be possible to agree on a lump sum settlement without relating it to the particular issues involved and he would recommend that his Government seek this way out. Mr. Dillon said that he had been unaware of the basic issue as outlined by the Ambassador, and agreed that the latter's suggestion seemed to offer a practical way of resolving the difficulty.

On January 21 I conveyed the gist of the foregoing discussion of the Greek bond negotiations to Dr. Dana Munro by telephone. He was very appreciative of the push the Department had given to this matter and

¹ Reference is to claims made for payment against the Greek Government by Joint Venture, an American company, in connection with the construction of an airfield at Souda Bay in Crete. Documentation on these claims is *ibid.*, 781.5.

agreed that a favorable basis had been laid upon which final agreement might well be possible.

He said he would await a further approach from Mr. Gazis whom he expected to see at a social occasion later this week.

255. Memorandum of Conversation

Athens, January 29, 1959, 10 a.m.

SUBJECT

McGhee Meeting with Greek Prime Minister¹

PARTICIPANTS

The Prime Minister
The Honorable George McGhee
Mr. S. D. Berger, Chargé d'Affaires a.i.
Mr. Kenneth Iverson, McGhee Committee
Mr. Stephen Calligas, American Embassy (Interpreter)

1. Mr. McGhee called on the Prime Minister on Thursday, January 29, 1959, at 10:00 a.m. He was accompanied by the Chargé d'Affaires a.i. and by Mr. Iverson of his party. The Prime Minister, who prefers speaking in Greek, on this occasion spoke English and spoke it quite well, only now and then turning to the Embassy interpreter for a phrase or to elucidate a point he wanted to make sure was understood.

Economic Development

2. Mr. McGhee, after saying how happy he was to see the Prime Minister again, expressed his great satisfaction at the astonishing progress which had been accomplished in Greece since he worked on Greek problems ten years ago.² Mr. McGhee mentioned the strong position of

Source: Department of State, Greek Desk Files: Lot 61 D 131, Economic Aid. Secret. Drafted by Berger. The meeting was held in the Prime Minister's office.

¹ McGhee headed a three-man subcommittee of the President's Committee To Study the U.S. Military Assistance Program (the Draper Committee), which visited Athens January 28–30 to study Greek utilization of U.S. military aid.

² McGhee served as Coordinator for Truman Doctrine Aid for Greece and Turkey, 1947–1949.

the drachma, expanding production and trade, and the extensive construction that he had seen in Athens.

3. The Prime Minister agreed that rapid progress had been made during the last five years but there still remained much to be done. The goal he had set during the last three years was to restore confidence in the drachma and bring about a stabilization in prices. This had been achieved as a result of which the people were now depositing their savings in the banks. Greece has a balanced budget, the Prime Minister said, and the great need now is more and more funds for investment purposes. Much had been done for the people in the cities and industrial areas for they represented the basic economic strength of the country and had to be given priority. Very little had been done for the rural population, and nothing for the mountain people. These represent 60% of the population, were intensely nationalist and anti-communist, and the backbone of political stability. The villagers have tiny plots of land which barely suffice to keep them alive and the mountain people live on air and rocks. Something had soon to be done for them, or the communist virus would begin to affect them. Industrial investment, the rural and mountain peoples, and unemployment and underemployment represented Greece's main problems to which he must address himself.

4. His main hope rested in a rapid expansion of the industrial sector. He referred to the need for a steel industry, and the processing of the extensive mineral wealth of the country which is now mostly exported as ore when it could be advantageously processed locally. Tourism offers great possibilities. More hotels and roads are essential. For all these reasons Greece is still an underdeveloped country.

5. The Prime Minister said the Government had plans and programs but the great need was for capital. The Government had been greatly facilitated by the increase in domestic savings deposits and had managed to find \$28 million for investment in the national budget. Outside help was essential. To accomplish anything he had to put together capital from all these sources to get some of the big projects through. He referred to the \$12 million DLF loan for the nitrogenous fertilizer plant which Greece had recently been granted which had been supplemented by German capital and some domestic capital.

6. The Prime Minister said that the U.S. had spent some three billion dollars in Greece which had enabled the country to preserve its independence and to reach its present level of stability. By far the greater part of this enormous sum had been spent on the military to defeat the communists. The economic help from the U.S. had been important in putting the Greek economy on its feet but there had been a sharp decline in the volume of aid. The present stage is a critical one because Greece's economy is by no means out of the woods. It would be catastrophic if the people's confidence in the national economy were to be shaken at this

point. He made an earnest appeal that the U.S. does not for the sake of an additional \$10 or \$20 million of aid during the next two or three years, endanger its enormous investment in Greece which had produced the stability that Mr. McGhee had noted. An additional \$10 or \$20 million would make all the difference.

7. Mr. Karamanlis said that although the people had been subjected to many sacrifices—for example he had to say “No” to almost every demand for wage or salary increases—he would ask for still more sacrifices for a few more years. He was working at present on the promotion of tourism which had a high priority and on a five-year industrial development plan which had already been drawn up in a draft form. At the request of Mr. McGhee, he promised to let him have a copy.

Military Expenditures

8. Mr. McGhee asked the Prime Minister if the people felt that the military expenditures were too heavy a burden on the Greek budget. The Prime Minister replied that \$110 million of the Greek budget was spent on defense, whereas he could only allocate \$28 million of the budget to investment. This contrast was a constant source of trouble for him and was the favorite argument of the communists as well as of the centre opposition. Indeed he did not dare tell the people that the expenditure was \$110 million, and only admitted to \$100 million. The rest was buried in various sectors of the budget.

9. Mr. McGhee asked if the military expenditures were kept at their present level because the Prime Minister felt it was necessary to maintain the present level, or because NATO had asked that it be at this level. To this, the Prime Minister unhesitatingly replied that it was absolutely necessary for Greece to maintain her present level of armed forces, whether NATO asked for it or not, because of the pressure of her communist neighbors to the north and because of her delicate geographic position. He remarked that Bulgaria alone had an army twice the size of the Greek army, and was undertaking a vast industrial development program as well. This was giving rise to invidious comparisons in Greece, and EDA and the communists were making much of this in their propaganda. In a dictatorship it was easy to resolve many problems by forcing sacrifices on the people—it was not so easy in a democratic society, and Greece was a democracy.

10. When asked by Mr. McGhee if he anticipated a possible increase in military expenditures, he replied that because of new military equipment, new airplanes and ships which the U.S. is supplying Greece, it would be necessary to increase these expenses for the next two or three years by about 10% to 15% per year, which Greece could not afford. Greece welcomed these additions to their military strength, but the U.S. would need to pay for them. The Prime Minister then remarked

that aside from the guarantee which strong armed forces offer for the security of the nation, they were equally important so that Greece can be "correct" in her obligations toward NATO.

Cyprus

11. When Mr. McGhee remarked that he hoped there would be a revival of the tripartite pact with Turkey and Yugoslavia, this opened the question of Cyprus and the Prime Minister said there had of late been an improvement in Greco-Turkish relations. The Turks had shown good will. There were still several points on which Turkey insisted which it was quite impossible for Greece to agree—equality between the Greek and Turkish communities and Turkish military bases. It is also unpredictable what the British will do. Only this morning he had had the unfavorable news that the British would circulate electoral lists in Cyprus within a day or two.³ The Prime Minister then asked Mr. McGhee to give some advice to the Turks. They must remember that 82% of the Cypriots are Greeks and Orthodox and that union with Greece is a dream which has been cherished for several centuries. He could have gone down in the history of his country as a great man had he supported the desire of all Greeks for Enosis; but he had given up Enosis and was now called a traitor. He had agreed to give the Turkish Cypriots one-third representation although they were only entitled to 18%. He had made concession after concession and would concede no more. It was now time for the Turks to make concessions.

12. He thinks the Greek people have reacted magnificently to the humiliation and the slaps they have received from America, Turkey and their other allies. Notwithstanding this, the Prime Minister had, for the sake of restoring Greco-Turkish friendship, for the sake of Greece's other allies, renounced Enosis in favor of an independent Cyprus. He wants, however, Cyprus to be a member of NATO. He thinks that because of the geographic position of the island this would be a desirable situation for all concerned.

13. Mr. McGhee thanked the Prime Minister for the information he had given him which he would faithfully submit to the Draper Committee which would in turn submit its report to the President.

14. The interview was terminated at 11:00 a.m.

³ Reference is to the Surridge Commission's report, which recommended that the British Government establish separate municipal councils for Greek and Turkish Cypriots and hold prompt elections to fill them.

256. Telegram From the Embassy in Greece to the Embassy in Belgium

Athens, February 23, 1959, 3 p.m.

13. 1. ICFTU representative Levin examining Greek trade union situation, plans fly Brussels February 25 for three or four days consultation. Asked Embassy ascertain whereabouts Irving Brown and transmit message he anxious see him and can be reached via Israeli Mission Brussels.

2. Levin has achieved remarkable understanding of situation in three weeks. He has:

a) Resisted pressure from Makris to blast Greek Government for its failure turn over labor funds.

b) Recognized that Schevenel's October visit left labor situation in complete mess.

c) Come to conclusion Makris thoroughly unreliable and cooperating secretly with Communists.

d) In addition conferring with Markis established working relations with dissidents, despite Makris objection.

e) Been independently working on scheme to reunify trade union movement along same lines as advocated by Embassy.

f) Obtained dissident agreement to meet with GSEE.

3. GSEE executive will meet today to decide whether they will participate in joint meeting. Levin will attend to argue in favor. If they agree there will be joint meeting tomorrow. In any case Levin will leave for Brussels following day.

4. Dissidents have put following unassailable proposition to Levin: a) They are prepared return to GSEE if Makris will begin take action immediately under existing GSEE constitutional provision to expel Communist-dominated unions at all levels and to require all trade union members to sign statement they support ICFTU and oppose DSK (local Communist-front trade union center) and WFTU.

b) If Makris in next few months not merely agrees to but actually carries out this action, they will after proof of his good faith (i) call off their court action to declare October Panhellenic Congress illegal; (ii) give Makris and ICFTU verbal commitment they will support Makris for reelection to General Secretary at new labor congress to be held this year; (iii) make a joint approach to Minister Labor in effort to persuade him to release labor funds; and (iv) work with Makris to install proper dues system and to reconstitute GSEE in order strengthen national federations.

5. *Comment:* Foregoing program ideally designed put Makris on spot, and make it impossible for ICFTU to support Makris if he resists these eminently sensible proposals.

Makris knows he is cornered and has told Levin that key dissident proposition, i.e. expulsion of Communists and "loyalty pledge", not in consonance ICFTU policy as laid down by Schevenels. But this merely dodge and is evidence Makris' continued bad faith.

One purpose Levin's trip is to ascertain ICFTU view on this key proposition. Embassy also had evidence some members GSEE executive intend make demand on Makris to take initiative against Communists on same lines as advocated by dissidents.¹

6. Suggest Department consider passing substance this telegram to AFL-CIO and Brown.²

Berger

¹In telegram 1946 from Athens, February 25, Berger reported that Levin's proposal was rejected by the GSEE Executive at its February 23 meeting. The Executive instead adopted a plan calling for a vote by individual unions of the GSEE of a loyalty oath to the ICFTU. (*Ibid.*, 881.06/2-2559)

²Telegram 3061 from Paris, February 24, reported that Levin's message had been given to Brown. (*Ibid.*, 881.06/2-2459)

257. Telegram From the Embassy in Belgium to the Department of State

Brussels, March 4, 1959, 7 p.m.

1149. Athens telegrams 1919 and 1946 to Department.¹ ICFTU special representative Greece Zev Levin (Israeli) returning Athens March 5. His assessment Greek labor situation as outlined orally to Labor Attaché (which coincides with understanding Embassy Athens in reference telegrams) appears to have impressed ICFTU officials. Written report his

Source: Department of State, Central Files, 881.06/3-459. Confidential Repeated to Athens and Paris.

¹Telegram 1919 from Athens is printed as Document 256. Regarding telegram 1946, see footnote 1 thereto.

findings when completed will be submitted March 14–17 Geneva sub-committee meeting which will presumably decide future ICFTU policy toward Greek Confederation of Labor (GSEE).

Meanwhile ICFTU's Malles says Levin will continue press Greek program calling for:

(1) Reorganization GSEE along conventional trade union lines including establishment dues structure,

(2) Persuade Makris adopt meaningful anti-Communist GSEE position which will satisfy dissidents, and

(3) Setting of new GSEE congress which attended by dissidents. Malles thinks some progress made resolving situation since dissidents no longer demanding Makris ouster and have already indicated willingness attend another congress. He notes opposition Makris now consolidated mainly on Communist issue.

Malles says any attempt picture ICFTU as pro-Makris erroneous but that ICFTU has had no alternative but work with him as re-elected GenSec of affiliated organization whose Thirteenth Congress accepted as legal by Greek court. In any event, Malles says ICFTU holds Communists making inroads GSEE not because Makris but because GSEE bad movement. Says further very little additional ICFTU money, although authorized, will be given GSEE until Makris moves in direction program outlined above.²

Folger

²In despatch 786 from Athens, March 26, Berger reported that Makris had "made his peace" with Labor Minister Demetratos. The Greek Government had lifted its freeze on Labor Hearsh funds for GSEE and ended Makris' reliance on ICFTU aid. The dissidents within GSEE were "confused and demoralized" by Makris' reversal and the Communist press was mounting a violent attack on Makris as a "traitor." (Department of State, Central Files, 881.062/3-2659)

258. Editorial Note

On May 6, NATO Headquarters in Paris announced that the United States and Greece had signed bilateral agreements providing for the exchange of nuclear information of a military nature and for the training of Greek troops in the use of guided missiles and other nuclear weapons systems. The agreements did not provide for the establishment of U.S. missile bases in Greece. However, the announcement followed the December 1957 decision of NATO Ministers to place U.S. intermediate-

range ballistic missiles in Europe and the agreement with the Government of Italy for the establishment of IRBM bases. On May 8, the Bulgarian Government protested the agreement with Greece, and on May 14 the Soviet Union delivered a formal note of protest to the Greek Government. On May 20, in a note to the Greek Government, the Bulgarian Government revived proposals for the creation of a nuclear-free zone in the Balkans.

Pressure on the Greek Government to renounce its agreement with the United States increased in late May. Soviet Premier Nikita S. Khrushchev visited Albania May 25–June 6 and, in a series of speeches, threatened Greece, Italy, and other NATO nations with destruction for accepting U.S. missiles. In a speech on May 28 in Korytsa, a town along the Albanian border with Greece, Khrushchev coupled warnings against the introduction of U.S. nuclear arms with suggestions that Greece join the proposed Balkan nuclear-free zone and quit NATO. Karamanlis rejected Khrushchev's proposals in a speech given the same day.

On June 14, President Eisenhower sent the U.S.-Greek agreements to Congress. For texts, see *Congressional Record*, volume 105, pages 100028 and 10030. Simultaneously, the U.S. and Greek Governments announced that the Greek Army would be supplied with short-range missiles capable of carrying atomic warheads.

259. Telegram From the Embassy in Greece to the Department of State

Athens, May 29, 1959, 6 p.m.

2720. Paris for USRO, Thurston and CINCEUR.

1. CT concerned at indications its lack success in making clear to Washington agencies situation of confusion and frustration we are creating here by policies which continually increase military requirements without apparent regard for rigid limitations on local financing capability. Most recent indication this failure is Defense 960172 from OASD/ISA to USCINCEUR, repeated JUSMAGG Athens,¹ which suggests that

Source: Department of State, Central Files, 781.5-MSP/5-2959. Secret. Repeated to Paris.

¹Not found.

\$711,648 Nike housing and utilities costs be financed from \$12 million allocated to other material.

2. Essential facts of Greek defense budget situation, repeatedly set forth by country team, are, in simple terms, as follows. We do not believe Greeks will exceed self-financed military budget around \$135 million in 1959, and given local economic situation we do not feel they should. This amount plus US contribution of \$30 million (\$18 DS, net, and \$12 million other material) will not adequately and effectively sustain conventional forces required by program for realizing MC-70 goals. Utilization of above cited funds to meet additional requirements of special weapons program can only result in further retardation of progress in development of conventional forces.

3. We can not continue to impose additional defense burdens on country which is unable to bear its present load. US must either arrange finances special weapons program in manner which does not involve additional costs to Greeks, or MC-70 goals for conventional forces will fall even further short of realization. If latter alternative must be accepted obvious better if fact explicitly recognized by US, Greece and NATO and appropriate adjustments made in goals. This type of adjustment will obviously take time, and until it can be made, we feel strongly that US should not offer Greece additional advanced weapons unless provision made to finance local costs as well as hardware.

4. With respect to programs already initiated for Nike [*less than 1 line of source text not declassified*] believe that to extent local costs not covered by NATO infrastructure, US must provide additional funds—i.e., over and beyond \$18 million DS (net) and \$12 million DS already committed FY 1959.

Berger

260. Memorandum From President Eisenhower to Secretary of Defense McElroy

Washington, June 3, 1959.

I have noted press reports about the Soviet objection to our deploying IRBMs into Greece. In December, 1957, when you, Foster and I went to the NATO meeting, we made our position absolutely clear that we would not try to induce any NATO nation to accept IRBMs for deployment in its territory. We made it clear also that we would be ready to make these available to any nation that voluntarily requested them and where we believed their deployment would be useful as a deterrent and for defense.

In connection with the foregoing, I should like to have the following questions answered:

- (a). Do we in fact have a firm plan for stationing IRBMs in Greece?
- (b). Did the Greek government initiate a firm request for these weapons?
- (c). Assuming the answer to be "yes," did the appropriate NATO authority concur?
- (d). What additional numbers from the uniformed services would be stationed in Greece?
- (e). What would be the total number of such American strength in that country?
- (f). What particular advantage do we expect to gain from putting these weapons into Greece in view of the fact that country is both small and exposed?
- (g). Does the State Department see any great advantage in stationing these weapons in this particular country?
- (h). Finally, what additional sums for defense support and economic assistance will be requested of the Congress as a result of any such action?

I do not want this memorandum widely circulated or worked on by junior staffs. Except for a few statistics that I desire, these matters involve high policy and so I should like to have this paper handled by the fewest possible people.

DE

261. Telegram From the Embassy in Greece to Secretary of State Herter, at Geneva

Athens, June 12, 1959, 6 p.m.

24. Geneva for the Secretary. Paris for Thurston.

1. In conversation with Horner today, Foreign Minister Averoff laid particular stress on difficulties which GOG is facing in connection with possible decision to accept siting of missile bases on Greek soil. Averoff felt that on the whole public response to recent barrage Soviet notes and Soviet and Khrushchev threats¹ had been cool and firm. He feared, however, that should Yugoslavia and UAR take public stance in favor denuclearized Balkans, this would strike sympathetic chord with appreciable portion of Greek public. Fundamentally, Averoff thought question one of timing, and said he regretted GOG had not been able to retort to Khrushchev's visit by announcement acceptance missile bases. It should take a lesson from this and be fully prepared to seize another occasion which might present itself.

2. Averoff suggested there is need for high level consultation and close coordination between US and GOG on this matter. He suggested that if Secretary would find it possible to make brief stop in Athens while he is in Europe, this could be utilized both for consultation purposes and to prepare public opinion for acceptance base agreement. He would of course understand if Secretary were unable to come.

3. Embassy believes visit Athens, even if inevitably of few hours, could be useful reaffirmation US interest in and support for Greece in this hour of heavy tribulation, marked by synchronized pressure from Soviet bloc (Khrushchev visit Albania, and successive notes from USSR, Bulgaria and Rumania). Karamanlis few days ago said to me with some feeling that while reaction in Greece to these pressures generally positive, Soviets still have further weapons in their arsenal, particularly economic ones. Greece, continued Prime Minister, feels itself somewhat isolated from NATO, and considers its traditional friends, US and UK, doing little to help (this latter reference probably refers to GOG difficulties in economic realm, particularly over disposal of tobacco and what GOG considers to be lack of understanding over domestic wheat exports, etc.).

Source: Department of State, Central Files, 660.0012/3-1259. Secret; Limited Distribution. Repeated to the Department of State as telegram 2480 and to Paris. The source text is the Department of State copy. Herter was in Geneva to attend the Foreign Ministers Meeting May 11–August 5.

¹ See Document 258.

4. While Embassy more than aware of demands on Secretary's time, and other more pressing matters which demand his attention, for reasons above we would consider short visit Athens would have useful consequences extending beyond narrow field Hellenic-American relations. Conceivably, such visit taking place during break in meetings current Geneva Conference could serve to demonstrate to Soviets wider interests US in helping and supporting our friends and allies. Alternatively, possibly some senior Departmental official such as Merchant could come Athens in Secretary's stead.²

Berger

² In Secto 241, repeated to Athens as telegram 18, June 15, Herter replied that Merchant could not visit Athens and sent the text of a message that he proposed be presented to Averoff complimenting the Greeks on their "courageous" decision to establish missile sites on their territory. (Department of State, Central Files, 660.0012/6-1559) Tocah 110 to Geneva, June 16, informed Herter:

"President has seen Secto 241 and Athens 24 to Geneva. He has some serious reservations regarding any attempt to encourage Greeks to take IRBM's in present circumstances. Arrangements are being made for McElroy and me to discuss matter jointly with him shortly. In view of President's feelings suggest proposed message contained Secto 241 be held up pending further clarification here." (*Ibid.*, 781.5612/6-1659)

262. Telegram From the Department of State to Secretary of State Herter, at Geneva

Washington, June 17, 1959, 7:11 p.m.

Tocah 122. Secretary from Acting Secretary. When McElroy and I talked with the President this morning he expressed his concern regarding establishment of offensive bases in weak countries close to the borders of Soviet Union. He said he could understand Soviet reaction against this sort of thing and likened it to establishment of Communist missile bases in Mexico and Cuba. He also made clear that he had no desire to retreat in the face of Soviet threats. He felt that we should rethink on broad policy basis the whole question of our foreign bases having offensive capabilities.

Source: Department of State, Central Files, 110.11-HE/6-1759. Secret; Priority. Drafted by Dillon.

After discussion in which McElroy and I presented State and Defense viewpoints the President agreed that in present circumstances it would be all right to send telegram to Averoff along general lines of Secto 241¹ provided telegram made clear on its face that we were not pressing GOG to come to a decision except at time of its own choosing. Accordingly, consider following text would be appropriate as substitute for first paragraph of draft telegram proposed Secto 241.

“I have great admiration for courageous action GOG is taking in face of Communist threats. I realize difficulties these threats and proposals for denuclearizing Balkans create for your Government. The United States feels that decision on missiles is one to be taken by GOG at whatever time it feels appropriate, and we have no wish to press for early decision if that should in any way be embarrassing to GOG. However, we do feel it important that firm position be maintained in face of Communist threats and that it should not be allowed to appear that delay in decision on missiles is due in any way to fear of Soviet threats. I am confident Greek people will not be turned aside from firm course their Government has adopted.”

If you agree with foregoing suggest you telegraph amendment to Athens with instructions that reply be delivered to Averoff.²

Dillon

¹ See footnote 2, Document 261.

² In Secto 258, June 18, Herter instructed the Embassy in Athens to deliver the revised text of the message to Averoff. (Department of State, Central Files, 660.0012/6–1859) No report on its delivery or Averoff's response has been found.

263. Telegram From the Embassy in Greece to the Department of State

Athens, June 19, 1959, 8 p.m.

2902. 1. According Bank of Greece Governor Zolotas, Prime Minister Karamanlis has decided that “for the time being” settlement of Greek

Source: Department of State, Central Files, 881.10/6–1959. Confidential; Limit Distribution. Repeated to London, Bonn, Belgrade, and Paris.

pre-war bond debt is "inappropriate and politically dangerous." Zolotas has so notified Messrs. Munro and Niemeyer (Presidents of American and British Bondholders' Councils, respectively) by letter. Has also sent explanatory letter to Riddleberger.¹

2. While not specified in letters, reason for decision is recent discovery that Yugoslav bond settlement with France last autumn was on much more modest basis than that being discussed for Greek bonds. Although somewhat uncertain on figures, Zolotas understands \$180 million Yugoslav debt was settled for \$10 million payable over 12-year period, interest free.

3. In face such highly favorable settlement obtained by Yugoslavia, GOG sees no chance Parliamentary approval for Greek settlement on significantly less favorable terms and feels any effort obtain approval would shake position of government. Therefore Karamanlis believes that it no longer possible continue discussions with Bondholders on previous basis, and that discussion should be either suspended or switched to some other basis. Between these alternatives, suspension seems better for time being. No indication yet as to GOG thinking on suspension, duration or nature of new basis for negotiation.

4. Matter further complicated by Zolotas' understanding Bulgaria and Poland have settled on basis similar to Yugoslavia—i.e., interest free and with debt settled for 10 percent or less.

Berger

¹Not further identified.

264. Editorial Note

On June 17, the Operations Coordinating Board reviewed and revised the OCB Operations Plan for Greece. The Operations Plan adopted on June 17 made further minor revisions of the text of the Operations Plan of May 21, 1958 (Document 241). The text of the Operations Plan adopted on June 17, which is dated June 24, is in Department of State, OCB Files: Lot 62 D 430, Greece. In addition, the Board discussed the problem of rising Greek defense costs. Minutes of the June 17 board meeting are *ibid.*, Minutes VII.

265. Telegram From the Embassy in Greece to the Department of State

Athens, June 26, 1959, 7 p.m.

2970. Rome also for Lister. Paris also for Embassy.

1. Foreign Minister Averoff asked me call this morning. Said yesterday's Soviet formal note¹ proposing conference to examine creation of an atom-free zone in Balkans and Adriatic area and proposing that security and independence of countries in this area be guaranteed jointly by interested countries was exceedingly clever and intelligent move and would cause GOG some difficulty vis-à-vis Greek public opinion.

2. Foreign Minister said this put Greek Government probably Italian Government and perhaps some others squarely on the spot with respect public opinion, which inclined view proposal either as good idea, or at very minimum idea which deserves serious consideration. He said "parenthetically" that Soviets once again have shown themselves able seize initiative to embarrassment of West, and that it unfortunate initiative so often lacking on Western side.

3. Said Karamanlis government has considered Soviet note and regards it as propaganda move and trap, and offering no security. Foreign Office plans comment semi-officially through "authoritative government source" but will at this juncture avoid either immediate or direct answer to Soviet proposals, as it must take care not provoke public criticism here that government rejecting proposals out of hand and means to go ahead with bases in spite of double guarantee (i.e. US and Soviet) offered by Russians. Averoff said he had taken soundings on Soviet proposal and was surprised at number solid citizens who felt proposal may be indication of Soviet sincerity and merits serious consideration.

4. Averoff said it was up to West, and especially US, to make early answer to Soviet proposal on lines it was trap, propaganda move, and offered no real security. He thought best tactic would be to put responsibility for reply on European shoulders, but care must be taken to avoid simple "nyet" to proposal. What was needed was clear, forceful and reasoned reply that people would understand and accept. He hoped US would take initiative to obtain such a statement, and would make imme-

Source: Department of State, Central Files, 660.0012/6-2959. Secret; Priority; Limit Distribution. Repeated to London, Belgrade, Moscow, Ankara, Rome, and Paris for USRO.

¹The Soviet note was delivered to the Governments of Italy, Greece, Turkey, the United States, the United Kingdom, and France. For text of the Soviet note and the U.S. reply, see Department of State *Bulletin*, August 3, 1959, pp. 160–161.

diate contact with other governments to assure that no soft or divided answer was given Soviet note. In this connection he said yesterday's statement by US spokesman denying UK favored nuclear-free zone² was very good and very useful, and would disabuse many people who have come to think UK well-disposed to idea of nuclear-free zone and in disagreement with US on this matter.

5. Averoff said he had not yet had opportunity for full discussion Soviet note with Spaak, hoped do so today.³ He speculated that might be advisable to call special meeting of NATO Council to consider note to insure unified reply "as some countries may be inclined to be soft," but thought this might present complications and perhaps best method was to have recourse to usual diplomatic channels. Essential thing however was to get agreement on a forceful reply.

6. Averoff said he thought Soviet note would have bad effect in Italy and cause Italian Government real trouble.

7. Finally Averoff said all of foregoing not merely his views but represented considered views of Karamanlis government.

8. *Comment:* I believe Averoff not exaggerating probable public reaction here to Soviet proposal which in some respects similar to proposal Markezinis⁴ has been propagandizing here for some weeks. We have had some indications that despite favorable public reception to strong government replies to Khrushchev speech in Koritza, and Soviet, Bulgarian and Romanian notes, Karamanlis has been troubled by undercurrent of uneasiness in respect to idea on advanced weapons bases in Greece, and by a certain popular disposition in Greece to sincerely examine nuclear-free zone concept before deciding on bases. This, I think, explains several reports we have received that Karamanlis still undecided on advance weapons bases.⁵

Berger

²This statement has not been further identified.

³Spaak visited Greece June 24-30 for a vacation and for talks with Greek leaders.

⁴Progressive Party leader Spyros Markezinis visited Moscow in late April for talks with Khrushchev and Mikoyan. On his return to Greece, Markezinis endorsed a nuclear-free zone in the Balkans and increased Greek trade with Eastern Europe.

⁵In telegram 3418 to Athens, June 27, the Department of State indicated that it favored separate replies to the Soviet note by the NATO nations addressed and appended a draft U.S. reply. (Department of State, Central Files, 660.00/6-2759)

266. Telegram From the Department of State to the Embassy in Greece

Washington, July 16, 1959, 9:33 p.m.

143. Paris for USRO, Thurston and West. Athens 2879 rptd Topol 160. Secto 241 rptd Athens 18, Paris 329. Secto 258 rptd Athens 21, Paris 339. Paris 4664, rpted Athens 106.¹ Over last year Karamanlis and Averoff have repeatedly given impression they prepared go ahead on IRBMs once certain current or prospective and potentially troublesome events were behind them. Initially, they desired to wait until after municipal elections. More recently they were apparently deterred by impact of Soviet Bloc campaign for denuclearization of Balkans. [*less than 1 line of source text not declassified*] decision in favor of IRBM bases had been made but announcement to be withheld until after conclusion East-West conferences. These conferences could go on in one form or another for some time. Moreover, prospective emergence of Grivas on Greek political scene² may again deter Karamanlis and we may find ourselves faced with still further delays. Possibility has also occurred to us that Greek tactics on this problem might be related to efforts to get more US aid in support of Greek defense cost burden.

We aware of political problems IRBMs create for GOG and need for GOG prepare ground thoroughly. Only recently Secretary assured GOG in letter that this is decision to be taken by GOG at “whatever time it feels appropriate” and that we have no wish “to press for early decision if that should in any way be embarrassing to GOG”.³ Continued delay is however holding up action on NATO program to meet essential military requirements. If this delay is likely to continue indefinitely, it may be necessary to deploy elsewhere in near future IRBM squadron now scheduled for installation Greece.

We understand Norstad has seen this problem as we do and is bringing no pressure on Greeks, taking line that while deployment of

Source: Department of State, Central Files, 611.4097/6–1859. Secret; Limit Distribution. Drafted by Owen T. Jones, cleared in EUR and NEA and in the Department of Defense, and approved by Murphy. Repeated to Paris as Topol 131.

¹In telegram 2879 from Athens, June 18, Briggs reported on discussions with Karamanlis over the legal and technical issues involved in the placement of IRBMs in Greece. (*ibid.*, 611.4097/6–1859) Regarding Secto 241, see footnote 2, Document 261. Regarding Secto 258, see footnote 2, Document 262. In telegram 4664 from Paris, June 16, Houghton reported that Norstad’s conversation with the Greeks had not yielded substantive results. (Department of State, Central Files, 711.56381/6–1659)

²Grivas, the leader of the EOKA terrorist underground during the Cypriot crisis, returned to Greece on March 17 and became active in politics.

³Reference is to the message from Herter to Averoff; see footnote 2, Document 261, and Document 262.

IRBM's in Greece is militarily desirable from NATO viewpoint, it is up to Greek Govt to make decision. We understand his last contact with Greeks on this subject was with Dovas through Thurston in April. In view of dilemma with which we now faced and Defense desire know one way or another, we propose, subject to your views, to consult SACEUR and ask if he believes it now timely and appropriate for him to follow up on earlier contacts with Greeks. He could point out without prejudice Secretary's letter that NATO has an urgent military requirement to meet and that he desires latest Greek thinking so that alternative deployment can be developed if GOG decides it cannot now or in reasonably near future accept deployment in Greece.

Your estimate of current situation desired together with your comment on wisdom of SACEUR approach along lines outlined above.⁴

Dillon

⁴Telegram 269 from Paris, July 20, reported: "When reference telegram brought to Norstad's attention today, he expressed hope that utmost discretion be employed in US soundings Athens so that if we decide to disengage from this particular project and to proceed to alternative deployment, we can do so without adverse impact on Greek confidence in NATO and US." (Department of State, Central Files, 711.56381/7-2059)

267. Telegram From the Embassy in Greece to the Department of State

Athens, July 21, 1959, 5 p.m.

193. Paris for USRO, Thurston and West. Reference A—Deptel 143; B—Paris 249 [269] to Department—Athens 10.¹

1. Embassy has for some time been conscious of two considerations affecting US policy on IRBMs for Greece which are difficult to reconcile. First is belief it would be unwise to push GOG to decision it is

Source: Department of State, Central Files, 711.56381/7-2159. Secret; Limited Distribution. Repeated to Paris.

¹Telegram 143 printed as Document 266. Regarding telegram 269, see footnote 4 thereto.

obviously reluctant to make, and for which Greek public opinion is currently poorly prepared. Second that in absence of some impetus from without, GOG may continue indefinitely to hold issue in suspense, to prejudice of SACEUR's military plans.

2. Re first consideration, although Prime Minister and Foreign Minister have indicated desire to proceed with IRBM program there are signs that at least some leaders of GOG apprehensive of internal political reaction. Department will recall for example that Minister to Prime Minister, Tsatsos, who has principal responsibility in field public relations, revealed nervousness on whole subject atomic weapons during course 144 B negotiations² and was upset at text proposed news release which referred to agreement as in furtherance NATO atomic stockpile program. So far as Embassy can judge, these apprehensions are exaggerated and although announcement decision to conclude IRBM agreement would be greeted by storm from left, government should be able to ride this out without real danger. However, GOG obviously has not felt sure enough on this score to move ahead purposefully.

3. If there were definite signs that GOG attempting prepare public opinion, and shape events so as support eventual affirmative decision, Embassy would recommend they be allowed work matter out for themselves. There are few such signs, however. Issue of IRBM's has been freely ventilated in press for more than year and particularly in past few months, in relation to atomic cooperation agreement, Khrushchev's threats, and various proposals for atom-free zone in Balkans and Adriatic. Throughout this period, GOG has reiterated denial that IRBM is active issue, as far as Greece is concerned.

4. Embassy forced to conclude that while GOG has propensity in favor IRBMs, there is no positive plan to move toward early decision, and any manifestation public opposition is met with administration of sedation. GOG policy seems limited to hoping that something will turn up which will ease internal problem. In absence of external stimulus Embassy sees little reason to expect GOG to resolve its doubts and take affirmative decision in foreseeable future.

5. Therefore, if there are urgent military reasons for deciding on location of IRBM squadron in question, Embassy considers that approach by SACEUR to Greek [Government] along lines suggested reference telegram A is appropriate and desirable.

² Reference is to the negotiations that concluded with the May 6 agreement on the exchange of defense-related nuclear information between the United States and Greece. See Document 258.

6. It has seemed important to Embassy to maintain position that deployment of IRBMs in Greece was in first instance matter for agreement between GOG and SACEUR. We have therefore never taken initiative in discussing this question with Greeks though we have of course been as responsive as we could when Foreign Minister raised matter with US. Present assessment based on general information available Embassy and does not represent results of any fresh "soundings", which in Embassy views should be made at this juncture by SACEUR. Agree Norstad's views cited reference B, that utmost discretion required in dealings with Greeks on this issue. Our estimate is that if pressed make decision odds are they will agree proceed with IRBM's if US prepared foot virtually total bill.³

Briggs

³ In Cahto 184 from Geneva, July 31, Herter commented:

"Before approaching GOG along lines Deptel 143 hope consideration can be given these questions:

"1. Is this type approach consistent with President's 'serious reservations regarding any attempt to encourage Greeks to take IRBMs in present circumstances' (Tocah 110 of June 16) and his view that we should make clear 'that we were not pressing GOG to come to decision except at time of its own choosing' (Tocah 122)? You will recall this led to revision first para Secto 241 to include 'US feels that decision on missiles is one to be taken by GOG at whatever time it feels appropriate,' and we have no wish to press for early decision if, as Athens 193 indicates, this will require us be prepared foot virtually total bill. In view this year's congressional cuts in bedrock FY 1960 MAP request, would this mean further reductions in conventional military aid to Asian allies and perhaps NATO which would outweigh advantages early IRBM deployment Greece?" (Department of State, Central Files, 781.5612/7-3159)

268. Telegram From the Embassy in Greece to the Department of State

Athens, July 30, 1959, 1 a.m.

275. Rome for Liaison Officer.

1. Following telegram bears on general subject Greek Government desire for higher level economic aid from US. For purposes of better focus, submit these observations thereon:

2. Relationship between ward and benefactor never is altogether easy one, and US for so many years has been in position of foster parent that appreciable portion energies Greek Government vis-à-vis US appear to have been directed towards demonstrating that (A) while our aid deeply appreciated, (B) it is inadequate to needs posed by conglomerate of Soviet pressures, difficult internal political position, and manifold and possibly endemic economic problems. As my predecessors discovered, it is normal for newly-arrived US Ambassador¹ to hear such phrases as “we deeply grateful, but more aid essential”, or “we stretch to utmost, and, if further defense effort required, US must bear burden”. This is not to gainsay elements truth these statements, for, as Department knows, Embassy questions ability Greek economy absorb further military burdens, or even to carry on with present extent military program.

3. Fact my arrival approximately coincided with (A) US Congressional action on aid authorization, and (B) time when total aid availabilities are to be apportioned amongst world-wide beneficiaries, may have led to enhanced propensity for Greek officialdom to make pitch for further and greater aid. In any case, this latter has burden observations made to me in past three weeks by virtually every high official with whom I have spoken.

4. My chancery colleagues are in agreement that Greek officials may exaggerate dangers to which they subjected by Soviet rocket rattling, campaign for Balkan denuclearized zone, and consequent or incidental domestic political difficulties. On other hand, they believe that Greek economic situation in fact difficult, with rising tide unemployment, drift from farms and islands to Athens–Piraeus, and fragile balance of payments picture. One of most cogent arguments I have heard since my arrival in favor greater US economic aid has been based on our failure take more account of laudable Greek record in fiscal matters, and Greece’s staunch adherence to West, contrasted our willingness bail out such nations as Turkey (and now Spain) as prodigal sons.²

5. In face what perhaps can be interpreted as emotional blackmail, but which I prefer (as of now) to consider in terms cumulative factors set forth above, it is my conclusion that sooner we can clarify totality our anticipated aid, better off both we and Greek Government will be. This pertains not only to defense support field, but to such pending DLF projects as Acheloos (and later Salonika highway). It also would be help-

¹Ellis O. Briggs was appointed Ambassador to Greece on April 8 and presented his credentials on July 15.

²Reference is to “stabilization” loans provided to Turkey and Spain through Development Loan Fund loans, in an effort to counter inflationary pressures on their currencies.

ful in our efforts to reassure Karamanlis administration and Greek public opinion that we place high value on Greece's adherence to West if we could reach early and sympathetic attitude toward projected Prime Minister visit to US (see Embassy despatch 65, July 23, 1959).³ Crucial geographical position Greece, its demonstrable resistance to Soviet threats and blandishments, and country's real economic needs, render concrete steps on our part not only desirable but necessary.

Briggs

³ Not printed. (Department of State, Central Files, 033.8111/7-2359)

269. Telegram From the Embassy in Greece to the Department of State

Athens, August 9, 1959, 9 p.m.

372. Re Deptel 278.¹

1. Action on reference telegram deferred because of Zolotas development in paragraphs 2 and 3 below. We also had several questions as indicated in paragraph 5 below.

2. In brief conversation with economic counsellor shortly before reference telegram received, Zolotas indicated readiness present personal ideas on bond settlement. In follow-up talks at his office, Zolotas said he still convinced Yugo-French settlement terms make it politically impossible for Greek Government proceed on basis last discussed with American bondholders council. Conviction reinforced by favorable settlements obtained or in prospect for Poland, Bulgaria, and now reportedly Roumania. All this, Zolotas stressed, does not mean Greek settlement impossible but does mean settlement possible only if politically saleable here.

Source: Department of State, Central Files, 881.10/8-959. Confidential; Limited Distribution.

¹ In telegram 278, July 30, the Department reported on the terms of the Yugoslav debt settlement with France and the view of the Foreign Bondholders Protective Council that Greek proposals for a bond settlement were unacceptable. It noted that the Council did not consider that the Greek financial position supported the Greek position and the Department of State shared this view. The Embassy was instructed to inform the Greek Government that settlement of the bond issue was an essential preliminary to the rehabilitation of national credit and international loans. The United States suggested the Greek Government offer a 5-year temporary resumption of the service on its debts as the first step toward reestablishing its credit. (*Ibid.*, 881.10/6-1959)

3. As probably saleable approach, he outlined following (which is throw-back to earlier Gazis proposal): (A) cancel accrued interest, to and perhaps through 1960; (B) preserve unpaid principal amount; (C) service latter at \$3.2 million per year; (D) apply portion of service to interest (at 1 percent, for example), with balance going to sinking fund for bond retirement. Zolotas thinks bonds could probably be retired at about 30–35, which would approximately triple sinking fund's "buying power." Would also enable Greek Government describe deal here as involving 65–70 percent indirect scaling down of principal. Zolotas stressed he was putting this forth as personal idea, and without any government authorization. Because of this and related considerations, he said, he felt unable take any initiative with bondholders. In latest talk Saturday, he strongly urged Embassy actively support early settlement along above lines, in recognition of alleged political impossibility do better and of desirability getting matter settled. He added initiative should come from US side.

4. I am not unduly impressed by Zolotas claim of "political impossibility" and am prepared make reference telegram statement if, in light this message, Department considers it appropriate and helpful do so at this stage. However, since primary purpose of statement is to induce resumption negotiations and since Zolotas has already indicated readiness for resumption (albeit on narrow basis), reference telegram statement seems to have lost some relevance and timeliness, at least for moment. In view Zolotas initiative, and assuming US should not become involved in negotiations or details, it occurs to us that following is appropriate procedure now: (A) Department relay Zolotas idea to bondholders council for consideration. Department may wish consider encouraging council to follow-up opening Zolotas has offered. Even if \$3.2 million plan continues unacceptable as permanent settlement, bondholders might consider it as possible basis to explore with Greeks for temporary settlement. (B) Should bondholders decide follow-up Zolotas opening, then no need for reference telegram statement. However, course of negotiations might be aided by pointed observation by Embassy to Greek Government, expressing US satisfaction negotiations resumed and strong hope for satisfactory outcome. (C) On other hand, should bondholders be unwilling follow-up Zolotas opening, and Department wishes, stronger observation could then be made to Greek Government along reference telegram lines (subject to comments below).

5. If reference telegram statement is to be used, we have following comments as to content and procedure. First, I query desirability implying threat withhold DLF loans unless we are, in fact, prepared back it up. Second, if Zolotas idea unacceptable even as temporary basis, seems to us any comment urging temporary settlement should give some clue as

to desired level. Third, I have comment on procedure. Have always thought it good SOP to use Department for conveying unpleasant statements to other governments and to use our Embassies for conveying agreeable statements. If withholding of DLF aid is to be indicated, I would consider it more appropriate that Department make statement to Greek Embassy Washington, after which follow-up statement could be made here.

6. Will continue defer action until further instruction.²

Briggs

²In telegram 538 to Athens, August 21, the Department of State reported that the Foreign Bondholders Protective Council was unwilling to consider the proposals outlined in telegram 372 and instructed the Embassy to deliver the message transmitted in telegram 278. (*Ibid.*, 881.10/8-959)

270. Memorandum of Conversation

US/MC/34

Paris, September 4, 1959, 4 p.m.

PRESIDENT'S TRIP TO EUROPE AUGUST-SEPTEMBER 1959

PARTICIPANTS

United States

Secretary of State Herter
Deputy Under Secretary Merchant
Deputy Assistant Secretary White
Assistant Secretary of Defense Irwin
J. J. Wolf, USRO
W. Witman, Embassy

Greece

Foreign Minister Averoff
NATO Ambassador Michel Melas
Mr. Panayiotis Verykios, Foreign
Office

SUBJECT

Political and Economic Situation in Greece

Foreign Minister Averoff remarked in greeting that this was his first meeting with Mr. Herter since the latter had become Secretary of State.¹

Source: Department of State, PPS Files: Lot 67 D 548, Greece. Secret. Drafted by Witman and approved in S on September 20. The meeting was held at the Embassy Residence.

¹Secretary of State Dulles resigned on April 16. President Eisenhower nominated Herter as Secretary of State on April 18; he was approved by the Senate on April 21 and sworn in on April 22.

Mr. Herter responded by praising the work of Messrs. Averoff and Zorlu for reaching agreement on Cyprus. M. Averoff said he was "very happy about it". Relations had been very bad for some years. He now hoped that when the Prime Ministers met,² there would be agreement on practically everything. It would be most helpful to show the masses something real had happened. There were still some difficulties over Cyprus, but on the whole he expected things would go well.

M. Averoff said he did not want to bother the Secretary with details. The Turks of Cyprus, he remarked, got too much and now wanted more. He hoped to persuade the Turkish Government to bring pressure on the Cyprus Turks, otherwise there would be trouble. The Turks for instance had demanded division of customs revenues on a 70–30 basis. This had caused an uproar, as the Greeks carried on the economic life of the Island. There was still pending the question of the Vice President.³ The Greeks could not accept that he be a "co-president". M. Averoff thought Archbishop Makarios had a good understanding of the problem. He hoped it could be arranged, but it was not yet solved. The Republic was still not proclaimed nor functioning—perhaps it might be by February '60.⁴

The Greek Foreign Minister briefly mentioned the political problem created by the British requirement for two major bases and 16 minor military posts dispersed across the Island. This demand enabled the Grivas opposition to allege that sovereignty was in question and the Island besieged.⁵ The matter had been discussed with Mr. Sandys, and it was hoped a compromise solution would be found.

Reverting to relations with Turkey, M. Averoff remarked that to the Greek people, it seemed that the Greeks had given everything and the Turks nothing. He said he did not regret the agreement, and was confident for the future. Grivas, however, was attacking, and the Government had to act carefully to prevent reactions among the Cyprus population. In Greece, he said, Grivas would be used by the Opposition, but the Government was quite strong and there was no chance of weakening it unless the Cyprus population started shouting. Then things would be quite dangerous.

² Menderes was scheduled to visit Greece in the spring of 1960.

³ Under the terms of the February 1959 London accords on Cyprus, the Vice President of the Republic would be a Turkish Cypriot and would possess veto power over a wide range of government actions. A Constitutional Commission of Greek and Turkish Cypriots was trying to define the extent of that veto power. See Part 1, Documents 297 ff.

⁴ The London accords set February 1960 as the target date for the establishment of a Republic of Cyprus.

⁵ Grivas favored enosis, or unification, of Cyprus with Greece.

Internally, the Foreign Minister continued, the Greek Government considered itself stable, with a parliamentary majority assured for three more years. The only element of disturbance might be Cyprus with Grivas.

M. Averoff said that some gains had been achieved in the economic field too, with United States help, some spectacular things. They had a very stable currency, private bank deposits had greatly increased in the past 2 or 3 years, and especially last year, and this was a token of confidence. They intended to continue a very severe policy. But the mercantile marine crisis last year provoked a disturbance in the balance of payments, which had necessitated the use of \$48 million from reserves in two years. If this drain continued, it would have very grave consequences, and require still sterner measures. There were grumbings at such austerity, which was not popular. There had been no salary increases for several years.

Consequently, the Foreign Minister stated, he pleaded very strongly for help in Greece's balance of payments. He found it very annoying to ask this, but was obliged to do so since they had first done their best.

The Secretary inquired whether they had tried the International Monetary Fund. M. Averoff replied that the IMF and the International Bank could not help because Greece had not paid her debt. He added that when you lost \$48 million, from reserves, you couldn't pay. He felt, however, that the Greek Government had proved by its policies that it had good prospects. He therefore felt justified in warmly asking for help from the Development Loan Fund. They had several projects totaling \$50 million, which were designed to increase savings and earnings in foreign currencies. He asked that the DLF look with real sympathy on this request. Among the projects, he mentioned a fertilizer plant, 3 highways and 2 ferry-boats between Italy and Corfu. The latter two items were designed to increase tourist potential, he explained.

Accordingly, M. Averoff stated, he was charged by the Prime Minister and the Government personally to look to the DLF. He reiterated that he found it very annoying to be in the position of asking for help, but he must point out that this was not only a political but also a military matter. Greece had many other problems to which she had been unable to give attention. The impoverished million inhabitants of the mountains, whose per capita income was \$80 per year, constituted a socially dangerous problem. M. Khrushchev had "come to Albania to threaten

us",⁶ and some dangerous spies had recently been caught.⁷ But if the present Greek economic trend continued, in three years their balance of payments would be equalized.

The Secretary remarked that balance of payments loans were the hardest to come by. M. Averoff replied that he was seeking project loans which would eventually help cover the balance of payments.

Otherwise, as regards general problems, the Foreign Minister said things were going well in NATO. Mr. Herter observed that he understood the Greeks were taking up the question of the IRBM's with General Norstad. M. Averoff assented but made no further comment.

On the question of Greece's possible candidacy for the Security Council,⁸ M. Averoff said that the Prime Minister was "lukewarm", but promised to talk to him about it. The Secretary said we did not urge them to do it if they did not want to. M. Averoff commented that the Prime Minister thought they had too many problems already. However, the decision was not definite, and would be discussed further on Monday.

The Secretary observed that we sometimes worried about Greece's troubles with her Communists, to which M. Averoff responded, "we don't worry", the Greek people had been convinced by fire and knife: a good vaccination. He was however a little bit afraid and disturbed at the economic situation, with 700,000 Greeks under-employed, and the very poor mountain population suffering the most. Little had been done for them until the economy could be stabilized. There were rumblings from the public employees who had no pay increases. But they were not the ones who caused trouble. The last elections had produced a safe parliamentary majority, but showed 24% support for the Communists although real Communists were only 12–13% of the electorate. On the whole, however, the political and economic situation was sound and would keep for 3 years.

The Foreign Minister said of course all these things had been discussed with our Embassy at Athens and were being repeated here only for the Secretary's general appreciation. The present time was a critical turning point where Greece needed United States help.

Mr. Herter said that in another ten days we would know how much money we would have from Congress. Our plans were very close, and we had been cut seriously, obliging us to set up priorities which we

⁶ Reference is to Khrushchev's threats to establish missile bases on Greece's borders if the Greek Government accepted U.S. missiles; see Document 258.

⁷ Reference is to the arrest of a number of senior officials of EDA on charges of espionage for the Soviet Union.

⁸ A potential Greek candidacy for one of the nonpermanent seats on the U.N. Security Council.

didn't want to set up. Furthermore, the President's recent veto of the Public Works bill⁹ had made many Congressmen angry. M. Averoff pleaded that \$10 to \$15 million would be "decisive for us".

Mr. Merchant raised the question of debt settlement, and hoped that the Greek Government was giving serious consideration to that element in the climate in which private capital could move in. This could help with the balance of payments problem. M. Averoff replied that he couldn't see private capital coming in at this dangerous cross roads. Mr. Merchant cited the new hotel in West Berlin. M. Averoff acknowledged how useful it would be, and said they had started on certain specific debts such as that of a Belgian company, where a plan had been worked out for repayment in drachmas to be invested in Greece, with facilities for income and capital to be taken out. He argued that it was essential for Greece to achieve economic stability before taking on the burden of debt service. Declaring his firm desire to settle this issue soonest, he apologized for not being able to say more now and stated that Greece must reach the point where her balance of payments was stabilized, otherwise it could lead to bankruptcy.

In response to the Secretary's question as to how they planned to finance themselves year-by-year in the face of an adverse balance of payments, the Greek Foreign Minister said tourist revenues had gone up from \$38 million in 1957 to \$60 million in 1959; they would save \$14 million a year with the fertilizer plant, and \$8 million with a new fuel plant. These would lead to diversified industries with new savings and new earnings. They were now importing dairy products and meat, which could be made up with irrigation. All this was planned to improve the balance of payments position. Their eventual goal from tourism alone was \$150 million per year, but they needed hotels, motels and roads. Meantime however merchant marine revenues had diminished very much. When the Secretary remarked that much of these did not return to Greece, M. Averoff replied that what counted was crews' remittances.

In conclusion, referring to the Khrushchev visits,¹⁰ the Greek Foreign Minister urged that in any kind of joint communiqué with the Soviets, nothing be said which might be interpreted as recognition of the integrity of the Satellites. He explained that Greece had a claim to the Greek-populated area of Southern Albania, which he was not pressing, but the Greek people felt strongly and the Government could not say that it had given up the claims against Albania [*less than 1 line of source text not declassified*]. It would be most unfortunate therefore if Greece's

⁹ Eisenhower vetoed H.R. 7509 on August 28.

¹⁰ Khrushchev visited the United States September 15-27; see Part 1, Documents 108-139.

allies were to acknowledge directly or indirectly that these claims didn't exist. The Secretary observed that we did not expect to do anything of the kind, and did not recognize Albania anyway. M. Averoff said he feared an "astute formula" of Khrushchev's which might be open to the interpretation that the question of Southern Albania was closed. He therefore wanted to avoid trouble. Mr. Herter remarked that we were "well warned".

On departing Mr. Berding asked the Greek Minister's views regarding a press statement, to which M. Averoff replied that he had no suggestions. (Accordingly a very brief general statement was later issued.)¹¹

¹¹For text of the statement, see Department of State *Bulletin*, September 21, 1959, p. 413.

271. Telegram From the Embassy in Greece to the Department of State

Athens, September 16, 1959, 7 p.m.

748. Paris for Finn. References: (A) Circular 236, September 9; (B) Priority 734, September 10.¹

1. Tentative FY 1960 MAP outlined reference (B) may permit maintenance of Greek armed services at approximate level of effectiveness attained by end of 1959, but will not make possible any significant progress toward ultimate MC-70 or MAP goals. However, if proposed allocation of \$5 million "other matériel" is not supplemented by an increase in defense support funds to at least \$30 million or more, there will be some regression in training and manning standards, and consequent deterioration in general level of military effectiveness.

2. Substantially reduced FY 1960 MAP will probably not have immediate dramatic impact on US political objectives here because nature and extent of cut-backs will become apparent only by degrees, will not receive public attention, and will reach political leaders at second hand from military planners who will absorb full shock. From political as well

Source: Department of State, Central Files, 781.5-MSP/9-1659. Secret. Repeated to Paris.

¹Circular telegram 236, September 8, outlined the "Refined Military Assistance Program" for fiscal year 1960. (*Ibid.*, 700.5-MSP/9-859) Telegram 734, September 10, outlined Department of Defense tentative military aid programs from Greece (*Ibid.*, 781.5-MSP/9-1059)

as economic viewpoint (see paragraph 3 below) it is defense support program rather than MAP which has principal significance here since amount this program is publicized and tends to become index in Greek eyes of degree of support they are receiving from US. However, there will probably be important long-range effects of political significance. In respect MC-70 goals Greek feeling of frustration and futility will be intensified as gap widens between objectives and military and financial resources available for meeting them. Obviously, it will become more difficult to maintain fiction that MC-70 goals are being realized, and this in turn will tend to generate a cynical attitude to NATO and to US—which are closely identified in Greek mind.

3. Chronic foreign exchange limitations are such that it unlikely Greeks will increase their own military spending in order to purchase equipment not furnished under MAP, and economic consequences cut-back in matériel deliveries therefore negligible. However, decrease in "other matériel" allocation, as compared with FY 1959, unless accompanied by corresponding increase in defense support funds, will pose budgetary problem. In absence such increase Greeks will have to choose between an additional contribution to military budget to permit maintenance of military establishment at present level of effectiveness and requirements of public investment. This will be politically difficult choice, and danger is they will attempt satisfy both at risk of generating additional inflationary pressure.

4. Aid effect on US security objectives indicated in foregoing paragraphs.

5. Implications for other US programs—notably defense support—indicated paragraph 3.

6. Given funding ceiling established reference (B), we believe proposed allocation of funds generally satisfactory. As one exception, however, we recommend deferment of partial Lacrosse Battalion, and utilization of funds earmarked this purpose to program 55 tanks (about \$2 million) and provide additional \$1 million for other matériel consumables, such as tires, batteries, et cetera.

7. Reductions which can be "made with least" damage US interests:

A. Defer Lacrosse to FY 1961.

B. Reduce allocations for Jupiter construction (EUCOM recommends \$8 million this purpose rather than \$11 million shown reference (B), assuming program actually proceeds. At present this assumption highly questionable).

8. We do not recommend reallocation of any funds shown to non-military sector.

Briggs

272. Telegram From the Embassy in Greece to the Department of State

Athens, October 15, 1959, 7 p.m.

997. 1. Having heard rumors for several days that Prime Minister "much upset" by US attitude toward relevance of Greek foreign debt default to consideration pending DLF loans, I was not surprised to receive Foreign Minister's request this morning to call on him for discussion this matter. Averoff had before him two-page memo which I gather was directive from ForMin [*PriMin*] Karamanlis to represent in strongest possible terms concern experienced by Greek Government at our joining two issues of default and future credits. Memo (as drawn on by Foreign Minister) defends Greek economic record, asserts genuineness efforts reach agreements with bondholders protective council and cites considerations with which the Department already familiar re alleged inability Greece do better than Yugoslav temporary settlement, albeit Foreign Minister emphasized Greece's desire permanent rather than provisional settlement, and argued Greece recognizes validity "one hundred percent of capital debt" in contrast alleged Yugoslav recognition of less than 10 percent.

2. Averoff also cited domestic political problems (see previous reports) and urged Washington recognize "impossibility" at time when Government doing best settle Cyprus, at cetera, to go beyond offer recently made by Zolotas BPC and rejected by latter (DLF memo October 7 Robinson-Munro conversation)¹ in all of which circumstances Greece "cannot improve recent offer" and bespeaks Department's sympathy and consideration for small country, staunch ally, struggling with adverse factors. Should US position remain as set forth by Under Secretary Dillon to Ambassador Liatis² and should bondholders remain obdurate, Prime Minister is considering, according to Averoff, withdrawing pending DLF applications even though political repercussions thereof both with respect Karamanlis government and in broader context Greek-US relations could be formidable.

3. Foreign Minister had obviously been instructed by Karamanlis put matter vigorously as possible. In reply my inquiry he stated that

Source: Department of State, Central Files, 881.10/10-1559. Confidential; Limit Distribution.

¹ Not found.

² In his discussion with Liatis, Dillon told him that neither IBRD nor DLF financing would be available to the Greek Government until it effected a settlement with the bondholders. A memorandum of Dillon's conversation with Liatis, September 25, is *ibid.*, 881.10/10-1559.

copy Prime Minister's memo from which Averoff spoke to me was being sent Greek Embassy with instructions for Liatis to reiterate plea. When I asked what was dollar equivalent of Greek offer, Averoff said that based on approximately 210 million dollars capital amount, two percent interest plus one percent amortization would be 6,300,000 dollars per annum which (again in light Yugoslav settlement) represented best Greece could be expected to do.

4. *Comment:* Faced with US stand as set forth by Under Secretary at September 25 meeting with Liatis, Karamanlis is obviously smarting, frustrated and unhappy, especially since credits for development have high priority in his development program. Difficult estimate how serious he may be in "threat" withdraw DLF application. Zolotas reportedly still in US and although his most recent offer below that rejected by council earlier this year, we in Embassy are inclined doubt whether prospects right (now or in foreseeable future) for materially improved Greek offer.

Further comment: I have carefully refrained in my discussions foregoing matter from implying that if Greece reaches debt settlement, this will guarantee favorable action DLF applications. It seemed clear however from tenor today's representation that Greeks may assume guarantee implied. Department may desire adjust Washington thinking to this contingency.

Briggs

273. Message From Prime Minister Karamanlis to the Under Secretary of State for Economic Affairs (Dillon)

Athens, October 15, 1959.

The Greek Minister is anxious to express his deep concern for what he considers a lack of adequate appreciation on the part of the Govern-

Source: Department of State, Central Files, 781.5-MSP/10-1659. No classification marking. Transmitted as an enclosure to a note from the Greek Embassy to the Department of State, October 16. The message and note were delivered by Ambassador Liatis during an October 16 meeting with Assistant Secretary of State for Near Eastern and South Asian Affairs Jones. Their discussions were reported to the Embassy in Athens in telegram 1103, October 20. (*Ibid.*, 881.10/10-1559)

ment of the United States of the continuous strains and sacrifices of Greece, and her critical position in the area of the Balkans and the Near East.

There has of late been some indication that economic assistance from the DLF might be linked with the pending problem of the pre-war external public debt of Greece. Such a policy, if it were adopted, would perforce be considered by the Greek Government as unwarranted and unacceptable. The setting up of such a prerequisite would mean that no account is taken of the repeated efforts made by the Greek Government in the last two years in order to reach an equitable solution to this problem, and also of the lack of understanding shown by the representatives of the United States bondholders in the matter.

The Prime Minister deems it necessary to draw the attention of the United States Government to the serious effects on Greek public opinion of the above eventuality being realized. Under pressure from adverse popular reaction, the Greek Government might be led to withdraw the loan applications at present under scrutiny by the DLF, and such a development is liable to engender grave political consequences.

As already pointed out, the Greek Government has made earnest efforts to reach agreement, namely with the American bondholders, on the resumption of its public debt service on a reasonable basis. It wishes to stress anew that, to its deep regret, these efforts have not been duly reciprocated and proved unsuccessful.

More recently, the Greek Government informed the Government of the United States that it was prepared to consider a settlement along lines similar to the recent Yugoslav debt agreement,¹ with the difference that the Greek settlement should be final and not temporary, since the special reasons applying to Yugoslavia have no bearing in the case of Greece.

The above proposal should be deemed reasonable and equitable. In effect, it is far more onerous to Greece, since equal treatment will be meted out to all bondholders, while in the case of Yugoslavia the bulk of her debt was practically written off through special agreement with France.

Furthermore, Yugoslavia's remaining debt is not only far smaller, but also its relative incidence on the country still less onerous considering the size of the Yugoslav economy.

Besides, sizeable loans were previously granted to Yugoslavia or were being negotiated with this country by the World Bank, the Export-Import Bank and the DLF without heed to her debt then being in default.

¹ See Document 269.

Finally, one should not fail taking into account the difference in Yugoslavia's political, social and economic system, and her lesser ties with the West as compared with Greece's position as a member of the leading Western Atlantic Alliance.

C. Caramanlis²

²Printed from a copy that bears this typed signature.

274. Telegram From the Embassy in Greece to the Department of State

Athens, November 21, 1959, 9 p.m.

1412. Reference: Embtels 1337 and 1338, November 16.¹

1. At Prime Minister's request I spent nearly two hours with him this morning, net of which was that his government approaching critical situation and will fall at very early date unless assistance forthcoming. By assistance, as developed during conversation, it appears that he means aid from US and action by Western European Governments to absorb agricultural surpluses. "A little assistance now, before it is too late, can tide us over, whereas if assistance not forthcoming, we are undone."

2. Karamanlis began by referring to his satisfaction at arrangements for President's visit, including his call on President on December 15.² He said would much prefer not to expose his troubles at time when he and entire Greek nation would be wishing to express affection and esteem for Chief Executive of nation which has already done so much

Source: Department of State, Central Files, 781.00/11-2159. Secret; Limited Distribution. Transmitted in two sections.

¹In telegram 1337 from Athens, Briggs reported on a conversation with Averoff in which Averoff outlined a "three front" Soviet effort to undercut the pro-Western stance of the Karamanlis government. (*Ibid.*, 661.81/11-1659) In telegram 1338 from Athens, Briggs outlined courses of action available to the United States to support Karamanlis against external and internal Communist challenges. (*Ibid.*, 781.00/11-1659)

²On November 4, the White House announced that Eisenhower would visit 11 nations, including Greece, in a December tour. See Document 276.

for Greece. He hoped therefore by my conveying his estimate of situation in advance, he would be spared need to speak at length about Greece's troubles. His outline followed lines already forecast in Embassy reports as a result conversations with Foreign Minister Averoff and others, and our own assessment of deteriorating situation.

3. Karamanlis spoke of his government's difficulties in arranging Cyprus settlement, adding with bitterness that NATO allies had done little to show sympathy or understanding. Cyprus settlement was unpalatable to large segments Greek public and government correspondingly vulnerable. On top of this has come decline of the economy, particularly production and employment, accompanied by falling national and government revenues, and now problem of agricultural surpluses. Although government has heretofore maintained brave public posture, extent of economic difficulty can no longer be obscured since government increasingly hard pressed to meet its commitments (FYI Prime Minister has ordered ten percent expenditures cut in all ministries), farm surpluses are real, and thousands of individual farm families are affected.

4. In these circumstances Greece's allies have not been helpful. He spoke of discouraging report from Greek common market negotiators in Brussels, which indicates little prospect of early relief from that quarter.³ It seemed incomprehensible to him that allies of Western Europe, whose imports from Greece almost microscopic in terms their total imports, would not be willing to come to rescue at this critical time.

5. Turning to US and conceding its economic difficulties, nevertheless, he said, annually decreased US aid has marked his tenure of office, and proposals for current year, insofar as known to his government, meant that Greece now can not count on aid from that source in amounts Greece considers necessary.

6. Prime Minister concluded with description of Greece's vulnerability to Soviet pressures, along line statements of Foreign Minister of November 16 (Embtel 1337). While he himself will never deal with USSR on their terms, he said, Soviet offers can not but appear attractive when country so deeply in trouble. Soviet aim, as he sees it, is detach Greece from NATO, and Greece at present time is wide open target.

7. There was more along same line but net of his representation, as stated paragraph 1, is that Greece must have help from her allies, and have it soon, or economy will collapse and political stability with it, with incalculable effects on Greece's alliance with West.

8. I told Prime Minister I would of course immediately report substance grave picture he had described. On my departure Karamanlis

³ Greece applied for associate membership in the EEC on June 8.

said he hoped we could have further conversation between now and Presidential visit which I interpret as hope there may be some response from Washington to this appeal, prior to December 14.

9. *Comment:* Prime Minister account reaffirms and emphasizes picture recently drawn by Averoff (reference telegrams). Even partially discounting some of Karamanlis pessimism, his picture of Greece's politico-economic fragility and vulnerability corresponds by and large with our own and, in our opinion, calls for action along lines commented on in Embtel 1338. Primary stress laid by Prime Minister was on need for quick assistance to buy time (which would involve less effort and money than that required to collect and reassemble the pieces after a collapse). So far as we can see, only practical source of such emergency assistance is US grant aid. What Greeks would do with time thus gained and what long-term assistance allies could muster are questions which would later follow.

(A) Immediate step we recommend is earliest possible Washington decision on pending aid items—i.e., additional \$5 million for defense support; and DLF loan applications, if bond negotiations have cleared way. While this may not meet Karamanlis time-buying objective, it will be helpful not only financially but also in clearing air and enabling useful public announcement of an aid level comparing favorably with last year's.

(B) Next step would be to provide Greece with some additional grant aid. Karamanlis mentioned ten million dollars, which he associated with need for increased investment spending on top of heavy defense load.

(C) As follow-up attention should be directed at basic underlying problems—especially problem of Greece's agricultural policies and its expanding unmarketable surpluses. Dealing effectively with that problem may well require several steps, including corrective Greek action as far as possible, common market action on Greece's association, and possibly even modifications US policies on aid in the agricultural sector (if Greek situation accepted as being of demanding importance).

10. While impossible to predict with exactitude political and economic consequences of economic collapse, it can certainly be said they would bode little good for US and Western cause. Karamanlis would be repudiated and his party break up, and Grivas (a dubious Messiah) enabled to emerge as important political force. No party would have safe or stable majority, and we might be confronted with succession of weak governments pillow fighting with economic problems, not least of

which would be feather weight drachma, with all its collapse would entail. [6-1/2 lines of source text not declassified]⁴

Briggs

⁴In telegram 1683, December 12, the Department of State instructed Briggs to inform Karamanlis that, in view of Greek cooperation on bond issues, the United States would extend up to \$31 million in DLF funds. No defense support funds were, however, available for Greece. (Department of State, Central Files, 781.5-MSP/12-1159)

275. Editorial Note

The Greek political situation was discussed during the 428th Meeting of the National Security Council on December 10:

"Mr. Bissell then said he had some good news with respect to Greece. Recent Soviet moves, including a speech by Khrushchev and issuance of a stamp honoring the Greek Communists, had outraged the Greeks and produced stronger support for the government and more anti-Communism than had been seen for many years. The Greek public attitude was currently very unfavorable to the Communists."

The memorandum of discussion at this meeting is in Eisenhower Library, Whitman File, NSC Records.

276. Editorial Note

President Eisenhower visited Greece December 14-15, as part of an 11-nation good will tour (December 3-23). The Presidential party arrived by air from Iran at 4:40 p.m., December 14. The King and Prime Minister Karamanlis met the President at the airport. For text of the President's remarks at the airport, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1959*, pages 855-856. At 8:45 p.m.,

the President was the guest of King Paul at a formal dinner at the Royal Palace. At 7:45 the next morning, Eisenhower met with Ambassador Briggs at the Embassy for discussions of Greek affairs. No record of their conversation has been found. At 9:55 a.m., the President addressed the Greek Parliament. For text of his address, see *ibid.*, pages 856–858. After his speech, the President was driven to the Royal Palace for a meeting with Prime Minister Karamanlis. A memorandum of their conversation is printed as Document 277. After some ceremonial functions, the President had lunch with King Paul and Queen Frederika. For text of Eisenhower's remarks at the luncheon, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1959*, pages 858–859. Immediately after lunch, the President left Athens by helicopter for the U.S.S. *Des Moines* which took him to Tunisia. The text of the final communiqué of the Athens visit is *ibid.*, pages 859–860. Documentation on the Eisenhower visit to Greece is in Department of State, Conference Files: Lot 64 D 560, CF 1542. For Eisenhower's recollections of his visit to Greece, see *Waging Peace*, pages 505–507.

277. Memorandum of Conference With President Eisenhower

Athens, December 15, 1959.

OTHERS PRESENT

Prime Minister Caramanlis
Deputy Prime Minister Canellopoulos
Acting Foreign Minister Tsatsos
Ambassador Briggs
Mr. Murphy
Mr. Bitsios
Mr. Berger
Major Eisenhower

The President opened by inviting the Prime Minister to present any subjects he would like.

Mr. Caramanlis expressed his gratitude and that of the Greek people for the President's visit and said it comes at an opportune time, since

there are some matters on which the Greeks are anxious. He admires the President's seizing the initiative from Khrushchev to relax tensions in the world.¹ Furthermore, the trip gives the nations of the free world an opportunity to show their sentiments for the United States and the President.

Mr. Caramanlis said that we should define what we mean by relaxation of tensions. In particular, we should secure guarantees from the Communists to indicate good faith before we let our guard down. One such indication of Communist good faith would be the restoration of democracy in the satellites. Another would be cessation of support for local Communist parties. In all these matters we must keep the unity of the free world. If we do so, we will be all right.

Mr. Caramanlis discussed the significance of U.S. deployments overseas as an indication of the true interest of the United States.

The Prime Minister then discussed the special position of Greece in the world. Greece has a long history of difficulties with the Slavs and the Communists. Greece is willing to overlook the past and is attempting to establish normal relations with these countries. However, Slavs and Communists are still annoyed by Greece as a stronghold of freedom south of the Balkans, and maintain Greece as a primary target for the cold war. Mr. Caramanlis went to some length to support this contention. Specifically he mentioned (1) Bulgarian refusal to comply with the peace treaty between the countries as regards reparations and force levels,² and (2) Khrushchev's threats to Greece at Koritza,³ and (3) Khrushchev's attitude toward the conviction of Glezos as a communist spy in Greek court.⁴ Primarily the Communists are attempting to infiltrate and demoralize Greece. For this reason he asks personal interest of the President in Greece, and for protection against the Communists. Without U.S. help he feels in some years the Greeks will have to give up.

The U.S. has given generously to Greece, but most of its aid has gone into reconstruction of war damage. The Greeks have not been able

¹ In a televised statement on the night of his departure from Washington (December 3), Eisenhower stressed that his mission abroad was part of his search for peace. For text of the speech, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1959*, pp. 795-799.

² Reference is to the 1947 Treaty of Paris. The Bulgarian Government had refused to pay Greece \$50 million in reparations required by the treaty and had created an army in excess of the 50,000 limit imposed by the treaty.

³ See Document 258.

⁴ On July 22, Manlios Glezos, former Executive Secretary of EDA and editor of the daily newspaper *Augi*, was convicted of espionage and sentenced to 5 years imprisonment, 4 years exile on an island, and the loss of his civil rights for 8 years. The Soviet press criticized the trial and the Soviet Government issued a postage stamp commemorating Glezos as a fighter for freedom.

to make the progress that the countries of Western Europe have enjoyed.

Mr. Caramanlis summarized by hailing the President's initiative and pointing out the need for positive guarantees for the future if the President's peace offensive fails. He asked that larger considerations, although he cannot advise on them, be not allowed to snuff out our interest in Greece entirely. The Greeks are always under the gun, and pressure to join a Balkan Pact is proposed nearly every day. Proposals for disarmament, neutral zones, etc., are also made, with an objective of cutting Greece from the West.

The President responded by saying he must talk in general terms only because he does not always get his way with the Congress. As an illustration, he asked for \$3.9 billion of mutual security funds for FY 1960 and received only 3.2. To exacerbate the situation, much of the 3.2 billion was naturally earmarked for Korea and Formosa, and other areas where we support their economies. (Mr. Caramanlis here hastily injected that his request for support does not apply primarily to money, but rather to political and moral support.)

The President said that he has only 13 months to go in office, but no matter who takes over, Republican or Democrat, regardless of the false slogans which might be used in a political campaign, America will, of necessity, stay behind Greece. He had tried to point this up in his speech in Parliament in the morning.

The President said that Khrushchev is tired of bearing the cost of weapons of war. He had attempted to use the threat of force as a weapon, but had become discouraged with this. He therefore desires disarmament, so long as any agreement remains without controls. This does not mean for a moment that he has abandoned his basic purpose to dominate Greece and the world. It merely means that he has changed his approach from threat of force to subversion. The President said he has no fear of a global war unless we, particularly the United States, become weak in our retaliatory forces. But in the realm of subversion, Khrushchev will use everything he has, to include even members of Greek Parliament sympathetic to his cause. He realizes that Greece needs support, and suggests that every year we re-examine the kind of support which should be provided. Certainly Greece should remain militarily strong, at least sufficiently so to withstand assaults from Communist satellites. But more than that, Greece needs to maintain her spiritual, moral and educational strength.

Regarding the economic picture, the President explained the influence of pressure groups in the U.S. Government. Unfortunately, no pressure group exists which is interested in supporting foreign aid. This is supported merely by the logic and good sense of the great mass of Americans. The 700 million dollar cut in foreign aid last year was ex-

tremely bad. Of this, Greece received \$20 million in economic aid, but the President would like to send more than that in Fiscal 1961. The President mentioned the Development Loan Fund and the International Monetary Fund as other means of providing economic aid. He added that he is now planning to approach Germany, France and Britain to get their help in providing aid around the world. (Mr. Caramanlis injected here that Europe will not listen to such pleas; that they are busy building such devices as the restrictive common market. He understands the difficulties the President faces in the United States. Regarding the Europeans, he said their mentality is not adjusted to his idea of extending foreign aid.) The President said he is going to tell Western Europe they are going to have to do what the United States has done. He admitted that some European nations have ready-made excuses, such as the French with their community and the British with their Commonwealth. Only Germany and the United States have no such excuses. He emphasized that the greatest need for support and security lies in those lands which border the Sino-Soviet bloc. The Middle East oil, which means billions of dollars a year to these nations, will be lost if Greece and Turkey are lost. The President promised to voice this most strongly to the Western European nations. Mr. Caramanlis said that Western European nations have a pre-war mentality and do not understand the necessity to give some in order to keep the rest. The President said that Britain recognizes the problem well, and has continuously showed her awareness of the Mediterranean life line to her economy. Since the United States got into the Marshall Plan, Britain, while aware of the problem, expects the United States to carry the load.

The President then reiterated that he does not fear global war; but he rhetorically asked who provides the West with the deterrent [to] global war. Obviously it is the United States which maintains almost an excess of atomic stockpile. In contrast to this, and in contrast to their own pre-war activities, the Europeans are maintaining "rag-tags." He himself must awaken Europeans, not only to its capacity, but to its duty. He mentioned Holland as the one nation maintaining more forces than they can really afford. Mr. Caramanlis said this is the weakness of an alliance and of democracy. The President noted that democracy is the most inefficient form of government, but the only one the people will stand for.

The President said he had preached the same line everywhere in the world with the exception of Afghanistan which, while it considers itself neutral, is existing, in his opinion, only at the sufferance of Khrushchev. He urged patience with India, who is too poor to arm itself and who is too big to be armed by others. He hopes to keep India "neutral on our side."

Mr. Caramanlis pointed out that there are two types of countries in the free world, those exposed to Communism directly, and those who

are not. The President asked whether any respected citizens had joined the Communists in Greece. Mr. Canellopoulos answered affirmatively. The Prime Minister explained that such persons were spoiled and ambitious. The Greeks poll from 12–15% Communists and these persons feel their futures are best tied up with them. He pointed out that the Communist party had achieved some respectability since it supported Greeks in their conflicts with Turkey and Britain.⁵ He said that stability is pretty good right now, however. The President said he had mentioned Russian support of Communist parties to Khrushchev,⁶ who denied any knowledge.

Mr. Caramanlis then mentioned rumors that the Sixth Fleet would be recalled from the Mediterranean. This would be extremely bad for the morale of Greece and Turkey. The President said it is not the method of the United States to do things suddenly and pull the rug out from under our allies. Therefore it is not in our immediate plans to withdraw the Sixth Fleet. However, the world is changing every day, with the emphasis now turning from military to economic conflict. Fleets are expensive and it would be desirable if we could afford to divert some of the money now used in their maintenance to economic support for our friends. The President said he continually warns his staff to avoid rigidity in thinking. He cited as an example that he himself had set up a pattern in NATO in 1951 and this pattern has not been changed in the last 8 years. He reemphasized he has no present intention of withdrawing the Sixth Fleet. He merely exhorts all to reexamine our resources and our requirements every year with an open mind. He mentioned in passing his opinion that the carrier is no longer a useful weapon for general war, but is still highly useful for small actions. Mr. Canellopoulos with a smile expressed appreciation for the very useful and "nice lecture." Mr. Caramanlis asked the President to give the same lecture in NATO.

Mr. Caramanlis asked if there are differences among the four Western powers regarding Khrushchev's peace offensive. The President stated basically there are none; technically the British and Americans are close but De Gaulle is preoccupied by Algeria. De Gaulle and Adenauer favor a rigid refusal to Khrushchev's demands.⁷

The President said he is willing to listen to Soviet proposals but will never surrender Berlin as a symbol of Western unity.

The Prime Minister then said that Greece has some severe economic problems. In particular, they have undergone an economic recession

⁵ Reference is to the Cyprus dispute.

⁶ During Khrushchev's September 15–27 visit to the United States.

⁷ Reference is to the discussions at the Heads of Government meeting in Paris, December 19–21.

this last year. He asked the President if he would make a study of the Greek economic situation with a view of seeing what the U.S. can do to help. The President said that he had not been aware of this recession in Greece and certainly would direct that it be studied.

John S. D. Eisenhower

278. Telegram From the Mission to the North Atlantic Treaty Organization and European Regional Organizations to the Department of State

Paris, December 22, 1959, 7 p.m.

Polto 1212. Department pass Defense. Averoff, accompanied by Melas, called on me December 21.¹ He said he had heard that aid programming for Greece for FY 1960 still going on but indications were that instead of 20 millions for end items and 12 millions for common use defense support, it was now tentatively contemplated latter would be cut to around 66 millions. He was not asking for increase over last year's figure but maintenance of defense support and military aid at last year's level extremely important particularly now when threat of recession existed. He used arguments of stern measures Greeks were taking and their hopes of three-to-five-year development plans in fields of hydro-electric power and tourism, stressing need to hold line at present. He pointed out that low standard of living in Greece left little cushion for recession. He referred to helpful declarations and effects of President's trip, and repeated point made at NAC meeting on heightened Communist threat to Greece. I explained the difficulties we had in working within this year's limited budget and expressed my personal sympathy for his problem and for the way they were approaching both their economic and political problems.

Averoff said he would be signing the atomic stockpile agreement "one of these days".² There had been some questions, as these arrange-

Source: Department of State, Central Files, 781.5-MSP/12-2259. Secret; Limit Distribution. Repeated to Athens.

¹ Averoff was in Paris for the NATO Ministerial Meeting, December 15-17 and 22.

² See Document 258.

ments had economic implications for Greece but the matter was so important that it had to go forward.

He also referred to the Agard recommendation to establish the NATO missile range on Crete and said that this would have a good psychological effect in Greece, indicating Greek participation in NATO. They asked our support for an affirmative decision, which we understand awaits firm recommendation from Norstad.

Averoff said he expected to be back in Paris in mid-January (presumably for economic meetings).³ This might necessitate his changing his plans to attend ceremonies in Liberia, Ghana and Cameroons, although he thought it important to make contact there in view fact Greeks not viewed with suspicion by Africans. He concluded by indicating a shift in Nasser attitude, which Melas expanded as meaning that Nasser was now becoming afraid of Communism.⁴

Burgess

³ The regularly scheduled meeting of the OEEC was to take place in Paris on January 14, 1960. In addition, a special meeting to consider reorganization of the OEEC had been set for January 12-13.

⁴ In a December 19, 1958, speech Nasser had warned other Arab states of the dangers of Communism.

279. Editorial Note

The President's visit to Greece was discussed on December 16 at the 429th Meeting of the National Security Council:

"Mr. Dulles said an interesting phase of the President's trip was the attitude of the Communist parties in the three countries visited by the President in which these parties were best organized; namely, Italy, Greece and India. The Communists had decided not to cause trouble and had climbed on the Eisenhower bandwagon, probably on instructions from Moscow. For example, the Greek Communists had led the applause at the President's mention of peace."

The memorandum of discussion at this meeting is in Eisenhower Library, Whitman File, NSC Records.

280. Telegram From the Embassy in Greece to the Department of State

Athens, January 7, 1960, 10 p.m.

1864. 1. After signing PL 480 agreement with Minister Coordination,¹ I saw Prime Minister to discuss our respective announcements on US assistance for current year.² Coordinated texts will be issued here tonight for tomorrow morning's press. See Embtel 1861.³

2. Prime Minister opened by saying he wished on behalf his government and Greek people express most sincere thanks to US for generous economic assistance package which was being provided this year, which he especially appreciated in view overall reduction in US aid appropriations. He asked me convey to the President both his official and personal thanks for responding favorably to request he made during his conference for an increase in American aid levels in light of Greek difficulties. Also stressed appreciation for US moral support which he said Greece needs as much as financial support.

3. Then went on to say while our assistance would help resolve Greece's immediate difficulties would by no means resolve them all. Made special point of saying he thought it likely Greece might come in before year's end for additional PL 480 assistance.

4. Previously Deputy Prime Minister, Foreign Minister and Minister Coordination all went out of their way to express their great satisfaction with level our aid this year.

5. I came away with feeling that Prime Minister and his leading Ministers have been under severe strain lest American aid be sharply cut this year in face of their serious economic difficulties and that they are very much relieved to have fared so well in circumstances of reduced US appropriations. I propose to let present atmosphere of good feeling simmer for a while, and then begin to take up with them some of the more basic problems which lie at the root of their difficulties, e.g. apathetic attitude toward encouraging foreign investment and questionable agricultural policies.

Briggs

Source: Department of State, Central Files, 781.5-MSP/1-760. Confidential.

¹ For text of this agreement, see TIAS 4403.

² In telegram 1888, January 4, the Department of State informed the Embassy that an additional \$5 million would be added to the defense support aid for Greece for fiscal year 1960 and that the DLF would announce that it would extend a \$31 million loan for construction of the Acheloos hydroelectric project on January 6. In view of this action, the Department requested a quick announcement of the total aid package by the Government of Greece. (Department of State, Central Files, 781.5-MSP/1-460)

³ Telegram 1861, January 7, transmitted the text of a statement outlining the goal of \$81 million in U.S. aid for Greece for fiscal year 1960. (*Ibid.*, 781.5-MSP/1-760)

281. Editorial Note

On January 20, the Operations Coordinating Board approved a report on Greece covering the period December 18, 1958, to January 20, 1960. In concurring in the report, the Board agreed that no developments of significance had occurred that would warrant sending the report to the National Security Council. A copy of the OCB report on Greece is in Department of State, OCB Files: Lot 62 D 430, Greece. Minutes of the OCB meeting of January 20 are *ibid.*: Lot 61 D 385, M/OP Informal Notes 1960.

282. Telegram From the Embassy in Greece to the Department of State

Athens, February 10, 1960, 8 p.m.

2213. Reference: Embassy telegram 1805 and 2202.¹

1. When I raised question of foreign debt Averoff told me negotiations now broken off and that, as intimated to me previously, government is now considering public announcement on bilateral offer to bondholders, in view of its failure to reach agreement with Council.

2. I expressed disappointment indicating that according to Embassy's information relatively small distance now separates government from Council. I thought it would be particularly unfortunate in those circumstances and having in mind such wider issues as re-establishment of credit, et cetera, for Greek Government to take position which might be attacked, or at least criticized by Council.

3. Averoff agreed that solution acceptable to Council would certainly be better but maintained that Gazis offer last month was maxi-

Source: Department of State, Central Files, 881.10/2-1060. Confidential; Limit Distribution.

¹In telegram 1805 from Athens, December 30, 1959, Briggs reported that Averoff saw no major obstacles in the way of concluding an agreement on the bondholders issue. (*Ibid.*, 881.10/12-3059) In telegram 2202 from Athens, February 10, Briggs reported that in his February 10 conversation with Averoff he had stressed the need to end "procrastination" on a number of outstanding issues in Greek-American relations. (*Ibid.*, 611.81/2-1060)

mun Greece can make. After again describing alleged burden on Greek economy (since settlement of internal debt would have to follow external debt settlements) he characterized Munro's reply (February 2) as embodying terms less favorable than Yugoslav settlement, with resultant political repercussion here if Greece accepted it. "Yugoslav has extended \$50 million credit to India and offered \$10 million to Greece; if Yugoslavs prosperous as that how could Greek administration avoid barrage of criticism with settlement public would consider less favorable than that obtained by solvent northern neighbor?" Furthermore, said Averoff, Greek good faith in seeking solution will be demonstrated by unilateral offer.

4. It was left that Averoff would convey to Prime Minister Karamanlis my misgivings re unilateral offer, even though he is doubtful whether latest Greek offer can be improved or that further negotiations with Council can be undertaken.

Briggs

283. Telegram From the Department of State to the Embassy in Greece

Washington, February 23, 1960, 9:04 p.m.

2434. Re Athens 2213 and 2318.¹ Since Prime Minister asked that his views be conveyed promptly to Department, we assume he expects our considered comments. You may in your discretion convey following message directly to Prime Minister.

We are deeply concerned over apparent impasse in negotiations at time when parties appear so close to agreement. With some degree flexibility on part both negotiators, settlement should be possible. We regret

Source: Department of State, Central Files, 881.10/2–1960. Confidential; Limit Distribution. Drafted by Owen Jones and approved by Dillon.

¹ Telegram 2213 is printed as Document 282. In telegram 2318 from Athens, February 19, Briggs reported that, in a conversation with Berger, Karamanlis indicated that the settlement of the debt question raised serious political problems and that the Embassy felt Karamanlis would not make further concessions. Briggs suggested that a new proposal from the bondholders might put Karamanlis in a conciliatory mood. (Department of State, Central Files, 881.10/2–1960)

to learn that in recent negotiations Gazis apparently had no such flexibility and apparently had no authority to modify latest Greek proposals. He thus reportedly unable respond certain concessions Council apparently prepared to make with view arriving at negotiated settlement. We understand escalation clause now appears be single most important issue and willingness on part both sides to compromise might be decisive in reaching agreement. We believe Council will continue to show flexibility it has already shown on this point.

We are aware of possible comparison such settlement with temporary Yugoslav settlement. We understand that a negotiated settlement between present GOG and Council position would compare favorably with temporary Yugoslav settlement. Moreover it our understanding present temporary Yugoslav settlement will have to be re-negotiated on less favorable permanent terms at end 5 years.

We continue to feel strongly that negotiated settlement is essential step in Greek efforts to establish broad and adequate basis for meeting external financing requirements of economic development. Measure of Greek efforts to arrive at such settlement will continue to have important bearing on way we able to respond to pending and future Greek requests for assistance from US.

At time when parties appear so close to agreement, it would be regrettable if unilateral offer were made to bondholders without further efforts to bridge gap. For reasons already given we continue to feel such unilateral offer likely to be counterproductive.

FYI: Council feels that in recent negotiations it reaching outer limits what it can concede and at same time keep faith with other foreign bondholders with which it has made settlements.

Our calculations indicate that even without recent modifications, Council's original position when applied to all issues would be more favorable to Greeks than temporary Yugoslav settlement. When applied to all US issues only, terms appear to work out about same.

History of these negotiations clearly indicates Prime Minister fears domestic criticism on any settlement within present range negotiations. If negotiated settlement is to be achieved, we will have to continue to set record straight and urge upon Prime Minister advantages of negotiated settlement. End FYI.

Dillon

284. Telegram From the Embassy in Greece to the Department of State

Athens, February 26, 1960, 11 p.m.

2386. 1. Prime Minister Caramanlis lunched privately yesterday with Berger and me and for over two hours we discussed wide range of specific and general matters of mutual interest from foreign debt question and Soviet efforts at economic penetration of Greece to his views of Greek political scene. Although no solutions pending problems were obtained, conversation constituted valuable roundup and exchange of information. It also served fortify our belief that Caramanlis, notwithstanding his and his government's shortcomings, is measurably superior to and likewise closer to statesman than anyone now in the picture. He is staunch undeviating friend of West and supporter private initiative. He is energetic and politically sagacious with a clear insight and few illusions as to economic difficulties and political pitfalls which lie immediately ahead.

2. Separate telegrams sent covering specific aspects of immediate mutual interest.¹ This telegram concerns general aspects of yesterday's talk.

3. Caramanlis main present concern is with his country's economic difficulties and their domestic political repercussions. He sees need to expand Greek agricultural exports as fundamental, but thinks answer lies not so much with Greece as with her Western allies who should make room for Greek imports. He expects no real solution to Greece's economic problems until country has built up a more diversified economy by industrial investment and tourist trade, which will take some years. Meantime he is under heavy pressure internally from farmers and wage and salary earners for subsidies and wage-improvements which country cannot afford but which politically he cannot ignore. This produces for him extremely delicate political-economic balance in which he must patch and improvise as best he can.

4. In this situation he believes Soviets holding good cards and playing them skillfully. He foresees united front of some kind developing as country moves toward 1962 general election consisting of EDA in alliance with Markezinis and other opportunist nationalists. He expects

Source: Department of State, Central Files, 781.00/2-660. Secret; Limit Distribution. Transmitted in two sections.

¹ In telegram 2378 from Athens, February 26, Briggs reported on his discussions with Karamanlis on the Greek bond issue. (*Ibid.*, 881.10/2-2660) In telegram 2375 from Athens, February 26, Briggs reported on efforts to encourage settlement of a "series of minor but troublesome" cases by the Greek Government. (*Ibid.*, 481.006/2-2660)

the Soviets to make sweeping offers to buy Greek farm surpluses and build Greek industries in order embarrass him vis-à-vis disgruntled masses and give united front a platform which will be popular. He has no intention of falling in with Soviet overtures and will resist any proffered solution to Greece's problems along these lines.

5. He feels he can get away with this as he is still strong with the electorate, and likely to remain so since electorate can see clear evidence of what he has done to build up Greece and has a mature appreciation of value of political stability and governmental continuity. Stability is a new quality in Greek political life and one to which he attaches greatest importance. It is because of this that he has been reluctant to make ministerial changes. He is aware of weaknesses in his own cabinet, but cabinet changes have historically kept country in state of political turbulence and been major cause of Greece's chronic political jitters. He has no present intentions of making cabinet changes, but may do so this summer.

6. He is not certain whether he will wait until end of this Parliament in 1962 before going to country. He said he not unmindful of serious problem that could be posed for him by combination of economic stagnation, united front of EDA and nationalist opportunists, plus high-sounding Soviet offers to trade and build factories, but feels that by choosing his own time for general election and with a "proper election law" he can contain this threat.

7. Speaking of new center political movement² he said they were bright and lively lot and he had avoided criticizing them. But they had no real leader, which was essential in Greece, and were divided and would ultimately disintegrate. Some of them were close to ERE Party and could and if need be would be brought over; others tended to the left; balance would be atomized.

8. Finally Caramanlis said Greece was in that uneasy and delicately balanced state that no one could tell in which direction it would go. If West cooperated by taking more Greek exports and associating Greece with Common Market, Greece could maintain private enterprise system, resist Soviet overtures, and in few years create broader and sounder economic foundation. But if economic situation should worsen, and internal pressures from farmers and workers should mount, Greece might have no alternative but to move toward statism, government controls and authoritarian solution.

9. *Comment:* While no doubt above was cast for our benefit (particularly his confidence that he has more electoral support than in 1958—an opinion we do not share) and while there was a certain dispo-

²An apparent reference to former Prime Minister George Papandreou's Liberal Democratic group.

sition to look to the West rather than to its own efforts to solve farm surplus problems, the clarity with which he sees his politico-economic problems was impressive. We came away with the feeling that here is tough-minded, self-reliant and self-confident politician-statesman genuinely on our side and deserving of our support.

Briggs

285. Editorial Note

Potential Soviet influence over Greece's economy and politics was discussed at the March 2 meeting of the Operations Coordinating Board. Following is an extract from Jeremiah J. O'Connor's preliminary notes on the meeting:

"Mr. Scribner (Treasury) referred to this item in the Activity Report and said that he interpreted it as representing a policy of excessive discouragement of the Greeks in regard to Greek/USSR trade. He thought the Greeks had always been able to take care of themselves in their trade relationships and wondered why we should discourage the Greeks from trading when they have agricultural surpluses piling up. Mr. Merchant responded that, as far as he knew, there was no inhibition on our part to having the Greeks trade with the Soviets in non-strategic materials but pointed out that, in the fragile state of the Greek economy, there were certain inherent hazards should the Soviets use trade as a political instrument. He also suggested that Greek assiduousness in keeping us informed of Soviet overtures might be designed to engage a more sympathetic attitude and interest on our part in regard to economic assistance. Messrs. Riddleberger (ICA) and Allen (USIA) both supported this point of view, with the former reviewing recent political developments in Greece and pointing out that the principal talking point of the rather strong left-wing party would be strengthened by a decision to expand substantially Greek-Soviet trade. There was discussion of the pattern of Greek trade at the present time, the nature of their agricultural surpluses and the dangers inherent in exclusive reliance by the Greeks on the USSR for the absorption of the Greek surplus.

"In response to a question by Mr. Dulles (CIA), Mr. Riddleberger discussed in some detail the current status of an earlier US inclination to finance a steel plant in Greece and the economic difficulties inherent in producing steel in Greece. A Soviet suggestion that they build a steel plant in Greece was noted in this connection." (Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes 1960)

286. Telegram From the Embassy in Greece to the Department of State

Athens, March 12, 1960, 9 p.m.

2506. Reference: Embassy despatch 743, March 4.¹

1. I had two-hour talk with Prime Minister this morning at his house. Foreign Minister and Berger also present.

2. In view Prime Minister's pathological suspicions and rumors that US considering Averoff or Rodopoulos as possible successors, I opened by saying I wished convey confidence US Government has in him and his government. I then thanked him and Foreign Minister for clearing up several minor causes of irritation in economic field (tax size-restrictions, Limperg payment, etc.) saying these had taken up altogether too much of our attention, to detriment of larger and more important issues.

3. Went on to say Department had been immediately responsive to his request that we appeal to common market countries to facilitate Greece's entry and had made representations in the various capitals. Insofar as we had seen replies we were pleased by favorable reaction and believed Prime Minister should be too.

4. Prime Minister thanked me, then launched into lengthy, [*less than 1 line of source text not declassified*] tirade about [*1 line of source text not declassified*] treating the Greek application for affiliation, saying:

A. Greek exports to Europe were in the insignificant ratio of 1 to 400. A fractional increase would solve Greece's problem, yet Greece was being told nothing could be done to facilitate her exports.

B. Europe imports \$600 million in fruits and vegetables, but can make room for only \$11 million from Greece.

C. Italy has just planted another 10,000 acres of oranges in anticipation of expanding demand which common market will create, opposes Greece's admission on grounds Italy will be hurt.

D. Greece buys \$183 millions from Europe, sells \$83 millions, yet no one will lift a finger to correct the balance.

5. Prime Minister said he was pro-West and would remain that way, and the disposition of Greece was also overwhelmingly pro-West. But the Greek people were becoming increasingly puzzled and concerned by the absence of positive and friendly overtures from the West to help them in their economic difficulties.

Source: Department of State, Central Files, 881.00/3-1260. Secret.

¹Despatch 743 reported that mounting economic difficulties in Greece threatened both the stability of the Karamanlis government and the achievement of U.S. objectives in Greece. (*Ibid.*, 881.00/3-460)

6. Meanwhile, the Soviets were making trade overtures and offers. He would resist these, but we should not underestimate their effect on the country. He was not worried about the Greek Communists; but opportunist nationalist politicians, using demagoguery, and taking advantage of country's economic difficulties, were whipping up sentiment against the government's pro-West policy, playing into Communist hands and confusing the people. Political situation in Greece was precarious and would continue so. Unless the West gave more positive evidence of its interest in Greece and showed a better understanding of its special difficulties, he could not predict outcome of next election.

7. All this was prelude to the following demands

A. Greece's admission to common market on favorable terms was "absolute necessity."

B. Greece must have larger defense support next year to tide her over her difficulties.

C. Rising military strength of Bulgaria and Albania was worrying his military chiefs, and he will be compelled to increase his defense expenditures next year even at expense of his investment program. He hoped the US would be able to supply more tanks, heavy guns and other equipment, and gave me a memorandum on his needs. (Text will be sent by Embassy despatch.)²

8. *Comment:* Department will note that paragraph 6 confirms Embassy despatch 743. With respect paragraph 7 above, point (A) is identical with our recommendations in paragraph 29 A (I) of referenced despatch,³ and point (B) more or less conforms with paragraph 29 A (IV).⁴ In regard to point (C), we doubt if government will increase its expenditures above present limits. I am asking JUSMAGG to study military equipment recommendations and we shall send comments later.⁵

Briggs

² The text of the Karamanlis memorandum was sent to the Department of State in despatch 779 from Athens, March 15. (*Ibid.*, 781.561/3–1560)

³ It reads: "Greece must be brought into the Common Market and on favorable terms."

⁴ It reads: "Cash grant-aid must continue at approximately present levels at least until after the next general election and probably longer. Other NATO partners should be approached and urged to share in this."

⁵ JUSMAGG's comments were sent to the Department of State in telegram 2571 from Athens, March 19. (Department of State, Central Files, 781.56/3–1960)

287. Telegram From the Embassy in Greece to the Department of State

Athens, March 12, 1960, 10 p.m.

2507. Reference: Embassy telegrams 2417 and 2506.¹

1. Most important part of my long talk with Prime Minister and Foreign Minister Averoff this morning dealt with stalemate in pre-war debt negotiations. Prime Minister rehashed all domestic political reasons why he can not make settlement now, which boils down to delicate political balance in which he says his government finds itself because of economic stagnation and danger that settlement which compares unfavorably with US-Yugoslav settlement² would trip balance. I pressed him make clear whether this means no further negotiations on Gazis January proposals now possible, or whether those proposals still on the table.

2. He said it was the latter. He had pulled Gazis back because rumors were circulating that negotiations were in progress and there had been a flurry of speculation. He had to put a stop to this; particularly since it might expose his government to subsequent charges that insiders had profited by their knowledge of the negotiations. Averoff interjected that in view of this, it would be impossible for government to resume direct negotiations with bondholders, and any further negotiations would need to be conducted through good offices of State Department.

3. Prime Minister concurred saying that he is willing to settle quickly, but he would take no further initiative.

4. I said differences now so small would be a misfortune to all concerned if no agreement reached. They reduced as we understood it to problem of interest arrears for 1940-50 and to the escalation period.

5. Prime Minister asked us to understand that problem not financial, a few hundred thousand dollars one way or other, not important. What is important is that settlement terms enable him to deal with do-

Source: Department of State, Central Files, 881.10/3-1260. Secret; Limit Distribution. Transmitted in two sections.

¹ Telegram 2417 from Athens, March 3, reported that Averoff had decided to recall Gazis and suspend discussions with the Bondholders Council. (*Ibid.*, 881.10/3-360) Telegram 2506 is printed as Document 286.

² After the Yugoslav Government announced that it was assuming responsibility for the prewar debt of the Kingdom of Yugoslavia, a temporary 5-year settlement was approved by the Foreign Bondholders Protective Council. The settlement provided for the resumption of payment on bonds at a rising yearly rate through 1964. A final settlement more favorable to the bondholders would then be negotiated.

mestic criticism. He was confident that he could hold his government together and deal with domestic criticism on basis of Gazis proposals. (Averoff disagreed with this, but I think this was a bit of by-play put on for our benefit.)

6. I said seemed to me he would have very good arguments to support his case: i.e., Greek international credit restored; new sources of loan capital both public and private would be open to Greece; and finally, a compromise settlement such as we thought might be worked out from last positions taken by both sides could be presented as comparing favorably with terms of US-Yugoslav settlement.

7. Was left that I convey foregoing to Department. As incidental point Prime Minister said he had no intention of settling with Greek bondholders.

8. Following are conclusions I drew from this morning's meeting:

A. I believe Caramanlis genuinely wants a settlement and is prepared to make one quickly based on Gazis proposals. While Gazis recall may have been a maneuver in the negotiations, I doubt there is much elasticity in the Greek position.

B. Caramanlis will not touch interest arrears for 1940-50. If these waived will have additional talking point to deal with his critics.

C. He will not in foreseeable future go much further than Gazis last proposals. I think he may be willing to compromise on escalation period.

D. With election coming up in May 1962 or sooner, he will be more and more reluctant to negotiate a settlement and as time passes will use election as an excuse for postponement. Any deterioration in the political or economic situation, both of which are possible, would complicate matters further.

E. I believe he will not take initiative in present impasse, and therefore that next move lies with bondholders direct or through the State Department.

F. Prime Minister reacted bitterly to the letter from Under Secretary Dillon to Rodopoulos³ with its clear implication, saying he has proved his good faith over the years by upping his offers and can not go any further. (In other words he feels it is time the Department began to apply some pressure to the bondholders.)

³No copy of this letter has been found. However, in telegram 2534 to Athens, March 5, the Department informed the Embassy that Dillon's letter was delivered in New York and expressed the hope that the Greek Government would give its negotiators enough leeway to bridge the difference between its own position and that of the bondholders. (Department of State, Central Files, 881.10/3-360)

9. I think Under Secretary's letter has been useful and timely and has given Caramanlis real shock. My further views remain as stated in paragraph 7 Embtel 2417.⁴

10. In separate discussion this morning with Jacques, Zolotas emphasized Prime Minister's desire for settlement but expressed own firm personal belief maximum flexibility would be to reduce escalation period to nine years or possible "eight years starting January 1961." Claimed Prime Minister's chief problem now is presentational; expects attack on any plan submitted to Parliament, and wants be able minimize it so far as possible, and to this end insists on being able present it as modeled on and not less favorable than US-Yugoslav settlement.

Briggs

⁴In this paragraph, Briggs noted that further waiting would be unproductive: "I believe it would be more useful and, hopefully, more effective to use our influence in support of some package compromise proposal, at this stage and under existing conditions, than to argue abstractly for 'more flexibility' on Greek side."

288. Telegram From the Embassy in Greece to the Department of State

Athens, March 12, 1960, 11 p.m.

2508. Reference: Embassy telegrams 2506 and 2507.¹

1. Following conversation with Prime Minister described reference telegrams, I called on King Paul as pre-departure courtesy.² I told him I had just spent two hours with Caramanlis during which latter discussed politico-economic situation, and I had urged importance early settlement foreign debt. King smiled and said Caramanlis is emotional over that issue. King believes settlement should be made and I believe we can count on his support toward that end.

Source: Department of State, Central Files, 781.00/3-1260. Secret; Limited Distribution.

¹ Documents 286 and 287.

² Briggs flew to the United States for consultations on March 14. He returned to Greece on April 6.

2. Far as I could determine, King views political situation about as Embassy does; anything which can be done to meet Communist activity (specifically including Greek association with common market on favorable terms) should be undertaken, but he apparently unsold on new political movement and sees little prospect meeting Communist threat through mechanism of establishment "loyal opposition."

3. I said we have confidence in Caramanlis and his motivation, believe in importance of strengthening economy but are handicapped by Prime Minister's unwillingness to get debt matter out of the way. Moreover, Prime Minister is wearing himself out without delegating sufficient authority to sufficiently competent subordinates (reference to desirability of strengthening Cabinet).

4. King expressed warm appreciation American Government support for Greece, which I assured him would continue be forthcoming. He anticipates immediate world situation difficult (summit meeting)³ but that if Western allies can close ranks and preserve unity, local problems such as those of Greece can work themselves out.

5. Foregoing adds up to little new. The King is aware Caramanlis' difficulties and I think sympathizes with them. At present he has no alternative solution and lacks confidence new group may succeed rallying non-Communist opposition to Caramanlis. He apparently shares Prime Minister's belief that best bet is to strengthen economic situation in hopes that Prime Minister can become sufficiently strong politically to move against local Communism and pressure resulting from Soviet overtures.

Briggs

³Reference is to the four-power summit meeting scheduled to begin in Paris on May 16.

289. Memorandum of Conversation

Washington, March 21, 1960.

SUBJECT

JCS Views of Ambassador Briggs' Recommendations on Personnel Privileges and Immunities¹

PARTICIPANTS

Parker T. Hart, Deputy Assistant Secretary, NEA
 Major General John Dabney, Defense
 Rear Admiral Grantham, Defense, ISA
 Colonel Dallas Haynes, Defense, ISA
 Ellis O. Briggs, Ambassador to Greece
 Owen T. Jones, Director, GTI
 Oliver M. Marcy, Deputy Director, GTI
 L. Bruce Laingen, GTI
 Thomas S. Estes, A
 Barr Washburn, Executive Director, NEA

General Dabney said he would like to present the views of the JCS on the Ambassador's recommendations. He had only very recently received them and there had not been time to clear them in other parts of Defense.

1. Immunities

The JCS did not concur that all but the top echelon of the JUSMAGG have only those immunities provided for by NATO. SOF and our bilateral SOF Agreement with Greece. JCS referred to specific extension of diplomatic privileges and immunities to military aid mission personnel in the 1947 Greek aid agreement. JCS felt that as a part of the Ambassador's official family as provided for in that agreement, the JUSMAGG should continue to hold the same privileges and immunities as were enjoyed by other parts of the Embassy staff. These are needed for the effective performance of JUSMAGG duties. General Dabney noted that JCS felt that JUSMAGG had essentially the same contacts and needs for the immunities as Embassy personnel. The JCS felt that the situation in Greece was no different than that in other NATO countries.

Discussion: Ambassador Briggs said he viewed JUSMAGG as a part of the Embassy only to the extent that it came under the ultimate juris-

Source: Department of State, Central Files, 781.5-MSP/3-2160. Confidential; No Distribution Outside Department. Drafted by Laingen.

¹ In despatch 463 from Athens, December 1, 1959, Briggs raised the issue of excessive numbers of U.S. military personnel in Greece and the related problem of the effect of their special privileges on Greek attitudes about the United States and its foreign policy. (*Ibid.*, 711.56381/12-159)

diction of the Ambassador. The privileges and immunities of JUSMAGG were originally provided for in a period of great chaos and unrest in Greece. The situation had now changed fundamentally. He questioned whether these privileges were now relevant to the effective performance of JUSMAGG duties. His purpose in recommending reductions in privileges and immunities had been to remove a potential area of friction in our relations with Greece.

In response to General Dabney's query, the Ambassador assured him that relations between the Greek military and JUSMAGG were excellent. It was complaints from other elements of the Greek population that he feared and which he wanted to prevent by early action on our part.

Mr. Hart noted that the privileges and immunities of other civilian agency groups in Athens were also being reviewed. The Ambassador noted his hope to drastically reduce the size of the USOM in Athens and to curtail the immunities of a large VOA group.

The Ambassador said his objective was to place the JUSMAGG, except for the top Command, on the same basis as that of the USAF contingents in Greece. There was no reason why the two should differ in the privileges and immunities they enjoyed. The effect of the change would be that when JUSMAGG personnel were involved in accidents, the Embassy would need to request waivers from the Greek Government as it did for USAF personnel. This was not necessary now. There would be no change in privileges, with JUSMAGG continuing to enjoy free entry privileges plus PX and commissary privileges.

Admiral Grantham responded that JUSMAGG officers deal with military and political authorities. USAF in contrast was an *operating* agency and would not have such contacts. The Ambassador responded that he felt JUSMAGG contacts were also primarily with the military.

General Dabney asked about the variation within the Embassy staff of privileges and immunities. The Ambassador said that these ranged from persons with diplomatic passports and on the diplomatic list to those who have special passports and who are only listed with the Foreign Office as a part of the Embassy establishment. All had the same privileges but not all the same immunities. Everyone had free entry privileges and he was not proposing that these be removed.

Mr. Jones raised the question of the comparable JUSMATT situation in Turkey, noting the general propensity of the Greeks to always make comparisons between Greece and Turkey. He said he doubted that anyone in JUSMATT, except the top four officers, had immunities beyond those provided for in NATO SOF. There was general agreement that it would be important to determine exactly what the present situation was for JUSMATT in Turkey.

2. PX, Commissary and Other Privileges

The JCS concurred that the PX and commissary should preferably be located on the Athens Air Base. The move, however, would require funds which were not now available. Present facilities were available rent free and there would be a financial loss involved in moving.

As for a cutback of commodities now on sale in PX and commissary, JCS was prepared to direct European Command action on a review pursuant to OCB policy.² They were not agreeable to a local committee on the spot in Athens. The Ambassador would be informed when the Command's review was complete.

The JCS concurred in the Ambassador's recommendation for a periodic review of holders of PX, commissary and APO privileges.

The JCS concurred on a need to construct barracks at the Air Base for single USAF personnel. It noted that a 133-man dormitory is now provided in the 1961 budget. Requests would be made for additional funds for additional housing.

The JCS concurred in the proposal to issue regular rather than special license plates for the bulk of American personnel in Greece, but recommended some small identifying insignia of some kind.

Discussion: On a building for the PX and commissary on the air base, the Ambassador said that land area was adequate there. He thought State might help in urging Defense to give high priority to funds for a building because of the political importance of the move. General Dabney promised to discuss the matter of funds with the Air Force.

The General promised to do the same on funds for additional barracks. The Ambassador said this had the highest priority in his opinion. He stressed that the problems created by the absence of centralized housing for these young and single airmen combined with the Defense Department's liberal regulations for the use of automobiles overseas created more public relations problems for the Embassy than any other area of community relations.

3. Size of Attaché Establishment

The JCS did not concur in either the proposed reduction of the Attaché staff or the transfer of the FAST Program to JUSMAGG. To reduce the size of the establishment would cause marked reduction in its intelli-

² Apparently a reference to the OCB "Report on U.S. Personnel Overseas (July 1959)." A copy of this report, which commented on legal, personal, and community relations problems facing U.S. military and civilian employees serving abroad, is *ibid.*, OCB Files: Lot 62 D 430, Overseas Personnel.

gence capabilities. Reducing the AF and Navy Attachés to Assistant Attachés would reduce their effectiveness with the Greek military.

The JCS could see no advantage in transferring the FASTP to JUSMAGG since it was not associated in any way with the aid program. The JCS also contested the Ambassador's figures on FASTP, claiming only three officers were now attached. Mr. Hart said he thought the FASTP very definitely should be separate from the Attaché establishment.

General Dabney promised that Defense would take a hard look at the size of the Attaché establishment. He said "If you think we have too many attachés in Athens, we will be glad to follow up on this with the three Services". He said he would be personally inclined to agree with the Ambassador. The Ambassador urged that the matter be discussed with the new Army Attaché about to leave for Athens.

4. *Joint Inspection at Athens*

There was some discussion of the Ambassador's earlier suggestion that a joint inspection of U.S. Government operations in Greece be made at an early date. Mr. Estes thought there might be merit, in view of overall OCB guidance and efforts, to send out a joint team to consider one specific country. He added that State inspection teams had no formal instructions for coordination with the U.S. military presence in Greece. Each Washington agency inspection team went out in connection with its own operations only. He thought that some way might usefully be devised of getting through to the Washington bureaucracy [the need for?] an over-all and coordinated inspection of our posts overseas.

General Dabney said that for Defense the present guidance under OCB and other directives provided adequate results. As for an inspection, the respective military area commanders have these responsibilities. Mr. Estes replied that he was aware of this but that his thought was that on occasion it might be better for a centralized approach on an over-all inspection by representatives from Washington agencies.

There was also some discussion of the Ambassador's thesis that far too much time was spent by State and Defense representatives in the field in carrying out detailed studies of various hypothetical and theoretical situations growing out of the availability of various levels of aid, various levels of internal budget support, and various levels of achievement of MC-70.³ The Ambassador termed a good deal of this "shadow-boxing". General Dabney thought it might be possible to cut down the number of reports requested of JUSMAGG in Athens. The Ambassador said he intended to discuss this with Generals Norstad and Palmer in Paris.

³ See footnote 2, Document 244.

290. Telegram From the Embassy in Greece to the Department of State

Athens, April 9, 1960, 7 p.m.

2790. Reference: Embassy telegram 2786, April 9, 1960.¹

1. We had one hour meeting with Prime Minister this morning during which I gave him report on my Washington and Paris consultations,² including and emphasizing debt matter. Began by congratulating Caramanlis on Parliament victory last night following five day debate on Communist no-confidence motion on foreign affairs (Prime Minister and Averoff in fact on whole handled debate very well and Embassy assessment is that government improved its position).³ I then remarked I had last seen Caramanlis exactly four weeks ago on eve Washington departure (Embassy telegram 2506, March 12)⁴ and that during busy intervening period I had canvassed Greek-American relationship as thoroughly as I could.

2. I said I returned with their [*these?*] principal impressions:

A. Depth and sincerity of US interest in well-being of Greece and extent of good will that exists in US Government toward Caramanlis personally as indicated by greetings I charged to transmit—from President, Secretary, Under Secretary, Assistant Secretary for NEA, Ambassador Riddleberger, and from General Norstad and Ambassador Burgess in Paris. Those greetings testify to esteem in which Prime Minister held as well as to importance we attach to Greece as free world ally and NATO partner. They testify also to desire of American Government march forward in continuing collaboration with Greece and to participate in further development Greek economy.

B. My consultations underlined satisfactory state of our relations generally, in political, military, economic, cultural and related fields, recognition of which source of special satisfaction to me as US representative accredited to his government.

C. Finally, my talks emphasized importance, in light foregoing broad considerations, of his removing, as most urgent matter, one re-

Source: Department of State, Central files, 881.10/4-960. Secret; Limited Distribution. Transmitted in two sections.

¹ Telegram 2786 reported on discussions with Karamanlis on the debt issue and Briggs' feeling of cautious optimism that a settlement could be reached. (*Ibid.*)

² The nature and duration of Briggs' Paris visit are unknown.

³ The motion of no confidence, which EDA introduced on April 1, attacked the government's foreign policy. Briggs summarized the debate and its impact in telegram 2791 from Athens, April 10. (Department of State, Central Files, 781.00/4-1060)

⁴ Document 286.

maining obstacle to future progress—namely defaulted foreign debt. Said used word “obstacle” advisedly. What formerly “an irritant” because of long delay may if not settled very soon become formidable deterrent. Explaining that I of course unauthorized negotiate with respect foreign debt, nevertheless useful to recapitulate situation as seen by Council and as explaining its inability accept Gazis proposal. Furthermore, I said State Department officials directly concerned are in general sympathy with Council position which, leaving aside details, is that principle amount of approximately \$230 million should be repaid with interest reaching 50 percent of contractual rate within reasonable period and that 10 percent of interest accrued since default should also be paid, the 90 percent balance to be forgiven. Ten-year escalation proposed by Greece altogether unacceptable and, whereas Council probably prepared relax its five-year demand, nothing in neighborhood ten years would be acceptable to bond holders.

3. I pointed out difference between what Greece has offered (approximately \$7 million per annum at end of escalation period) and solution acceptable bond holders would probably not exceed \$1 million (more or less), which is a fractional amount in terms US-Greek collaboration and US contributions annually to Greece through proposed credits, military aid, et cetera. I urged therefore that Prime Minister review situation and present improved new offer.

4. I also referred to possibility Greek unilateral offer along lines Gazis proposal, indicating that should this be done, it would lead to rejection by Council with public statement of reasons therefor which in turn would mean Greek international credit unrestored and no Greek access further US Government credit. In addition, policy set forth Under Secretary’s letter to Rodopolous⁵ become known among various agencies in Washington, commented upon to the detriment of Greek-American relations, and protracted Greek default now subject US Congressional interest (Celler bill).⁶ Conversely, should debt settlement be reached, we shall be in best possible position move ahead.

5. Prime Minister listened attentively, without interruption, throughout all of foregoing, stating quietly at end that in context my talks with highest officials our government and their known friendship for Greece exposition could not fail to impress him. Although he could not give immediate answer, he would let me know what he could do at early date. Meeting Council’s views would, he said, be difficult for him in light his local political problem and might even result his overthrow.

⁵ See footnote 3, Document 287.

⁶ Representative Emanuel Celler had introduced legislation prohibiting the United States from making loans to any nation in default on a bond issue.

Averoff remarked somberly "if we have to do this, we may all regret it later".

6. Following discussion of common market problems, separately reported,⁷ meeting ended on cordial note with invitation from Prime Minister for Assistant Secretary Jones and DLF Director Brand, who are due Athens April 21,⁸ to accompany Prime Minister and me to ceremonies incident inauguration Ptolemais plant.

7. *Embassy comment:* My estimate of foregoing is that, having in mind Prime Minister's previous attitude toward debt settlement and his not infrequent low boiling point, discussion went off well, with Caramanlis impressed both by sincerity of our government's desire to help him and by conviction prevailing in Washington that it may become increasingly difficult for us to aid Greece unless foreign debt settled. Recalling my last talk with Munro, I believe that if bond holders can obtain effective January 1 last seven step escalation period with maximum annual payment between \$7.5 million and \$8 million, that is about all present Greek position can sustain, politically if not economically. If Department has any instructions or comments on foregoing it would be helpful receive them by end next week when Caramanlis will return from vacation.⁹

Briggs

⁷ Not found.

⁸ Brand and Jones visited Athens 21-24 for the dedication of the Ptolemais fertilizer plant, which was built with DLF loans, and for discussions with Greek officials on economic matters.

⁹ In telegram 2895 to Athens, Dillon praised Briggs' presentation and suggested that a visit to Athens by Munro might settle the debt issue. (Department of State, Central Files, 881.10/4-960)

291. Memorandum of Conversation Between Queen Frederika and the Ambassador to Greece (Briggs)

Athens, April 19, 1960.

SUBJECT

Views of Queen Frederika re Tobacco

At a luncheon given by Mr. Levidis, Grand Marshal of the Court, on April 18, Queen Frederika took me aside and spoke vehemently and at length regarding the problem of Greek tobacco. Her views in substance are as follows:

Tobacco is Greece's most important agricultural commodity, economically and politically. The failure of the Government to dispose of the existing surplus might bring down the Caramanlis Government, "the best Government Greece has had for years."

Greece's free-world allies must find some way to absorb the surplus, or politically Greece will have no choice but to accept a Soviet offer. Such an offer would be a "national disaster": it would involve only a small cash payment, the balance in Russian equipment and machinery (plus technicians) and possibly a steel mill. If within a few weeks the Government has not made headway toward disposal it will, she repeated, be impossible not to resist the Soviet offer. The Caramanlis Government might well fall on this single issue. Caramanlis himself, coming from Northern Greece, is peculiarly vulnerable on anything affecting tobacco.

In those circumstances the Queen expressed her inability to understand why "Greece's allies and friends" do not devise some way to meet the problem. The surplus is valued at "only \$30 million" which while a substantial sum is nevertheless a minor one in terms of the allied and especially American investment in Greece, certainly much smaller than what we have generously been supplying annually to maintain the Greek military. Considering the risk involved and the damage to the NATO Alliance which might follow either Russian penetration or the overthrow of Caramanlis, the Queen repeated that she was unable to understand either why some solution had not already been forthcoming or, in particular the attitude of the United States.

Her Majesty then complained that the United States not only buys less Greek tobacco, and of lower quality than heretofore (when increas-

Source: Department of State, Central Files, 781.00/4-1960. Confidential. Drafted by Briggs. Sent to the Department of State as an enclosure to a letter from Briggs to Parker Hart, April 19. In this letter Briggs noted: "The tobacco problem is a tough one, and I wish I knew the answer. That, in effect, is about all I told the Queen."

ing by only a tiny amount the proportion of Greek tobacco in each American cigarette "would solve the problem") but we are depriving Greece of its Western European, especially German, market. This we have done, she alleged, by a tremendous advertising campaign which a poor country like Greece could not begin to match. And finally, she declared we are objecting to a proposed Common Market tariff on tobacco, thus jeopardizing the principal objective of Greece in seeking association in the Common Market.

There was considerably more along the same vigorous line. Most of the conversation was overheard by Foreign Minister Averoff whom the Queen summoned to join us.

I told the Queen in reply that it should be recognized that the problem is an exceedingly difficult one for the United States and for the State Department which has been working loyally on Greece's behalf, seeking to facilitate Greek entry into the Common Market. The export market for American cigarettes, which do use Greek tobacco if not on the scale Greece might wish, is important to us. An almost intolerable situation might be created for us should the Common Market seek to levy a high tariff on tobacco and should that tariff seriously affect our exports. I said we were not objecting to a Common Market tariff per se, but to the proposed height of the wall.

The Queen declared that individual American companies probably spend more on advertising than the value of the present Greek surplus.

I did not undertake to argue the subject with the Queen at length and gather that the Foreign Minister viewed the entire conversation without enthusiasm. It is nevertheless reported as illustrative of the Queen's interest in this matter. It is also representative of the strong feeling in many Greek quarters when tobacco is mentioned.

Without discussing the foregoing conversation, I inquired today of one of the American congressional Interparliamentary Union delegates¹ of the accuracy of the statement that American cigarettes now use a smaller proportion of oriental (Greek) and a larger proportion of American domestic tobacco. He said yes, at least insofar as filter tip cigarettes are concerned.

B

¹ The Interparliamentary Union met in Athens April 19-24. The U.S. Delegation was led by Senator A.S. Monroney of Oklahoma.

292. Memorandum of Conversation

Athens, May 4, 1960.

SUBJECT

Secretary's Meeting with Greek Prime Minister

1. In the course of the Secretary's visit to Athens,¹ a dinner-meeting was held at the residence of the Prime Minister the evening of May 4. Others present were:

On the Greek side:

The Deputy Prime Minister H.E.
Panayotis Canellopoulos
The Foreign Minister H.E.
Evanghelos Averoff-Tossizza

On the American side:

Ambassador Ellis O. Briggs
Under Secretary Livingston T.
Merchant
Assistant Secretary G. Lewis Jones

2. The talk during dinner and the early part of the evening was desultory, with little of special interest except as reported by cable (Embtel 3059).²

3. Later in the evening the Prime Minister referred to the confidential aide-mémoire which he had submitted,³ and the main discussion of the evening centered on the points in this document.

4. The essential point made by the Prime Minister was that Greece required not only continuing but increased economic aid from the United States in particular, and Greece's NATO allies in general; that Greece was confronted by an economic and political crisis arising from its inability to expand agricultural exports, especially tobacco, and its shortage of investment capital; that failure to receive such support would force Greece into expanding her trade relations with the Soviet bloc; and finally, that Greece had not received the help and understanding from her allies that she expected or was entitled to.

5. The Secretary replied in friendly tones but with unmistakable vigor and clarity that the whole trend of U.S. Legislative and Executive

Source: Department of State, Central Files, 110.12-ME/5-1760. Secret; Limit Distribution. Drafted by Briggs and Berger. Sent to the Department of State as an enclosure to despatch 1083 from Athens, May 7.

¹ Herter visited Athens May 4-5 after the NATO Ministerial Meeting in Istanbul (May 2-4).

² Telegram 3059, May 5, reported on discussions of the possible replacement of the Soviet Ambassador in Greece by Molotov. (Department of State, Central Files, 601.6181/5-560)

³ Dated May 4, it outlined Greek suspicions of Soviet efforts at relaxation of tensions and insisted that Soviet pressure on Greece be terminated as part of a general process of détente. The document outlined Greece's economic aid requirements. A revised version of the aide-mémoire was attached to the source text, but is not printed.

policy was in the direction of reducing and eventually abolishing defense support; that the sums quoted each year were almost certain to be reduced, and there was small prospect that the level of defense support aid to Greece this year would be maintained, let alone increased. The Secretary assured the Prince Minister that the United States would continue to be helpful and sympathetic in regard to Greece's problems, and that loans, American and other, represented the form of assistance on which the Greek government will need increasingly to depend. The Secretary said he was aware of the pressure which the Soviet government was putting on Greece, and the Prime Minister could, of course, continue to depend on American collaboration and support in respect of its security and its NATO responsibilities.

6. By pre-arrangement, there was no discussion at that meeting of Greece's defaulted debt and the current status of negotiations. (This was discussed between the Secretary and Foreign Minister Averoff earlier in the day.)⁴

[1 paragraph (4-1/2 lines of source text) not declassified]

⁴No record of this discussion has been found.

293. Telegram From the Embassy in Greece to Secretary of State Herter, at Paris

Athens, May 17, 1960.

Tosec 227. 1. Taking advantage receipt today of Secretary's May 11 bread and butter letter to Caramanlis¹ I called on Prime Minister, who after referring to breakdown at Summit reaffirmed solidarity of Greece with free world, with NATO and specifically with US. He also suggested would be good idea for American Government (or Big Four) to beat Russia to UN, either to present our open skies no peeking proposal,² or to consider situation created by Khrushchev's behavior.

Source: Department of State, Central Files, 396.1-PA/5-1760. Secret. Repeated to Ankara and the Department of State, which copy is the source text. Herter was in Paris with President Eisenhower to attend the summit conference.

¹A copy of the letter, which thanked Karamanlis for the courtesies extended during Secretary Herter's visit to Athens, is *ibid.*, Greek Desk Files: Lot 61 D 456, Visits-Herter.

²Reference is to President Eisenhower's proposal for the inspection of nuclear test sites by aerial overflight.

2. As contribution assessment world views on current situation, Greek Prime Minister's observations follow in substance: Greek Government finds it difficult to understand timing May 1 U-2 flight, and even more difficult understand our admitting, after the event, what pilot was up to. "As Greek, I was baffled; as politician I thought admission damaging to allied cause. Maybe history will applaud you but in today's world, as seen from Greece, only a great power could afford luxury of honesty in those circumstances". However, having dealt ace to Khrushchev latter proceeded by grossness of his behavior to dissipate his assets. Khrushchev was probably looking, for reasons unknown, for excuse liquidate peaceful co-existence.

3. Present position, continued Caramanlis, that gangster face of communism is again exposed for world to see. Détente is revealed for phoney tactic it always was. Communism has steadily advanced since war. Its advance has been facilitated by free world mistakes and irresolution. Now is time for free world to close ranks, to recognize that our disagreements and quarrels are minor in terms of our common interests and the Communist threat. This is golden opportunity for free world. It may be turning point in modern history.

4. First we should consult as NATO allies. Then we should go to UN, thereby capturing free world initiative. And finally, whatever be tide, Greece stands with US.

5. It was impressive performance and I believe sincere one. (Some acknowledgment might be in order.)³ Opening observations should be read in context that few Greeks believe straight line is shortest distance between any two points. It is also illustrative of fact that Greece, not having been offered détente, regards it with extra suspicion and is not now adverse to being joined by US in ex-peaceful co-existence doghouse. Caramanlis may also have had eye (slightly malicious) on Menderes Moscow expedition.⁴

6. Greeks would clearly welcome project by free world to recapture initiative.

Briggs

³ On May 19, Eisenhower sent a personal message to Karamanlis in which he discussed the reasons for the failure of the Paris summit. A copy of this message is in Eisenhower Library, Whitman File, Greece.

⁴ Menderes' projected trip to the Soviet Union never took place. The Soviet Government lodged a formal complaint with the Turkish Government over the use of Turkish airfields by U-2 aircraft. Menderes' government was subsequently overthrown by a military coup on May 27.

294. Telegram From the Department of State to the Embassy in Greece

Washington, June 3, 1960, 9:23 p.m.

3411. Paris for USRO, Finn and Thurston. Paris pass CINCEUR. Joint State-ICA message. Your 3282 and despatch 1113.¹ Believe it highly important that GOG be informed quickly of US position on Greek request \$72 million FY 61 which GOG must be well aware cannot be met. Purpose following instructions is to ensure this be done and emphasize importance early US/GOG discussions which will take into account anticipated total resources and make appropriate adjustments in MAP programming. We thus hope discourage unfounded Greek expectation that request might somehow be met and prevent new irritation when this is proved impossible. Ambassador should therefore make early response to aide-mémoire along following lines:

1. USG unable meet request for \$72 million grant aid FY 61. As emphasized by Secretary in Athens talks May 4,² trend US legislative and executive policy is in direction reducing and eventually abolishing grant defense support aid. Congressional authorization bill FY 1961 DS already less than Administration request and appropriations bill likely provide even less. There is therefore every likelihood that FY 60 level DS and OM grant aid to Greece of \$30 million will be reduced in FY 61 and GOG should plan accordingly. Final aid figure dependent on Congressional actions.

2. US recognizes need make progress toward NATO force goals. This is firm US policy and we welcome renewed indication of importance GOG also attaches to these goals. We believe record shows we desire to help as much as we can. Resources not available however to permit us to accept as principle that US must provide both military hardware and all resources to fill GOG local currency shortfall in meeting goals.

3. We believe US Defense Support assistance coupled with GOG expenditures has permitted some progress toward attainment goals. As Greek economy continues grow and with present favorable foreign exchange position it remains our hope that GOG can increase defense ef-

Source: Department of State, Central Files, 781.5-MSP/5-2360. Secret. Drafted by Laingen and Wheeler. Repeated to Paris.

¹In telegram 3282, May 23, Briggs reported on a meeting with Protopapadakis at which Greek requests for fiscal year 1961 aid were presented. (*Ibid.*) Despatch 1113, May 23, transmitted the text of a Greek aide-mémoire outlining its aid requests. (*Ibid.*)

²See Document 292.

fort proportionately with increases GNP. We are also hopeful that certain other more developed NATO countries will be able provide assistance.

4. Subject these observations US intends continue help with means available to assist Greece strengthen its defenses and also to assist Greece in economic development program. In this respect, however, US and GOG programming of MAP depends directly on anticipated overall Greek ability effectively man and utilize equipment provided. US therefore hopes that in its planning for period beginning US FY 61, GOG will take into account both availability Greek resources and likely level US grant DS aid for military budget in determining manpower levels, desirable level MAP deliveries, etc. In this respect also you should make clear to GOG that Other Material in FY 61 will be limited to procurement items not produced Greece and will not exceed current levels. It would be our hope foregoing would be worked out through effective and early US/GOG discussions.

5. As for direct US assistance in economic development plans, US has voiced on many occasions over recent years its admiration of Greek efforts maintain expanding economy and at same time build strong military posture. In particular, GOG is to be congratulated for continued success of stabilization program permitting impressive record economic growth. Prime Minister's energetic efforts launch full-scale development program while continuing efforts financial stability equally commendable. US and other friendly countries will certainly wish continue assist in these efforts. Early Greek association with EEC would further enhance prospects for development Greek economy. As for US, resources from DLF already made available for two important projects in development program, and highway project remains under consideration. GOG of course free submit additional requests DLF assistance at any time. FYI. You should of course make it clear that U.S. posture re other problems (i.e., debt settlement) remains the same as previously stated. End FYI.

Herter

295. Telegram From the Embassy in Greece to the Department of State

Athens, June 9, 1960, 8 p.m.

3452. Re Embtel 3415.¹

1. It will doubtless occur to the Department, as it has to us, that Greeks have again become sticky about debt matter. Depending on Munro's response to latest proposals, I think time is approaching when I should tell Averoff that all this Armenian rug dealer haggling is not having favorable effect on bondholders whose good will not without value to Greece in the future, or on those officials in Washington who have been seeking loyally, in Greece's own best interest, to facilitate solution. Nor does it escape those officials that at same time Greece telling American Government it should have \$70,000,000 in grant aid, it is procrastinating and maneuvering over picayune question whether annual charges on debt defaulted over two decades will be \$7,000,000 or some figure higher by a few hundred thousand dollars per annum.

Before exploding this or comparable firecracker, it would be helpful to know Munro's attitude.²

Briggs

Source: Department of State, Central Files, 881.10/6-960. Secret; Limit Distribution.

¹ Telegram 3415, June 7, summarized Greek positions on the four outstanding issues in its negotiations with the U.S. bondholders. (*Ibid.*, 881.10/6-760)

² In telegram 3474 to Athens, June 10, the Department of State deferred comment until Munro met with the bondholders. (*Ibid.*, 881.10/6-960) In telegram 3570 to Athens, June 21, the Department of State reported that after talks with the bondholders Munro would offer to reduce the rate of interest on waterworks bonds if the Greek Government would pay \$424,000 on arrears of outstanding bonds. (*Ibid.*)

296. Telegram From the Embassy in Greece to the Department of State

Athens, June 29, 1960, noon.

3700. Reference: Embtel 3647.¹

1. Optimism re foreign debt matter has, I regret to report, proved premature. Caramanlis has gone into tailspin over political developments and now proposes further delay. Foreign Minister told Berger yesterday Prime Minister has reluctantly decided he cannot send Gazis now to US as it would be "politically dangerous" for him to announce bond settlement at this time, but that Caramanlis is hopeful atmosphere will clear up enough to wind up negotiations "2 or 3 months hence".

2. Averoff elaborated as follows:

A. Recent strikes of institutional doctors and law court officials and general unrest among civil servants and industrial workers (all seeking higher wages) and dissatisfaction among farmers (lower prices and incomes combined with crop damage in some areas) make government conclude this bad time to announce bond settlement, particularly since government can do very little to meet these domestic demands.

B. Korean, Turkish and Japanese events² have created hope among opposition and communist elements that perhaps something can be pulled off here, if they can latch on to some popular issue. Government determined not to give them any opportunity and everything in Greece now being looked at from this point of view. Indeed government has gone so far as to advise King not to go to Italy to watch Crown Prince in sailing competition³ lest this open him to criticism he is playing while Greece suffers.

C. Government unable provide much in way of amelioration of worker and farmer demands without either adding to inflationary pressures or reducing their investment budget. However some improvements will be made in next few weeks at least for such groups and this together with further increase in public works program and signs Greek economy improving slightly will they hope make for better atmosphere

Source: Department of State, Central Files, 881.10/6-2960. Secret; Limited Distribution.

¹ Telegram 3647, June 26, reported that Averoff had stated he would send Gazis to New York to conclude a settlement of the bond issue. (*Ibid.*, 881.10/6-2660)

² In Korea student-led riots had forced the resignation of President Rhee on April 27. A military coup on May 27 overthrew the Menderes government. Riots in Japan in June against the conclusion of a U.S.-Japan security pact forced the cancellation of a good will visit by President Eisenhower.

³ Crown Prince Constantine was participating in the 1960 Olympic games in Rome.

few months hence. By that time, too, Korean, Turkish and Japanese "contagion" may have evaporated.

3. Berger told Averoff that effect of above decision in US might be little less than disastrous and that it would almost certainly adversely affect Washington view of pending Greek request for assistance. Indeed there might well be public denunciation by irate bondholders in US, and with justification, which would complicate Greek Government's ability to settle few months hence as it might enable opposition to level charges government capitulated under pressure from US.

4. Berger suggested as alternative that Gazis go to US at once to complete negotiations and initial agreement, if necessary with understanding that settlement would not be announced until agreed upon moment. He suggested time for announcement might perhaps be in September when IBRD and IMF meet and which would offer an opportunity for Greeks to seek kind of IBRD statement they anxious to have.

5. I phoned Averoff thereafter and ratified what Berger had said emphasizing my disappointment and my view that Washington would view Prime Minister's eleventh hour withdrawal as worse step Greece could take, in own interest and in terms American ability to collaborate in immediate future. I told Foreign Minister he could quote me to that effect, adding that I was prepared say same thing to Caramanlis.

6. Averoff said he would see Prime Minister and communicate with me again, which he did today, on eve their departure for Tito visit (Embtel 3631).⁴ Foreign Minister said Caramanlis somewhat shaken by our representations and had decided postpone decision until their return to Athens on July 3.

7. I still hope we can pull it off but Caramanlis, troubled by international developments plus his domestic problems, has apparently become [1 line of source text not declassified] reluctant take any step that might complicate his local situation. It would be helpful for me be able say Department endorses views already conveyed to him, and likewise for Department make similar representations, urgently, to Ambassador Liatis.⁵

Briggs

⁴ Telegram 3631, June 24, reported on Karamanlis' projected visit to Yugoslavia. (Department of State, Central Files, 781.13/6-2460)

⁵ In telegram 15 to Athens, July 2, the Department of State replied that it "fully agreed" with Briggs' views and the actions he had taken. The Department added that Liatis had been informed of U.S. concern with the lack of settlement of the bond issue. (*Ibid.*, 881.10/6-2960)

297. Telegram From the Embassy in Greece to the Department of State

Athens, August 3, 1960, 4 p.m.

296. Re Embassy telegram 293.¹

1. Extracting debt settlement seems about as difficult as pulling out walrus tusk with eyebrow tweezers—frozen walrus at that.

2. However, Secretary General Palamas now assures me that Gazis will leave for New York “by this week-end.”²

Briggs

Source: Department of State, Central Files, 881.10/8–360. Secret; Limit Distribution.

¹ Telegram 293, August 3, reported that Karamanlis was apparently holding up Gazis' departure for New York and that Briggs would attempt to prod the Greek Government into action. (*Ibid.*)

² In telegram 367 to Athens, August 17, the Department informed Briggs that Gazis and Munro initialed a memorandum of understanding on the debt issue on August 11. (*Ibid.*, 881.10/6–2960)

298. Memorandum of Discussion at the 461st Meeting of the National Security Council

Washington, September 29, 1960.

[Here follow a paragraph listing the participants at the meeting and agenda items 1–2.]

3. *U.S. Policy Toward Greece* (NSC 5718/1; OCB Report on NSC 5718/1, dated September 14, 1960)¹

Mr. Harr summarized the referenced Operations Coordinating Board report on the subject, calling attention to five aspects of our policy toward Greece: Cyprus, Greco-Soviet relations, the economic situation in Greece, Greco-Turkish relations, and U.S. economic and military assistance programs for Greece. Mr. Harr said many portions of the policy

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by Boggs.

¹ NSC 5718/1 is printed in *Foreign Relations, 1955–1957*, vol. XXIV, pp. 585–592. The OCB report of September 14 is not printed. (Department of State, OCB Files: Lot 62 D 430, Greece)

paper were considerably out of date. However, the OCB had recommended a review of the policy rather than a mere updating. Mr. Gray said the Planning Board would proceed with a review of NSC 5718/1.

The National Security Council:

a. Discussed the reference Report on the subject by the Operations Coordinating Board, as summarized orally at the meeting by the Special Assistant to the President for Security Operations Coordination.

b. Noted that the NSC Planning Board would review U.S. Policy Toward Greece (NSC 5718/1) as recommended by the Operations Coordinating Board.

[Have follow the remaining agenda items.]

Marion W. Boggs

299. Memorandum of Conversation

New York, October 4, 1960, 9:45 a.m.

SECRETARY'S DELEGATION TO THE FIFTEENTH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY New York, October 3-7, 1960

PARTICIPANTS

U.S.

The Secretary
G. Lewis Jones, Assistant Secretary,
NEA
A. Guy Hope, Advisor, USDel,
UNGA

Greece

H.E. Mr. Evangelos
Averoff-Tossizza, Greek Foreign
Minister

SUBJECT

Call on the Secretary by the Foreign Minister of Greece

Foreign Minister Averoff had asked to call on the Secretary following his luncheon with Assistant Secretary Lewis Jones on October 3.¹

Source: Department of State, Greek Desk Files: Lot 61 D 456, United Nations. Confidential. Drafted by Hope on October 5. The meeting was held at the Waldorf Towers.

¹ Jones and Averoff discussed the bond issue, Greek problems with the EEC, and Greek relations with the United Arab Republic. A memorandum of their conversation is *ibid.*, Conference Files: Lot 64 D 559, CF 1767.

The Secretary thanked Mr. Averoff for his excellent short talk on October 3 in seconding the postponement of the five-power resolution on Eisenhower–Khrushchev talks.² The Foreign Minister said that the Yugoslavs were very upset with him and Popovic had spoken to him quite sharply, saying he had compromised their effort to obtain a meaningful resolution. Mr. Averoff had explained that he had stressed the open-door characteristic of President Eisenhower's reply³ and did not believe that he should be held to account by the neutrals for his reasonable action. He commented that the Yugoslavs were most anxious to get something nailed down before Tito left New York today and that this probably explained their upset. Mr. Averoff said Popovic had not made this point to him but had said that the situation was too serious for delay. Mr. Averoff was inclined to believe that it was not a good thing to be slapping the faces of the "five personalities" involved in the resolution since they enjoyed a considerable following among the neutrals. As Popovic had pointed out to Ambassador Wadsworth, the Australian resolution⁴ gave Khrushchev a good excuse for some new propaganda explosions over the U-2 incident. The Yugoslavs had assumed, according to Averoff, that the U.S. had put the Australians up to introducing their resolution.

The Secretary said he was inclined to agree that the Australian action did give Khrushchev a propaganda opportunity. Mr. Averoff suggested that the best thing would be to amend the five-power resolution in order to save face for the personalities who had introduced it. The Secretary agreed but hoped the resolution would not emerge with a request for an Eisenhower–Khrushchev meeting. Averoff thought this would be difficult for the Yugoslavs and the other sponsors but said he would be talking with Popovic about it.

Mr. Averoff remarked that the President's reply to the letter from the five was clear and dignified and was very helpful since it did not close the door to a future meeting. The Secretary said that Khrushchev's reply⁵ was not at all helpful or flexible and seemed to close the door to any negotiations under acceptable terms. Mr. Averoff said the problem was how to handle the exchanges so that the West seemed to be in the right. The Secretary said that we would be doing a lot of thinking about

² On September 29, the leaders of Yugoslavia, India, the United Arab Republic, Ghana, and Indonesia introduced a resolution in the General Assembly calling for a meeting between President Eisenhower and Premier Khrushchev. For text, see U.N. doc. A/4522.

³ For text of Eisenhower's reply, see Department of State *Bulletin*, October 17, 1960, pp. 595–596.

⁴ U.N. doc. A/L.316.

⁵ U.N. doc. A/4532.

the matter during the day and would be in touch with Mr. Averoff and our other friends about it. Averoff stressed that if the door to talks would be kept open it would help immensely. He thought the five could go along with a change of dates if there were no other substantial alterations.

The Secretary said that, apart from the present incident, he was concerned about the precedent involved. If the UN establishes a custom of attempting to persuade leaders to get together on issues, there is no telling where such a course might lead. He mentioned, for example, the complications which could arise in the case of a UN mandate for Nasser to talk to Ben-Gurion or Hussein.

Mr. Averoff commented, and the Secretary agreed, that King Hussein's speech⁶ was very courageous and timely. Mr. Averoff thought that the courage demonstrated in his appearance would be helpful in inspiring courage on the part of some of his auditors about other matters before the Assembly.

Turning to the Chinese representation issue, Mr. Averoff said that he did not expect an answer from the Secretary but wanted to report frankly that many of our friends in the UN are not happy about the Chinese question and followed the US position only for reasons of decency and loyalty to the US. The Secretary said he realized the problem and knew that it became more difficult each year. Mr. Averoff said that he did not believe we could maintain the present position much longer. The Secretary commented that perhaps there had been some wishful thinking about Chiang dying or other changes in the situation in Formosa. He noted that Mr. Nash of New Zealand and some others had been advocating a scheme for a separate Formosa idea in the UN but the Chinese Communists had shown no interest in such a plan nor was it acceptable to the Government of the Republic of China. Mr. Averoff said that he thought something could be worked out on a "two Chinas" scheme. He said that the friends of the US had no arguments with which to counter the attacks on the Chinese representation issue. The Secretary pointed out that Communist China has been declared by the UN as an aggressor in Korea and is still continuing to remain there in defiance of the resolution, that the Chinese Communists have declared their intention of taking Formosa by force, and that perhaps even more significantly from the US point of view, the Chinese Communists had repudiated their signed agreement with us on the repatriation of nationals. We still have five Americans who are held by the Chinese Communists in violation of their signed undertaking. The Secretary said that

⁶ In his October 3 speech, Hussein rejected neutralism, condemned the Soviet Union's intervention in Arab affairs, and attacked the United Arab Republic for its interference in Jordanian affairs.

when he was Governor of Massachusetts, he had agreed to pardon a Chinese who was serving a sentence for murder in order that the man could be repatriated to China in order to live up to our agreement on this matter. He thought there was some significance to the fact that the Chinese prisoner had preferred to continue serving his sentence rather than return to the China mainland. The Secretary said that we had scrupulously lived up to our side of the repatriation agreement. He realized fully that there existed an unnatural situation with 600 million people not recognized in the UN but that the Chinese Communists should declare their intention to stand by the provisions of the UN Charter if admitted. They had not made any such statement. Mr. Averoff agreed that such a statement was a condition precedent to CPR membership and in addition he believed the Chinese Communists should agree to guarantee the independence of Formosa.

Mr. Averoff referred to the report which he had made available to the Department through Ambassador Briggs (relating to the Bucharest meeting).⁷ He was absolutely certain of the veracity of the report of difficulties in the Communist camp, as certain as if he had been present. While he found the evidences of Sino-Soviet difficulties very interesting, he did not feel we should base our policy on an expectation of a major blow-up between the two Communist powers. He felt that the Communist leaders would never allow an open break if they could possibly help it. He felt that a real clash could come only if material considerations conflicted, for example, if the Chinese found they needed more land and pressed against Russian borders. The Secretary said he could visualize a real conflict if the Chinese Communists should decide unilaterally to attack Formosa under the present circumstances. Mr. Averoff responded that perhaps this would be another instance because unquestionably the Chinese are very bellicose and the Soviets are not.

The Secretary and the Foreign Minister agreed that Khrushchev is a most curious personality whose behavior at the UNGA had been deplorable. Mr. Averoff commented that the Africans had behaved very well. While two or three of the delegations had joined the claque for Khrushchev, it was a fine thing that the others refrained from such behavior. The Secretary agreed.

Queried by the Secretary as to his travel plans, Mr. Averoff said that he could not remain in New York long. He had to go to Paris to try to help along the Common Market talks which were not going too well. Then it was necessary for him to return to Greece where there were bothersome internal problems. The Secretary inquired whether the

⁷ Reference is to the June 20-25 conference of Communist Parties in Bucharest at which the Soviet and People's Republic of China Delegations publicly disagreed about Khrushchev's policy of "peaceful coexistence" with capitalist states.

Greek parliament is in session. Mr. Averoff responded that it was not, but it might be necessary to call up parliament because of a scandal which is brewing. He explained that a war criminal who had been tried in Greece, then turned over to the Germans, who had released him, had accused high Greek officials, including the Prime Minister, Minister of War and Minister of Interior of collaborating with the Nazis. As far as Karamanlis is concerned, it would not be difficult to disprove charges which were being made by this war criminal and exploited by the Communists, but it was apparently going to be necessary to provoke the Communists to an open fight before parliament in order to have an opportunity to produce evidence to disprove the charges.

In response to Mr. Averoff's inquiry the Secretary said he planned to stay in New York until Friday. His further movements would depend on developments.

Mr. Averoff turned briefly to the situation in Turkey, which he said disturbed him a little. His good friend Foreign Minister Sarper had told him of his meetings with Tito and Nasser in New York but had not given him any report on his hour and fifteen minute meeting with Khrushchev. The Secretary explained that Mr. Sarper had left for Turkey yesterday. Mr. Averoff said that he was sure that Sarper had not made significant commitments to any of the three. [1-1/2 lines of source text not declassified] He also expressed support for General Gursel whom he felt was determined to live up to his NATO commitments but understandably was attempting to improve Turkish relations with the Arabs which had deteriorated considerably under the previous administration. What worried Mr. Averoff was that we do not know where the Turks are going in their internal situation. He deplored the trials saying "blood is always bad".⁸

The Secretary commented that Menderes must still have many friends. The Foreign Minister said that his information indicated there was more support among the peasants for Menderes than ever before and that he was informed Menderes would not be harmed. If the court should sentence him to death, Mr. Averoff felt confident that he would receive "grace" but he felt that some leaders would be executed.

The Foreign Minister suggested that the Secretary should ask his Eastern European specialists to make a comparison between the Albanian speech at the UN last year and in the present session. He found it interesting that the tune had changed considerably. Last year the Albanians were licking the feet of the Russians but now were much less

⁸ Following the military coup of May 27, the Turkish military government placed 15 top leaders of the Democratic Party, including former President Bayar and former Prime Minister Menderes, on trial for corruption.

enthusiastic and were fawning on Peiping instead. The Secretary said we had noticed that the Russians did not speak to the Albanians in the UNGA for several days. Mr. Averoff said that this development had been noted in the report on the Bucharest Conference which he had sent to the Secretary.

300. Memorandum of Conversation

Athens, December 8, 1960.

[Source: Department of State, Greek Desk Files: Lot 61 D 456, Official-Informal Correspondence. Secret; Limit Distribution. 2 pages of source text not declassified. Transmitted to the Department of State as an enclosure to a letter from Briggs to G. Lewis Jones, December 15.]

301. Memorandum of Conversation

Athens, December 14, 1960.

PARTICIPANTS

Prime Minister Constantine Caramanlis
Ambassador Ellis O. Briggs
John A. Calhoun, Political Counselor

Mood: The Prime Minister appeared tense and distracted at the beginning of the conversation, as did his wife, but in the course of the succeeding two and half hours he loosened up noticeably and assumed his

Source: Department of State, Central Files, 781.00/12-1560. Confidential. Drafted by Calhoun on December 15. Sent to the Department of State as an enclosure to a letter from Briggs to G. Lewis Jones, December 15. Briggs noted that the conversation took place at an informal luncheon which he and Mrs. Briggs gave for the Prime Minister and his wife at the U.S. Embassy.

accustomed air of urbane confidence. He did not display excitement or emotion on issues on which we might have anticipated a strong reaction. He seemed to make a point of keeping the conversation relaxed and friendly in atmosphere.

International Matters: The Prime Minister described briefly his proposal to NATO Secretary General Spaak for a NATO Heads of Government Meeting in the spring which would afford an opportunity for the new American President to meet his NATO opposite numbers and to exchange views with them on the world situation. He said Spaak replied stating that Caramanlis' proposal would be raised for discussion in the Paris Ministerial Meeting.¹ The Prime Minister said he had no particular feeling about the locale of such a meeting.

The Prime Minister showed (somewhat to our surprise) no excitement or sensitivity regarding the difficult issue of the EEC tobacco tariff which was put to the Greek Government by the Ambassador some days ago.² He commented generally on the high importance of achieving Greek association with the Common Market, agreeing that the alternative would be increased economic relations with the Communist countries leading to greater Greek dependence on them. He noted that the Minister of Coordination would be discussing this matter with Under Secretary Dillon in Paris.³ Ambassador Briggs noted the excellent effect of Foreign Minister Averoff's presentation some weeks ago to the EEC Foreign Ministers.⁴

The Prime Minister expressed deep concern at the trend of developments regarding Algeria⁵ and feared that this could have a seriously damaging effect on the Free World position.

Domestic Political Matters: The Prime Minister said that he did not expect to make any immediate decisions regarding elections or reshuffle of the Cabinet in the face of growing attacks and scandal charges by the Opposition. He tended to discount the latter as being acts of desperation by opposition leaders who had no hope of achieving power in Greece. He seemed to class all of the opposition leaders, including EDA, in the same category. He maintained that all the nationalist opposition leaders were anxious to participate in the Government but that he did not expect to bring them in as they would be merely a divisive influence and would create even more problems for him. The Prime Minister was

¹ December 16-18. The proposal was not approved.

² This démarche by Briggs has not been further identified.

³ At the December 14 meeting at which the OECD convention would be signed.

⁴ November 14-15.

⁵ Following rejection by the Algerian nationalists of a French offer of a cease-fire.

particularly vitriolic regarding the press and implied that something may be done to control their irresponsibility.

The Prime Minister said that he expected to make decisions in January (presumably before the end of the forthcoming Parliamentary recess) regarding his future course of action. [1-1/2 lines of source text not declassified] From the viewpoint of elections his feeling was that the best time for elections was still in the autumn of 1961, anticipating that the 1961 crops would be good and that other beneficial effects of economic progress would be felt at that time. He acknowledged that the current political situation might require him to move towards earlier elections, possibly in the spring. He gave the impression that in the event of early elections there would probably be no major reshuffling of the Government but that if there were later elections some reshuffling might be in order. He related these comments to the possibility of establishing a national front in order to defeat the Communists. In answer to an inquiry, he said that he envisaged an electoral law providing for a majority system, although he acknowledged that some form of proportional representation might be required in the larger cities in view of the Communist strength there. He feared that elections which did not isolate and reduce the Communist vote might only perpetuate and even worsen the present political chaos, for example, by creating a block of perhaps 130 ERE seats, some 70 to 80 EDA seats, and about 100 divided among the other opposition groups. The latter could then flirt with the Communists and might form a popular front with them to control Parliament. Avoidance of conditions which might result in a popular front is his primary objective.

[1 paragraph (8-1/2 lines of source text) not declassified]

Economic Matters: The Prime Minister, in discussing some of the economic development problems of Greece, stressed the great difficulties he had had in Parliament with the aluminum contract and said that this experience was yet another indication of the irresponsibility of the Opposition. He acknowledged that the final vote on the aluminum contract had been in the Government's favor but he was clearly not satisfied with the history of this project in Parliament. In this connection Ambassador Briggs mentioned our concern at the reported proposal to require 51% Greek interest in certain development industries. The Prime Minister did not seem disturbed at the possible effect of such a measure on the climate for private foreign investment. He emphasized that any such measure would only be applied to what he described as a limited category of industries producing for the domestic market.

There was no mention of the foreign debt settlement, APECO or related issues.

302. Telegram From the Embassy in Greece to the Department of State

Athens, December 21, 1960, 11 p.m.

1279. Paris also pass Ambassador Briggs¹ and Thurston. Foreign Minister asked me call this evening and convey urgently GOG views regarding reports circulating here (Embassy telegram 1263, repeated Paris 68, Bonn 23)² that US and Federal Republic had agreed to arrangement whereby latter would assume part of aid for Greece and Turkey. He emphasized government had instructed him state following as official GOG position.

Greece strongly preferred aid come from US in view long history of such assistance, satisfactory procedures and arrangements now existing, and above all politically disinterested motivation American aid (i.e., Greeks accept fact US not seeking narrow political domination which historically European powers have sought). German assumption US role would carry serious political implications within Greece and be psychologically bad.

In this connection he differentiated between purely economic aid by Federal Republic to less developed countries (which could be explained as being in nature of "reparations") and military or defense support aid. Averoff assumed only defense support aid involved as he understood Secretary to say in NATO ministerial meeting that US would continue provide MAP equipment etc. to NATO countries unable purchase it themselves.

He added that if continuation US aid not possible GOG would possibly refuse such aid from Federal Republic. Averoff suggested that if some new method must be found from US viewpoint, GOG believed new mechanism should be created within NATO whereby countries other than Germany would also contribute perhaps nominal amounts to common pool for these purposes. This would take some of political curse off.

I told Foreign Minister we had no official information substantiating press reports nor in fact any new information from Washington or

Source: Department of State, Central Files, 781.5-MSP/12-2160. Confidential; Priority. Repeated to Bonn, Ankara, and Paris.

¹ Ambassador Briggs apparently remained in Paris after the December 16-18 NATO Ministerial Meeting.

² Telegram 1263, December 19, reported on unfavorable press reaction to a German story that the Federal Republic would take over part of the military aid program for Greece and Turkey. (Department of State, Central Files, 781.5-MSP/12-1960)

Paris on subject. I outlined substance Department telegram 1061,³ pointing out this was information given Embassy some two weeks ago, and assured him in accordance first paragraph Department telegram 1061 that before any changes in MAP relations were definitely proposed, US would of course consult with GOG. I also told him GOG views would be conveyed Washington immediately with request for information which could be furnished GOG.

There is no doubt GOG is genuinely concerned at domestic political implications of possible German assumption US aid role in Greece and that it considers carefully devised NATO cover would be minimum required to make concept palatable.

Calhoun

³ Telegram 1061, December 5, reported that the United States and the Federal Republic were seeking a means to provide German financing for the supply of U.S. equipment under MAP. (*Ibid.*, 781.5-MSP/12-560)

TURKEY

U.S. POLICY TOWARD TURKEY

303. Memorandum of Conversation

US/Del/MC/1

Ankara, January 26, 1958, 6:15 p.m.

US OBSERVER DELEGATION FOURTH SESSION, MINISTERIAL COUNCIL, BAGHDAD PACT

US Participants

The Secretary
Ambassador Warren
Mr. Rountree

Turkish Participants

Prime Minister Menderes
Foreign Minister Zorlu
Secretary General Esenbel

SUBJECT

The Secretary's call on the Prime Minister

Mr. Menderes warmly greeted the Secretary and expressed great pleasure on the part of the Turkish Government that he was in Ankara. After responding appropriately, the Secretary emphasized the high regard in which Turkey was held by the United States. He said there were many questions which could be discussed, but one which was particularly on his mind as a result of messages which we had received, was developments concerning Syrian-Egyptian union.¹ He asked Mr. Menderes what his present view of the situation was.

Mr. Menderes responded that this was a very disquieting factor. It reflected in yet another way the seriousness of the situation in Syria. He said the main pressure for union came from Syria, that the Soviet Union and Syrian Communists were behind that pressure. Nevertheless, the willingness of the Egyptian regime to go along with the idea demonstrated that Egypt was collaborating with the Communists. He said the plan was being pushed by Syria and Egypt "to fight the Baghdad Pact."

Mr. Zorlu remarked that he had been asked by the press what his attitude toward union was, and he had responded that he would be happy to see all Arab countries cooperating together; that while Turkey had nothing to say with particular respect to the proposed union, it

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Rountree. The meeting was held in Menderes' office.

¹On November 18, 1957, parliamentary bodies in Egypt and Syria approved the merger of the two states into the United Arab Republic. The new state was formally proclaimed on February 1, 1958.

would be happy if the union meant that Syria was going to get out of the Soviet orbit.

The Secretary asked Mr. Rountree to review the Department's present thinking on the pros and cons of the US making a public statement on this matter and, while not endorsing union, making it clear that the US would not oppose any such developments which were brought about by the free will of the peoples concerned.² Mr. Menderes felt that a statement along these lines might be interpreted as an endorsement of the plan, which he was certain was the work of Communists. He agreed fully with the Secretary's observations that perhaps at this time we should maintain flexibility in our position, awaiting further developments and particularly the public attitude of other Arab governments. The Secretary thought it possible that we might have to make a statement at some later time criticizing the plan.

At this point the Secretary and the Foreign Minister were required to depart for the Secretary's courtesy call on the Turkish President.

²Dulles commented on the merger of Egypt and Syria at his February 11 press conference; for text of his statement, see Department of State *Bulletin*, March 3, 1958, p. 332.

304. Memorandum of Conversation

US/Del/MC/2

Ankara, January 26, 1958, 6:45 p.m.

US OBSERVER DELEGATION
FOURTH SESSION, MINISTERIAL COUNCIL
BAGHDAD PACT

US Participants

The Secretary
Ambassador Warren
Mr. Rountree

Turkish Participants

President Bayar
Foreign Minister Zorlu
President's Interpreter

SUBJECT

The Secretary's Call on President Bayar

President Bayar began by telling the Secretary how delighted he was to have him in Ankara at this time. He said that "quite apart from

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Rountree. The meeting was held at the President's Palace.

the usual reasons for the Turkish pleasure in receiving the Secretary," it was important for him to be here to add strength to the Baghdad Pact. He was particularly gratified that the Secretary had gone to Iran before attending the Baghdad Pact meetings,¹ as it was highly important that Iranian resolve be strengthened.

The Secretary responded by referring to the importance which the United States attached to its relations with Turkey. The United States, he said, considered Turkey one of the staunchest allies. Also, he was pleased to demonstrate by his presence at the Baghdad Pact meetings the strong interest and support of the United States in the Pact.

The President observed that Mr. Dulles' last visit to the Middle East had been five years ago,² and that since then there had been a marked deterioration of the situation in the area. The Secretary said that it was, of course, true that there had been a deterioration in certain aspects, but he did not feel that the overall situation had worsened as much as was often thought. He recalled that during his visit five years ago, eggs were thrown at him by Communist demonstrators in Cairo, and the Lebanese Government had asked him not to visit the American University because of expected Communist demonstrations. He had then felt it necessary to omit Iran from his itinerary since Iran under Dr. Mosadegh was under the heavy influence of Communists. He said that among the changes that had taken place in the Middle East in the interim, the situation in Iran had been completely reversed and the attitude of some Arab governments toward unfriendly elements in Egypt and Syria had improved. There were, as he had said, factors which obviously were serious, but we should not be too pessimistic.

The President agreed that there was both good and bad in the situation. He felt that developments in Iran had been particularly gratifying, all the more so since Iran was now a member of the Baghdad Pact.³ He recalled that during a visit to Jordan some time ago,⁴ he, himself, had been the object of attacks similar to those made against Mr. Dulles in Egypt. Jordanian elements were violently outspoken against him and against any Jordanian association with Western organizations such as the Baghdad Pact. He had been greatly impressed by the fortitude shown by King Hussein, and by the change which had taken place in Jordan. The Secretary concurred fully with the President's comments about King Hussein, and commented upon the helpful influence of his mother.

¹ Dulles visited Iran January 24-26.

² Dulles visited the Middle East May 11-28, 1953.

³ Iran joined the Baghdad Pact on October 12, 1955.

⁴ Apparently during Bayar's November 1955 visit to Jordan.

The President felt that Saudi Arabia was very much concerned about its position, and thought that King Saud would like to draw closer to Turkey. The difficulty, however, was that the King was surrounded by bad elements whom he did not trust. He was therefore afraid to speak freely.

Mr. Zorlu described his recent visit to Saudi Arabia during which he had long discussions with King Saud. He said that he had gained the impression that King Saud was favorably disposed toward the Baghdad Pact, and was irrevocably at odds with Nasser, but that he was immensely cautious because of the dangerous position brought about by having so many bad elements surrounding him.

At this point the Secretary made a move to depart, but the President asked him to stay on for a few minutes longer. He said that he had had long and earnest thought as to whether he should discuss with the Secretary a matter which had been very much on his mind, he had concluded that because of its importance and because of the nature of the close relations between our two countries, he should frankly bring it to the attention of the Secretary. He wished to ask the Secretary to give his personal attention—he repeated “personal attention” several times—to the question of economic and financial assistance to Turkey. He said that he could “do nothing but express his appreciation” for American military and political aid and “even economic aid.” He then made a rather cryptic statement to the effect that the differences which have existed in the past on this question should be forgotten, and the situation should be considered as it was at present. Continuing in this cryptic vein, he said he was sure that there had been mistakes on both sides but that they should be forgotten. In urging the Secretary to look into the matter he said that even though additional assistance might not be realized, friendly relations would of course continue between our two countries.

The Secretary said the President could be assured that he always gave close personal attention to the broad aspects of United States-Turkish relations. He felt that no country, people or government in the world today reacted more firmly and effectively to the Soviet Communist menace than did the Turks, and he considered Turkey a highly important American ally. When, however, it came to technical economic and financial questions, the Secretary was not a technician. He felt that the development of a sound economy must in any event be at least ninety percent the responsibility and the role of “the home government.” There was a marginal role for foreign assistance, and the United States had gladly endeavored to participate in that role. While he could not then comment in detail regarding the question of American assistance, it was his earnest desire always to solve questions between Turkey and the United States on a basis of friendly cooperation, trust and confidence which characterized relations between the two countries.

305. Operations Coordinating Board Report

Washington, January 29, 1958.

REPORT ON TURKEY (NSC 5708/2, Approved June 29, 1957)¹

(Period Covered: From November 8, 1956 through January 29, 1958)

A. Summary of Operating Progress in Relation to Major NSC Objectives

1. *Summary Evaluation.* In military and political matters there was continuing progress towards meeting our major objectives during the period under review. However, in economic matters there was little progress towards the achievement of the stable Turkish economy which NSC 5708/2 set as a goal. (See Annex B) U.S. policy toward Turkey as set forth in NSC 5708/2 has been reviewed from the standpoint of operating considerations and in light of operating experience to date and of anticipated future developments. No review of policy is recommended.

2. Turkey's alignment with the West continued to be close and effective, becoming increasingly so as the Syrian Government drifted into a firm pro-Soviet position. As Russian propaganda pressures on Turkey increased, Turkish dependence on Western support was made even more apparent. Despite the delivery of two Soviet notes containing veiled threats concerning the Turkish attitude toward Syria, there has been no appearance of weakened will to resist communist invasion or subversion.

3. The security arrangements of NATO and the Baghdad Pact have received wholehearted Turkish support, and Turkey has continued to press for strengthened military capabilities of the Baghdad Pact and wishes to see additional Arab state membership in that body. The Turkish military effectiveness as regards a Soviet-supported Arab attack on its southern border has been increased while capability to resist a Satel-

Source: Department of State, OCB Files: Lot 62 D 430, Turkey 1956-57. Secret. A title page, covering memorandum, and three annexes (a report on recent developments in Turkey, a financial analysis, and an MSP pipeline analysis) are not printed. In the undated covering memorandum, Elmer Staats, Executive Officer of the OCB, wrote that the Board revised and concurred in the report at its January 29 meeting, noting a Department of State suggestion that the ICA and IMF attempt to reach a common position on Turkish economic reforms. The minutes of the January 29 meeting are *ibid.*, Minutes. The report on Turkey was transmitted to the NSC, which noted it at its February 14 meeting. (NSC Action No. 1864, February 19; *ibid.*, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

¹ For text of NSC 5708/2, see *Foreign Relations, 1955-1957*, vol XXIV, pp. 720-727.

lite attack on the Straits remains high. Some delaying capability exists in the event of a direct Soviet attack or a Soviet-supported attack by its satellites.

4. U.S. access to Turkish military facilities remained good. Handling of incidents involving members of the large American community indicates the Turkish Government's determination to avoid permitting such incidents to harm U.S.-Turk relations.

5. As concerns Cyprus, despite approaches by the U.S. Government stressing the need for flexibility and further compromise on the part of all parties, the Turkish Government continues to maintain a very firm position in favor of partition as the only feasible solution. Turkish-Greek relations continue to be strained, and any resort to full-scale violence by EOKA (the Greek Cypriot revolutionary organization) is likely to be met by counter-action by Turkish Cypriots.

B. Major Operating Problems or Difficulties Facing the United States

6. *Stabilization of the Turkish Economy.* The Turkish effort to finance a large economic development program and a substantial military program has seriously strained the country's internal and external financial position. The resultant increased demand for resources has caused a steady price inflation accompanied by rather severe shortages of both imported and domestic goods. Defaults and arrearages in foreign payments have damaged the country's international credit. Essentially Turkey's major economic problem involves adjusting its programs to its available real resources. Greater economic stability, accompanied by increased production, could be achieved by cutting back the military or the economic development programs, particularly if such cutbacks were accompanied by effective fiscal and monetary measures. At the present time Turkey has much new productive capacity that is either unutilized or underutilized as a consequence of the lack of raw materials and spare parts. U.S. efforts to encourage Turkey to adopt more effective financial measures, including a more realistic exchange rate, in order to live within the limits of Turkey's available resources hitherto have not been successful and have been a source of friction.

For more than a year prior to the October 1957 national elections, the Menderes Government gave first priority to electoral considerations, and virtually abandoned all efforts at internal economic stabilization. In fact, the Government's economic policies and programs, associated with election campaign efforts, accelerated the country's inflation. Recently the Government of Turkey has resumed efforts to control prices particularly of certain food items. However, these steps have not been accompanied by more basic corrective measures although the Government's attention has been focused on the serious economic situation. On December 4, Prime Minister Menderes presented the program

of his Fifth Government to the Grand National Assembly. Although the program does not explicitly point to bold new measures it speaks of the Government's objective to keep prices in line, control bank credit, and review the State Enterprise programs with a view to placing them on a self-sustaining basis. These measures coupled with the proposed FY 1958 budget which is more conservative than last year's budget are good signs. However, it must be recognized that the success of the measures depends on the Government's determination to follow through with actions which are often politically unpalatable.

7. *Cyprus*. In our continuing efforts to promote a settlement to the Cyprus problem we have found that the Turkish Government has taken an extremely firm stand in support of partition as the only feasible solution. Only recently this has been reiterated by the Turkish Prime Minister in high level private conversations and in public pronouncements. This stand has the support of all opposition parties in Turkey, and it is clear that the Turkish Government considers this problem a "national" issue.

The Turkish Government counts heavily on friendly and allied nations to support its position on Cyprus and reacts strongly to any support given the Greek position. This was demonstrated when Greece introduced a resolution in the recent session of the UN General Assembly² which, as amended, called for the renewal of negotiations with a view to having self-determination applied to the Cyprus case. This was strongly opposed by the Turks and the British. The resolution was approved by a majority in the Political Committee but failed of a two-thirds vote in the General Assembly. (The United States abstained on both votes.) Despite the public position that the vote represented a defeat for Greece, the sensitivity of the Turkish Government on the subject of Cyprus was well illustrated by its reaction to the positive votes cast by Iraq and Lebanon in the Political Committee, i.e., a strong protest was made to Iraq, Turkey's partner in the Baghdad Pact, which resulted in an Iraqi abstention in the vote in the Assembly; and in the case of Lebanon, a bill in the Turkish legislature authorizing the transfer to Lebanon of a small quantity of arms and ammunition was withdrawn.

8. *The Turkish Military Establishment*. The Turkish defense authorities have yet to appreciate the need for a reduction in the number and size of conventional-type units in phase with the introduction into the Turkish forces of costly modern weapons. In addition to present NATO force goals, the Turks have pressed for four additional destroyers (in addition to four obtained from U.S. MDAP and four to be obtained from the British) to permit a forward strategy in the Black Sea and a mecha-

²U.N. doc. A/3616 (XII).

nized corps for the southern border facing Syria. The U.S. Government has taken the position that it can only support those forces which are designed to carry out the approved strategic concepts of the United States. Pending a redetermination of NATO objectives for the Turkish Ground Forces, the FY 1959 military assistance program is primarily directed toward fulfilling the matériel deficiencies in the M-Day (first priority) forces.

It is anticipated that General Norstad will shortly be making recommendations relating to the stationing of IRBM's in the NATO countries. Should Turkey be chosen as a possible location for such units, the Turkish authorities will probably be eager to accept the missiles and will probably agree to providing the sites, but will consider this move as strengthening their hands with the U.S. in bargaining for aid.

Note: National Intelligence Estimate for Turkey is: NIE 33-56, Turkey As An Ally, February 21, 1956.³

³ Not printed. (Department of State, INR-NIE Files)

306. Telegram From the Department of State to the Embassy in Turkey

Washington, March 7, 1958.

2807. Embtels 2239, 2257, 2293 and 2299.¹ Your discretion you should inform GOT as follows:

(1) U.S. pleased at indication GOT may now be seriously prepared take vigorous action achieve economic stabilization.

Source: Department of State, Central Files, 882.00/2-2658. Confidential; Priority. Drafted by Leddy; cleared with nine offices in the Department of State and with the Departments of Defense and Treasury, the ICA, the Export-Import Bank, and the International Monetary Fund; and approved and initialed by Dillon. Repeated to Bonn, London, and Paris for the Embassy and USRO. The time of transmission is illegible.

¹ In telegram 2239 from Ankara, February 23, Warren reported on a discussion with Zorlu during which Zorlu recounted his talks with European officials. (*Ibid.*, 862A.0082/2-2358) In telegram 2257 from Ankara, February 26, Warren reported that Zorlu had assured him that the Turkish Government was prepared to take "drastic measures" to stabilize its economy. (*Ibid.*, 882.00/2-2658) In telegram 2293 from Ankara, March 1, Warren reported on Turkish preparations for approaches to the OEEC for a stabilization loan. (*Ibid.*, 882.00/3-158) In telegram 2299 from Ankara, March 2, Warren requested the U.S. position on the Turkish aid problem. (*Ibid.*, 882.00/3-258)

(2) U.S. considers approach by Turkey to both IMF and EPU-OEEC most effective method exploring possibility help from Western European creditors and international institutions on assumption there will be fully adequate Turkish stabilization program. Assume Cahan's visit to Ankara² indicates agreement by OEEC and GOT that discussions between them will take place. In U.S. opinion it would also be useful for GOT to consult with IMF at early date since exchange rate problem most appropriately discussed with latter institution. (FYI we feel consultation with IMF more likely to bring into discussion GOT financial and economic officials most interested in corrective action. End FYI)

(3) Consider essential that GOT make clear the concrete steps it will take and appropriate timing.

(4) On assumption adequate GOT program satisfactory to IMF and OEEC-EPU, U.S. prepared to consider any assistance in light of availabilities and so as to coordinate any such assistance as may be available with aid to be provided by European countries. Cannot make advance commitment any specific amount aid. U.S. will not make U.S. financial aid available for refunding or refinancing outstanding Turkish indebtedness to other countries.

Bonn and London requested inform Ger. and U.K. govts. re U.S. views.

Dulles

²The OEEC Deputy Secretary General visited Turkey on March 4.

307. Letter From the Deputy Assistant Secretary of Defense for International Security Affairs (Irwin) to Secretary of State Dulles

Washington, April 11, 1958.

[Source: Department of State, Central Files, 711.5638/4-1158. Top Secret. 1 page of source text not declassified.]

308. Memorandum of Conversation

USDel/MC-18

Copenhagen, May 6, 1958, 9:45 a.m.

UNITED STATES DELEGATION TO THE 21st MINISTERIAL
MEETING OF THE NORTH ATLANTIC COUNCIL
Copenhagen, Denmark, May 5-7, 1958

PARTICIPANTS

United States

The Secretary
Ambassador Burgess
Mr. Porter

Turkey

Mr. Zorlu, Foreign Minister
Mr. Sarper, Amb. to NATO
Mr. Esenbel, Sec. Gen of Foreign
Office

SUBJECT

Turkish Financial Difficulties

Mr. Zorlu said that Turkish officials are meeting with the IMF on this subject, having taken our advice in the matter. He said it was now essential to get U.S. support to make matters go quickly. Turkey was having trouble internally as rumors of an impending devaluation had begun circulating. The Prime Minister had spoken on this subject and the situation was momentarily stable but the market remained nervous.

Ambassador Burgess said that the EPU and the Fund are working together on this problem, which is a difficult one. It is enormously important, the Ambassador continued, to have European countries working together on it. Mr. Zorlu agreed but added that U.S. backing was needed as well as that of Germany. The Secretary made no comment on this.

309. Letter From President Bayar to President Eisenhower

Ankara, May 29, 1958.

MR. PRESIDENT: You are doubtless aware that Turkey is one of the countries which has most suffered from the aggressive policy pursued by the Union of Soviet Socialist Republics after the second world war and which is closely exposed to the dangers created by that policy.

Thus, Turkey, although the war came to an end, has had to endure heavy military burdens. The very low standard of living of the Turkish people and a yearly population increase of 3 per cent in addition to its retarded economy make it more difficult for Turkey to bear these military burdens.

It is also well known to Your Excellency that Turkey is able to bear this heavy burden only through the patriotism and unlimited willingness of sacrifice of the Turkish Nation.

But, these burdens which have caused the lowering of the standard of living of the Turkish Nation were certainly conducive to a future hard to bear.

The Turkish Governments, especially those since 1950,¹ aware of this situation, have deployed great efforts to achieve a rapid development of the Turkish economy by making use of the foreign payment means procured from the United States of America and other friendly countries and to give Turkey a healthy economic structure capable of meeting the economic problems caused by the increase in population and of facing the burdens necessitated by its defense requirements.

As a result of these efforts Turkey, while increasing its industrial capacity, several times, has also made great progress in the field of agriculture. In addition, it has succeeded in expanding, within the limits of possibilities, commensurate to its production, its almost non-existent infrastructure.

But, all these efforts deployed by Turkey have not brought the expected full results from the economic development, because of droughts in four consecutive years and of continuous falls in the prices of primary commodities, especially of those exported by Turkey.

On the other hand, the fact that Turkey, while making its investments, was unable to obtain long term credits as other countries were in

Source: Eisenhower Library, Whitman File, International File. No classification marking. Transmitted by Urguplu to the Department of State during a June 3 meeting with Herter. A memorandum of their conversation is in Department of State, Central Files, 882.00/6-358. A similar letter from Menderes to Dulles was also transmitted by Urguplu at this meeting. A copy of this letter is *ibid.*, Presidential Correspondence: Lot 66 D 204, Menderes.

¹ Bayar's Democratic Party assumed power in Turkey in 1950.

the proper time, as well as the falls in the prices of raw materials that are exported by Turkey, have worsened the situation.

Failing to obtain a positive result from its approach to the Government of the U.S.A. to secure long term credits, Turkey, in order to effect the foreign payments necessitated by the investments already started, had to allot its scarce foreign exchange to the repayment of installments. And consequently the supplies of oil, spare parts and raw materials disappeared completely. Thereupon, Turkey found itself in a state of living from day to day. No supply of goods exists presently in Turkey.

On the other hand, a great part of the investments which, when totally completed, would meet a substantial part of our needs are finished to the extent of 90-95 per cent. The completion of the remaining part of these investment projects is delayed on account of lack of foreign exchange.

Therefore an aid granted to Turkey today would not only help Turkey to relieve itself from its economic difficulties but would also assure to Turkey of the future a healthy economic structure.

It is very obvious that foreign aid requirements of Turkey present today a special nature and expediency. It is for this reason that I felt the necessity of personally approaching Your Excellency.

Turkey, beside the Government of U.S.A. with which it has constantly been in cooperation in the political as well as economic field, has also expounded this situation at length to the Federal Republic of Germany.

The Federal Republic of Germany considered favorably our approach but expressed the opinion that it would be more pleased to grant this assistance within the framework of the O.E.E.C.

Upon our inquiry the U.S.A. Government informed us that it was in agreement with the views and recommendations of the Government of the Federal Republic of Germany in this respect.²

Turkey in accordance with these recommendations has approached the O.E.E.C. as well as the I.M.F.

Studies have been undertaken in this respect within the O.E.E.C. for the last one and a half months.

The I.M.F. has also informed us that it could enter into negotiations with our Government in June 1958.

Despite the long period since elapsed, no serious discussions on the substance of the matter could be started. It now appears as a necessity to assemble into a long term repayment programme our foreign debts and

² Apparent reference is to the instructions sent in telegram 2807 (Document 306). In telegram 2357, March 10, Warren reported that he delivered the instructions to Zorlu on March 9. (Department of State, Central Files, 882.00/3-1058)

installments which have heavy effects on our balance of payments and relief from which is indispensable for the Turkish economic development.

There is no doubt that the OEEC and the IMF have achieved many positive results and enjoy our full confidence and respect. However, as is known to Your Excellency, these institutions do not only have limited possibilities of assistance but also, as a result of their structural composition, examine questions from a technical angle rather than attributing enough importance to their political considerations and exigencies. But I have no doubt that Your Excellency would also agree with me that the economic problems of countries cannot be considered apart from their political impacts.

The relatively small amount of aid which might be secured from these institutions can be raised to a level responding to the fundamental needs of the country only through the support of the Government of the United States of America and that of the Federal Republic of Germany which has already promised assistance to us in this respect.

Among other member countries of the OEEC, only Austria and Italy have so far appeared to be willing to help to a certain extent. As regards the assistance from the other member countries, it is very likely that this would be in the way of consolidating our commercial debts to them.

The explanation which I have just given shows clearly that the above-mentioned two institutions depend entirely on the suggestions and the initiatives of the Governments of the United States of America and the Federal Republic of Germany to adopt any decision.

While recently returning the visit of His Excellency Theodore Heuss, President of the Federal Republic of Germany,³ I have come to know that consultations have been undertaken with our friend and ally, the United States Government, concerning Turkey's request for aid. I was indeed very happy with the thought that the suggestions of the two great and friendly countries would have very positive and decisive influence on the decisions of the International Institutions while Turkey's case is examined before them. In fact in my opinion, such an initiative would help to channel the work of these institutions in this respect into the right direction and facilitate and expedite the results. Without this initiative, I am afraid it would be highly difficult to obtain the desired results.

In view of these circumstances, I feel it as my duty to kindly request Your Excellency that the United States Government extend the maximum assistance in favour of Turkey in the course of the discussions of

³ Bayar visited Germany May 7-15. Heuss visited Turkey May 5-13, 1957.

this question within the OEEC and try to secure the result in the shortest possible time by rendering simpler in form the procedures regarding the examination of the matter.

On the other hand while Turkey's request is examined before the OEEC and the IMF in the normal way, I deem it very appropriate that the negotiations should be undertaken between Turkey and the Governments of the countries friend and ally to Turkey and particularly those of the United States of America and the Federal Republic of Germany who are familiar with the economic and political questions of Turkey and in a position to furnish substantial aid to it in order to help to obtain the desired results in the shortest possible time.

The Turkish Government is firmly determined to realize its economic development in a sound and stable manner. It will never hesitate to take every necessary measure for this purpose. I would, however, like to point out that, as Your Excellency would agree, the efficiency and the success of the measures adopted in the economic and fiscal fields depend largely upon the obtention of additional means of foreign exchange. It therefore becomes a necessity to determine the scope of external credit facilities together with internal measures to be adopted simultaneously.

My Government is ready, as it has always been, to discuss jointly and rapidly this matter with the United States Government and is ardently awaiting this.

I would be extremely happy if my Government is given this opportunity.

Please accept, Mr. President, the expression of my highest regards and esteem.

C. Bayar

310. Memorandum of Conversation

Washington, June 6, 1958.

PARTICIPANTS

President Heuss
Dr. von Brentano
Secretary Dulles

After dinner when I was talking alone with President Heuss, he recalled the visit of President Bayar to Germany¹ and his (Heuss') feeling that Turkey was in a desperate financial position and that something should be done to help Turkey. I asked that Foreign Minister von Brentano join us because von Brentano, whom I sat next to at dinner, had referred to the fact that he had seen the Turkish Ambassador that day here in Washington.

Dr. von Brentano joined us. He, too, expressed the view that Turkey's situation was very bad and that she should not be pushed over the brink. I said we agreed with that and that the United States was giving a very substantial amount of assistance in one way or another to Turkey, but that we felt that it was imperative that Turkey should take more positive measures to put its own house in order. I said I felt that it would be a mistake if Germany should, on a bilateral basis, extend financial assistance to Turkey without regard to the views of the International Monetary Fund or the OEEC as to the over-all financial and economic position. Dr. von Brentano said that he quite agreed that there should be no bilateral assistance to Turkey by the Federal Republic, and that anything that was done should be coordinated with the Monetary Fund or with OEEC. He seemed to have in his mind the OEEC rather than the Monetary Fund.

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Dulles. Heuss and Brentano were in Washington June 4-7 on a State visit. The meeting was held at the German Embassy.

¹ May 7-15.

311. Letter From President Eisenhower to President Bayar

Washington, June 13, 1958.

DEAR MR. PRESIDENT: I have read with great interest and care your letter delivered to me on June third¹ concerning the economic problems of your country.

The desire evinced by you, Mr. President, and your Government to provide your country with a strong and healthy economy that will better the life of the Turkish people and enable them to bear their share of the collective defense effort, has always received a most sympathetic response by the Government and people of the United States. The aid which we have extended and continue to extend to Turkey, our friend and ally, has been given in the spirit of the partnership which characterizes our very close relations.

I have naturally been following with close interest recent developments having a bearing upon these matters. I have been concerned over the fact that, notwithstanding the progressive increase in the amount of aid rendered to Turkey, the economic difficulties have become still more pressing. I believe there is a general recognition now that the answers to these problems do not lie solely in the amount of aid which might be extended by Turkey's friends, but rather, to a very important degree, in measures of economic stabilization which, I am pleased to learn, are being considered by your Government. The importance of effective measures of this kind is underlined by the fact that it has become more and more clear that your economic problems have acquired such a scope that outside help alone will not be able to cure these problems, however sympathetic we and your other friends may be.

I am, therefore, glad to know that you have enlisted the assistance of the International Monetary Fund and the Organization for European Economic Cooperation, and that the missions representing these organizations are visiting Turkey. The views of these respected international institutions will be of great value, not only directly to your Government, but also to your friends, in considering how, together, we can effectively assist. I sincerely hope that your Government will be able to put before these missions an integrated program to stabilize the Turkish economy so that external resources can be successfully used in support of this objective.

I can assure you that, in the spirit of cooperation which always prevails in our relations, we will be prepared, in collaboration with our

Source: Department of State, Presidential Correspondence: Lot 64 D 149, Bayar. Secret.

¹ Document 309.

other friends and with the international organizations, to do what we can to help Turkey in implementing a specific and effective program to restore the stability and good health of the Turkish economy. Within this context I need not emphasize that my Government will always be happy to discuss this matter with its friend and ally.²

Sincerely,

Dwight D. Eisenhower

²In telegram 3670 to Ankara, June 13, the Department of State instructed Warren to show to Menderes the President's reply and informed him that Dulles' reply to Menderes' letter would be deferred until after OEEC and IMF representatives met with Turkish officials. (Department of State, Central Files, 782.5-MSP/6-1358) Warren reported on Bayar's response to the Eisenhower letter in telegram 3112 from Ankara, June 17. Bayar assured Warren that the Turkish Government was ready to take whatever steps were necessary to stabilize Turkey's economy. (*Ibid.*, 782.5-MSP/6-1758)

312. Operations Coordinating Board Special Report

Washington, June 18, 1958.

TURKEY'S CURRENT ECONOMIC POSITION

1. The economic position of Turkey continues to become increasingly serious with little evidence that the country's political leaders really understand the need or the urgency for comprehensive Turkish reform measures. In approaches to the U.S. and to international agencies in connection with a proposed stabilization program, they have emphasized the need for substantial financial assistance. However, the U.S. advised the Turks that they must develop and assure implementation of a

Source: Department of State, OCB Files: Lot 62 D 430, Turkey. Confidential. A title page, covering memorandum, a table of selected indicators on the economic situation in Turkey, and six charts are not printed. In the undated covering memorandum, Elmer Staats noted that the Board discussed a June 4 draft of this report at its June 11 meeting together with a draft letter to the Turkish Government containing a "firm restatement" of U.S. policy, and agreed to defer the next OCB report on Turkey until it could survey the results of the IMF and OEEC missions. Apparently the draft was of Eisenhower's letter to Bayar (Document 311). Minutes of the June 11 meeting are in Department of State, OCB Files: Lot 62 D 430, Minutes VI.

stabilization program before consideration could be given to such additional assistance. In recent weeks the Turks have had informal discussions in Washington with the IMF and with representatives of the U.S. Government. The Turks also presented their request for external assistance to the Managing Board of the European Payments Union at its April meeting. Thus far, however, they have devoted greater efforts to seeking foreign aid than to developing a stabilization program. Both the OEEC-EPU and IMF are scheduled to send missions to Turkey in June to examine the over-all Turkish economic situation and explore possible Turkish proposals for a stabilization program. The U.S. Government is following closely the progress of Turkish consultations with these international bodies.

2. Domestic confidence in the Turkish lira is diminishing rapidly. In the first four months of 1958 the black market value of the currency has fallen by one-third. Although Parliamentary pressure for increased budgetary expenditure was held to a minimum and a relatively conservative budget has been adopted, with expenditures in real terms lower than last year, Central Bank credit creation is growing about as rapidly as in 1957 when it rose by 24 percent during the full year. In the first four months of 1958, Central Bank credit has expanded 4.2 percent, compared with 4.4 percent during the comparable period of 1957, and a slight decline the previous year. The amount of currency in circulation is growing at a faster rate than last year. There has been greater stability in the cost of living in recent months, however, with an increase of only 1.7 percent since the beginning of the year, as compared with increases of 6.5 percent and 8.1 percent in the same periods of 1957 and 1956 respectively.

3. On March 31 the Central Bank's freely disposable cash dollars on hand amounted to only \$4.1 million and the Bank was believed to have a temporarily uncovered position in meeting its mid-April payment of the \$6.8 million March EPU deficit. As a result of reduced imports, Turkey ran an export surplus equivalent to \$16 million in the first two months of 1958, compared with a deficit of \$4 million in the first two months of 1957. This forced reduction in imports led to some repayments of foreign debt but did not improve Turkey's credit capacity to any extent and severe shortage of imported raw materials, spare parts and consumer goods continued to plague the economy.

4. Turkey's present economic difficulties are caused by a complex of several factors, primarily the following:

- a. investment ambitions that exceed domestic savings;
- b. subsidization of the current output of the economy; and
- c. the accumulation of large foreign short and medium term debts, which call for repayments far in excess of any Turkish repayment capacity.

Inflationary financing of a. and b., accompanied by imposition of artificial price controls which have to be administered and enforced by a thin layer of skilled personnel, misdirection of investment in the absence of a rational over-all development program and creditors' claims on Turkey's current export proceeds for payments on debts and arrears have resulted in the shortages, under-production, and disparity between internal and external prices that now exist. The semi-autonomous State enterprises under whose direction the bulk of economic development projects are undertaken have been incurring both capital and current deficits, financed in large part directly or indirectly by Central Bank credit. Turkey's ambitious municipal redevelopment schemes are also believed to be making heavy calls on Central Bank credit. A meaningful Turk program of economic and financial reform would require broad remedial action to deal with these basic causes.

5. In order to assure POL supplies through the summer, ICA has agreed to allocate the last \$15 million of the \$70 million Turkish Defense Support program for petroleum. Turkey's principal—and most competitive—exports, tobacco and chrome, are now meeting strong buyer resistance in US and other Western markets due to their high prices at the unrealistic official rate of exchange.¹

¹ A note on the source text reads: "2.8 Turkish lira=1 dollar."

313. Telegram 119 From the Embassy in Turkey to the Department of State

Ankara, July 10, 1958, 3 a.m.

[Source: Department of State, Central Files, 782.5-MSP/7-1058. Secret. 2 pages of source text not declassified.]

314. Editorial Note

On July 21, representatives of the United States, the United Kingdom, France, and the Federal Republic of Germany met in Paris to dis-

cuss assisting Turkey in meeting its economic problems. The United States announced its willingness to provide \$100 million in aid for Turkey if matched by European loans. The European representatives agreed to consult other OEEC nations in an effort to match the U.S. offer. After further discussions among the Europeans and between the U.S. and Turkish representatives July 28–31, a common aid program was approved to assist the Government of Turkey in carrying out the economic stabilization program that it had submitted to the OEEC, IMF, and U.S. Government. The OEEC agreed to provide \$100 million in loans, the IMF granted Turkey drawing rights of up to \$25 million, and the United States agreed to provide Turkey with a total of \$234 million in loans, grants, supplies, and debt waivers.

The program was announced by the OEEC, Turkish Government, U.S. Government, and IMF in separate statements on August 4. For texts of these statements, see Department of State *Bulletin*, August 25, 1958, pages 322–324. Documentation on the negotiations leading to the conclusion of the Turkish stabilization program are in Department of State, Central File 882.10. Letters from Prime Minister Menderes and President Bayar to the President and Secretary of State, both dated August 5, thanking the United States for its participation in the negotiations are *ibid.*, 110.11–DU and 711.11–EI.

315. Telegram From the Embassy in Turkey to the Department of State

Ankara, September 5, 1958, 4 p.m.

804. Re Embtel 803.¹ In my talk with Prime Minister Menderes September 4, I stated next three or four weeks would subject Menderes administration and Prime Minister in particular to tremendous pressures to avoid hard measures which implementation stability program requires. I stated to Prime Minister I had mentioned this to Foreign Minister Zorlu, and desired to repeat, that if necessary measures for implementation were not adopted within short time, \$359 million would be gone and Turkey would be worse off than before.

Source: Department of State, Central Files, 882.10/9–558. Confidential. Repeated to Istanbul, Izmir, and Iskenderun.

¹ Telegram 803, September 5, reported on discussions with Menderes on the Turkish economic stabilization program. (*Ibid.*, 882.10/9–558)

Prime Minister scarcely let me finish before interrupting to state he already feeling pressures, which will become even more intense and from every quarter, but that he was not going to yield. He emphasized his administration well aware transition period will be difficult but that they will do all necessary in order implement program.

Comment: I believe Prime Minister sincere in his determination.

Warren

316. Memorandum of Conversation

Washington, September 10, 1958.

SUBJECT

Turkish Economic Program

PARTICIPANTS

Hasan Polatkan, Turkish Minister of Finance¹

Ali S. H. Urguplu, Turkish ambassador

Hasan Isik, Assistant Secretary General, Turkish Ministry of Finance

Memduh Aytur, Director General, Turkish Treasury

Munir Mostar, Inspector, Turkish Ministry of Finance

The Secretary

Owen T. Jones, Director, GTI

Mr. Polatkan opened the meeting by conveying the greetings of the Turkish Prime Minister to the Secretary. He then thanked the Secretary for the financial assistance recently arranged for Turkey in Paris, which formed the basis of the important economic program his government was presently undertaking. The Minister commented particularly on the assistance and cooperation of the American officials in Paris. This, he said, represented an example of United States efforts to raise the standard of living of countries such as Turkey and proved wrong the Russian

Source: Department of State, Central Files, 882.00/9-1058. Confidential. Drafted by Jones on September 11.

¹ Finance Minister Hasan Polatkan visited Washington September 10-12 for discussions with U.S. officials on the Turkish financial stabilization program

propaganda that the United States was not prepared to help its friends. The Minister stressed that for the program's success it was essential that the new resources be speedily realized in order to assure the continued flow of goods. This was essential not only to sustain economic activity but to assure a favorable psychological impact for the program on the business community. There had been some delay among the OEEC members in making such resources available. The Minister concluded by saying that Turkey desired to be strong economically and militarily and hoped to eventually carry out programs to these ends out of Turkey's own resources.

The Secretary expressed gratification over the Turkish efforts to regularize their economic affairs. There had been concern, he said, in recent years that though the Turks were stout of heart, their economy was not a healthy one, due in part perhaps at one time to an over-ambitious development program. The balance of resources for investment in healthy economies was always small and austerity was frequently required in order to achieve an order of investment of desirable proportions. Such austerity was difficult in a democracy. The courage and wisdom of the Turkish Government in now facing up to its economic problems was recognized here and the United States was glad to contribute to the success of the program even though we had budgetary problems of our own. The Secretary commented on the cost of our defense and research programs, which we were not doing solely for ourselves but for our allies as well. As a consequence, our budget had gotten temporarily out of balance, perhaps because of the recession, but we still felt justified to divert a part of our resources to help our friends.

In parting, Mr. Polatkan expressed again his government's determination to carry out its economic measures, said that they knew that they had a friend in the United States to help them, and that they knew of the United States' wishes that they carry out their program with determination.

317. Memorandum of Conversation

Washington, September 12, 1958.

SUBJECT

Turkish Economic Stabilization Program

PARTICIPANTS

C. Douglas Dillon, Under Secretary for Economic Affairs

John M. Leddy, W

Owen T. Jones, Director, GTI

Howard J. Ashford, Jr., GTI

Turkish Finance Minister Hasan Polatkan

Turkish Ambassador Ali S. H. Urguplu

Assistant Secretary General for Economic Affairs Hasan Isik

Inspector General of Ministry of Finance Munir Mostar

In the course of a final discussion with Minister Polatkan at the conclusion of his three-day visit,¹ Mr. Dillon made the following points:

1. U.S. officials had estimated that, in addition to the \$25 million of special assistance, \$50 million of defense support assistance would enable the Turkish Government to finance a first quarter import quota of \$171 million. Steps were therefore being taken to release \$50 million out of this year's \$75 million defense support program at once. If these estimates were proven wrong, we would undertake to also release the remaining \$25 million. Otherwise, it would be held for utilization later on.

2. The U.S. was not able at this time to handle POL financing. However, \$5 million of the \$25 million special assistance would now be made available to the Turkish Government in the form of a cash check. This would be done on the understanding that it would be used by Turkey to settle EPU deficits in conjunction with the \$25 million EPU credit.

3. Steps would be taken to relax the ICA bidding requirements in connection with the U.S. small business regulations so that they would not be a serious obstacle to imports under the first quarter of the new import regime. The exact details would have to be worked out in the next few days.

4. In response to the Turkish request for the release of 272 million Turkish liras of PL 480 counterpart, steps would be taken to release 225

Source: Department of State, Central Files, 882.00/9-1258. Confidential. Drafted by Jones on September 13.

¹ Polatkan made a presentation of Turkey's needs and program at a September 11 meeting with Dillon and representatives of the ICA, Export-Import Bank, and DLF. A memorandum of the conversation is *ibid.*, 782.5-MSP/9-1158. No record of Polatkan's meeting with IBRD representatives has been found.

million Turkish liras, leaving the remaining 47 million Turkish liras subject to further negotiations. This release would have to be made for military purposes but it would enable the Turkish Government to utilize for development purposes an equivalent amount of lira from their own accounts.

5. In connection with the Turkish request for additional assistance for the Turkish Industrial Development Bank in Istanbul, the limited amount of funds available to the Development Loan Fund precluded immediate action on this. If, however, funds became available either through supplementary appropriations early in 1959 or through the cancellation of existing commitments, this project, i.e., the IDB, was of the type to which we would want to give immediate consideration.

Minister Polatkan appeared to be genuinely pleased with the foregoing, thanked Mr. Dillon warmly, and in leaving reaffirmed his Government's determination to press firmly forward in the implementation of its economic stabilization program.²

²For text of a statement issued at the conclusion of Polatkan's visit, see Department of State *Bulletin*, October 6, 1958, pp. 533–535.

318. Telegram From the Embassy in Iran to the Department of State

Tehran, September 29, 1958, 6 p.m.

678. From Dillon. Had useful discussions with Turkish officials in Ankara.¹ Turks were full of gratitude for US economic assistance, both direct [and] with other OEEC countries. Both Zorlu and Polatkan made long trip to airport to welcome and see us off. At request Zorlu and Menderes that some joint statement be issued upon conclusion of visit which would indicate long-term nature of Turkish development effort and US desire to assist Turks in this effort, joint communiqué issued on departure. Embassy Ankara requested cable text to Department.² Following were main points raised in discussions.

Source: Department of State, Central Files, 882.00–TA/9–2958. Secret. Repeated to Ankara and Paris.

¹Dillon visited Turkey September 27–29, during an 11-nation trip to study the work of the Mutual Security Program.

²Not found.

1. Stabilization plan. Turks repeatedly expressed determination live up to requirements of plan. They apparently fully satisfied with arrangements reached Washington since had never mentioned limitations of ICA waiver to [of] November 15 date. Presumably this date fully satisfactory to them. They showed concern, however, for delays in implementation EPU part of bargain. They were particularly concerned by six percent rate of interest presently being asked by EPU. They said Turkish public opinion would consider this usurious rate. They indicated they understood all countries except Britain prepared give 5-1/2 percent rate and they requested further US assistance in Paris to expedite negotiations. I told Turks that we would make further effort in Paris to expedite conclusion of arrangements so that funds would become available promptly. *Comment:* I believe Menderes is facing serious political problem if he is forced accept unduly high rate of interest. Therefore think it advisable for us to use best efforts with British reach agreement on 5-1/2 percent rate. Turks informed us that rate of French loan early this year was 4-1/2 percent. This makes acceptance of 6 percent rate particularly difficult. Turks have real need for prompt receipt of funds from EPU countries. This has been fundamental to success of plan all along. Recommend strong representations in Paris in view of fact US has fully released its share of funds. Turks should be kept informed of any action taken by US in this regard.

2. Purchase of new textile factory in USSR. This matter discussed at some length with high-level Turks who at first professed ignorance. Menderes sent special representative to airport to give me detailed information. According to this information new plans were part of overall clearing arrangements on current trade with Soviet Union. Equipment being purchased for three new factories has value of roughly \$11 million. This not yet been cleared by Finance Minister or Coordination Committees but I expect it will receive approval their committees. I made strong point that all dealings with Soviets having to do with investment projects should be carefully considered by Coordination Committees so that they would not impose additional burden on stabilization program. Turks agreed that this would be the case and seemed impressed with my concern about this particular matter.

3. Development Loan Fund. Turks inquired re status DLF loans and we assured them that early action expected on some of projects. In view prompt action by EXIM Bank I hoped DLF would take action to approve some Turkish projects in immediate future. This also basic to success our overall plan. Please cable me at Delhi résumé of actions taken at October 3 DLF meeting.³

³No telegram has been found.

4. BP project. We were informed that Turkish and Iranian Governments had submitted project for Turk-Iranian railroad on September 26. We assured Turks that DLF prepared give this project prompt and serious attention. I told Turks in view of size of project it might be necessary to accomplish financing in stages.

Comment: In view of earlier US pressure in BP Economic Council to expedite submission of this project it is important that DLF commence studies promptly and treat this as priority matter.

5. I was highly impressed with attitude of MAAG toward MAP program. MAAG at all echelons are fully aware economic implications of MAP program and are working with some success to find ways to reduce unnecessary military expenditures. MAAG made clear that if we really desire to increase Turk military capacity at most rapid rate as result Secretary's commitments in London⁴ this can best be done by substantial increase in training personnel and not by stepped up deliveries of military equipment which Turks are not prepared to utilize. (Thus MAAG has prepared delivery schedule for APC carefully coordinated with ability to utilize which should permit deferring funding of considerable portion to FY 60. Detailed recommendations on this subject made to EUCOM (information D/A in ARBP-C's 23)⁵ for substantial increase in training personnel. MAAG recommended increase of about 300.) This is desired by Turks and will make very favorable impression of our determination to strengthen Turkish armed forces. Situation here has fundamental similarity in Iran in that there are not enough trained technical personnel available to Turkish armed forces. Therefore greater training effort should have priority.

Wailes

⁴ Apparent reference to commitments made at the London meeting of the Baghdad Pact July 28-29, 1958. For documentation, see volume XII.

⁵ Not found.

319. Memorandum for the Files

Washington, October 17, 1958.

SUBJECTReview of Turkish Debt Conference¹**PARTICIPANTS**

Mr. Murat W. Williams, Deputy Director, GTI
Mr. Francis F. Lincoln, GTI
Mr. A. Guy Hope, GTI
Mrs. Louise Sissman, GTI
Mr. Robert Yost, RA
Mr. Robert Meyer, ED
Mr. Maynard Glitman, FN
Mr. Vinton Mitchell, Department of Treasury
Mr. Howard J. Ashford, Jr., GTI

Mr. Hope opened the meeting with a review of cables recently sent from Paris by members of USRO and himself² concerning plans for the consolidation and scheduling of Turkish debts. He noted in passing the British approach with regard to oil indebtedness, the position of the United States in the conference, and the activities of the statistical working party. Commenting upon the atmosphere of the conference, he said that there was no doubt that it would be a laborious operation, that there was difficulty in relating facts as understood by the individual delegations, and that there was still work to be done in smoking out unilateral positions. He noted that at one point of the conference, the Turks had indicated a sensitivity to the effect that they were being treated as the "vanquished". He referred to the distractions occasioned by disagreement as to the interest rate to be charged on the new loans from OEEC countries and noted the British position re 6 percent. In this connection, it was reported that the German delegation had earlier supported 5-1/2 percent but now appeared to support 6 percent in view of evident British pressure which turned on a quid pro quo re discriminatory shipping practices. The recent cable from Mr. Dillon³ while visiting in Turkey, noting the apparent unreasonableness of the 6 percent position, was cited.

Source: Department of State, Central Files, 782.00/10-1758. Secret. Drafted by Hope and Ashford.

¹ Representatives of the European nations that had contributed to the Turkish stabilization loan met with U.S. and Turkish representatives in Paris October 8-10 to work out a repayment schedule and an interest rate.

² USRO reported on the conference in Poltos 944 and 946, October 11. (Both *ibid.*, 882.10/10-1158)

³ Document 318.

Mr. Hope cited the Turks' obvious concern over ship mortgages, payments on which become due in November of this year, held by the Maritime Administration and the Transatlantic Finance Corporation. The Turkish delegation has pleaded that the Government of Turkey not be pressed for current payments on this indebtedness at this time on the argument that to do so might prejudice the entire program. Mr. Hope reviewed the participation of Mr. Kearns, Assistant Secretary of Commerce, and said that Mr. Kearns had made an excellent appearance at the conference, and in conversation with the Turks had stressed the desirability of scheduling reasonable payment terms with private creditors, including interest payments.

Mr. Hope passed on to a discussion of the desirability of forming a creditors' organization, the resolutions of which might be made morally binding on American creditors. Mr. Williams asked whether or not the United States Government would in principle be opposed to such a conference. Mr. Hope replied that there were many issues to be worked out including representation. Mrs. Sissman noted that perhaps one approach might be to seek some means in which to induce the idea of a spokesman for the American creditors either as a whole or as individual groups. In this connection, Mr. Hope referred to the European system of export guarantees in which the British and Germans have been particularly active. He noted that the Germans were now engaged in compiling the results of a polling of 2,000 German creditors to ascertain the level of German commercial debts.

Reference was made to the move within the OEEC group for a Steering Committee to be comprised of the British, French, and German chief delegates and the Dutch conference chairman. Mr. Hope noted that while the United States representatives had not been invited to participate in the smaller group, there is not much doubt that we could join if we so desired. There are two sides to this issue. If we were willing to participate in such a group we could, on the one hand, keep the conference from moving away from us and would be in better touch with developments, but on the other hand, the United States Government might find itself rigidly bound by decisions taken within the Steering Group. The atmosphere of the Steering Group, if formed, would probably be initially dominated by the British "hard" position. Mr. Hope cited then the other side of the issue: we could preserve greater flexibility and our position as *amicus curiae* to the parties might be more respected if we did not become a part of a "bloc".

Mr. Hope then continued by reporting on a conference he had with Mr. Stanley Metzger of the "L" area. On anti-trust aspects of a creditors' committee, Mr. Metzger felt there would be no problem involved. On an oil company proposal for settlement, there might be questions if cooperation among the oil companies were to be fixed on a basis of a *quid pro*

quo with the Turkish Government but not if the plan was followed only in order to reduce arrears. As to the question as to what action the United States could take at the conclusion of the conference, since it is evident that the Europeans want some sort of conference agreement or bilateral understandings to emerge from the conference, it was Mr. Metzger's feeling that, in the manner of the Italian debt settlement,⁴ we could write a letter to the Government of Turkey stating that we found the final settlement proposals fair and equitable. With respect to the U.K.-Dutch scheme to pay creditors from a special account, Mr. Metzger felt that a Turkish fund in the United States for commercial accounts might be liable to legal attachment. Mrs. Sissman queried whether or not a Swiss depository could be used. Mr. Hope answered he assumed no legal objections. The key to the U.K.-Dutch scheme was to have an account established in a British bank and presumably thus be readily accessible to the British Government for checking on Turkish payments.

Mr. Mitchell asked what were the Government of Turkey's views with regard to infringement of its national sovereignty in a debt settlement. Mr. Hope replied that Turkish sensitiveness was excited by a French idea for a set-aside of a percentage from Turkish exports to meet scheduled indebtedness. The Turks had made invidious comparisons of this idea to the Ottoman Debt Commission.⁵

Mrs. Sissman noted that it could well be that the British creditors are free from their real arrears problem with the U.K. Government picking up the check. It was noted, however, that this amounted to a transfer of the debt and was not a true solution in itself.

Mrs. Sissman asked whether there had been any discussion as to the definition of the types of debts to be included, for example, those not represented within the present make-up of the conference. Mr. Hope said that a delegate had made a reference to this matter and had said it would be thought about "at some appropriate moment". Mr. Mitchell asked why the British position on the 6 percent interest rate was so firm and Mr. Hope replied that it seemed to hang on the Indian Commonwealth Loan which was reportedly "in that area". Mr. Hope referred to the German idea of a possible tie-in with a munitions loan in which Germany would take part of the proceeds and use them, half and half, for Germany and for the other European creditors. Mr. Mitchell asked re the magnitude of the debt. Mr. Hope replied that figures which had been developed so far were being reported from Paris. He discussed

⁴ Presumably a reference to the 1925 settlement of Italian debts to the United States arising out of World I.

⁵ Reference is to the Council for the Administration of the Ottoman Public Debt, established in December 1881 by European creditor nations to liquidate the outstanding debts of the Ottoman Empire and encourage new investments.

some of the projections of debt and repayment which had been prepared by various delegations and the Secretariat.

Mr. Yost inquired further as to what might be the nature of the Steering Group, insofar as it may be a part of European backstage planning. Mr. Hope referred to the dinner of the delegates in which the British, French, German, and the Dutch chairman had evidently given some initial thinking to this course. Mrs. Sissman raised the question as to whether we should permit a Steering Group, should it be formed, to apparently dominate the thinking of the conference in view of the size of the conference itself. Mr. Hope said that the U.S. position in the conference is still not well-defined. The German delegate had stated that the Steering Group would advise the United States delegation of its decisions, then communicate them to all OEEC members, and finally to the Turks, acting as a restricted Working Party. He felt that the Steering Group as such would probably not be a formally constituted body.

Mr. Yost also raised the question as to whether Messrs. Kaplan and Sanderson needed help in the conduct of the negotiations. Mr. Hope said that some consideration would probably have to be given to this matter but that it would hinge in part on the role any Steering Group might take, and that the question should be left open for the time being.

Mr. Mitchell asked in what connection the Maritime Administration loan had come up. Mr. Hope replied that in the process of making our position clear to the Turks as to secured creditors, Mr. Kaplan had mentioned claims secured in various ways, and the Turks had then pressed the ship mortgage question, stating the Germans had agreed to the Weser mortgage payments being deferred during the moratorium. Mrs. Sissman suggested that the Weser position was probably now that of being a German guaranteed credit.

320. Telegram From the Embassy in the United Kingdom to the
Department of State

London, October 23, 1958, 1 p.m.

2221. From Dillon.¹ In conversation with Macmillan this morning accompanied by Ambassador Whitney I mentioned Turkish interest rate problem and told Macmillan I thought it was vitally important for political reasons to make some gesture to Turks which would give Turkish Government reason for accepting relatively high rate of interest. I said that if UK could agree on 5-3/4 percent rate and at same time make statement that if they were making a loan of similar size and duration to a Commonwealth country at this time the rate would be 5-3/4 percent Turkish Government would then have a valid reason for accepting. Macmillan had obviously been briefed on this subject and while there was no commitment I had definite impression that we will be able reach agreement along these lines since Macmillan offered no objection to procedure as outlined.²

Whitney

Source: Department of State, Central Files, 882.10/10-2358. Secret; Priority. Repeated to Paris for USRO, Ankara, and Bonn.

¹Dillon was in London for discussions with the U.K. Government about the future of a European free trade area.

²No final decision was taken at the October 23-25 meeting of the creditor nations on the interest rate.

321. Operations Coordinating Board Report

Washington, November 12, 1958.

OPERATIONS COORDINATING BOARD REPORT ON TURKEY (NSC 5708/2)¹

(Approved by President, June 29, 1957)

(Period Covered: From: January 29, 1958
Through: November 12, 1958)

A. Summary Evaluation

1. The U.S. gave substantial support to a comprehensive Turkish economic reform program, which was announced on July 31 following Turkish consultations with the International Monetary Fund (IMF) and member countries of the Organization for European Economic Cooperation (OEEC). Despite the many difficulties to be expected in implementing an economic reform program and the necessity to follow the program closely, a major step finally has been taken toward the achievement of a stable Turkish economy.

2. During the Lebanese operation,² the Turkish Government gave permission for full use of the Adana air base as a staging area for U.S. airborne troops enroute to Beirut and for the storage of overflow supplies. This was a concrete demonstration of strong Turkish identification as an ally of the U.S. but at the same time there are indications that local attitudes toward U.S. service personnel are changing from acceptance to hostility. Although incidents involving U.S. service personnel provide the focal point for outbursts of popular resentment and bitter press comment, wide disparity in standards of living, sharply contrasting social mores, a formidable language barrier and alleged special privileges for American military personnel are continuing factors exacerbating community relations.

Source: Department of State, OCB Files: Lot 62 D 430, Turkey. Top Secret. A title page, covering memorandum, and three of the four annexes (Additional Major Developments, Sino-Soviet Activities, and a Financial Annex with Pipeline Analysis) are not printed. In the undated covering memorandum, Bromley Smith noted that the Board, at its November 12 meeting, noted remarks by Ambassador Warren on the situation in Turkey and revised and concurred in the report for transmittal to the NSC. Minutes of the OCB meeting are *ibid.*, Minutes. The NSC noted the OCB report on Turkey at its January 15 meeting. The memorandum of discussion at that meeting is in Eisenhower Library, Whitman File, NSC Records.

¹ For text, see *Foreign Relations, 1955-1957*, vol XXIV, pp. 720-727.

² On July 15, President Eisenhower sent U.S. military forces into Lebanon in response to the request of the Lebanese Government.

3. Even though the recently adopted reform program carries hope for better economic conditions in Turkey, widespread dissatisfaction due to the hardships endured by the populace for the past three years has brought internal political strains including some dissatisfaction within the party in power. A traditional sense of national unity has been disrupted as the opposition party headed by former President Ismet Inonu has replied to steamroller parliamentary tactics on the part of the party in power by openly splitting on major issues including foreign policy.

4. No progress was made on the Cyprus issue involving Greece, Turkey and the U.K. and Turkish-Greek relations have remained strained.

5. No review of policy is recommended.

Annex A

DEVELOPMENTS UNDER PARAGRAPH 28 OF NSC 5708/2

Policy Guidance

9. Paragraph 28 of "U.S. Policy Toward Turkey", approved on 29 June 1957, states, in part, that "...³ the United States should review the possibility of achieving a reduction in NATO-approved force levels for Turkey and, in phase with the effective integration of advanced weapons in the Turkish armed forces, appropriately revise Turkish force levels in the light of NATO requirements." U.S. civilian and military representatives, both at home and abroad were provided with this policy guidance in order that they might influence the action by NATO committees. Further, the matter was more emphatically brought to the attention of our high officials in Paris by other means. At the time the policy guidance was approved, the major combat units in the DOD-approved force objectives for Turkey were generally in accordance with NATO goals. They were 20 8/3 divisions, 65 naval vessels and 21 squadrons of combat and support aircraft.

Other Directives

10. Subsequently, actions were taken by the U.S. on directives from the highest level, at the time of Syrian union with Egypt, to accelerate

³ Ellipsis in the source text.

U.S. aid to Turkey. The Iraqi coup resulted in even greater efforts to enhance Turkey's military posture. The U.S., among other actions, delivered one of the four Honest John battalions programmed for Turkey at a much earlier date than originally contemplated. Training for the two Nike battalions for Turkey is continuing. It is yet to be established that Turkey can absorb by 1963 any modern weapons beyond these six battalions, despite the various recommendations from the NATO and others.

NATO Action

11. By 9 May 1958, the North Atlantic Council approved for planning purposes, a document entitled MC 70⁴ which concerns only NATO-committed forces and does not cover national requirements or the requirements of other pact organizations. The major Turkish combat units called for in MC 70 are 16 8/3 divisions, 65 combat vessels and 20 squadrons of combat and support aircraft. This indicates a reduction of four divisions and one squadron from the DOD, and previous NATO-approved, force goals listed in paragraph 9 above.

Turkish Army

12. The Turks recently deactivated two infantry divisions, and have plans to deactivate a cavalry and a mountain division in the near future. These divisions were below strength, poorly equipped and in a priority receiving no additional MAP build-up. Personnel were assigned to other duties in the Army. Actually, the Turkish army budget is not greatly changed whether their manpower is divided among 10, 20 or 50 divisions. From the U.S. point of view, since we program only for the 10 8/3 M-day divisions, plus certain essential training requirements for first echelon divisions, our contribution through MAP to the Turkish Army is relatively unaffected by additional units over and above those planned for early commitment in event of hostilities. There is indirectly some cost to us for the various national units maintained by the Turks over and above recognized force objectives. However, considerable progress has been made in reducing these forces by the deactivation of certain pill-box battalions, frontier regiments, etc.

Turkish Navy

13. Although MC 70 calls for an identical number (65) of combat vessels as does the DOD-approved force goals, the MC 70 Navy proposal is more attractive to Turkey. While MC 70 reduces by four each the number of patrol vessels and motor torpedo boats, it increases by eight

⁴ The MC-70 Program established a Minimal Essential Force Requirements Plan for the period 1958-1963 for all NATO member states. Documentation on the implementation of MC-70 is in volume VII, Part 1.

the number of destroyer/escort types. The economic burden on both Turkey and the U.S. would be increased considerably if MC 70 goals were implemented for the Turkish Navy.

Turkish Air Force

14. The MC 70 proposal for the Turkish Air Force indicates a more apparent rather than real reduction. MC 70 calls for three transport squadrons of 16 aircraft each while the DOD-approved force levels include four transport squadrons of 12 aircraft each. MC 70 and the DOD-approved force goals are in agreement as to the eventual composition of the combat squadrons. This is to be accomplished by conversion of existing squadrons to more advanced high performance aircraft, and the economic burden on both the U.S. and Turkey will be considerable.

Turkish Government

15. The Turkish Government has reservations concerning the adequacy of forces proposed in MC 70. Specifically, they are concerned with the problem of defense on two fronts, one of which has been extended by events in Syria and Iraq. The Turkish Minister of Defense has expressed the view that this situation requires a mobile corps of two divisions and an armored brigade as well as two all-weather fighter squadrons and a fighter-bomber squadron. However, it is not clear as to whether these units are to be within or over and above the MC 70 goals. In addition, he considers that the Turkish Navy requires twenty-nine combat vessels more than listed in MC 70. Consideration of the Turkish attitude toward its armed forces must include the manner in which they have cooperated in the establishment of unilateral U.S. peripheral observation points in their country, their continued support of our UN objectives in Korea, as well as their wholehearted support of the Lebanon operation as indicated elsewhere in the Progress Report.

Summary

16. In summary:

a. The possibility of achieving a reduction of NATO-approved force levels for Turkey has been reviewed with some measure of apparent success with respect to ground forces;

b. This apparent success in the NATO review was more than offset from an economic point of view by the naval and air units listed in the resultant MC 70;

c. Despite the heavy costs of maintaining and operating the forces listed in MC 70, the Turkish Government proposes Navy and Air Force, if not Army, goals even higher; and,

d. Whereas the policy guidance was preceded by a discussion of the desirability of reducing economic burdens, MC 70 calls for expenditures above those previously contemplated in the U.S. policy paper on Turkey, and the SHAPE International Staff is urging a joint U.S.-Turk program to achieve the more costly MC 70 objectives by 1963.

322. Operations Coordinating Board Report

Washington, November 19, 1958.

OPERATIONS PLAN FOR TURKEY

I. Introduction

A. *Special Operating Guidance*

1. *Objectives.*

a. Continuance of Turkey's independence, territorial integrity, identification with the Free World, and will and ability to resist Communist invasion or subversion.

b. Continued Turkish cooperation in NATO and in strengthening other Free World regional security arrangements.

c. Continued maintenance of Turkish armed forces capable of resisting direct Soviet attack as part of a concerted allied defense, withstanding an assault by satellite forces, protecting the vitally important Straits, protecting Turkey's southern flank, and maintaining internal security; thereby also assisting Baghdad Pact defense.

d. Continued access by the United States and its allies to Turkish resources and military facilities necessary for the preservation and further strengthening of the Free World.

e. Improved Turkish relations with Greece, the Arab States and Israel.

f. Achievement of a stable Turkish economy which can support an increasingly greater share of its defense expenditures, while maintaining investment outlays at realistic levels.

2. *Economic Reform and U.S. Program*

a. On July 31, 1958, the Turkish Government reached agreement with the IMF and OEEC on the elements of a stabilization program. In support of this program \$359 million was promised Turkey. Of this amount, the United States was to provide \$234 million. The reform program involved the establishment of an exchange rate system which

Source: Department of State, OCB Files: Lot 62 D 430, Turkey. Secret. A title page, covering memorandum, statement of purpose and use of the operations plan, a financial annex, and an MSP pipeline analysis are not printed. In the undated covering memorandum, Roy Melbourne, Acting Executive Officer of the OCB, noted that the Board had revised and concurred in the Operations Plan for Turkey at its November 12 meeting, and that this plan superseded the November 6, 1957, Operations Plan for Turkey. Minutes of the OCB meeting are *ibid.*, Minutes.

would bring into balance Turkey's import and export prices; the establishment of firm credit ceilings on both central and commercial bank financing; a reexamination of State Enterprise practices; and the establishment of a global import system on the basis of highest priority requirements and available resources, as well as machinery for the coordination of investment planning for public enterprise. A de facto devaluation was carried out on August 3, bringing the official effective import rate to TL 9 to \$1, and establishing three effective export rates of 4.90, 5.60 and 9.00 to \$1. There are indications that progress is being made in the other areas.

b. The primary problem which faces the U.S. over the next few months is to find a way to influence or persuade Turkish officials to vigorous and continuing application of stabilization measures. U.S. representatives in Turkey should develop continuing consultations with Turkish officials in all those offices which have stabilization responsibility and continually encourage those officials to vigorous support of their economic reform program. They should report back periodically on the progress of stabilization and relate particular elements in U.S. aid activities constantly to stabilization support. U.S. representatives should be constantly attentive to progress in the Turkish import quota system, and to the availability of non-U.S. credit, reporting back to Washington sufficiently in advance of suspected developments to enable the U.S. to exercise what influence it can on other external authorities in making assistance available.

3. *Turkish Requests for Assistance.* Of the \$100 million Defense Support portion of the July 31 commitment, \$75 million had been obligated by October 3. The remaining \$25 million is expected to be provided after January 1, 1959. In view of the magnitude of the Turkish 12-month post-stabilization import quota, U.S. representatives in Ankara should be alert to the degree to which non-U.S. sources of promised credits are made available. It is possible that in the event Turkey's earnings fall below expectations, or that non-U.S. sources of promised credit fail to eventuate, requests for additional assistance may be made by the Turkish Government. While any such request would have to be considered on its merits, U.S. representatives should bear in mind that MSP funds for such additional assistance are not presently available.

4. *Turkish Political Development.* As internal stability is essential to Turkey's continuing its present role in NATO and Free World affairs, governmental restrictions on parliamentary discussions, freedom of assembly and press¹ should be carefully watched, particularly should fur-

¹ Reference is to libel and press laws enacted on June 7, 1956, and to restrictions on political assemblies enacted on June 27, 1956.

ther restrictions occur which might lead to covert opposition activity. Despite the sensitivity of leading Turkish officials, opportunities should be taken as suitable by Embassy officers to reaffirm to those officials U.S. feeling that a strong democratic process should be permitted to develop in Turkey.

5. *Cyprus*. The question of the future political status of Cyprus has seriously strained relations between Greece and Turkey, and thus weakened the strength of NATO in the eastern Mediterranean. The United States has attempted to act as a moderating influence among the three interested countries and should continue to exert its influence on the Turkish Government to reach an accord with the U.K. and Greece for a settlement of the Cyprus problem. The U.S. must continue to recognize the depth of Turkish feeling on the Cyprus question and the fact that any action taken by the U.S. which can be construed by the Turkish Government as U.S. support of the Greek position will have an adverse effect on U.S.-Turkish relations. The importance which the U.S. attaches to making progress toward a solution should, however, be stressed to the Turkish Government and the point made that greater flexibility and further compromise on the part of all parties, including Turkey, are essential.

6. *Turkish-Arab Relations*. Turkish relations with the Arab states remain varied. Special efforts are being made by the Turks for improved relations with the North African countries. Turkish leaders are distrustful of the new Iraqi regime and are concerned over the possibility of Egyptian-Iraqi collaboration in encouraging foment among the Kurds resident in Turkey and Iran. Developments in Syria² have further exacerbated the already troubled relations between Turkey and Syria. The United States shares Turkey's concern over the implications of these developments and should continue to consult with Turkey regarding possible courses of action which might be taken to prevent a further deterioration of the Western position in the Middle East. At the same time, the United States should discourage Turkey from taking any unilateral or precipitate action with regard to Syria.

7. *Military Commitments*. In discussions with the Prime Minister, leading officials of the Foreign Office, cabinet ministers and defense authorities concerned with military aid, the Ambassador and other U.S. representatives designated by him should make efforts to discourage the Turks from initiating military programs beyond the country's capacity to absorb, or in the long run support. Emphasis should be placed on the need for reviewing at all times the question of balancing the increased costs and additional strength derived from more modern weap-

² Reference is to the federation of Syria and Egypt into the United Arab Republic.

ons against the maintenance of a large military establishment. In this connection, the heavy costs of maintaining and operating modern weapons in terms of foreign exchange and personnel should be painstakingly explained to Turkish officials. Operating personnel should keep in mind at all times the fact that the U.S. currently is reviewing the possibility of achieving a reduction of NATO-approved force levels for Turkey, in phase with the effective integration of advanced weapons in the Turkish armed forces. Specific commitments to the Turks should be made only on an annual basis.

8. *Technical Training Needs.* a. One of the principal factors inhibiting Turkey's ability to strengthen its defense posture by the use of modern weapons is the Turkish soldier's general lack of technical knowledge. Basis education is at a low level. Priority should be given to those U.S. programs designed to improve the educational base of the country and raise the educational level of the military forces, but in the meantime the Turkish authorities should be made to recognize that the consequent lack of ability to use and maintain modern weapons will place severe limitations on the number and type of modern weapons which the U.S. will be prepared to include in its military aid program.

b. Special note is taken of the inquiry, made on the occasion of their visit by the members of the Turkish financial mission, on technical assistance in the management and operation of State Enterprises. U.S. representatives in Ankara should develop in the shortest possible time specific proposals in this regard. U.S. representatives in Ankara should explore the possibilities of providing technical assistance to Turkey in the development of institutions for the mobilization of domestic capital, such as savings, insurance, etc. The formation of local private capital over the next few years will be essential to a successful investment program.

9. *Turkish Labor.* The Turkish Government has recently evidenced some softening of its "hard" attitude toward organized labor in Turkey. For example, it has not yet objected to the recent first international affiliation of a Turkish labor union, that of the Turkish Petroleum Workers Union, with the International Federation of Petroleum Workers, whose headquarters are in Denver, Colorado; similarly, the Turkish Government has recently sent its General Director of Labor, accompanied by two professors from the University of Ankara, to the U.S. to study American labor-management relations. While keeping U.S. activities in the field of Turkish labor within the scope acceptable to the Turkish Government, these initial Turkish moves toward modern labor-management relationships should be discreetly encouraged. Ties between Turkish labor and anti-communist international labor federations such as the ICFIU and International Trade Secretariats (ITS's) should also be encouraged because these organizations can provide the young inexpe-

rienced Turkish trade unions with guidance as to their true goals, which should be economic rather than political, and with help in combatting any internal infiltration by communist elements.

10. *Attitudes Toward U.S. Personnel Overseas.* a. The Operations Coordinating Board has given particular attention over the past several years to ways and means of improving foreign attitudes toward U.S. personnel overseas. This involves both the positive actions which can be taken to improve these relationships as well as the removal of sources of friction and difficulties. The special report prepared by the Board, "United States Employees Overseas: An Inter-Agency Report," dated April 1958,³ is an effort to provide on an over-all governmental basis a common approach and guidance in this field. All supervisory employees in the field should familiarize themselves with the substance of this report and all U.S. personnel should know the substance of the Conclusions and Recommendations set forth in Section V, Volume 1. Attention is directed to the President's remarks in the Foreword of the report.

b. The present and planned community relations program in Turkey, including orientation of U.S. personnel, traffic safety campaign, binational committee on community relations, visits by U.S. military bands, athletic teams and other special event attractions, information and cultural programs supporting the community relations theme and participation in the semi-annual European Working Group meetings on Community Relations; should be given continued emphasis and support. In addition, it should be noted that the number of U.S. official personnel and dependents now approaches 13,000 of whom 12,000 are military personnel and dependents. All agencies will continually review their programs in Turkey, with a view to ensuring that the number of U.S. employees does not exceed the minimum required to achieve U.S. objectives.

11. *Information and Cultural Programs.* U.S. information and cultural programs should seek to convince the Turkish people that the U.S. appreciates the staunch Turkish support of U.S. policies, that it favors a Turkey which is strong militarily, politically and economically, and that the U.S. is doing all it can, in the light of many obligations, to assist Turkey to attain its goals. Recognition should be given to the staunch anti-communist stand of the Turkish Government, but the public should be reminded, through USIS output, of communist successes in subverting nations through Soviet cultural presentations and economic assistance. As the Turks resent their being taken for granted, cultural programs should demonstrate that the U.S. does not by-pass Turkey because it is a

³ A copy of this report, which outlined legal, personal, and community relations problems facing U.S. personnel overseas, is in Department of State, OCB Files: Lot 62 D 430, Overseas Personnel.

reliable ally, and such programs should assist Turkey in achieving the goal of increased westernization of its culture. Although "grass roots" appeal is desired, the principal effort should be directed to Turkish media officials and Turkish leaders in the political, professional and educational fields, who are in turn capable of reaching large segments of the population. Information and cultural programs also should be to the extent possible increase popular understanding of the NATO and Baghdad Pact alliances.

12. *Internal Security Program Guidance.* The progress of the U.S.-financed public safety program in Turkey over the past 3 years is gratifying. When this program was begun it was anticipated that it would terminate at the end of 3 years. U.S. representatives in Ankara have been advised that if the Turkish Government requires certain communication or transportation equipment in connection with public security, it should consider those commodities for financing under the Defense Support program. Substantial justification will be required if it is intended to continue the services of technicians in connection with this program beyond FY 1959.

B. *Selected U.S. Arrangements⁴ With or Pertaining to Turkey*

13. *U.S. Involvements Which May Imply Military Security Guarantees.*

a. *NATO.* In accordance with Article 5 of the North Atlantic Treaty, the United States is committed to regard an armed attack against Turkey as an attack against itself and to take "such action as it deems necessary, including the use of armed force, to restore and maintain the security" of Turkey.

b. *Baghdad Pact.* The United States indicated its support for the area Baghdad Pact countries by State Department press release 604 dated November 29, 1956,⁵ which stated in part:

"... The United States reaffirms its support for the collective efforts of those nations to maintain their independence. A threat to the territorial integrity or political independence of the members would be viewed by the United States with the utmost gravity."

c. *Middle East Resolution.*⁶ The United States by a Joint Resolution on the Middle East, signed by the President on March 9, 1957, announced its determination to assist Middle Eastern nations to maintain their independence. The Resolution declared that the U.S. is prepared to commit its military force, on the determination of the President, against

⁴ See State Department publication *Treaties in Force* for additional arrangements. [Footnote in the source text.]

⁵ For text of this statement, see Department of State *Bulletin*, December 10, 1956, p. 918. The ellipsis in the quotation that follows is in the source text.

⁶ See footnote 8, Document 239.

overt armed aggression from any nation controlled by international communism whenever a victim requests such aid.

d. At the Ministerial Council meeting in London in July 1958, the Secretary of State joined with the Prime Ministers of Turkey, Iran, Pakistan and the United Kingdom in signing a declaration⁷ accepting the obligation of cooperating with those states in their security and defense, and expressing U.S. willingness to enter into bilateral agreements with those states to effect this undertaking. Appropriate bilateral agreements are now being discussed.

14. *U.S. Commitments for Funds, Goods or Services.* a. The U.S. has offered and the Turks have accepted a total of four Honest John battalions, two Nike battalions, two additional F-100 squadrons and two additional submarines under the recently passed Ship Loan Act.

b. The Richards Mission⁸ informed the Turkish Government that the U.S. is prepared, in principle, to furnish assistance to regional economic activities, including grant aid towards completion of the Turkish portion of regional communications system, the Turkish-Iranian rail link and the Turkish-Iraqi highway link.

c. In support of the Turkish stabilization program, the U.S. on July 31, 1958, agreed to extend to Turkey certain financial facilities amounting to \$234 million, as follows: (a) For FY 1959, \$100 million Defense Support; (b) \$75 million development assistance from the DLF and the EXIM Bank; (c) postponement of payments under previous ECA-MSA loans amounting to \$44 million, and (d) sale of agricultural products for payment in lira amounting to \$15 million.⁹

15. *Other Arrangements.*

a. *Mutual Security.* Agreement relating to the assurances required by the Mutual Security Act of 1951. Bilateral agreement signed January 7, 1952.¹⁰

b. *Status of Forces.* In accordance with the agreement signed between the U.S. and Turkey on June 23, 1954,¹¹ the NATO Status-of-Forces agreement is in effect between the U.S. and Turkey.

⁷ For text of the declaration, released July 29, see Department of State *Bulletin*, August 18, 1958, pp. 272-273.

⁸ In March 1957, Ambassador James P. Richards, former chairman of the House Foreign Affairs Committee, visited 15 Middle Eastern nations. Richards was in Turkey March 20-23, 1957. Regarding his visit to Turkey, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 710-712.

⁹ In addition, through OEEC, other governments agreed to extend to Turkey credits equivalent to \$100 million and the IMF made available to Turkey the equivalent of \$25 million. [Footnote in the source text.]

¹⁰ For text, see 3 UST 4660.

¹¹ For text, see 5 UST 1465.

- c. *Economic Cooperation*. Agreement signed July 4, 1948.¹²
- d. *Atomic energy*. Agreement for cooperation concerning civil uses of atomic energy signed May 6, 1955, effective June 10, 1955.¹³

II. Current and Projected Programs and Courses of Action

Individual action items when extracted from this Plan may be downgraded to the appropriate security classification. All actions are continuing unless otherwise noted.

A. *Political*

16. Continue to encourage development of the Baghdad Pact. While recognizing that Iraq has not participated in Pact deliberations since the coup d'etat of July 14, 1958, we have agreed that the determination to remain or withdraw from the Pact should be left to the Iraq Government without pressure of any kind.

Assigned to: State, Defense
Support: ICA, USIA

17. Consult with the Turkish Government, whenever feasible and appropriate, on matters of mutual interest in the Middle East, with particular reference to the Arab countries.

Assigned to: State, Defense

18. Utilize, as appropriate, visits of Turkish officials to other Middle Eastern countries as a means of advancing U.S. objectives in those countries.

Assigned to: State, Defense

19. Continue to exercise influence on Turkey to reach an accord with Greece and the U.K. on the Cyprus problem.

Assigned to: State

20. Limit the number of American personnel to the minimum required to achieve U.S. objectives, and ensure that newly assigned U.S. personnel receive orientation, with dependents receiving appropriate indoctrination in the field.

Assigned to: All agencies

¹²For text, see 62 Stat. 2566.

¹³For text, see 6 UST 2703.

B. Economic

21. Carry out continuing consultation with Turkish Government officials to encourage vigorous support by the Turkish Government of its decision to pursue a comprehensive financial program designed to eliminate inflation and restore financial stability.

Assigned to: State, ICA, Treasury

22. Take whatever steps appear feasible to ensure that non-U.S. credit sources provide the assistance promised Turkey under the stabilization plan.

Assigned to: State
Support: ICA

23. Continue to carry out the defense support program consisting primarily of raw materials, basic commodities and spare parts to keep agricultural and industrial sections of the economy operating during critical period of foreign exchange shortage. (See Pipeline Analysis Annex for financial data.)

Assigned to: State, ICA

24. Continue to carry out the technical cooperation program which endeavors to improve Turkish capacity in the fields of operations, management and administration. The program will be kept under constant surveillance to make it responsive to current needs with special reference to stabilization support. In this regard, consideration will be given to new activities in the fields of capital formation and help to State Enterprises management. (See Pipeline Analysis Annex for financial data.)

Assigned to: ICA

25. Review Turkey's current situation in connection with the internal security program, taking into account that (1) the internal security program for Turkey was started with the expectation that it would be a three year program; and that (2) any further assistance in response to Turkish requests will be based on a review of the program and justification for its continuance.

Assigned to: ICA

26. Negotiate sales agreements for a Title I, PL 480¹⁴ program under the July 31 agreement.

Assigned to: State, ICA, Agriculture, Treasury

¹⁴For text of P.L. 480, the Agricultural Trade Development and Assistance Act of 1954, see 68 Stat. 454.

27. Encourage Turkey to create the climate which will encourage the movement of private domestic and foreign capital into productive enterprise.

Assigned to: ICA, State
Support: Commerce

28. Consider qualified American capital investments in Turkey under the Investment Guarantee Program in the context of a coordinated use of foreign resources.

Assigned to: ICA

29. In publicity efforts stress the achievements which Turkey has made unilaterally and establish the principle that Turkey must seek to achieve a self-sustaining economy.

Assigned to: USIA
Support: ICA

30. Encourage the development of appropriate Turkish national programs in the peaceful uses of atomic energy, including as appropriate support for suitable research and training programs in the application of atomic energy to agriculture, medicine, industry and science.

Assigned to: AEC
Support: ICA, USIA

C. Military

31. Continue to review the possibility of achieving a reduction in NATO-approved force levels for Turkey and, in phase with the effective integration of advanced weapons in the Turkish armed forces, appropriately revise Turkish force levels in the light of NATO requirements, bearing in mind the importance of adequate military support of the Baghdad Pact organization.

Assigned to: Defense
Support: State

32. Implement Military Assistance Programs for maintenance and improvement of forces, taking into account Turkish absorption and support capabilities in the rate of any military build-up.

Assigned to: Defense
Support: ICA

33. Implement the delivery to Turkey of the commitments listed in paragraph 14 above.

Assigned to: Defense
Target Date: As soon as feasible

34. Exert maximum influence with Turkish Armed Forces to obtain best utilization of personnel in view of the lack of personnel available for induction and a definite shortage of qualified personnel for advance technical training. Continue efforts toward specialized training as well as training to improve the literary and general schooling of armed forces personnel.

Assigned to: Defense

35. Continue training on a carefully screened basis in U.S. installations both in U.S. and overseas of qualified Turkish military personnel selected to further self-sufficiency in Turkish training programs.

Assigned to: Defense

36. Continue emphasis on maximum maintenance and upkeep of matériel by Turkish armed forces, with encouragement of maximum local use of existing facilities and resources to meet their own requirements, particularly with respect to POL and ammunition storage facilities.

Assigned to: Defense

Support: ICA

37. Encourage cooperation between Turkey and Afghanistan in the military training field and, in particular, encourage the Turkish Government to continue its Military Mission in Afghanistan.

Assigned to: Defense

Support: State

38. Encourage Turkey to take full advantage of information on subversive personalities, techniques and activities which is available through the Countersubversive Committee and other activities of the Baghdad Pact.

Assigned to: State, ICA, Defense

39. Strengthen the present troop-community relations program.

Assigned to: Defense

Support: USIA

D. Information and Cultural

40. Provide appropriate information and other public relations support for political, economic, and military policies and programs set forth elsewhere in this Operations Plan.

Assigned to: USIA

41. Strengthen information activities aimed at maintaining Turkish public acceptance of U.S. military personnel and installations in Turkey.

Assigned to: USIA

42. Continue information programs which include (1) operation of libraries and library programs; (2) distribution of books, periodicals and wireless file material; (3) production of periodicals, pamphlets and un-attributed newsreel footage; (4) support of Voice of America and production of radio programs for VOA and local use; and (5) publication of selected American books by Turkish publishers with emphasis on the "ideological shelf."

Assigned to: USIA

43. Develop extensive personal contacts with Turkish media representatives at all levels to facilitate placement of material favorable to U.S. objectives.

Assigned to: USIA
Support: State

44. Publicize the mutual benefits accruing from Turkey's adherence to NATO and the Baghdad Pact.

Assigned to: USIA
Support: Defense

45. Continue the Informational Media Guaranty Program.

Assigned to: USIA

46. Through binational centers and modest cash grants assist and encourage Turkish groups seeking to organize or sponsor local Turkish-American organizations capable of contributing to understanding of U.S. objectives and development of a more widespread English-teaching program. Provide more adequate facilities for the Binational Center in Ankara, by new construction, utilizing PL 480 funds when available.

Assigned to: USIA

47. Provide advice to Ankara and Istanbul Universities in establishing curricula on U.S. history, literature, etc.

Assigned to: USIA

48. To strengthen existing cultural ties arrange for and support visits of American musicians, writers, artists and others under the President's Special International Program.

Assigned to: USIA

49. Continue the Exchange of Persons program under PL 402 emphasizing educators, members of Parliament, journalists and lawyers.

Assigned to: State, USIA

50. Support U.S. educational institutions in Turkey, utilizing funds as available under Section 104 of PL 480.

Assigned to: State, USIA

Note: See National Intelligence Estimate 33–56, Turkey As An Ally, February 21, 1956.¹⁵

¹⁵Not printed. (Department of State, INR–NIE Files)

323. Message From Prime Minister Menderes to Secretary of State Dulles

Ankara, November 20, 1958.

[Source: Department of State, Presidential Correspondence: Lot 66 D 204, Menderes. 1 page of source text not declassified.]

324. National Intelligence Estimate

NIE 33–58

Washington, December 30, 1958.

PROSPECTS FOR TURKEY¹

The Problem

To estimate the present situation and probable developments in Turkey over the next few years, with particular reference to Turkey's political and economic stability and its role in the Western Alliance.

Source: Department of State, INR–NIE Files. Secret. The cover sheet indicates this is an advance copy of NIE 33–58. A note on the cover sheet reads in part as follows: "Submitted by the Director of Central Intelligence. 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 United States Intelligence Board on 30 December 1958."

¹ This estimate discusses Turkey's prospects primarily in the light of events since the publication of NIE 33–56, "Turkey As an Ally," dated 21 February 1956. [Footnote in the source text.]

Conclusions

1. Turkey remains the strongest friend of the US in the Middle East. Its firm anti-Soviet policies enjoy wide domestic support, and there is little likelihood that Soviet gestures will weaken the Turks' basic distrust of the USSR or their policy of alliance with the West. (Paras. 9, 33, 45-46)

2. Internally, the country faces serious problems—most of them arising from its efforts to become a modern state quickly. There is growing antagonism between Prime Minister Adnan Menderes and the opposition over Turkey's critical economic problems and the government's political repressions. Popular dissatisfaction over these issues is apparently strengthening the opposition Republican Peoples Party of former President Inonu. Meanwhile, the adroit Menderes faces dissensions and possible defections within his own Democrat Party but he has at least an even chance of keeping control of his party. (Paras. 10-13, 17-18)

3. We do not believe that these troubles will lead to a revolutionary situation between now and the next elections, which are not due before late 1961. Barring drastic economic deterioration or extreme political provocations, the chance of a military coup remains slight. (Paras. 15-16)

4. Turkey's severest problems are economic. Brought near to bankruptcy by mismanagement and overambitious development efforts, it gained a reprieve in 1958 with the commitment of \$359 million in US and other Western credits and aid, as well as agreement by its foreign creditors to reschedule pressing debt payments. In turn, the government is pledged to a soundly-conceived stabilization program designed to bring spiraling inflation under control, improve Turkey's critical international financial position, and renew the flow of essential imports. It has already taken promising first steps, such as a long-overdue devaluation of the lira. (Paras. 11-12, 20, 23)

5. On balance, however, there is little more than an even chance that the government will sustain the effort needed to achieve the program's objectives in the face of the political risks involved in adhering to the required austerity measures. There will be continuing Turkish pressures on the US to liberalize the terms of the aid already committed, and a persistent belief that in the last analysis aid would not be cut off even if Turkish performance falls short. (Paras. 20-22, 36)

6. Turkish-Greek tensions over Cyprus continue. So long as this situation exists, military cooperation between the two in NATO will probably remain minimal. However, recent informal talks between the Turkish and Greek foreign ministers have resulted in a tentative plan for

a solution which offers some hope that progress may be made in the controversy.² (Paras. 37–39)

7. In the Middle East, Turkey is not likely to abandon its policy of resistance to Nasser and the movement he represents. Cooperation with Israel regarding Middle East problems is likely to increase. Turkey views the growth of Communist influence in Iraq as a serious threat to Turkish security. Turkey would probably be critical of any US moves, especially in the Arab world, which it construed as being soft on neutralism. (Paras. 40–46)

8. There has been some strengthening of Turkey's armed forces, but substantial improvement depends largely on overcoming the serious shortage of personnel trained to maintain and operate the advanced equipment furnished by the US. (Paras. 29–32)

[Here follows the remainder of the estimate.]

² For documentation on the Zorlu–Averoff conversations and the solution of the Cyprus crisis, see Part 1, Documents 169 ff.

325. Editorial Note

On January 15, 1959, the National Security Council heard a presentation on the situation in Turkey by Karl G. Harr. Harr's briefing was based on the OCB Report on Turkey of November 12, 1958 (Document 321). The memorandum of discussion reads:

"Upon conclusion of Mr. Harr's briefing, Secretary Anderson cited a number of illustrations of how Turkey and other countries in similar economic difficulties were wasting their resources by putting their scarce money into elaborate and superficial projects such as vast avenues leading nowhere instead of putting their resources into worthwhile development projects. This was obviously one cause of the severe inflation in Turkey." (Eisenhower Library, Whitman File, NSC Records)

326. Telegram From the Embassy in Turkey to the Department of State

Ankara, January 16, 1959, 7 p.m.

2045. Joint Embassy/USOM message. OEEC/IMF missions have now departed Turkey. Based on conversations with various members of group, we believe their impressions can be summarized as follows: (Sturc returning directly to Washington and will doubtless contact interested US officials.)

1. Principal GOT officials remain determined to carry through with stabilization program, in some cases on basis conviction, in other cases on basis commitments which they cannot politically disavow.

2. Credit restrictions being felt by business community but no basic change in ceilings appears desirable, at least until second import quota has been financed. It will probably be desirable to reexamine situation in several months.

3. GOT progress in drawing up investment program very disappointing. This problem requires immediate and increased attention by GOT since so many factors in stabilization program will be affected by nature and size of investment program.

4. GOT balance of payment projections CY 1959 seem fairly realistic. They show about \$50 million available for servicing all capital obligations.

5. On balance missions not dissatisfied with progress of program despite disappointment over investment program.

Warren

327. Letter From Secretary of Defense McElroy to Secretary of State Dulles

Washington, January, 17, 1959.

DEAR MR. DULLES: This will confirm my recent conversation with Mr. Murphy¹ in which I expressed the Department of Defense views with regard to deployment of IRBM's to Greece and Turkey as proposed by General Norstad. During this conversation, we discussed briefly the reasons why this Department is unable to concur in the view of the Department of State that there are serious financial problems justifying delay in proceeding with the arrangements proposed by General Norstad. Moreover, we do not believe that there exist any technical questions which would require examination of the currently approved program for deployment of IRBM's to NATO.

As you may recall, the Department of Defense has already funded eight squadrons of Thor and Jupiter IRBM's. Our remaining problem is one of Department of Defense bookkeeping involving transfer of the financial burden from the Department of the Air Force to the Military Assistance Program. This can be accomplished over a period of two or three years as the flexibility permitted under Military Assistance Program legislation allows reasonable freedom as to the date of the official turnover and hence the timing of any charge against the Military Assistance Program. The fact that definitive funding arrangements cannot be established at this time does not, in our opinion, provide reason for failing to proceed with implementation of the Presidential offer of IRBM's to NATO countries which he made at the December 1957 Heads of Government meeting.

In the event that the above does not sufficiently clarify Defense's position concerning the technical and financial aspects of the subject, I shall be most happy to discuss the matter with you further at your convenience.

Sincerely yours,

Neil McElroy

Source: Department of State, Central Files, 711.56382/1-1759. Top Secret.

¹No record of this conversation has been found.

328. Memorandum From Director of Central Intelligence Dulles to President Eisenhower

Washington, January 22, 1959.

SUBJECT

The Turkish Republican People's Party (RPP)

The present opposition party in Turkey, the Republican People's Party (RPP) was organized in 1922 by Mustafa Kemal Ataturk, founder and first president of the Turkish Republic. Until 1945 it was the only political party permitted and as such was used by Ataturk, and later by President Inonu, to maintain tight control on the government.

The first openly contested elections in Turkish history, held in May 1950, swept the Democrat Party (DP) into power with a complete change in government leadership. It has been in power continuously since then. The DP was organized by a group of dissidents from the RPP who disagreed with the party's emphasis on state control of industry and the slow pace of Turkey's political development. During the past several years the arbitrary tendencies of Prime Minister Menderes have alienated many of his former supporters and brought added strength to the RPP. The next national elections are scheduled for 1961.

The RPP, as the only major opposition party in Turkey, has a nationwide organization and considerable popular support, as indicated by the attached list of recent Turkish national election results (Table I).¹ In 1954 the party received 35 percent of the popular vote but, because of the Turkish electoral system, won only 6 percent of the deputy seats in the unicameral Grand National Assembly.

The RPP remained somewhat eclipsed from 1950 until 1957 when it emerged from the national election with nearly 30 percent of the seats in the Assembly. This expression of popular support, or at least dissatisfaction with the regime of Prime Minister Menderes, reinvigorated the party, which had become almost moribund following its defeat in 1950 and the debacle of 1954. RPP leaders feel that they have a popular mandate to protest against the policies of the Menderes regime and the party is attempting to assume the mantle of democracy.

Source: Eisenhower Library, Whitman File, International File. Secret. Initialed by Eisenhower.

¹Not printed.

Seventy-four-year-old Ismet Inonu—former army general, principal aide to Ataturk in founding the republic, Ataturk's political heir, and former president and prime minister of Turkey—is president general of the RPP. Inonu is the man chiefly responsible for Turkey's successful and orderly transition from dictatorship to "democracy"?² He is regarded as a sincere and conservative elder statesman. In international relations, Inonu has always expressed his belief that the interests of Turkey can best be served by cooperation with the West; he feels, however, that Turkey is not getting as great a quid pro quo from the United States under Menderes as it should be receiving.

Allen W. Dulles

²The quotation marks and question mark were apparently added by Eisenhower.

329. Memorandum Prepared in the Policy Planning Staff

Washington, February 5, 1959.

[Source: Department of State, PPS Files: Lot 67 D 548, Owen H. Chron. Top Secret. 7 pages of source text not declassified.]

330. Memorandum for the Record

Ankara, March 2, 1959.

SUBJECT

Conversation with Mr. Adnan Menderes, Prime Minister, Turkey

TIME

1030 to 1130 hours, Thursday, 5 February 1959

PLACE

Prime Minister's Office, Ankara, Turkey

INDIVIDUALS PRESENT

Mr. George McGhee¹
Admiral Arthur W. Radford
Ambassador Fletcher E. Warren
Mr. Rustu Zorlu, Turkish Foreign Minister
Mr. Melih Esenbel, Secretary General, Ministry of Foreign Affairs

After a friendly welcome, the Prime Minister entered into a full scale discussion on Iran with Mr. Zorlu's participation.

The line taken by the Prime Minister corresponded to that reported in recent conversations by Ambassador Warren.² The Prime Minister stated that the Turkish government viewed the present situation in Iran with utmost seriousness. To the Turkish government it represented a crisis of the greatest magnitude. If the Shah signs an agreement with the Soviets,³ the Baghdad Pact would be rendered negative and the way would be opened for ultimate domination of Iran by the Soviets. Under such circumstances, Pakistan, and probably Afghanistan, would eventually fall under Soviet domination. In Iraq, where he was already pessimistic, the government would also, in all probability, fall under Soviet control. He considered that the Arab states were already lost to the West. Nasser could not be counted on at all. He was asking as his price for cooperation with the West impossible terms including support

Source: Department of State, Turkish Desk Files: Lot 61 D 37, Prime Minister and Cabinet. No classification marking.

¹ A subcommittee to study the Middle East, composed of McGhee and Radford, visited Turkey January 31–February 7.

² Apparently reference is to a conversation on Iran between Warren and Zorlu on February 1. Warren reported on this discussion in telegram 2185 from Ankara, February 1 (Department of State, Central Files, 788.5/2–159) and telegram 2190 from Ankara, February 2 (*ibid.*, 601.8287/2–259). No record of a conversation with Menderes has been found. The Prime Minister had been out of Turkey for most of the previous 2 weeks.

³ Reference to a proposed non-aggression pact between Iran and the Soviet Union.

against Israel; nationalization of oil, and dominance in the Middle East. (Later, however, he indicated that although there were no assurances that Nasser would change, every effort should be made to obtain reorientation of his policy.)

The Prime Minister pointed out the serious adverse effect on Turkey's position if Iran left the Baghdad Pact. He pointed out that the Turks had largely been responsible for persuading Iran to join the Pact, but that Iran had not gotten the economic and military aid they hoped for. The US should do everything it could to supply them, basing its policy on support of the Baghdad Pact.

He pointed out that if Iran comes under Soviet domination, Turkey would be vulnerable both from Iran, Iraq and Syria. This would, he implied, create need for an increase in Turkish military requirements. Although he recognizes the weaknesses of the Shah personally and his position in Iran, the Turkish government sees no alternative but to try to persuade the Shah, who is Western orientated, to remain in the Baghdad Pact. The Shah was dominated by fear of Russia and his present effort, although misguided, was directed toward alleviating Russian pressure. He could only do this if he had adequate US support, which could take the form of increased assurances from the US through the Bilateral Agreement and increased economic and military aid.

In discussing American military and economic aid to Turkey, the Prime Minister indicated gratitude for aid given in the past, which he felt had been effectively utilized by the Turks. He felt the Stabilization Agreement was a useful and necessary step and gave assurance that the Turks were going to carry it out scrupulously. He stated that he had no apologies for Turkish economic and development policy prior to this agreement. The Turkish government could have taken no other course.

In discussing his forthcoming trip with Mr. Zorlu to Switzerland to meet with the Greek Prime Minister and Foreign Minister on Cyprus,⁴ the Prime Minister expressed determination to reach agreement on this issue. He expressed some concern as to whether the Greek officials had a similar determination. He did not volunteer any other details of the issues outstanding with the Greeks and was not questioned on this point.

⁴ See Part 1, Document 307.

331. Memorandum of Conversation

Washington, February 6, 1959.

SUBJECT

Deployment of IRBM's to Greece and Turkey

PARTICIPANTS

Defense—Mr. Quarles, Mr. Holaday, Mr. Knight, Mr. Shuff, Brig. Gen. Whisenand, Brig. Gen. Martin, Col. Colsen, Col. Billingslea

State—Mr. Murphy, Mr. Rountree, Mr. Mathews, Mr. Timmons, Mr. Wilson, Mr. Magill, Mr. Porter

Mr. Murphy said that the Department had been considering this question urgently from both a political and a funding point of view. We had made progress in clarifying the political considerations and expected to be able to reach a political decision shortly after the Secretary returned from Europe. If a favorable political decision were reached, the question of moving ahead would then turn on the possibilities for MSP funding of the deployment. Meanwhile, we wished to share with Defense some of the political factors involved and to obtain some information from Defense bearing on certain of these factors.

Mr. Rountree said that there were, of course, both favorable and negative factors to be taken into account, and that we were in the process of evaluating these. He enumerated a number of considerations being given particular attention. He said that while his listing of these factors might imply his feeling that the disadvantages were more apparent than the advantages, no such conclusion had been reached. In fact, we were aware of strong political arguments favoring the proposal.

Mr. Quarles emphasized the military importance of IRBM's and said he believed we should remind ourselves of the State presentation at a NSC meeting two and a half years ago¹ in which State stressed the urgency of meeting the Soviet IRBM threat. Mr. Murphy observed that State was certainly disposed to favor any military moves that would increase the deterrent strength of the U.S. and NATO.

Mr. Quarles indicated the possibilities of hard-basing IRBM's in the mountains of Turkey. Mr. Murphy asked, in this connection, whether it

Source: Department of State, PPS Files: Lot 67 D 548, Turkey. Secret. Drafted by Magill. The meeting took place in Quarles' office at the Pentagon. A note on the source text reads: "Uncleared Memo."

¹ Apparently a reference to discussion of defense policy at the 288th Meeting of the NSC on June 19, 1956. The memorandum of discussion is in Eisenhower Library, Whitman File, NSC Records.

would be necessary to locate the IRBM sites near Izmir and Adana where there are already large numbers of U.S. military personnel. Brig. Gen. Martin replied that no decision could be made until there had been a survey on the ground and consultation with the Turkish authorities, both of which were precluded at present. He indicated that there would be some flexibility but that any site should have adequate access by rail, road or air.

In response to questions regarding requirements for U.S. personnel, Defense representatives stated that one IRBM squadron would require initially about 1250 men, of which 600 would be military personnel, 350 support personnel and 300 civilian contract personnel. [2-1/2 lines of source text not declassified]

[2 paragraphs (29-1/2 lines of source text) not declassified]

Mr. Wilson reviewed MSP developments which would make it difficult to absorb IRBM costs of the various magnitudes that had been indicated thus far (some of which have been as high as \$120 million per squadron). He stressed that a firm indication from Defense of the magnitude of these costs was more important than information on the timing of MSP reimbursement to a decision by Mr. Dillon on MSP funding of IRBM's. Mr. Wilson pointed out that a decision might well involve a choice between IRBM's and other high priority military aid needs for Europe.

Mr. Quarles said he did not think the MSP cost for two squadrons of IRBM's would be anything like as high as \$250 million. He did not feel that the cost should be the controlling consideration, but recognized Mr. Dillon's need to know what it would be. He thought the MSP cost would probably be no more than about \$60 million per squadron (presumably for the specialized equipment), and said he would provide firm estimates early in the following week² so that they could be taken into account by State in reaching its decision.

² A copy of Quarles' February 12 letter to Murphy outlining Department of Defense estimates of the cost of basing IRBMs in Turkey and Greece is in Department of State, Central Files, 711.56382/2-1259.

332. Telegram From the Department of State to the Embassy in Turkey

Washington, March 4, 1959, 9:09 p.m.

2786. Deptel 2304 to Ankara.¹

Deliver following letter from Under Secretary Dillon to Foreign Minister Zorlu:

"March 5, 1959

Dear Mr. Minister:

As a result of our discussion last December² when you explained to me the desire of the Government of Turkey to allocate TL 632 million of counterpart funds to meet a projected deficit in the 1959 budget of the Ministry of Defense, the United States gave intensive and careful consideration to this problem in the light of the Turkish economic stabilization program which the Government of the United States has strongly supported, directly through its own financial resources and indirectly through its participation in the International Monetary Fund and the organization for European Economic Cooperation.

I concluded at that time, that although the programs agreed upon with the IMF and the OEEC contemplated that the budget would be financed from revenue, and that the financing of new investments of the State Enterprises would be made from non-inflationary sources including Defense support counterpart, an increase in the allocation of counterpart to the Ministry of Defense to a level not exceeding TL 350 million would not jeopardize the stabilization program as a whole. (The figure of TL 350 million is, of course, a relatively high one. It represents an increase of more than 100 percent in the amount of counterpart funds of TL 170 million allocated to the Ministry of Defense during the Turkish Fiscal Year 1958, as well as a significant increase in the ratio of U.S. support to the Defense Ministry's proposed budget, even at its higher level. In addition to counterpart financing, the United States is contributing to the defense budget through sizeable amounts of military hardware and common use items.)

I had assumed, also, that if the Turkish Government nevertheless decided upon a level of defense expenditure higher than could be financed from the sum of TL 1,156 million in Turkish revenue already al-

Source: Department of State, Central Files, 782.5-MSP/3-459. Confidential; Verbatim Text. Drafted by Leddy, C. Ide of ICA, V. Mitchell of Treasury, and Boardman; cleared by GTI, NEA, ICA, and Defense; and approved by Dillon. Pouched to Paris for USRO.

¹ See footnote 4 below.

² December 9, 1958. A memorandum of their conversation is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

located to the Defense Budget, plus the TL 350 million from the counterpart funds, the Turkish Government would, in accordance with its undertakings to the IMF and the OEEC, find the necessary revenue elsewhere in the budget without creating a budget deficit which would involve recourse to the Central Bank with consequent inflationary effects.

When I learned that Prime Minister Menderes had conveyed to Secretary Dulles and Secretary Anderson³ his satisfaction with the results of our December discussions, I was happy to conclude that the matter had been settled.

I was, therefore, surprised to note in Your Excellency's letter on January 5⁴ that the Government of Turkey still desires to finance a defense level of TL 1,788 million in expenditures by requesting the use of counterpart to meet the whole of an estimated deficit of TL 632 million.

The use of additional United States defense support counterpart as an exceptional emergency measure to meet the deficit of the Ministry of Defense could easily leave exposed a more dangerous potential source of inflation in Turkey, namely, the investment programs of the State Enterprises. As you and Minister Polatkan will recall, a key factor in the Turkish stabilization program was the intention of the Turkish Government to avoid recourse to the Central Bank as a means of financing either a budgetary deficit or the investment program of the State Enterprises, and substantial reliance was to be placed on the use of the lira counterpart of foreign financial aid for the non-inflationary financing of this investment program. If, however, too large an amount of counterpart is diverted to the budget, there may not be enough available to support the investment program of the State Enterprises and possibly other necessary activities.

The fundamental objective that has guided United States thinking on this subject is that the United States wishes to provide the maximum support to Turkey's effort to achieve its economic stabilization program, not only for greater stability in the present, but also as the most effective foundation on which both economic and military strength can be built in the long run. Unfortunately, we do not have information as to the projected level of the investment programs of the State Enterprises and manner in which the Government intends to fulfill its determination

³ Apparently reference is to a December 18, 1958, message from Menderes to Dulles in which Menderes expressed his thanks for the release of counterpart funds to Turkey. A copy of the letter is *ibid.*, Presidential Correspondence: Lot 66 D 204.

⁴ No copy of this letter has been found. However, the substance of the message was reported in telegram 2304 to Ankara, January 21. In the letter Zorlu requested an increased allocation of counterpart funds to the Turkish defense program. (*Ibid.*, Central Files, 782.5–MSP/1–2159)

that these programs will be financed in a non-inflationary manner. I think you will agree that, viewing the stabilization program as a whole, it would be most unwise to reduce unduly the counterpart available for financing these investment programs until the scope of these programs is known. We are reluctant, therefore, to agree to a release of additional counterpart (i.e., beyond TL 350 million) until it is clearer that all sectors will be financed without recourse to inflationary financing.

The United States Government would welcome a fuller picture of Turkey's over-all financing requirements and resources, including the investment programs of the State Enterprises, so that defense and investment needs can be weighed against available non-inflationary financing before any change in the current United States proposal for utilizing remaining counterpart is made.

I am happy to note from your letter that you have discussed these matters in a preliminary way with the United States Operations Mission Director and other United States representatives in Ankara. I would hope that you will continue to consult with them.

I am sure you know that the United States Government wants to see a satisfactory solution to the budgetary and other problems faced by Turkey in its efforts to maintain an adequate defense posture while developing the economic structure to enhance the well-being of the Turkish people.

With kindest personal regards,

Sincerely yours, Douglas Dillon

Under Secretary for Economic Affairs"

At time of delivery letter you should state US hopes that in course of consultations referred to in letter a careful joint review could be made by Minister of Defense and Chief of US Military Assistance Group in Turkey to discuss military consequences of alternative levels of defense expenditure. FYI. It is understood that in conducting such discussions U.S. officials would keep in mind our over-all objectives in assuring effective stabilization of the Turkish economy. End FYI.⁵

Dulles

⁵ In telegram 2630 from Ankara, March 13, Warren reported that he had delivered Dillon's message to Zorlu on March 7, and that on March 11 Isik indicated that the Government of Turkey was committed not to finance State Enterprise through the central bank. (*Ibid.*, 782.5-MSP/3-1359)

333. Editorial Note

On March 5 at Ankara, the United States signed bilateral Agreements of Cooperation with the Governments of Turkey, Iran, and Pakistan. These agreements were developed pursuant to the July 28, 1958, declaration signed by the member states of the Baghdad Pact at its Ministerial Meeting in London. The text of the agreement with Turkey is in 10 UST 320. For text of a Department of State press release explaining the background of these agreements, see Department of State *Bulletin*, March 23, 1959, pages 416-417. For text of the July 28, 1958, declaration, see *ibid.*, August 18, 1958, pages 272-273.

334. Memorandum From the Under Secretary of State for Economic Affairs (Dillon) to Acting Secretary of State Herter

Washington, April 3, 1959.

SUBJECT

IRBM's for Greece and Turkey

You will recall that the IRBM program for Greece and Turkey was held up pending clarification of the financial implications involved. Defense has come up with a firm figure of about \$225 million for the two squadrons, the only variable in this figure being the cost of construction which we estimate to be somewhat higher than the figure presently used by Defense. This could lead to an increase in the total gross to somewhere around \$250 million. Defense has also worked out a schedule whereby these costs would be payable by the Mutual Security Program over about a four year period beginning next year. We also obtained final cost figures from Defense on the IRBMs in England and Italy.

The combined impact of the remaining payments for IRBMs in Italy and the U.K. and the first increment of construction costs in Turkey and Greece which would have to be met next year indicates a need for \$53 million for IRBMs in the FY 1960 Mutual Security Program. There were no funds provided for these IRBMs in the Military Assistance Program of \$1.6 billion submitted to the Congress.

In agreement with Defense I have held up State concurrence in the instruction to Norstad to commence negotiations with the Turks until

such time as a decision is taken on the Supplemental recommended by the Draper Committee. The \$53 million for IRBMs is included in the list of items submitted by Defense for this Supplemental. I felt it important vis-à-vis the Congressional presentation not to undertake this extra expenditure for FY 1960 until we have some indication that the funds would be available.

We are now faced with the possibility that there will be no Supplemental request by the President. Should the joint State-Defense recommendation for a Supplemental be turned down, Defense would still very much want to go ahead with the IRBMs in Greece and Turkey, and I think we should make every effort to meet their request. My specific recommendation is that if in talking with the President regarding a Supplemental, it appears that the decision will be against the Supplemental that you specifically mention the IRBM problem in Greece and Turkey and the need for continuing funds for this program. You might point out that it will be impossible to finance this program out of Mutual Security without eliminating most other modernization requirements for NATO, unless future levels of Military Assistance are considerably higher than this year's request for \$1.6 billion. I would hope that you would then recommend to the President that we authorize Norstad to go ahead with the program, realizing this budgetary implication for the future. This would put us in a better position when the FY 1961 Military Assistance Program comes around. As soon as the decision is taken on the Supplemental I would recommend that you authorize Defense to allow Norstad to initiate negotiations with the Turks immediately.

I think you are aware that NEA and S/P are not very happy politically about the decision to go ahead with the IRBM's in Turkey and Greece,¹ but that after exhaustive consideration of the pros and cons of the matter, both Mr. Murphy and I came to the conclusion that we should go ahead as soon as the financing problem is straightened out.

In case anything comes up on this matter Mr. Bell is fully familiar with every aspect of it and I suggest you call on him. It may be that Defense will want to jump the gun, but my feeling is that we should wait the few days that are required before the decision is reached on the Draper Report.

CDD

¹ At the February 3 Secretary's Staff Meeting, the question of IRBMs for Greece and Turkey was discussed:

"Mr. Murphy pointed out that NEA and S/P are opposed to the introduction of IRBMs into Greece and Turkey. Consultation with Defense will be necessary and there may be a strong reaction there.

"[7 lines of source text not declassified]" (Department of State, Secretary's Staff Meetings: Lot 63 D 75)

335. Memorandum of Conversation

Washington, undated.

SUBJECT

IRBM's for Greece and Turkey

PARTICIPANTS

Secretary Quarles
Secretary Irwin
Secretary Dillon

I explained to Secretaries Quarles and Irwin our continuing concern regarding the IRBM program for Greece and Turkey. This concern arises from the fact there is no assurance that Congress will in fact vote sufficient mutual security funds in coming years to finance both the IRBM's and other items of modernization required by NATO. I said that in the event insufficient funds were voted we felt that alternative methods of financing the IRBM's for Greece and Turkey should be seriously considered, specifically the prospect of declaring these two squadrons surplus thus acquiring them at no expense to the Mutual Security Program, with the Air Force replacing the lost funds through its regular appropriation procedures. I said I thought we should discuss this with the President so as to alert him to this problem if it should arise in the future.

Both Messrs. Quarles and Irwin agreed that we should maintain full flexibility regarding the funding of the IRBM's should military assistance funds be substantially inadequate in future years. However, both felt it better from their point of view not to raise the question of declaring IRBM's surplus with the President at this time as this would inevitably involve the Bureau of the Budget. In their view this would mean that the Bureau would press for this action irrespective of what appropriations might be available and would attempt to force them to take it into account in requests for future appropriations. They said they were prepared to agree generally with me that they would give serious consideration to this prospect if it should prove necessary because of inadequate appropriations.

Mr. Quarles suggested that a brief letter be forwarded indicating our agreement to proceed with the IRBM's based on the understandings reached in our conversations, and he said he would note on his copy of the letter the general tenor of our conversation.

Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 63 A 1672, Greece. Secret. Drafted and initialed by Dillon. A note by Quarles on the source text reads: "Concur in substance DAQ 25 Apr 58 [59]."

I also raised the question of location of the IRBM squadron in Turkey. Both Messrs. Quarles and Irwin said that they would be glad to give assurances that this matter would be given serious consideration, and they would reach an agreed solution on a location with the State Department. However, they pointed out that, if it was necessary to decide on a location before General Norstad could take the matter up with the Turks, it would lead to considerable delay and also might well be inconclusive since the location would be in any event a matter of mutual agreement between the United States and Turkey. They recommended that they be authorized to proceed on the understanding that the matter of site be left for further agreement between State and Defense at which time State's views regarding the necessity of avoiding large concentrations of American personnel in one area would be taken fully into account.

I agreed to this procedure and told them that I would promptly prepare a letter along these lines authorizing them to proceed with the Greek and Turk IRBM programs.¹

¹ In his April 23 letter to Quarles, Dillon noted:

"I am prepared to agree to your informing General Norstad that he is free to initiate negotiations with Greece and Turkey for the deployment of one IRBM squadron in each country. I would appreciate your having the message to General Norstad cleared by my office."

In Department of Defense telegram 958716, April 24, CINCEUR was instructed to proceed with formal discussions with the Greek and Turkish Governments for the deployment of IRBM squadrons. (Both *ibid.*)

336. Letter From Acting Secretary of State Dillon to Secretary of Defense McElroy

Washington, April 30, 1959.

DEAR MR. SECRETARY: The close cooperation between the United States and Turkey in defense matters has made it possible in recent years to undertake in that country a number of highly important military projects which have resulted in a steady increase in the numbers of

American personnel assigned there. Thus there are now in Turkey American military personnel and their dependents numbering over thirteen thousand.

It is inevitable that the presence in any foreign country of so many Americans would involve difficult problems of community relations. In Turkey, however, the increasing number of incidents has caused me, and I am sure has caused you, very real concern, as has the disquieting rise in antagonism on the part of the Turkish public toward foreigners on their soil which has resulted from these incidents. While we have had, and continue to have, excellent cooperation on the part of the Turkish authorities, I am greatly concerned that if the situation continues not only might general Turco-American relations be impaired but, with particular reference to our military operations in that country, we might find ourselves in real difficulty in maintaining highly important facilities which we now enjoy.

I believe it would be wise for our Departments to give new and serious thought to how the problems which I have mentioned can be minimized. One of the difficulties has, I believe, been the absence in Turkey of a single United States military command. The result has been to have in Turkey units reporting to several separate authorities with consequent inability of any single commander on the spot to direct programs of discipline which might serve to avoid many of the incidents which have occurred. Perhaps the time has come when there should be implemented in Turkey the recommendation made in the Nash Report¹ for a single United States military command, irrespective of location, mission, or Service branch. It might, of course, be necessary to exclude from this command personnel assigned to NATO, but in that case perhaps directives and procedures could be closely coordinated between the two commanders concerned.

I believe that in studying this problem we should give earnest consideration to the possibility of reducing the numbers of American military personnel and their dependents now in that country. If plans for the stationing in Turkey of IRBM units materialize, there will be dispatched to that country substantial additional forces which inevitably will increase the community relations problem. It may be that a careful survey will disclose possibilities for substantial reductions in other projects which would, at least in part, compensate for the introduction of the new personnel. I earnestly hope that in the future additional personnel assignments will be made to Turkey only for most essential purposes

¹ Reference is to the December 1957 report by Frank C. Nash, *United States Overseas Military Bases: Report to the President*.

where the advantages to our national interest clearly outweigh the obvious disadvantages of an increasing American community there.

Perhaps by undertaking a new and imaginative public relations program, deterioration of our community position might be arrested and a climate created in which our present access to facilities can better be assured. I have in mind in this respect the notable success of the SETAF unit in Italy.

In order that these and related problems bearing on our American community in Turkey may receive continuing consideration and coordination in Washington, I should like to propose the establishment of an inter-agency working group of interested agencies, with representation from the Department of Defense and, if you desire, the three Service arms, the CIA, USIA, and ICA, in addition to the Department of State. I propose that the Departments of Defense and State be represented on this group at the Assistant Secretary level, with appropriate levels of representation from the other agencies whose personnel programs also would be reviewed along with those of the Departments of Defense and State. It might be further desirable at an appropriate stage to arrange for consultation with the group in Washington by a representative or representatives from our mission in Ankara.

I should be grateful to have your comments on these observations and suggestions.²

Sincerely yours,³

² In a September 25 letter to Dillon, Irwin reported that the Department of Defense had studied the recommendations in Dillon's April 30 letter, and concluded that most of the U.S. personnel in Turkey were already under two commands, that the number of U.S. personnel could not be reduced, and that the rate of incidents between U.S. personnel and Turks was the lowest in Europe. Under these circumstances, the Department of Defense could not agree to the establishment of an interagency committee, but would agree to the creation of an informal State-Defense working group. (Department of State, Central Files, 711.56382/9-2959) This study group began operations on September 29.

³ Printed from an unsigned copy.

337. Editorial Note

On April 24, the Board Assistants of the Operations Coordinating Board approved a revised Operations Plan for Turkey. The revised plan was discussed and approved by the OCB at its May 6 meeting. The Board took particular note of problems arising from "an increase in the number of incidents involving U.S. forces and Turkish citizens," concurred in the necessity of taking actions to ameliorate the problem, and instructed the Departments of State and Defense to keep the OCB informed of developments in this area. Minutes of the OCB meeting of May 6 are in Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes. A copy of the revised Operations Plan for Turkey is *ibid.*: Lot 62 D 430, Turkey. The Operations Plan of November 19, 1958, is printed as Document 322.

338. Editorial Note

On May 11, the Turkish Government and representatives of 13 European nations signed at Paris an agreement for the repayment of outstanding Turkish commercial debts. Under the terms of the agreement, Turkish repayments for debts incurred prior to August 5, 1958, were to be repayed at an annual rate of interest of 3 percent until January 1, 1964. Beginning on January 1, 1964, the payments schedule would be revised and remaining creditors would receive 1/7 of the outstanding amount due to them until 1970 when the debt would be liquidated. Simultaneously, the Turkish Government would liquidate its outstanding debts to U.S. firms. The plan for the debt settlement and its application to U.S. firms was outlined for Acting Secretary of State Herter in a memorandum from Rountree, June 4. (Department of State, Central Files, 882.10/6-459)

339. Editorial Note

According to the memorandum of discussion at the 406th Meeting of the National Security Council on May 13, the Council was given a re-

port on Turkey by General Charles P. Cabell, Deputy Director of Central Intelligence:

"General Cabell reported that rising political tension in Turkey is currently endangering the political stability of that country. The Democratic Party is restricting the activities of the major opposition party, the popularity of which is increasing. Criticism of the government is growing and riots and other disturbances are becoming more frequent. The opposition party maintains that the government is trying to have Mr. Inonu lynched. The Turkish Defense Minister recently remarked that the military leaders may have to intervene if the tension continues. If Inonu were killed, a revolt could take place in Turkey." (Eisenhower Library, Whitman File, NSC Records)

340. Memorandum of Conversation

Washington, May 29, 1959.

SUBJECT

Message from Turkish Prime Minister re Counterpart

PARTICIPANTS

Ali S. H. Urguplu, Turkish Ambassador
Douglas Dillon, Acting Secretary
William M. Rountree, Assistant Secretary, NEA
G. E. Robert Meyer, ED
Owen T. Jones, GTI

The Ambassador explained that he was calling to deliver a message that the Prime Minister had asked Mr. Zorlu¹ to deliver the day before. Because of Mr. Dillon's unavailability, Mr. Zorlu had discussed the matter generally with Mr. Rountree on the telephone and then, prior to his departure, had asked the Ambassador to deliver it personally to the Acting Secretary.

Source: Department of State, Central Files, 782.5-MSP/5-2959. Confidential. Drafted by Owen Jones.

¹Zorlu was in Washington for the funeral of former Secretary of State Dulles on May 27.

The substance of the message, according to the Ambassador, was that Turkey would like to have released as soon as possible half of the counterpart for the financing of State Enterprise investment. The Ambassador stressed the urgency of this need because of the various pressures being felt on the Turkish economy in the course of the implementation of the stabilization program. The Ambassador expressed the hope that Mr. Dillon would be able to respond favorably and as soon as possible to this request.

Mr. Dillon recalled his March 5 letter to Mr. Zorlu,² as well as the April 1 luncheon with Zorlu at the time of the NATO meeting³ and repeated what he had said to Zorlu on that occasion, i.e., in order for the United States to take any action with respect to the release of counterpart it would be necessary for us to obtain a fuller picture of Turkey's overall financial resources and requirements, including the investment program of the State Enterprises. After expressing satisfaction on the reports that appropriate material bearing on this problem was now under active preparation by the Turkish Government and would be forthcoming shortly, Mr. Dillon said it might be possible after having preliminary review of this data to make some partial releases of counterpart to help Turkey cope with the pressing needs now facing her.

The Ambassador thanked Mr. Dillon for his comments and indicated that Mr. Dillon's suggestion was a reasonable one. Indeed, he said, following Zorlu's telephone conversation with Mr. Rountree on May 28 he had called the Prime Minister stressing the urgency of getting before us appropriate material that would provide a basis for our being helpful on the counterpart release problem.

²See Document 332.

³The memorandum of their conversation is in Department of State, Conference Files: Lot 64 D 560, CF 1235.

341. Memorandum From the Director of the Office of Greek, Turkish, and Iranian Affairs (Jones) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree)

Washington, June 17, 1959.

SUBJECT

Status of IRBM's for Turkey

The purpose of this memorandum is to restate and amplify somewhat the oral report that I gave you last week concerning the present status of our implementation of the decision to proceed with negotiations with Turkey on IRBM's.

The Turkish Government has indicated to General Norstad that it desires to have the IRBM's and on May 6 General Norstad requested the United States Government to proceed with the necessary bilateral negotiations.

EUR, which has the responsibility with the Department for the bilateral negotiations, is now working on a Circular 175 authority¹ which will have two attachments: a proposed note to the Turkish Government concerning the IRBM installation in general and a proposed annex to the note having to do with certain financial aspects of our arrangement with the Turks. It is the latter, the financial annex, that is giving us the most difficulty at the present time here within the Department. There appear to be two broad issues involved in this financial annex.

The first has to do with the location of the proposed installation in Turkey and a more precise estimate of the costs of construction. This information will have to be supplied by Defense. It is likely that the cost of construction may be significantly influenced by the location that is finally agreed upon. You will recall that Defense undertook to consult with State on where the IRBM unit would be located. Information out of Paris indicates that at least the Air Force is thinking in terms of the Izmir area which, you will also recall, is one of our community relations problem areas. I believe the Department should press the Department of Defense for a decision on the location and then for a more precise estimate of construction costs, both foreign exchange and local currency.

Source: Department of State, Central Files, 782.00/6-1759. Secret.

¹ This circular, dated December 13, 1955, outlined procedures under which the Department of State granted authority to its representatives abroad to conclude treaties or other formal agreements with foreign governments.

The second has to do with the method of financing. I believe there is general acceptance of the principle, within the Department at least, that all construction costs, whether foreign exchange or local currency, should be borne by the United States Government. The insistence of EUR that a formula be devised that would permit the retroactive application of the concept of infrastructure common funding limits somewhat our freedom of action. If it were possible to waive the infrastructure common funding problem (and there is real doubt whether there will ever be an opportunity to apply it retroactively), the financing operation would be relatively simple. MAP funds could be made available directly to the U.S. Army Engineers for both the foreign exchange and the local currency components.

In order to preserve the infrastructure common funding concept, it is necessary to go through the fiction of having the Turks make the expenditures themselves, with the United States providing the financing. The most feasible way of doing this thus far suggested appears to be through additional Defense Support money. This has a number of political and practical disadvantages. It will represent another significant increase in Defense Support funds which Turkey's indiscriminating neighbors, Greece and Iran, will interpret as further aid to Turkey. It will also be an awkward arrangement that cannot be assured of working as planned. On the foreign exchange element of cost, it involves our putting up Defense Support funds up to \$10 to \$15 million or more to finance needed Turkish imports and thus free an equivalent \$10 to \$15 million of Turkish foreign exchange for IRBM expenditures. This assumes Turkey now has or will have that much free foreign exchange. I doubt if this assumption can safely be made. We might well find ourselves in the position of putting up Defense Support funds without the Turks being able to put up the free foreign exchange for the IRBM's. On the local currency element of cost, to the extent US-owned counterpart were inadequate it involves for the first time in Turkey our tying Defense Support funds at the outset with counterpart generation to be used solely for a military requirement. This is a slippery slope to get onto and one from which it might be difficult to disengage ourselves at a later date. In both political and practical terms, we in GTI believe that direct MAP financing would be an infinitely simpler and more desirable way of financing this project and we have expressed the hope that EUR can find a way to accept this concept.

There are two issues here: (a) should construction costs be financed with MAP or Defense Support funds, (b) should we ascertain from Defense their thinking on location and costs before opening negotiations

with the Turks. We cannot open negotiations with the Turks without an answer to the first question. I don't believe we can answer adequately the first question without getting more precise information from Defense on the proposed location and on the total and composition of construction costs.²

² In a July 22 letter to Knight, Murphy outlined Department of State plans for funding construction costs for IRBMs and requested Department of Defense "current thinking" on security and housing. (Department of State, Central Files, 782.65/7-2259)

342. Memorandum of Conversation

Washington, July 24, 1959.

SUBJECT

Turkish Economic Affairs

PARTICIPANTS

C. Douglas Dillon, Acting Secretary
 Ali S. H. Urguplu, Ambassador of Turkey
 Mr. Hasan Isik, Deputy Secretary General for Economic Affairs, Turkish Ministry of Foreign Affairs¹
 Owen T. Jones, Director, GTI

Mr. Isik opened his short call on the Acting Secretary by referring briefly to the worthwhile discussions that he and his colleagues had been having with the IMF. He then recalled his Foreign Minister's recent letter to the Acting Secretary on counterpart releases,² thanked the Act-

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Jones.

¹ Isik led a five-man mission to the United States for discussions with the IMF. Documentation on the Turkish mission's discussions with representatives of the Department of State, ICA, and Treasury is *ibid.*, Central File 782.5-MSP.

² In the letter, dated July 12, Zorlu requested the "liberation" of counterpart funds to the Turkish Government. The letter was delivered by Isik to the Department of State apparently on July 22. A copy of Zorlu's letter is *ibid.*, 782.5-MSP/7-1259. Dillon replied to Zorlu in an August 6 letter that stressed the need for the Turkish Government to plan and coordinate an investment program and to make up its arrears in payments to the counterpart fund. (*Ibid.*, 782.5-MSP/8-659)

ing Secretary for the action subsequently taken,³ and expressed satisfaction with the various meetings that he had had with various U.S. Government officials while here in Washington this week.

The Acting Secretary responded by expressing pleasure with the progress that the Turkish Government had been making in the implementation of its stabilization program. He observed that there were still several fields in which some problems needed to be worked out and mentioned specifically the problem of investment coordination and planning and counterpart deposits. With respect to investments, he noted the need for a rational investment program that would indicate priorities and that would serve to round out the broad program that the Turkish Government had undertaken last year to regularize its economic affairs. With respect to counterpart arrearages, the Acting Secretary commented on the dangers in getting behind in something like this, and the advantages of getting it cleared up as soon as possible, noting in passing possible Congressional interest here in the United States if these arrearages were allowed to drag on. The Acting Secretary said he was glad to learn that Mr. Isik had already indicated here that an investment program would be available soon and that the counterpart account would soon be brought up to date.⁴

Mr. Isik confirmed these intentions in both respects, saying that with respect to the investment program, his Government would first address itself to the public sector and that it would probably be some time later before it could come up with anything useful with respect to the private sector.

The visit closed with Mr. Isik expressing the hope that the Acting Secretary would be able to visit Turkey again at an early date.

³ On July 20, the United States authorized the release of 362 million lira of counterpart funds to the Government of Turkey.

⁴ Isik discussed the counterpart problem at a July 21 meeting at the Department of State. A memorandum of this conversation is in Department of State, Central Files, 782.5-MSP/7-2159.

343. Letter From the Acting Assistant Secretary of Defense for International Security Affairs (Knight) to the Deputy Under Secretary of State for Political Affairs (Murphy)

Washington, July 31, 1959.

DEAR MR. MURPHY: I was pleased to note in your letter of 22 July¹ that you anticipate early action on clearance of a formal Circular 175 authority to negotiate an IRBM agreement with Turkey. We will take prompt action on the papers when they arrive.

The best estimate we can now make on the number of U.S. military personnel likely to be stationed in the Izmir area during the next five years, exclusive of those assigned to the IRBM squadron, is 920. This figure represents an increase of 60 over the current strength of 860. The IRBM squadron will require an initial assignment of approximately 1,100 personnel. [3 lines of source text not declassified]

[1 paragraph (5 lines of source text) not declassified]

The question of financing the family housing for U.S. personnel to be stationed in Turkey to implement the IRBM agreement is under study. However, MAP funds must be excluded from consideration since it has been determined that they cannot be made available for this purpose.

The USAFE Team currently making an on-the-spot survey has been directed to go into the questions of alternative sites, cost figures, and other pertinent information. Your staff has received copies of the cable directives for this team. I will provide additional details on control techniques together with family housing financing proposals as soon as possible.

Sincerely yours,

Robert H. Knight

Source: Department of State, Central Files, 782.00/7-3159. Secret

¹ See footnote 2, Document 341.

344. Memorandum of Conversation

Washington, August 17, 1959.

[Source: Department of State, Central Files, 882.131/8-1759. Secret; Limit Distribution. 4 pages of source text not declassified.]

345. Telegram 602 From the Embassy in Turkey to the Department of State

Ankara, August 29, 1959, 4 p.m.

[Source: Department of State, Central Files, 882.131/8–2959. Secret; Niact; Limit Distribution. 5 pages of source text not declassified.]

346. Memorandum From Secretary of State Herter to President Eisenhower

Washington, September 16, 1959.

SUBJECT

Completion and Announcement of IRBM Agreement with Turkey during Khrushchev Visit¹

On September 10 our Embassy in Ankara was authorized to open negotiations with the Turkish Government for an agreement on the deployment of IRBMs in Turkey.² Draft texts of a proposed U.S.-Turkish agreement³ were transmitted to the Turkish Government for its consideration. Prior to the opening of the U.S.-Turkish negotiations, the Turkish Government had indicated to SACEUR its readiness to accept his recommendation for deploying IRBMs in Turkey.

Our Embassy in Ankara now reports⁴ that the Turkish Government has accepted, apparently without change, the draft proposed by the United States. Our Embassy also reports that the Turkish Foreign Minister, Mr. Zorlu, is very anxious to sign the agreements before Saturday, September 19, when he departs for the U.N. General Assembly in New

Source: Eisenhower Library, Whitman File, Dulles–Herter Series. Secret.

¹ Khrushchev was scheduled to visit the United States September 15–27.

² The authorization was sent in telegram 771 to Ankara, September 10. (Department of State, Central Files, 611.8297/9–1059)

³ No copy of the draft text has been found.

⁴ In telegram 738 from Ankara, September 15. (Department of State, Central Files, 611.8297/9–1559)

York.⁵ It may be technically possible to complete all arrangements on the U.S. side in time to permit signature this week, although the mechanics are such that this is not certain. In any event, we should be ready to sign in the very near future. At the time of signature, it would be normal practice to issue a brief press statement, subject to Turkish agreement, announcing that the U.S. and Turkey had concluded an agreement on the deployment of IRBMs in implementation of the NATO Heads of Government decision of December 1957 to equip NATO forces with the most modern weapons. Such a press announcement is desirable at the time of signature because of the serious risk of press leaks after the agreement is concluded.

It is of course recognized that this procedure would probably result in a public announcement on deployment of IRBMs in Turkey during the Khrushchev visit. On the other hand, the deployment of IRBMs for Turkey is part of the long-agreed program for making the most modern weapons available to our NATO allies. Implementation of this program has been carried forward hitherto at a regular rate without allowing the program to be impeded by Soviet actions. Agreements on IRBMs and atomic stockpiles have been signed as soon as negotiations were completed; failure to do so would have delayed the actual deployment of the missiles themselves. I therefore believe it would not be wise to delay in any way in implementing this particular step in the program because of the presence of Khrushchev in the United States. Furthermore, it is impossible to predict now whether circumstances might be better after the Khrushchev visit; they might well be less favorable than those which now prevail.

I would appreciate your approval of the above course.⁶

Christian A. Herter

⁵ The agreement was signed without publicity on September 20.

⁶ An annotation by Goodpaster on the source text reads: "17 Sept 59. State notified of President's approval. G"

347. Memorandum of Conversation

Washington, October 7, 1959.

SUBJECT

Turkish Economic Problems

PARTICIPANTS

Fatin Rustu Zorlu, Turkish Foreign Minister¹
Hasan Isik, Turkish Foreign Ministry
The Under Secretary
Owen T. Jones, GTI

The conversation turned largely on Turkish relations with IBRD, Turkish investment coordination and planning, and means by which Turkey could get additional short-term financing.

Mr. Zorlu opened the meeting by referring to the negative results of his meeting with Mr. Black² and the fact that this might also affect the availability of Turkish credits with the IDA. In the course of the conversation, Zorlu said this news would not be well received in Turkey by President Bayar, who probably would not be pleased to learn of any contact whatsoever with IBRD. Zorlu then recalled the acrimonious luncheon that President Bayar had with the IBRD when he was in Washington in 1954³ and reviewed generally the negative attitude that IBRD had taken toward Turkey.

The Under Secretary said that in talks with the IBRD since Mr. Zorlu's meeting with them, he had not gained the impression that they intended to extend their remarks to any possible credits from IDA. IBRD's principal concern had to do with the heavy foreign exchange servicing requirements of external obligations over the next six to eight years. IDA would present no problem in that respect, since the servicing of its obligations would be in local currencies. Neither had it been his impression that IBRD intended to shut the door indefinitely to Turkish loans. Rather the door was left open to a continuing reappraisal leading to the extension of IBRD credits after several years and an easing of the external debt servicing pressures. Moreover, credits opened after an interval of several years would call for payments beyond the present six-to-eight-year period that troubled the IBRD particularly.

Source: Department of State, Central Files, 882.00/10-759. Confidential. Drafted by Jones and approved in U on October 14.

¹ Zorlu and Menderes were attending the 7th session of the CENTO Ministerial Council in Washington (October 7–9).

² No documentation on this meeting has been found.

³ January 26–29, 1954, during a January 24–February 27 visit to the United States.

Meanwhile, Mr. Dillon went on to say, we had hoped the IBRD would be able to provide Turkey some guidance and help in investment planning and coordination and in the development of an investment program. Given the strong feelings in Turkey toward the IBRD, Zorlu said there was little prospect of Turkey's seeking such guidance. Mr. Dillon then suggested that Turkey might want to do what Iran and Pakistan had done in utilizing Ford Foundation grants to retain Harvard University teams headed by Professor Mason to help in formulating and coordinating an investment program. Among the advantages of this type of arrangement was that these people would be working for the Turkish Government and thus afford the Turkish Government more freedom of action. In expressing interest in this proposal, Zorlu said they themselves had considered the possibility of retaining the services of a Dutch economist by the name of Professor Tinbergen. This part of the discussion closed with Mr. Dillon saying that the important thing was to have an investment program developed. There were a number of ways by which this could be done.

The discussion then turned to United States aid. After noting the United States aid level of \$80 million to Turkey, Mr. Zorlu pleaded that the United States make an additional amount immediately available by dipping now into the reserve fund that Mr. Dillon had mentioned in their last meeting.⁴ In this connection, the Foreign Minister stressed the fact that Turkey had no reserves right now and needed some short-term financing immediately to give it more elbow room. Mr. Dillon explained at some length the problems that we have in administering the reduced amount of funds made available to us by Congress this year, referring specifically to the defense support money and to the contingency fund. He pointed out that actually there was only a small uncommitted amount left from these sources and that while Turkey's desire for funds now was understandable, it was essential that the United States preserve this small residual uncommitted amount to meet, when they arise, possible emergencies such as the Taiwan crisis of last year. As the year went on, we would be prepared to review the problem. If there were still funds available, we would be happy to consider giving Turkey some further supplemental assistance.

In view of our shortage of funds, Zorlu then asked if we could ease the situation for Turkey by releasing a part of the aid level of \$80 million on the same basis that we released the special allocation of \$25 million last year. Mr. Dillon thought this would be possible and said we would look into it. This seemed to satisfy Mr. Zorlu, for he went on to say that if

⁴ Apparently a reference to their December 9, 1958, meeting in Washington. A memorandum of their conversation is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

they got an immediate release of some of the \$80 million they could wait for the remainder.

In connection with this problem of short-term financing, the Foreign Minister also asked Mr. Dillon to speak to the Germans on behalf of Turkey. It was Zorlu's feeling that Germany was prepared to help Turkey, but for political reasons it was deterred from taking action independently of and possibly contrary to the consensus of the other OEEC member countries. Indeed, he felt that there had been some collusion among the OEEC members in withholding further credits to Turkey, such credits being, he felt, a logical corollary to the successful implementation of the stabilization program. Mr. Dillon said that we would speak to the Germans via our Embassy in Bonn.⁵

⁵No message to Bonn has been found.

348. Memorandum of Conversation

Washington, October 9, 1959.

SUBJECT

Turkish Prime Minister's Call on the President

PARTICIPANTS

The President
His Excellency Adnan Menderes, Turkish Prime Minister
His Excellency Ali S. H. Urguplu, Ambassador of Turkey
His Excellency Fatin Rustu Zorlu, Turkish Foreign Minister
The Honorable Christian A. Herter, Secretary of State
The Honorable G. Lewis Jones, Asst. Secy. of State for NEA
The Honorable Fletcher Warren, United States Ambassador to Turkey

Mr. Menderes, who had met the President when he was Commander at SHAPE and on two other occasions, greeted the President warmly. He did all the talking for the Turkish party, except for a few interpolations by Mr. Zorlu.

Mr. Menderes wished to thank the President (a) for receiving him, (b) for having the CENTO meeting in Washington, and (c) for the un-

Source: Eisenhower Library, Whitman File, International File. Secret. Drafted by Jones.

wavering support which the United States has given to the regional CENTO states. Mr. Menderes stressed to the President the excellent atmosphere prevailing among the regional members at the Conference. He said the Pakistanis displayed a greater peace of mind than at previous meetings and that all of the members were leaving in a better frame of mind.

The President brought up the question of the radio propaganda attacks against Iran. The Secretary referred to the special declaration issued by the CENTO Council of Ministers in this regard.¹ Mr. Menderes confirmed that these propaganda attacks were continuing and said that they had had the interesting effect of stiffening the resistance of the Iranian people and causing a "rallying to the throne". The President then spoke to the Secretary regarding the editing of a statement re Iran which the President was to issue after seeing Eghbal.

The President told Mr. Menderes that nothing would give him greater pleasure than to visit the CENTO countries. The trouble was that he was bound to his desk. He could not delegate his responsibilities to the Vice President. If it were possible to make the Vice President Acting President then Mr. Eisenhower would not be abroad as President. If he went abroad he would have to be pursued by a stream of papers on which only his signature would serve. Moreover, once he started visiting countries he would have to visit many countries. "It is impossible to visit 10-12 countries for two days each." Mr. Menderes said that Turkey understood the President's problem, but nonetheless hoped sincerely it would be possible for him to visit Turkey at some stage. He said, "Your visit to the CENTO countries would be worth three American divisions."

¹ For text of the CENTO declaration on radio propaganda transmitted from Communist bloc states, see Department of State *Bulletin*, October 26, 1959, p. 586.

349. Preliminary Notes of a Meeting of the Operations Coordinating Board

Washington, November 18, 1959.

[Here follows agenda item 1.]

2. *Report and Operations Plan on Turkey (Secret)*¹

Mr. Oliver Marcy, Deputy Director, and Mr. A. Guy Hope of the Office of Greek, Turkish, and Iranian Affairs were present for the OCB discussion of the Turkish papers.

There was a prolonged discussion of the recommendation by the Working Group that there is no need for the NSC to review US policy toward Turkey (NSC 5708/2)² at this time. The Acting Chairman, Mr. Harr (White House) said he could not reconcile important sections of the policy paper with the Working Group's recommendation. In developing his thesis Mr. Harr, supported by Mr. Gray, alleged that some current operations were not wholly consonant with policy particularly with regard to MSP guidance such as on force levels and support; further that events have overtaken the policy, or will shortly. Mr. Harr thought that decisions which the NSC should make are being taken elsewhere and that the OCB, by foregoing NSC policy review, is, in effect, precluding the NSC from exercising its function with regard to Turkey, a decision which Messrs. Harr and Gray felt only the President himself should make.

In response to Messrs. Harr and Gray, the other members of the Board commented as follows: Mr. Reinhardt noted his understanding that only three NSC papers dealt with force levels; it would appear, therefore, that these instances were exceptions rather than the rule. Mr. Williams (Defense) said that Defense considered the policy guidance was adequate for their operations, although they would not be opposed to a policy review. Mr. Reinhardt indicated that the same was true for the Department. Mr. Saccio (ICA) noted that it was a daily function of the Mutual Security Coordinator to make decisions within NSC policy guidelines with regard to MSP programming levels.

On Mr. Reinhardt's recommendation, the Board approved the Operations Plan but withheld approval of the Report pending further

Source: Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes 1959. Secret. The approved minutes of the November 18 meeting, dated November 25, are *ibid.*: Lot 62 D 430, Minutes VII.

¹ A copy of the Operations Plan for Turkey, dated November 25, is *ibid.*, Turkey. The approved report on Turkey is printed as Document 352. No copy of the draft report was found.

² For text of NSC 5708/2, see *Foreign Relations, 1955–1957*, vol. XXIV, pp. 720–727.

study of the problems posed and upcoming consideration by the NSC of the Annual MSP Report to the National Security Council.

There was also a discussion of the problem of community relations in Turkey. Mr. Marcy gave an oral report on the conclusions of the State-Defense Working Group. Mr. Gray wondered if the problem were amenable to solution or if it were an inherent consequence of having American troops overseas. Mr. Allen (USIA) said that frictions could be eased if not wholly eliminated. Mr. Williams said the Defense Department sincerely regrets the incidents occurring in Turkey and has made a real effort to reduce them. He cited figures which indicated that the number of incidents in Turkey is the second lowest in Europe. There were some expressions of incredulity at this information. Mr. Marcy noted a formal report would soon be made by the Special Working Group to their principals. He believed that the recommendations of the Working Group would be of assistance in meeting the problem of community relations.

[Here follow the remaining agenda items.]

350. Editorial Note

President Eisenhower visited Turkey December 6-7, during his 11-nation good will tour (December 3-23). The President and his party arrived at Ankara from Italy at 3 p.m. on December 6. After an airport greeting from President Bayar and ceremonial functions, including a wreath-laying at the tomb of Ataturk, the President met with Bayar, Prime Minister Menderes, and Foreign Minister Zorlu at the Presidential Palace. (See Document 351) After this meeting, the President attended a formal dinner given by Bayar at 8:30 p.m. He returned to his residence at 11 p.m. At 7:30 a.m. on December 7, the President, accompanied by President Bayar, left by helicopter for Esenboga Airport. He left Ankara for Karachi at 8:10 a.m., following brief airport ceremonies. For text of the joint communiqué issued after Eisenhower's talks with Turkish leaders, see Department of State *Bulletin*, December 28, 1959, pages 932-933. Eisenhower's recollections of the meeting are in *Waging Peace*, pages 492-493.

351. Memorandum of Conference With President Eisenhower

Ankara, December 6, 1959.

OTHERS PRESENT

President Bayar, Prime Minister Menderes, Foreign Minister Zorlu, Secretary General Esenbel, Mr. Benler, Mr. Berkol, Secretary Murphy, Ambassador Warren, Mr. Cowles, Mr. Hagerty, Major Eisenhower

President Bayar opened the meeting by welcoming President Eisenhower to this country and inviting him to give his views first.

The President said he sees the problems of our time to be mainly two: the first is the need for disarmament. He holds the conviction there is no change in the basic purpose of the Soviets. A great danger, then, lies in over-optimism. Therefore, for an indeterminate period, we must keep up our level of armaments, even though they are burdensome. Even Khrushchev feels these burdens and recognizes a need for some disarmament. The main difference in approach lies in the fact that Khrushchev wants disarmament on a "trust" basis. He is, however, willing to negotiate even if he accrues no benefits other than a temporary advantage. From this the President concludes that we must still negotiate towards a world disarmament but that we must do so with our eyes open to avoid duplicity.

The second great problem in the world is that of the underdeveloped nations. These nations, since achieving independence, are discovering that they have more problems than they had bargained for. However, despite their difficulties they have attained a vision that people do not have to suffer want. They have seen in other places the potential dignity of man and desire to attain this with every possible speed. The result is an explosive situation which could end up in anarchy or in the underdeveloped nations turning to the Soviets for help. Soviet help in fact turns out often to be an empty promise. Since 1954 the Soviets have promised aid totaling \$912 million aggregate to these nations but have actually distributed only some \$250 million to \$300 million. This aid furthermore is often given in such a way as to be hardly useful. Items are sold at prices set by the Soviets and they often drive a hard bargain in exacting repayment. The significance of this is that the free world must join together now to plan how to raise its overall economic strength. This cannot be done strictly on the basis of financial aid. All countries must work together in their own way. The Turks, for example, contribute by maintaining large military forces. Many countries in Western Europe

have developed capital accumulations which can be used for the benefit of all, but the use of these reserves requires coordination. A study is needed to determine how this coordination should be accomplished.

The President concluded by saying that although his trip is labeled as a "good will" trip, he has an important secondary objective of portraying to the nations he visits his views on our great cooperative problem.

Mr. Zorlu then took the floor. He expressed pleasure at the importance the United States attaches to the security and wellbeing of the smaller nations. He feels another significance of the President's trip is his showing, prior to a summit meeting, that he is desirous of furthering the welfare of the Middle Eastern countries. Mr. Zorlu analyzed Soviet motives in seeking a *détente* at this time as follows: first, there is the pessimistic approach (from the Soviet viewpoint). Here the Soviets found that they cannot push us further without risking war and they have been unsuccessful in efforts to create dissonance among allies by a series of crises. The optimistic approach concludes that the Soviets have developed more confidence in themselves by economic accomplishments and now feel that by cutting defense expenditures they will attain greater possibilities of challenging the West economically. By so doing they can prove the superiority of communism. Perhaps the Soviets feel that they are ahead of the free world militarily. A relaxation and an end to the arms race will make this lead permanent. Either analysis of Soviet motives produces the same results. The Soviet goal is still domination of the world and the free world must be able to maintain its solidarity. Any dissonance among allies encourages the USSR. Mr. Zorlu cited such examples as the disagreements between the OEEC and the Outer Seven and the French efforts to join the "nuclear club." He expressed gratitude that U.S. diplomacy, particularly that of the President, has kept solidarity among the allies. He predicted a favorable verdict of history on the President's trip.

With regard to a summit meeting, with efforts to work toward eventual disarmament, Mr. Zorlu is not against this. He feels it wise to cut back military expenditures so long as disarmament is coupled with guarantees. He fears, however, that a summit alone without bilateral relationships would cause suspicion, not so much in Turkey as in other countries. Some nations might feel abandoned, particularly if a series of conferences were to give the impression of a world directorate. This would make blackmail easy. In this regard he feels that bilateral relations and CENTO will counterbalance the bad efforts of the summit.

Mr. Zorlu then expressed fears regarding the effect of a *détente* on trade. The "have" countries have a dynamism which will cause them to trade with Communist countries. Particularly harmful to the free world is the extension of long-term credits to the Communists. This deprives

underdeveloped nations from aid, gives the USSR a chance to "leap forward," and gives the Communists a chance through this economic expansion to penetrate underdeveloped countries. He expressed great interest in the President's idea of coordinated aid. Mr. Zorlu feels that there are two kinds of underdeveloped countries. One is the kind which is "on the line." These are committed to the West and are located in contact with the USSR. They are in a better position than the uncommitted countries to receive and make use of aid. The Marshall Plan was successful because it was concentrated (like the administering of a drug) in necessary countries where it could help. He made a special plea for Turkey and Greece as areas of concentration in contrast to spreading a little bit of aid everywhere.

Mr. Zorlu then said the Middle East nations feel more secure than ever before. This is particularly true since the CENTO meeting in Washington. Iran and Pakistan are stronger than previously and inclined to solve their problems with their neighbors. He cited the Pakistan-India and the Iran-Afghanistan relationship. He recommended that the President use all influence possible on the Afghans.¹ They are not willing to be Soviet satellites, but fail to realize the danger of cooperation with the Communists. The Turks are attempting to encourage help from NATO in influencing the Afghans. He said the Iranians and the Pakistanis are more anxious about the Afghans than are the Turks. The Turks take comfort in the recent visit of the Afghan Foreign Minister to Pakistan² and the fact of the President's visit.

Mr. Zorlu expressed concern over Arab disagreements. This is largely the result of aggressive intentions on the part of Egypt despite efforts which Nasser makes to improve relations on the surface with the West. He blames Egyptian pressure largely for the weakness shown by Iraq. Zorlu fears the Iraqis less than the Egyptians because the Iraqis have no desire to dominate their neighbors. NATO is dedicated to preserving the status quo; Egypt is not. Therefore Egypt's fate will be linked to the USSR. A strong measure in Zorlu's view to remedy this situation would be for the United States to become a full member of CENTO.

Regarding the economy of Turkey, Mr. Zorlu expressed thanks for U.S. aid and economic stabilization the next year, and was gratified that they received such aid again this year with only a small cut in the special fund. In talks with Mr. Dillon the Turks have obtained the impression that these cuts might be restored. Turkey's problem is that of coordinating the help which might come from Europe, particularly from Italy and Germany. While these countries have expressed willingness, they have

¹ Eisenhower was scheduled to visit Afghanistan on December 9.

² Afghan Foreign Minister Naim visited Pakistan on November 20.

shown no results thus far. A recent economic conference in Berne³ brought forth short-term credits only, aside from an effort to avoid duplication of aid between countries. If the U.S. would lead in coordinating economic aid to Turkey, the Turks would be most grateful. The Turks would like to enter the Common Market⁴ and again they desire our help. Some elements in NATO are conservative. This causes difficulties. The Marshall Plan would never have been implemented if it had been left up to the bankers.

The President said he had heard of the Turkish ambition in this regard, recognizes the need, and is sympathetic to the project. He mentioned that Mr. Clarence Randall is studying the problem now. Clarence Randall has advised thus far that this type of thing should be done through private capital. A strong advantage held by Turkey in attracting private aid is the fact that these companies have faith in the Turkish Government. However, these companies do require a capital accumulation of \$125–130 million. The President concluded by saying that he is personally sympathetic to the project, and will have the problem studied as a matter of urgency. Experts will get together to study priorities and requirements.

The President told Mr. Zorlu that he shares Zorlu's suspicion of summit meetings, particularly when they replace broader consultation. He has not been to one since 1955. He disapproves the idea of a few nations dividing the world. He does, however, firmly believe in the value of personal contact between heads of nations. With regard to advice to Afghanistan, he pointed out the distance of the United States plus its lack of common heritage and religion. He advised that Turkey might prove a better advisor to Afghanistan than the United States.

Regarding military strength, the President does not believe that the Russians at this time consider themselves superior to the U.S. Our retaliatory power is far greater than theirs. While our ICBMs may be somewhat slower in development, we do have IRBMs and the Atlas. The Atlas has now achieved a fantastic accuracy. Further, we have advanced type bombers with air-to surface missiles. The Soviets believe that general war would result in their destruction and the current technique is to distract people from the military situation and to compete economically.

The President said he favored trade with the Soviet Union when our side gets the best of the bargain. He does not condone giving secrets or aiding "leaps forward." He is against the extension of long-term credits.

³ Not further identified.

⁴ Turkey applied for EEC associate membership on October 31.

The President said he favors coordination of economic aid and will be glad to help. He has mentioned this to Macmillan, Gronchi, Segni and Pella.

Mr. Zorlu clarified his position on trade. He had not referred to normal trade but to trade through credits. The President reiterated that the United States has objected strenuously to the provision of five-year long-term credits by the UK to the USSR.

Zorlu expressed appreciation that the President will talk with Adenauer in favor of economic aid to Turkey. Some people feel that economic aid is injurious to an alliance. The Turks do not agree with this and are willing to accept aid from the NATO allies. Mr. Zorlu expressed pleasure with our military aid. He is glad to have the IRBMs. He has allocated the fields for its deployment; and wants to get them set up as soon as possible. He does not visualize much additional aid from Germany in the military field.

Regarding cultural relations, Mr. Zorlu spoke a word for the Middle East Technical University (METU) as a good place for help. Students come from all over the Middle East and are probably better off here in Ankara than they would be if they were students in the United States. He expressed pleasure at our aid to Ataturk University. The President said he was looking for a chance to commend this type of enterprise in a speech. Mr. Zorlu said there are three institutions of this type—the Middle East Technical University, the Middle East Institute of Administration, and Ataturk University.

Mr. Menderes in speaking for his government cited the remarkable identity between the Turkish and U.S. views, his pleasure at the President's trip, and his pleasure at the President's apparent realization of the dangers of a *détente*. Since no other country is so much "in line" with the United States as is Turkey, there is really very little to talk about.

It was decided that a communiqué would be worked out between Mr. Murphy and Mr. Zorlu to be released when finished. With some cordial remarks on the objects of the trip, the meeting ended.

John S. D. Eisenhower

352. Operations Coordinating Board Report

Washington, December 16, 1959.

OPERATIONS COORDINATING BOARD
REPORT ON TURKEY (NSC 5708/2)¹
(Policy Approved by the President—June 29, 1957)

(Period Covered: From: November 13, 1958
Through: Date of Board Action)

1. *General Evaluation.* Progress has been made toward attaining most of the U.S. policy objectives for Turkey, particularly with the Cyprus agreement and the resultant improvement of Turkish relations with Greece and the advances made by Turkey in the economic stabilization program. To allay Turkish anxiety prior to the Khrushchev U.S. visit,² the Secretary of State consulted with the Turkish Foreign Minister in Paris.³ For its part, Turkey strongly supports Free World security arrangements, and the U.S. and its allies enjoy continued access to Turkish resources and military facilities.

2. *Area Relations.* Since the Cyprus agreement, Turkish-Greek collaboration on other outstanding issues has taken a generally encouraging direction. Turkey's relations with its Near Eastern neighbors continue to be affected by the Turks' distrust of Nasser, whom the Turkish Government regards as ultimately as great a threat to the security of the area as Communist subversion on the assumption that Nasser will eventually fall under Moscow direction. Turkey has maintained close contact with the Qasim Government in Iraq and continues to urge the U.S. to support Qasim's efforts to maintain his independence of both Moscow and Cairo. Turkey, through CENTO, is urging increased support to Iran by the U.S. and with other regional members is urging increased U.S. and U.K. support to that organization.

3. *Economic Stabilization Program.* a. Turkey has been reasonably successful in the implementation of the stabilization program

Source: Department of State, OCB Files: Lot 62 D 430, Turkey. Secret. A title page and an undated covering memorandum are not printed. In the covering memorandum, Bromley Smith noted that the Board concurred in sending the report to the NSC after revision of paragraph 6 and noted the State-Defense belief that the policy did not need NSC review. Minutes of the OCB meeting of December 9 are *ibid.*, Minutes VII. Smith also noted that the NSC "noted and discussed" the OCB report at its January 7 meeting; see Document 353.

¹ For text, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 720-727.

² Khrushchev visited the United States September 15-27.

³ A memorandum of this conversation, September 4, is in Department of State, Conference Files: Lot 64 D 560, CF 1458.

announced in August 1958. The control of credit and reduction of excessive liquidity accompanied by a flow of goods to the market and some withdrawal of non-economic producers, have resulted in the substantial establishment of a market economy in which prices and costs are important factors. If Turkish officials continue to pursue firm fiscal and economic policies, a steady rate of economic growth through higher levels of production could be expected.

b. The support promised by the U.S. in connection with the stabilization program has been forthcoming: \$100 million of procurement authorizations have been issued for the import of basic commodities, raw materials and spare parts. This represents \$75 million of Defense Support and \$25 million of special emergency assistance to replace depleted inventories; of the \$75 million in credits available for development, \$13.0 million in loans have been authorized by the Export-Import Bank and \$31.3 million in loans have been approved by the DLF. Projects for the remainder of the credits are being examined by the two lending agencies; a PL 480 sales agreement for \$35 million was concluded in February 1959;⁴ and arrangements were made through the Export-Import Bank to reschedule the payment of \$44 million on principal and interest on early ECA-MSA loans. In addition, through OEEC, other governments agreed to extend to Turkey credits equivalent to \$100 million and the IMF made available to Turkey the equivalent of \$25 million.

c. On the other hand, progress has been uneven and there has been some loss of "forward momentum." The most conspicuous deficiency is in the planning and coordination of investments, particularly in the public sector. However, it is hoped that the expressions of concern in this connection from the OEEC, the IMF and from the U.S. and German Governments will influence the Turkish Government toward the development of a rational investment program. In order to develop such a program the Government of Turkey is now seeking to obtain foreign expert assistance. This inability of Turkey to determine priorities for competing investment, consumption and defense demands on the limited resources available can be expected to create continued problems for the U.S. For example, acceleration of the advanced weapons program and other increased military activities, unless offset by reduced expenditures for existing defense programs, can be expected to result in larger Turkish defense budgets. At the same time, even though they do not have a coordinated, rational investment program to provide resources to priority public and private needs, the Turks also can be expected to continue to increase expenditures for capital investment.

⁴ For text of the agreement, see TIAS 4175.

4. *Military Aid Program.* The initial equipping of Turkish conventional forces is essentially complete insofar as the Turkish Army and Air Force are concerned. The MAP force goals were recently reduced by four divisions. Some small craft are yet to be delivered to the Turkish Navy. Future military assistance will be directed almost entirely toward modernization and replacement of equipment as it becomes obsolete or worn out. The accelerated deliveries incident to the Iraqi coup demonstrated anticipated shortcomings in Turkish ability to receive, catalog and distribute the increased flow of equipment delivered. A considerable augmentation of the MAAG field advisory effort throughout the logistical support area, as well as with major tactical units of the Army and the Air Force, is improving the quality of the forces. A basic literacy training course for inductees has been inaugurated on a countrywide basis and is expected to permit further improvement. The first surface-to-surface atomic delivery unit, an Honest John battalion, is now operational in Turkey. Training for the two Nike battalions and three additional Honest John battalions is underway or programmed. An agreement with the Turkish Government has just been concluded for the IRBM deployment.⁵ A major problem requiring resolution is the method of funding the construction of family housing for U.S. personnel who will initially man the squadron and for those who must remain for training and warhead custodial duties even after the Turkish Air Force assumes the manning.

a. *Relationship between military programs and economic resources.* The problem in Turkey over recent years has been to achieve a balance between Turkish consumption demands, desires for economic development, an adequate military program and available resources including anticipated levels of external assistance. Recommendations for MAP and defense support for FY 1961 have taken these factors into account along with that of limited availability of U.S. assistance.

5. *Community Relations Problems.* Incidents involving U.S. service personnel continue to cause serious public relations problems. The arrest and subsequent trial in Izmir of U.S. servicemen for violating Turkish currency laws⁶ resulted in much publicity adverse to the U.S. relating to the servicemen's charges of mistreatment by the Turkish police, the widespread blackmarketing operations charged to American military personnel and the alleged infringement of Turkish sovereignty implicit in the inquiry being conducted by CINCEUR officers. A joint State-Defense team is meeting regularly to consider, among other things, courses of action designed to ameliorate this situation.

⁵ The agreement was concluded on September 20.

⁶ The trial of four U.S. servicemen on currency smuggling charges was continuing in Izmir.

6. *Policy Review.* The Operations Coordinating Board concurred in the report and in its transmittal to the National Security Council, in order to call to the attention of the Council the fact that force levels have been lowered since the approval in 1957 of the National Security Policy with Respect to Turkey. The Board also noted that the Departments of State and Defense believe that operational decisions taken since approval of the existing policy are not of such nature as to require a review of the policy by the National Security Council.

353. Memorandum of Discussion at the 430th Meeting of the National Security Council

Washington, January 7, 1960.

[Here follow a paragraph listing the participants at the meeting and agenda items 1–4.]

5. *U.S. Policy Toward Turkey* (NSC 5708/2; OCB Report on NSC 5708/2, dated December 16, 1959)¹

Mr. Harr summarized the reference OCB Report on the subject, emphasizing the conclusion that the report had been transmitted to the Council in order to call attention to the fact that force levels have been lowered since the approval in 1957 of NSC 5708/2. The OCB also noted that the Departments of State and Defense believe that operational decisions taken since approval of the existing policy are not of such a nature as to require a review of the policy by the NSC. Mr. Gray said this OCB Report raised the question whether country papers should or should not have provisions relating to force levels. The policy on Turkey did have provisions for Turkish force levels. If the Council now decided not to review U.S. policy toward Turkey, it would be making a procedural decision to drop the provisions on Turkish force levels out of the paper, since those provisions were now obsolete. The President said he had less faith in the “numbers racket” in connection with Turkish force

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Prepared by Boggs on January 13.

¹ For text of NSC 5708/2, see *Foreign Relations, 1955–1957*, vol. XXIV, pp. 720–727. The OCB Report is printed as Document 352.

levels than in perhaps anything else. The force level figures did no more than indicate the amount of equipment which we should ship to Turkey. He was not very strong for including provisions on force levels in the policy paper on Turkey. Mr. Gray said it was correct that the purpose of the force level figures was to give a measure of the quantity of the military assistance which should be provided. Secretary Gates said the force level figures were rather misleading. Mr. Irwin said a more accurate guide was the JCS force levels. He felt detail as to Turkish force levels was not needed in the policy paper and pointed out that the reduction of four divisions in Turkish forces was in reality only a "paper" reduction of some five hundred men.

*The National Security Council:*²

a. Noted and discussed the reference Report on the subject by the Operations Coordinating Board.

b. Agreed that a review of NSC 5708/2 is not required at this time.

[Here follow the remaining agenda items.]

Marion W. Boggs

² Paragraphs a-b constitute NSC Action No. 2171. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

354. Letter From the Ambassador to Turkey (Warren) to the Under Secretary of State for Political Affairs (Merchant)

Ankara, February 16, 1960.

[Source: Department of State, Central Files, 782.5-MSP/2-1660. Secret; Official-Informal. 3 pages of source text not declassified.]

355. Telegram From the Embassy in Turkey to the Department of State

Ankara, April 19, 1960, 3 p.m.

2266. Internal politics. Turbulent GNA session afternoon April 18 discussed DP group motion establish GNA investigatory committee to investigate alleged RPP "subversive" activities and recommend remedial legislation, 15-man committee to have full powers suspend all political activity if necessary during three-month investigatory period. Session marred by shouting, scuffles, fisticuffs. After second Inonu speech charging powers proposed committee illegal, undemocratic and unacceptable, he led all RPP deputies in walkout. Motion then passed by 300-plus DP deputies, with only two votes against.

Following GNA vote new investigatory committee inter alia (A) suspended all political activity for three months and (B) banned all publicity re activities of committee. *Ulus* (RPP) went ahead and published text Inonu GNA speeches and entire April 19 issue promptly confiscated.

Membership of committee weighted in favor of jurists and men previously known in DP circles for extremist views re opposition, press, judiciary. Embassy seeking clarify authority of committee decisions via-à-vis construction, other GNA laws.

GNA action climaxes intensive weekend political activity during which both party assembly groups issued proposed investigatory motions, generating blazing press, radio commentaries:

(1) DP assembly group April 15 issued communiqué reiterating full list charges against RPP and calling for investigatory committee with sweeping powers. Among communiqué's usual arguments particular emphasis given new charge that RPP attempting wreck Turco-American friendship by attacks on bilateral agreements, SOFA, by widespread calumnies re offenses committed by US Forces Turkey.

(2) Above theme stressed in DP *Radio Gazette* program broadcast over state radio evening April 15. Office of Prime Minister took unusual step telephoning DCM same evening, calling Embassy attention to broadcast and offering provide text. Implication was that this program would show official government line re Turk-American relations issue in domestic politics.

(3) RPP assembly group April 16 retaliated by issuing proposal for GNA investigatory motion to impeach Prime Minister Menderes before High Court Justice for alleged totalitarian violations constitution and laws designed perpetuate him in power and destroy all opposition.

(Summary extracts above motions and radio program follow by airgram.)¹

(4) Before returning Ankara [April] 16, Inonu in Istanbul visited by 14 retired generals and admirals. Addressing visitors Inonu praised military as proud defenders nation's ideals and progress, called on them defend to utmost trust nation puts in them. *Radio Gazette* 17 charges retired officers call was prearranged political demonstration designed involve army internal politics, which illegal.

Comment: DP embarking on frontal propaganda and legislative attack on existence RPP as presently constituted, using its heavy GNA majority to give legal sanction its partisan objectives. Speed and effectiveness of DP action shows careful advance planning and determination carry through. Sixty-four dollar question remains "what will Republicans do now?" Embassy believes Inonu led walkout indicative only remaining nonviolent recourse left to RPP as form passive resistance or nonparticipation in government. Embassy does not foresee RPP resort violence at this juncture.

Almost formal injection anti-American issue disturbing. As well-known to Department, both sides have endeavored use American presence Turkey for partisan ends. DP has sought identify self as procurer American aid, and therefore indispensable to Turk economic well being. RPP line is that DP "sold out" Turk rights to US, and despite RPP friendship for US and support for alliances, will not tolerate DP "misuse" thereof. Until recent RPP official pronouncement (Embtel 1894)² which DP carefully ignores, RPP had taken no positive steps restrict extremist views within RPP which indiscriminately attack both US and DP. New DP charges, however, serve formally join issue with RPP on anti-Americanism and will inevitably lead to rehash old arguments which Inonu foreign policy statement had almost laid to rest. For moment, both parties apparently more interested making political capital out of Turco-American relations than in objective furtherance thereof. This undoubtedly harmful US interests here, but Embassy remains convinced both parties basically loyal to American alliance principle, despite current tactics.

Tactically, DP apparently hopes its plan crush opposition by charging RPP with anti-Americanism will enlist USA sympathy. Noteworthy Prime Minister's Secretary told Embassy officer re *Radio Gazette* 15th: "Instructions are bring this your Ambassador's attention." Prime Minis-

¹ The Embassy in Ankara reported on the activities of the Grand National Assembly in airgrams G-503, April 22 (*ibid.*, 982.61/4-2260), and G-507, April 22 (*ibid.*, 782.00/4-2260).

² Telegram 1894, February 29, summarized Inonu's speech in which he condemned neutralism, endorsed Turkish membership in NATO and CENTO, and reaffirmed Turkey's ties with the United States. (*Ibid.*, 682.00/2-2960)

ter's Secretary also supplied Embassy April 18 with English translations from provincial press as examples RPP anti-American approach.

Embassy has communicated informally with Consuls Istanbul, Izmir and Iskenderun, calling situation their attention and reminding they should join Embassy endeavor avoid American involvement with either side this controversy.

Warren

356. Telegram 2313 From the Embassy in Turkey to the Department of State

Ankara, April 23, 1960, noon.

[Source: Department of State, Central Files, 782.00/4-2360. Confidential; Priority; Limit Distribution. 5 pages of source text not declassified.]

357. Editorial Note

The political situation in Turkey was the subject of discussion at the meeting of the Operations Coordinating Board on April 27. During the meeting: "Mr. Hare gave a short briefing on the present political situation in Turkey noting that the approaching national elections make the domestic activity fairly typical. He cited the need to exercise care to avoid US involvement with either side. Mr. Dulles (CIA) outlined certain developments which, if elections were to be held immediately, the opposition could be able to use effectively to come out on top.

"Mr. Gray thought it was generally understood that the present situation is not serene, neither is it at a spark-producing stage. All agreed on the desirability of close observation of the scene." A copy of

the preliminary notes on the meeting, from which this quotation is taken, is in Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes. A copy of the briefing paper from which Hare spoke is *ibid.*: Lot 62 D 430, OCB Luncheon Items.

Allen Dulles commented on the instability in Turkey during his briefing at the 442d meeting of the NSC on April 28:

"Turning to Turkey, Mr. Dulles reported that that country might find itself in a critical situation sometime during the next few years. Since early 1960 the opposition party in Turkey, the Republican People's Party of ex-President Ismet Inonu, has been increasingly oppressed by the government. Some questions have arisen as to the validity of the last election in Turkey, although the situation is not as bad as it was in Korea. The Turkish Government has now appointed a committee to investigate subversive activities. This committee, exercising wide powers, has been moving against Inonu and his party. Mr. Dulles felt this problem required careful consideration by the U.S. Government in the future. The Turkish Army was probably behind the government; however, there was a strong popular feeling in favor of Inonu. Unless constitutional procedures are more carefully followed in Turkey, a situation similar to that now existing in Korea might develop. The Inonu Party may attempt demonstrations at the time of the NATO Council Meeting in Istanbul." (Memorandum of discussion; Eisenhower Library, Whitman File, NSC Records)

358. Editorial Note

On April 28, mass demonstrations broke out in Istanbul against a new law that authorized the Grand National Assembly's Commission of Inquiry to censure and suppress newspapers. The demonstrations were led by Turkish university students. At 3 p.m. that afternoon, the Government of Turkey imposed martial law in Istanbul and Ankara. Police and troops using small arms and tear gas dispersed the anti-government rioters in a series of quick but bloody actions. Demonstrations resumed on April 29 and 30. By May 1, the demonstrations were contained. Warren's reports on worsening internal conditions in Turkey are in Department of State, Central File 782.00.

359. Telegram From the Department of State to Secretary of State Herter, at Istanbul

Washington, May 1, 1960, 4:21 p.m.

Tosec 56. Pending Embassy's assessment of recent developments in Turkey, we are passing on for Secretary's use how we now see these developments from this vantage point.

Recent Turkish domestic political developments appear to have their longer term origin in Menderes' intolerance of Opposition and Bayar-Inonu personal feud. Their more immediate origin we believe lies in alleged misconduct of 1957 elections and their results and in subsequent maneuvering for next election. It seems to us important to disentangle basic causes, such as Government's posture towards political opposition generally, from more immediate symptoms such as student demonstrations which in this case may have been inspired in part by the coincidence of immediately preceding Korean developments.

Aspects of recent Turkish developments that give us special trouble are:

1. Deterioration of morality in Turkish politics that threatens the multiparty system which first came to flower with organization of DP in 1946. Sweeping powers accorded special GNA investigative committee appear threaten present constitutional framework;

2. Doubts that Menderes' tactics cast upon his stability as individual and his capacity to sense temper of important segments of Turkish political life and world opinion. We are particularly concerned over possibility his taking drastic action against prominent and respected leaders of Opposition;

3. Reported injection of anti-Americanism in Turkish domestic political struggle. It is not clear to us whether RPP is as deeply involved as DP suggests or whether DP is imputing this to RPP in order involve U.S. Government.

4. Anti-Government and particularly anti-Menderes tone of student demonstrations. Noteworthy also is persistent character of demonstrations which now have extended through three days;

5. Critical tone of American press. Continued trend toward authoritarianism and further bloodshed might revive in U.S. ugly memories of past Turkish treatment of minorities and create serious dif-

Source: Department of State, Central Files, 782.00/5-160. Secret; Priority. Drafted by Owen T. Jones, cleared in draft by Easum of S, and approved by Hart who signed for Acting Secretary Henderson. Repeated to Ankara. Herter was in Istanbul to attend the North Atlantic Council Ministerial Meeting.

facilities for U.S. Government in dealing constructively with Turkish-American problems, particularly in aid field.

6. Dangers of protracted political stalemate with RPP going underground and promoting civil disobedience; this might have serious implications for future operations U.S. missions in Turkey as well as U.S. access to Turkish facilities.

With respect to demonstrations themselves, we have been reassured by lack of anti-Americanism, apparent loyalty and restraint of Army, and failure of movement to spread significantly beyond student nucleus. With respect to DP posture towards Opposition, we find little grounds for reassurance either in type of actions taken or in sense of timing. It seems to us that net effect of recent Turkish domestic political developments has been clearly negative in terms of orderly development of democracy, Menderes' domestic and international influence, and U.S. maneuverability in dealing with Turkish problems.

At this distance there appear to be number of things that GOT might do to liberalize and relax political climate in Turkey. Any suggestions on our part along these lines would in all likelihood be regarded as intervention in Turkish domestic affairs. At moment, struggle between top leadership in DP and RPP appears so bitter and of such depth that we would be well advised to stay out. We believe best U.S. posture for time being is to regard recent developments as an internal political affair and as part of uneven progress to be expected in political evolution of young democracy.

Within these limitations, Ambassador Warren's timely initiative on April 23¹ might be followed up when responsible Turkish leaders seek to discuss their problems with us. While making clear at such times that we view this as an internal political problem, and making our points in spirit of comment rather than that of suggestion, we might inform both sides of this internal struggle of its unfortunate impact on American and world public opinion and damage it does to Turkish influence here and elsewhere abroad.

Henderson

¹ See Document 356.

360. Editorial Note

A small anti-government protest took place outside NATO headquarters in Istanbul on May 2 at the beginning of the NAC Ministerial Meeting. The protest was quickly dispersed by Turkish security forces. On May 3, the Turkish Government relieved the Commander in Chief of Turkish Ground Forces, General Cemal Gursel, of his position.

Allen Dulles reported as follows to the National Security Council on the situation in Turkey at the 433d Meeting of the NSC on May 5:

"Mr. Dulles believed the situation in Turkey was becoming more normal, with the army firmly in control of public order. However, the leaders of the Republican People's Party (Inonu's Party) are apprehensive of the future to such an extent they have discussed asylum in the U.S. Embassy with U.S. representatives. It has been reported that the government party is split regarding the oppressive measures being carried out against Inonu's party. One hundred thirty of the 409 representatives of the government party are said to be opposed to these repressive measures." (Memorandum of discussion; Eisenhower Library, Whitman File, NSC Records)

361. Telegram From the Embassy in Turkey to the Department of State

Ankara, May 6, 1960, 5 p.m.

2477. Foreign Minister Zorlu called for me at 1645 May 5. We talked alone for 45 minutes. It was not quite clear why he had called me (I had just attended his lunch for visiting NATO group). However, we discussed present situation. I gathered following:

1. All Turkey is quiet.
2. General Inonu is beginning be worried by course events. He had expected tremendous public support for the student demonstrations. The masses did not rally round. Turk people are beginning sense that demonstrations and disorder time NATO Conference are causing loss foreign respect for Turkey. They are seeing matters clearly and more un-

favorably for General Inonu and his friends. Inonu is intelligent old soldier with life-time experience. He has always followed course arousing others, allowing their arousal run its course and, if move turns out well, he claims credit or, if it turns out badly, he denies any connection. His method of incitement students was say in GNA he would not revolt but others would do so. The General is loyal Turk but some of his men like Coskun (Kirca) and his son-in-law Metin Toker are unprincipled. Zorlu stressed that addressing press he had refrained charging Inonu unprincipled or disloyal. Turk public, he said, would have reacted badly any such statement just as they are reacting unfavorably Inonu's exaggerated assertions. On other hand, he mentioned Prime Minister's having difficulty restraining forceful speech from certain DP Deputies who are displeased with Inonu's words and actions.

3. There are some 50 foreign newspapermen in Turkey now. Today they are in Golcuk. They want see Inonu. Probably they will come Ankara interview him. They will, of course, be able do so. However, Zorlu does not believe their doing so will contribute peace and calm here and will increase unfavorable press abroad for GOT. He wondered whether there was anything Embassy Press Section could do dissuade American pressmen from seeing Inonu. I said I could understand effect which such an interview by foreign correspondents might have, but that I was sure any effort our part in that direction would result some such reaction as this: "Mr. Ambassador, we members of American press do not need any suggestions from you on how to do our job." (Zorlu also told press in Istanbul Sunday they could see Inonu.) I asked whether Inonu might travel Golcuk meet pressmen if group does not come Ankara. He considered moment and responded he thought not. I agreed. Thought was that unless press group comes Ankara, Inonu probably will not see them.

I then said there was one thing which if done could balance scales. He asked me what it was. I said that if Prime Minister would see press group following talk with Inonu, he would have opportunity present fully and fairly government's position on all that opposition is pouring into ears foreign and domestic press. I pointed out that American correspondents have no trouble in getting opposition viewpoint but greatest trouble in getting top GOT reaction. Zorlu said he understood but reminded me that he had held recent press conference in Istanbul. I replied I understood that but in all respect I should say talking to him was not same as talking with Prime Minister. Then he smiled and said I know this and I have explained it. I knew he meant he had explained it to Prime Minister. Evidently Prime Minister had not agreed with Zorlu's suggestion.

4. I told Zorlu I appreciated his calling, discussing this matter and that I wanted to say one thing: My endeavor and endeavor entire Embassy during this present difficulty is, that Americans do not become involved this controversy. We must remain apart. I did not believe Americans want become involved. We remind them that we are in foreign country and these political matters are not our business. I believe we could walk narrow path we have selected for ourselves. However, if someone got off path, I wanted him know what our endeavor is. He nodded his head in approval and thanked me. I finished my thought on this subject by saying I wanted him know that whatever Embassy did or said present controversy, it would always be in interest of peace and calm Turkey.

5. The conversation touched on part played recent events by Turkish Army and General Erdelhun (see ARMA telegram May 4).¹ I said GOT, Turkish people, USA as Turkish ally, and entire West could be thankful for excellent work done by Turkish Army and General Erdelhun. I made clear that without Erdelhun we might have had an entirely different and most unfavorable situation existing today. He agreed.

6. At several points in conversation, we talked about Kasim Gulek. Zorlu feels Gulek is spreading information about Turkish situation which not accurate and does not contribute to peace and calm. I was able say in sincerity that I had recently seen Gulek at parties, not in Embassy, and that he had not criticized GOT. I added my feeling today Gulek is not well-informed what taking place highest RPP councils. Zorlu agreed and said that for sometime Gulek has been in conflict with Inonu and has not shared his confidence. He implied Inonu had decided sacrifice Gulek long before Gulek was actually separated his post RPP Secretary General.

7. Zorlu referred lunch with Bayar which Secretary Herter had May 4 aboard Presidential yacht.² Evidently Bayar and Zorlu felt reassurances re Secretary's understanding present situation in Turkey.

8. We also referred my departure NATO Conference May 2 and return Ankara. We mentioned attention which Istanbul press had given this unimportant move. Zorlu said this only illustrates readiness domestic press build up something of interest regardless whether it is based on fact. He knew I had not returned Ankara see Prime Minister as press said. This gave me opportunity say I would want see Prime Minister soon as enough time had elapsed discourage press from connecting my visit with my departure NATO Conference.

¹ Not found.

² No record of this conversation has been found. Herter met Bayar and Zorlu just prior to his departure from Turkey for Athens.

9. I requested Foreign Minister call me any time he might want me during present controversy.

Warren

362. **Telegram From the Embassy in Turkey to the Department of State**

Ankara, May 10, 1960, 9 a.m.

2514. Over past week Embassy has had several long conversations with representatives RPP Research Bureau (who close to RPP thinking) and RPP Deputies which seem give important lead on present thinking RPP. On May 4 Coskun Kirca came to Embassy for long conversation (Embtel 2463),¹ returning later to see political counselor with Osman Okyar whom RPP Secretary General Aksal described on earlier occasion as person who spoke for him. Both were seen again over past weekend and Embassy representative has been in regular contact with Turgut Yegenagac, as well as seeing Bulent Ecevit and Turhan Feyzioglu. From these conversations the following points stand out [*less than 1 line of source text not declassified*]:

1. RPP considers next two weeks to be most critical in present period of political unrest with much depending on how far government will attempt to go in carrying out "repressive measures" against opposition.
2. Inonu has give firm instructions that there are to be no RPP demonstrations or riots until selection of local events becomes more clear.
3. RPP particularly worried about possible uprising in east as stories of Istanbul/Ankara demonstrations penetrate or as students return their villages. They fear that should demonstrations start in east they would take much more serious form than rather mild student demonstrations so far observed.

Source: Department of State, Central Files, 782.00/5-1060. Confidential. Repeated to Istanbul, Izmir, and Iskenderun.

¹Telegram 2463, May 6, reported on the analysis of the situation in Turkey by RPP leaders and concluded that it was unlikely that Menderes would willingly bow to the opposition. (*Ibid.*, 782.00/5-560)

4. RPP would obviously like some statement from USG disassociating itself from present government repressive measures. Kirca proposed suspension economic assistance, while Okyar frankly stated this appeared going too far but he feared for complete harmony future Turk/American relations if US would not at least in public statement express (A) concern over recent public demonstrations and (B) hope that solution could be found in free elections. (Both Kirca and Okyar told in some detail by Embassy representatives that we considered this problem to be settled by Turkish people and US would not intervene in internal affairs of sovereign ally.)

5. Kirca confirms that feelers for Inonu/Menderes meeting have been advanced through RPP Deputy and RPP journalist (Embtel 2484).² He says reply would be RPP trusts neither Menderes, Bayar nor Koral-tan but would meet with any other responsible DP leader on basis of returning to legislative situation which prevailed in Turkey May 14, 1950. (Reported approach for Menderes/Inonu meeting has circulated so widely in Diplomatic Corps over weekend that Embassy instinctively questions it and certainly reply outlined above would not under present circumstances make any such meeting a possibility.)

Warren

² Dated May 7. (*Ibid.*, 782.00/5-760)

363. Telegram From the Embassy in Turkey to the Department of State

Ankara, May 20, 1960, 3 p.m.

2639. Within last week I sent Prime Minister word by our Consul General Istanbul and Minister Defense Menderes I would like see him as soon as it could be done without being connected with domestic political developments. He asked for me 1730 hours May 19 and received me alone.

Source: Department of State, Central Files, 782.00/5-2060. Confidential; Limit Distribution. Transmitted in two sections.

I found him excellent spirits and physically fit. He looked relaxed, rested although he had returned 2230 hours night before from exhausting Izmir area trip. I repeated reason why I had not asked see him sooner after Tehran and NATO meetings and commented favorably on those meetings. He then took up conversation, making following points:

A. Too bad Istanbul Conference had come this particular juncture Turk political developments. However, Turk NATO allies were able see circumstances under which GOT has operate and nothing bad had occurred. He would have preferred meeting take place under normal Turk conditions.

B. Situation now entirely under control. GOT and army have accomplished this with maximum restraint and minimum abrasive action. Only one student killed Istanbul. Postmortem shows he died result ricochet bullet. (He did not mention another student death resulting from student being crushed when falling from tank he attempted mount. F. W.) This, the Prime Minister thought, minimum casualty that could be expected from such demonstration at Istanbul. He thinks worst of recent controversy now passed, that calm will perforce return Turkey.

C. Recent controversy not between two parties but between GOT and group determined subvert present government. For many months GOT has been telling people this taking place. Group spoke of revolution, ousting government, people taking over. All this went back to one 80-year old man, an aged man, Inonu. His course about run. He had depended upon army but army supporting constituted authority. Group spoke about constitution but group was the force working against constitutional government. However, Inonu too old have anything value offer present Turk Army. Army will not become anti-American or Arabian. It knows its role Turkish society and will play that role to letter.

D. Group now defeated. Peace and calm will return Turkey and cost lives, casualties will have been minimum. Next will come elections. He did not give me impression elections imminent but replying my question stated clearly elections now in train. He also declared his recent trip Izmir had shown him individuals who originally disposed support Inonu and his group all now becoming divorced from any support for group undertaking.

E. After asking for and hearing my résumé events connected U-2 affair,¹ he said convinced from what information GOT has that Khrushchev actions Paris motivated internal conditions USSR. Reaffirmed Turkey's friendship, alliance with USA this affair. Showed same imper-

¹ Reference is to the shooting down by the Soviet Union of a U.S. reconnaissance intelligence aircraft and the subsequent breakdown on May 16 of the four-power summit conference in Paris.

turbability re Soviet attitude as heretofore and same calm confidence USA. (I have never known a better ally. F. W.)

F. Referred visit here May 20 Prime Minister Nehru. Said much water run under bridge since he last saw Nehru India. Thinks many his ideas may have changed (context what had been said made me think he had in mind Chinese-Indian border difficulty, Nehru's talks with Nasser, and U-2 summit developments. F. W.). At any rate he stated would take pleasure talking with Nehru effort sound him out.

G. He referred Inonu and Gulek. Said enough indicate he has not very high opinion Gulek. Started say something about latter and Inonu, smiled and continued "I don't need say that about them".

My efforts were confined encourage Prime Minister talk, so I said little. However, I did make two observations:

1. In connection B and C above, I stressed remarkable performance Turk Army in handling student demonstrations. I said Turkey, USA, entire West could be grateful that well-led and understanding Turk Army had acquitted itself so well present controversy. A differently led, differently acting military could have produced an entirely different, deplorably different result. Menderes nodded assent.

2. When Prime Minister speaking re opposition in C and D supra, I asked how he foresaw "group" could escape from present intransigent position. He said that is group's problem. When one insists rubbing his nose against stone wall he should not be surprised he must pull back after a while. I said I understood but endeavor being to restore peace and calm it would be easier do so if group given an easy exit. I repeated easy exit idea twice. I do not recall he responded. (I did not take notes this conversation. Foregoing reproduced from memory. F. W.)

Warren

364. Editorial Note

On May 21, cadets from the Ankara War College joined a number of officers in an anti-government demonstration. The demonstration by members of the armed forces broke up only after an appeal by the War College commander to the cadets to return to their barracks. A subsequent civilian demonstration was broken up with tear gas and the Turk-

ish Government imposed strict new curfews in Ankara. In telegram 2673 from Ankara, May 23, Warren reported that he had been in daily contact with the Chief of the Turkish Army Staff who insisted that the army was non-political and would continue to support the Government of Turkey. (Department of State, Central Files, 782.00/5-2360)

Turkey's continuing political unrest was discussed at the May 24 meeting of the National Security Council. In a survey of significant world developments affecting U.S. national security, Allen Dulles summarized the situation in Turkey:

"Turning to Turkey, Mr. Dulles reported that tension between the government and the opposition was a continuing danger. The personal feud between Inonu and Premier Menderes had now become a constitutional crisis. Student demonstrations had increased and non-students were now joining in the rioting. Even some military personnel is participating in the demonstrations. There appears to be considerable antagonism between the Turkish police and Turkish military forces. The Turkish Army is divided, with senior officers inclined to remain loyal to the government and lower level officers divided between the government and the opposition. Premier Menderes apparently does not realize the extent of discontent. Mr. Dulles believed that the Turkish situation would deteriorate further and that it was even possible that the army would eventually take over." (Memorandum of discussion; Eisenhower Library, Whitman File, NSC Records)

Dulles again brought up the political crisis in Turkey on May 25 during an OCB discussion of a proposed Operations Plan for Turkey:

"Mr. Dulles (CIA) stated that, in view of the 'really disturbing' political situation in Turkey, he desired the Board be on record as having discussed the implications of current events. He requested an evaluation from Mr. Jones. Mr. Jones gave an assessment of developments as reported by Embassy Ankara, which was supplemented by Mr. Merchant who said the question really is whether there is more than meets the eye. Mr. Merchant thought Ambassador Warren had shown 'admirable initiative' and taken effective influencing action on the spot. Mr. Gray said he judged it was State's position that the employment of the 'assets represented on the OCB' did not appear to be required at this time.

"There followed a brief discussion of Mr. Riddleberger's observation that he and Mr. Dillon would soon have to make a decision on the Turkish request for additional defense support for 1960 and cited the political problems which could result. He also noted the substantial reduction in the illustrative figures proposed for fiscal 1961. Mr. Merchant wondered whether the sharp decline for FY 61 might be cushioned by having an increase for FY 60 appear to Turkey as within the FY 61 sum.

"Mr. Dulles then requested another assessment by Embassy Ankara of short and long-term political and economic developments. He believed it important to have an assessment of the attitude of the Turkish army. Mr. Merchant suggested that as the Embassy had already been asked for assessment on several subjects, it would be preferable to wait before the Board addressed itself to this question. It was decided

the Board would again discuss Turkey in about three weeks and ask Mr. Jones to summarize the assessments from the field."

Informal notes on the discussion at the May 25 meeting are in Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes 1960. A copy of the Operations Plan discussed and approved at the May 25 meeting is *ibid.*: Lot 62 D 430, Turkey.

The Government of Turkey was overthrown by a military coup on May 27. Most of the members of the government, together with the leadership of the Democratic Party and President Bayar, were arrested in Ankara. Prime Minister Menderes and Finance Minister Polatkan, who were away from the capital on a tour, were arrested later in the day while attempting to escape from Turkey by car. In telegram 2743 from Ankara, May 27, Ambassador Warren reported:

"In unusually well organized coup Turkish military forces took over government 0400 May 27 apparently without serious opposition and loss only about 50 lives Ankara. President Bayar, President GNA Koraltan, members Cabinet, Chief Staff Erdulhun taken into protective custody. Ankara, Istanbul, Izmir quiet; no discernible organized opposition. At this juncture, Embassy believes revolt motivated by purely internal considerations; no evidence any anti-Americanism. On contrary, member Military Council assured Embassy this morning of Turkish Armed Forces friendship for USA and desire fulfill all Turkey's international commitments, especially NATO and CENTO." (*Ibid.*, Central Files, 782.00/5-2760)

A provisional government was announced on May 28. General Cemal Gursel, former Commander in Chief of Turkish Ground Forces, assumed the positions of Prime Minister, President of the Republic, and Chairman of the National Unity Committee of military officers who had planned the coup and would supervise the operations of the new government. Gursel pledged the new government to work for a quick return to democracy and announced that the leaders of the former government would be placed on trial for corruption.

On May 28, Melih Esenbel, Turkish Ambassador in the United States, informed Under Secretary of State Dillon that the new government intended to honor all Turkey's existing commitments. Dillon indicated to the Ambassador that the United States might prefer, as in other similar cases, to continue relations as usual without a formal announcement. A memorandum of Dillon's conversation with Esenbel is *ibid.*, 782.00/5-2860.

The United States granted recognition to the new Government of Turkey on May 30.

365. Telegram From the Embassy in Turkey to the Department of State

Ankara, May 28, 1960, 11 p.m.

2775. Reference Embassy telegram 2772.¹ Sarper and I went in my car to General Gursel's office in General Staff Building. He received us alone. I had seen him before but never had known him well. If one could remove Turkish features and forget certain haughtiness characteristic of German military, he might well be German. He spoke slowly, reasonably and with evident careful consideration. His reception was cordial and all that one could expect under circumstances. Sarper acted as interpreter.

General opened conversation and said he was pleased that I had come for informal talk. He explained briefly what had happened yesterday. He added that he felt that in view of course which Menderes Government was following he had no other choice after he had earlier tried influence Menderes Government but to lead movement which succeeded in overthrowing regime. He asked me in so many words what I thought of what I had seen. I commenced by referring to my service in Latin America and many coups which I had seen there. I said that if I were a military man and forgot purpose of movement, I would be pleased and proud of way it had gone off. It was by far most precise, most efficient and most rapid coup d'état I had ever witnessed. I did not mention to him what I had said to Sarper with regard to Ankara military actions which displeased me. (I had told Sarper before we left his office that I would not bring this up.) I said I believe, from information available to us that revolutionary movement had complete control of entire country. Gursel nodded his head. I said furthermore as best I could judge people in Ankara were happy with result. I went on say I thought easiest part of job had been done, that from now on he would be heading into real difficulties. I did not mention recognition as I had agreed with Sarper beforehand. (I think Sarper told Gursel in Turkish before we started conversation that I would not mention recognition.) I said his difficulties would be many and would in many cases involve both Turkey and US and perhaps West. I wanted him know I foresaw these difficulties and that Washington had not sent me out here to cause difficulty, rather to try to find solution for them whenever they might arise and

Source: Department of State, Central Files, 782.00/5-2860. Secret; Priority; No Distribution Outside Department. Transmitted in three sections.

¹ Telegram 2772, May 28, reported on Warren's talks with Selim Sarper, the new Foreign Minister. Sarper recounted his experiences during the military coup and Warren and he discussed the future course of Turkish foreign policy. (*Ibid.*)

that during trying months ahead my attitude would be try help his endeavors, junta and succeeding government meet problems. He thanked me.

Gursel then began longer explanation why revolutionary junta led by him had done what it did. It had felt Menderes Government had forgotten about rights of individual, freedom of press, constitutionality of its acts and in fact had embarked upon series of legislative acts (he never said those acts were unconstitutional) which had for their purposes further repression of people of Turkey. He said we in army were hurt, distressed, deeply concerned about course and goal toward which Menderes Government headed. I (General is great on use of "I") tried, he stated, persuade Menderes Government follow different course action but I failed. Finally, I concluded only thing left was course which we revolutionaries followed.

Again I thanked him for speaking frankly and to point. I said I believed I understood what had been thinking of military and I wanted to tell him something in that connection but, before making this statement, I must say certain other things. He nodded his head. I said I started my work out here with idea that it was relationship between Turk people and American people that was important. I felt Turkey had an importance to USA and free world difficult to overstate. It was equally important to Turkey maintain that relationship. Furthermore, I could not but have utmost respect for Turk military because of my association with American military here in Turkey. One big reason why Turkey was important to free world, particularly to US, was its stability and the Turk army tradition of not intervening in political affairs. By its coup yesterday Turkish military had broken with that tradition. It had opened Pandora's box. No one could foresee what would come out. I felt this morning that neither military nor people of Turkey had any conception of long-range importance of what had been done yesterday morning. This brought me to statement I wanted make: I have served many years in Latin America. I have seen many coups d'état. I know how over years Latin American nations have developed in addition to legislative, judicial, and executive divisions of government, a fourth division—that of military. I said military in Latin America sits alongside and above other three government divisions. When military reached decision that things are not going right in average Latin American country, it moves in: There is coup d'état; military carries on; and, ultimately way is found back to civil administration. This, I said, meant that army was balance wheel, or last court of resort in Latin American country. Since Ataturk Turkey had never been in that position and had prided herself in not being there. Now she was in exactly that position. I felt in future military would find it exceedingly difficult not to become involved any divisive political controversy that might involve Turk people. This idea worried

me more than coup itself. When Sarper had interpreted this, Gursel nodded his head and said go ahead. I continued I could not foresee what effect this Turk military action would have in US, Great Britain and rest Western world. Perhaps, I added, realization of effect what occurred yesterday will not become apparent for months but I feared effect on American Congress when it votes funds for use in Turkey will not be good. The military by its coup has removed one of Turkey's principal qualifications for our present free world grouping. I meant, of course, its reputation as stable people.

At this point I mentioned there was, however, one important source support for military junta in present situation, namely, the American, British and other foreign press had so disapproved Menderes government, and fought it so long, that without doubt press had put most favorable interpretation on what had taken place in Turkey. This would be true at least in initial stages work of junta and its succeeding governments. Earlier in conversation Gursel had said in passing that there had been no mistreatment of President, Menderes, Cabinet or other high officials. I now noted his statement was very important and that it would create fine impression abroad for his junta if there were no mistreatment Menderes government officials. He said, "I assure you that there has been no mistreatment and there will be no mistreatment. I am going to supply each of them with seashore cottage with bath where he can reside in comfort (with his family if he desires) until matters are cleared up." I next mentioned elections, saying I had nothing but admiration for bulletins broadcast by BBC and other radios stating purpose and interest of coup d'etat. They spoke of elections. It would further increase prestige of junta abroad if it moved quickly to a fair and honest election. He said that would be done, reassuring me in strongest terms. He went on say that first thing he had done yesterday when he reached Ankara from Izmir was call group of professors from University of Istanbul to draft new constitution (Sarper had already told me it would provide bicameral legislature and supreme court empowered pass on constitutionality of acts of legislature). He hoped professors would move quickly and new constitution be [garble]. He stated he would reveal tomorrow names Cabinet members new provisional government. (Both he and Sarper implied they do not consider present junta as government.) He has long considered that basic principle for Turks is close cooperation with USA. He ended that he likes Americans and acts that way.

Gursel then came to final subject his conversation. He said previous administration for which he not responsible left junta [country?] in awful financial mess. He had asked Under Secretary Finance how much money he needed on June 1. He replied he had 23 million lira available but needed 180 million lira to meet civil and other payrolls. Gursel said I

need not tell you how important it is for new government meet that first payroll. He asked me whether it would be possible for US advance its usual payment in such way and in time help government meet its June 1 deadline.

I said "Sir, I think I fully realize how important it is for military junta or provisional government be able pay those first salary checks. I must tell you, however, that certain things remain to be cleared up before question of financial assistance can be considered. (I had in mind, of course, question of recognition.) However, I shall keep in mind what you have said and when moment arrives I will use information which you have given me".² General responded he understood and thanked me again. My final words to him were these: As I have said, I am here not create difficulties but to try help solve them. With your predecessors in government I was always available when needed. Any time when you want see me, I shall be available. I thank you again for bringing me here for this frank talk. General then said I thank you not only for coming but for giving me benefit your wise advice. You may be sure that what you have said will be kept in mind as we go along.

Warren

² An advance in counterpart funds was made to the Turkish Government by the United States.

366. Editorial Note

The military coup in Turkey was discussed during the 446th Meeting of the National Security Council on May 31, by Robert Amory of the CIA:

"Mr. Amory reported that the coup d'état in Turkey had been planned for several months in the Istanbul War College, but had not moved very fast until May 21. The moving forces behind the change in government were young officers who brought senior officers in only at the last moment. The young officers were motivated by antagonism toward Menderes' suppression of the opposition, sympathy to Inonu, and by distaste for corruption in the Menderes' government. Inonu was not an active participant in the plot, though he may have been consulted. Members of the former government now under arrest may be tried, but

there will probably be no blood bath in Turkey. No significant opposition to the present government has appeared, but the Kurds may attempt to capitalize on the current confusion. The new government consists of fifteen civilians and three officers, including General Gursel, who has had a strictly military career. Mr. Amory believed that the new government was sincere in declaring that it would turn power over to an elected government as soon as elections could be held. Our Embassy believes the new Turkish government to be a sound, well-balanced and capable one. The new government intends to revise the Turkish Constitution, incorporating some features from the U.S. Constitution. Mr. Amory believed that Turkey would remain loyal to her alliances."

Allen Dulles reported on the situation in Turkey to the 447th Meeting of the National Security Council on June 8:

"Turning to Turkey, Mr. Dulles reported that the new regime was now less sure of itself and may be facing a period of instability. The situation in Turkey is characterized by growing resentment on the part of senior military officers against the committee which is in control and which consists largely of junior officers. The government is under considerable pressure from vengeful elements who are demanding severe measures against the officials of the old regime. Turkey has indicated that it intends to replace its brigade of 5000 men in Korea with a token force because its troops are needed at home for internal security purposes. Moscow is encouraging the new Turkish regime to improve Turkish relations with the USSR. Apparently the Soviets have just invited General Gursel to visit Moscow. Soviet propaganda toward Turkey is a mixture of cautious approval of the new regime and attacks on the stated Turkish intention to maintain its alliance with the West. The Turkish Foreign Minister, Sarper, has asked us to issue a statement of solidarity with Turkey in order to offset Soviet propaganda."

Memoranda of discussion at these meetings are in Eisenhower Library, Whitman File, NSC Records.

367. Letter From President Eisenhower to President Gursel

Washington, June 11, 1960.

DEAR MR. PRESIDENT: My several visits to Turkey have given me a deep and abiding interest in the Turkish people and the problems that over the years have confronted them. When you recently became head of state, I followed with particular interest the constructive public statements which you made to your countrymen and to the world at large.

Your expressed determination to hold elections and to turn over the government administration to the newly-elected authorities has been welcomed by all of Turkey's friends. It is the deep hope of all of us that these elections and the new constitution being prepared under your authority will mark another milestone in the development of democracy in Turkey.

The intention of your government to preserve Turkey's ties with NATO and CENTO was also a source of great satisfaction to me and to all those associated with Turkey in these collective security organizations dedicated to the defense of the free world. My government looks forward to continuing cordial relations with Turkey in the tradition of friendship and cooperation that has always marked the relations of the Turkish and American people.

You have, Mr. President, my warmest wishes for success in realizing the high ideals to which you have dedicated your government, and in dealing with the problems now confronting it.

Sincerely,

Dwight D. Eisenhower

Source: Eisenhower Library, Staff Secretary Records, International Series. No classification marking. In a June 10 memorandum attached to the source text, Herter told the President that the Turkish Government had requested the United States to "urgently issue a statement indicating our solidarity with Turkey." Herter added:

"According to the Foreign Minister, such a statement would be useful in dealing with Russian overtures to the new government, in maintaining the morale of the Turkish people, and in strengthening the position of the Foreign Minister himself *via-à-vis* the provisional Cabinet and the military group. I believe that it is in our interest to express at this time our confidence in the new Turkish Government, and that this could best be accomplished through a personal letter from you to the new Head of State in Turkey, General Gursel."

Eisenhower's letter to Gursel was transmitted in telegram 3541 to Ankara, June 11. (Department of State, Central Files, 882.47411/6-1160)

368. Preliminary Notes of a Meeting of the Operations Coordinating Board

Washington, June 15, 1960.

[Here follows agenda item 1.]

2. *Oral Briefing on Turkey (Secret)*

Mr. Owen T. Jones, Director of the Office of Greek, Turkish and Iranian Affairs, gave an oral assessment to the Board on developments in Turkey since the May 27 coup. (On May 25 the Board had considered the Operations Plan for Turkey and, at that time, had requested a reassessment of the Turkish political situation.)¹ Mr. Jones told the Board that the initial relief and optimism resultant from the actions and statements of the military junta had later been followed by anxiety which itself had later subsided.

He said the US has recognized the new regime which has the power but that to pinpoint its location within the junta is difficult. He thought that what comes to be the new government's attitude toward the Status of Forces Agreement and the question of access to facilities might reveal whether there will be a changed line. Mr. Jones noted that it would be difficult to hold elections as one of the two major political parties had been shattered. He predicted that within a few months it should be easier to forecast the government's orientation. He pointed out that Menderes had sought personnel reductions in the brigade in Korea.

Mr. Harr (White House) said it appeared we would have to proceed in our operations by making various assumptions regarding the new government. Mr. Riddleberger (ICA) noted we would have to go ahead with our planning and present program figures to the Congress. He considered his reports from Turkey somewhat encouraging. Mr. Harr raised the possible fate of the deposed Turkish leaders and suggested we seek means to ensure clemency for Menderes. Mr. Jones observed that, in this regard, we were operating in the realm of speculation. We did not know what the charges against Menderes might be but do know the Turks are unusually sensitive to outside interference.

Mr. Macy (Budget) noted that the Operations Plan had not indicated a "cash squeeze" on May 25 but that now the new government was pressing for immediate assistance,² and Budget was being asked to

Source: Department of State, OCB Files: Lot 61 D 385, M/OP Informal Notes 1960. Secret. Prepared by Jeremiah J. O'Connor.

¹ See Document 364.

² In a note delivered to the Department of State on June 10, the Government of Turkey reported that its deficit would reach \$53.7 million by August 31. (Department of State, Central Files, 882.00/6-1060)

“juggle the books.” Mr. Jones said the money involved was for Defense purposes which had been well staffed in Washington. He suggested it would be unwise to have a confrontation with the new government at this particular time. The Turks were making a reassessment of their financial standing and would undoubtedly communicate with us when completed. Mr. Harr said a query to the field appeared to be in order. The Board agreed that the Operations Plan in which it concurred on May 25 be sent to the field with a covering memorandum indicating its provisional nature.

[Here follow the remaining agenda items.]

369. Memorandum of Discussion at the 449th Meeting of the National Security Council

Washington, June 30, 1960.

[Here follow a paragraph listing the participants at the meeting and discussion of unrelated subjects.]

General Cabell said the new military regime in Turkey continued in firm control of the country. However, personality and policy conflicts in the Committee of National Unity constituted a potential threat to the government and to the stability of Turkey. In the middle of June, twelve members of the Committee either withdrew or were dropped¹ in a disagreement over taking an oath to return the government to civilian authority as soon as elections can be held. The recent publication of the names of members of the Committee of National Unity was regarded by some members as a breach of faith. The Committee insists that it will hold elections and restore civil government as soon as possible but early 1961 now appears to be the earliest possible date for elections. One difficulty in the Turkish political situation is the fact that the Democratic Party has been discredited. A political balance can only be restored by reviving the prestige of the Democratic Party or by creating a new opposition party. Inonu's Republican Party is now quite concerned over its

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only.

¹Reference is to reports that the CNU had originally comprised 50 members. These reports arose after a May 30 meeting in which Turkey introduced some 20 officers who had planned the coup. Many were not on the list of CNU members issued June 12.

relations with the Committee of National Unity since some of the members of the Committee are firmly opposed to Inonu and may not permit his participation in a new civil government. If a proportional representation plan, which has been under consideration, is adopted, the result may be a divided government. The Committee of National Unity has recently appeared to be unsure of itself, uneasy over possible disaffection, and inclined to produce a great deal of publicity designed to make itself acceptable to the people. The Committee is now coming more and more to realize that it will probably have to liquidate the leaders of the deposed government. A struggle for power in the Committee of National Unity, a decision to liquidate the old leaders, or the resurgence of authoritarianism all present dangers to Turkish stability. The present regime is not as enthusiastically pro-Western as was the Menderes regime, although 38 members of the Committee of National Unity have attended Army schools in the U.S. U.S. officials have not been able to establish close relations with the new regime with the result that our sources of information are not as good as they were under Menderes.

Mr. Gray then reminded the Council that the Planning Board was reviewing our 1957 policy toward Turkey (NSC 5708/2)² at the request of the OCB. Last week the Planning Board discussed the timing of the review and decided to go ahead with it promptly, despite uncertainties in the Turkish situation. Various Planning Board members felt that policy guidance was needed with respect to our interest in Turkish democratic institutions and how we can mesh our activities with the new government's financial activities, force goals for Turkish armed forces, and economic aid.

[Here follows discussion of unrelated subjects.]

²For text of NSC 5708/2, see *Foreign Relations, 1955-1957*, vol. XXIV, pp. 720-727.

370. Telegram From the Embassy in Turkey to the Department of State

Ankara, July 13, 1960, 5 p.m.

84. Paris for USRO, CINCEUR, Thurston, Finn. When FonOff telephoned July 12 re desire Pres Gursel see me (Embtel 78 July 13¹ para 2 under comments), it asked me be at PriMin 1100 hours with capable interpreter and Gen Morin. Last named being absent I proceeded Gursel's office with Lt Col Fred Haynes Asst Naval Attaché as interpreter and Col Tate JUSMMAT as rep Gen Morin. FonMin Sarper joined us at Ministry. Gen Gursel received us all. He had as interpreter Col Turkes, member CNU. However Sarper frequently assisted with interpretation.

(FonMin had told me by telephone he had informed Gursel of our conversation reported Embtel 78.)

Gen Gursel opened conf by explaining that serious overage of senior officers exists in Turk Armed Forces and that it necessary, if armed forces to be revitalized, eliminate as much overage as possible. Gursel used pyramid by way illustration and stated that to have an effective officer corps, it must resemble pyramid, being broad at base and ending in point at top. He said that case of Turk Armed Forces was opposite, i.e., pyramid upside down. He proposed that to rid services of this unhealthy situation approximately 10 percent to 15 percent of the Colonels and above be compulsorily retired. In order effect this retirement 100,000,000 TL will be necessary. Money will be used make up difference between present income of officers to be retired and income they would expect to receive, if allowed to continue service until normal retirement.

Gursel emphasized point that no past government had been willing face this problem and no future government could be expected take action. He sees present as opportunity accomplish badly needed reform, in order produce effective Turkish fighting force. As he put it, the "vote hunters" would simply never touch problem, that his government could solve it, and that we would lose opportunity forever if we did not take advantage of present pol setting.

In course of conf Gursel made several other points:

A. That compulsory retirement of so many officers (he mentioned specifically 2,900 Colonels and Navy Captains) had absolutely no connection with today's pol affairs.

Source: Department of State, Central Files, 782.5/7-1360. Secret; Priority; Limit Distribution. Transmitted in two sections. Repeated to Istanbul, Izmir, Iskenderun, and Paris.

¹ Telegram 78 reported on Warren's discussions with Sarper on the proposed reductions in the Turkish officer corps and on public support for the new provisional government. (*Ibid.*)

B. That those selected for retirement would be selected without ref to pol affiliations.

C. That, somehow, rumors of proposed compulsory retirement had already leaked and that he very concerned over morale of armed services as result. He used this point as indicator of urgent requirement for action.

D. That forced retirement of so large a group older officers could be accomplished with minimum dissatisfaction on part of officers retired only if GOT could offer these men their families same money and benefits they would have gotten through the course of a routine military career.

E. That armed forces had not fought a war in 30 years and that, having been left alone, touched neither by wars nor politics it had grown fat, top heavy, badly needing, as he put it "a surgical operation".

F. That US trained Turk officers retired under the proposed program would be held to a bare minimum.

I expressed my concern over problem as presented by Gen Gursel and told him of deep interest US had in Turkey's position as part of the Western bastion against Communism. I stated that I would make every effort present case properly to USA Govt. In this regard I raised following points:

A. That we were concerned over fact that Turk Armed Forces presently have only 60 percent of authorized officer strength. If additional 10 percent to 15 percent were retired, it would appear to weaken the structure. I asked Gen Gursel if compulsory retirement were accomplished, "would the Turk Armed Forces be able to fight and maintain themselves in full scale war?" Gursel replied that retirement program would increase rather than decrease fighting capability by getting rid dead wood at top.

B. That we were not sure we could legally contribute funds for use in retirement scheme. I also pointed out that supply of USA money for foreign aid not inexhaustible, and that, at any rate, approval of Congress required in foreign aid. I further stated that trend of Congressional thinking of late has been to reduce foreign aid.

C. That base of officer pyramid at present is relatively weak. I asked Gen. Gursel what his intentions were with regard to increasing input and retention of junior officers, so as produce sound structure from bottom to top. Gen. Gursel replied that it was his intention change law as follows:

1) To have all men eligible for military service enter armed services as enlisted men.

2) Through selection process, to pick officer candidates for various branches armed services and then send officers schools for final training.

3) That graduates technical high schools and the like would either be commissioned as technicians or kept in enlisted ranks as special fields technicians.

Gursel pointed out this would immediately provide an increase in qualified officers for various branches of service and at same time would increase the technical personnel base, both officer and enlisted. Gen Gursel said he hoped have input of 600 more officers this year, 800 next year and an excess of 1000 following year. (Gursel did not make clear source from which these officers would come.)

D. In concluding my comments on problem I said I would like discuss matter with Gen. Morin; and if there were further questions involved, I might ask for additional conference with Gursel.

I further stated that I would report conference immediately to Washington and would outline Turk views in manner Gen. Gursel had presented them.

Colonel Tate asked if Gen. Gursel cared expand his ideas broadening officer base, increase of technicians and increasing services authorized strength. This opened entirely new facet, to which Gen. Gursel addressed himself as follows:

A. He stated past GOT had been hoodwinking NATO, that Turk armed forces cannot possibly meet MC-70 goals and he personally wishes explain situation to Gen. Norstad.

B. He said that if MC-70 goals are reached in 1963, total of 7 billion TL would be required just maintain Turk armed forces. He pointed out that present national budget is 7 billion TL and this is a tremendous burden. If budget of 7 billion TL for armed services alone were contemplated, Turkey would end up being army without country.

C. Gursel dealt some length with the unrealistic goals that [garble] the Turk Armed Forces and how Menderes government had carefully hidden truth from NATO and other friends of Turkey.

In conclusion, Colonel Turkes stated that within two days he would furnish me with approximate figures on number officers proposed be retired from each of three services.

The meeting ended with an expression of mutual friendship between the US and Turkey. Both Gen. Gursel and I expressed hope that this problem could be solved. I again indicated I would do my best present case properly to Washington.

Comments: I believe all three us Americans were impressed by Gen. Gursel's simplicity, sincerity, stubbornness of purpose. I doubted deeply whether he understands political implications and possibilities his proposed action.

After consultation with Gen. Morin, JUSMMAT and USOM, Embassy will submit third message containing further comments.²

Warren

²In telegram 90 from Ankara, July 14, Warren commented on the implications for the United States of a decision to provide assistance to the Gursel government in its efforts to streamline the Turkish Army, warning that it "would have to share whatever opprobrium results" from the forced retirements of so many officers. (*Ibid.*, 782.5/7-1460)

371. Special National Intelligence Estimate

SNIE 33-60

Washington, July 19, 1960.

SHORT-TERM PROSPECTS FOR TURKEY

The Problem

To assess the present situation and to estimate likely developments in Turkey during the next year.

The Estimate

I. Political

1. The military junta which overthrew the Turkish Government in a smoothly executed coup on 27 May appears to be firmly in control of Turkey, and there is no evidence of significant organized opposition to its rule. The coup had been in preparation for some months by a group of relatively junior officers who constituted themselves the Committee for National Union (CNU). It was stimulated primarily by Prime Minis-

Source: Department of State, INR-NIE Files. Secret. A note on the cover sheet reads in part as follows:

"Submitted by the Director of Central Intelligence. 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 United States Intelligence Board on 19 July 1960."

ter Menderes' increasingly ruthless suppression of his principal opposition, Ismet Inonu's Republican People's Party (RRP), by growing signs that Menderes was preparing to use the army and security forces to crush his opponents, and by mounting disaffection for the regime on the part of students and other urban groups. Except for a handful of top officers who owed their positions directly to Menderes, the Turkish armed forces promptly gave their support to the new government, and it has received impressive indications of popular approval as well. The rank-and-file of Menderes' supporters have made no significant moves against the junta, despite its arrests of the leaders of the Democratic Party (DP), including virtually all Democrat members of the former Grand National Assembly.

2. It was probably only shortly before the coup that the CNU brought in General Gursel, recently retired as Chief of the Ground Forces, to head the operation. Soon after the coup, the CNU promulgated a provisional constitution giving itself the powers of the Grand National Assembly until such time as a new constitution is adopted and an assembly elected under new electoral laws. General Gursel, Chairman of the CNU, was also designated head of state. The cabinet appointed immediately after the coup included three military and 14 civilian members.

3. Most members of the CNU have avoided publicity, and the group's inner workings are carried on with a secrecy which makes it difficult to obtain information on its personalities, power relationships, and basic intentions. Gursel himself is considered a forceful man, who had made known his disapproval of the Menderes regime well before the coup. Despite recurrent reports that one or another of the CNU officers exercises the real power behind the scenes, we believe that Gursel, as active operating head of the Provisional Government, is in fact the key figure and at least first among equals in the CNU. After Gursel, the most publicized figure in the CNU is Colonel Turkes.¹ Another leading figure is Major General Madanoglu, who probably played a central role in organizing and executing the coup.

4. Gursel and his colleagues originally indicated their intention to hold national elections and to restore civil government in the shortest possible time. Nevertheless, the group has clearly become more cautious about how and when to take the step, and more impressed with the difficulties of doing so. While substantial progress has been made in

¹ Colonel Turkes is an ardent Turkish nationalist. He was arrested by Inonu in 1944 for his activities in the Pan-Turkism movement, which aims at uniting the Turkish speaking peoples, particularly those living in the USSR, with Turkey. He has been friendly toward the US and West Germany. [Footnote in the source text.]

drafting a constitution, important questions remain to be resolved—e.g., whether to have proportional representation. Initial suggestions that a new constitution might be promulgated in July and elections held late this summer or early fall now appear premature. Elections may be put off until next spring or even later.

5. On the whole, we believe that the regime remains sincere in its desire to restore civilian government. Indications are that the CNU does not intend to establish lasting control on the pattern of Nasser's free officers. The bulk of the evidence is that the junta's efforts are still directed at the eventual transfer of power rather than the prolonged consolidation of its own. Undue delays would run counter to one of the major reasons for staging the coup—the restoration of political freedom—and would invite the strong disapproval of former President Inonu, whose leadership of the RPP and whose association with Ataturk give him enormous prestige and authority among Turkish civilian and military elements alike. Inonu has carefully avoided identifying himself and his party with the military regime.

6. There are personality clashes and some policy differences among the members of the CNU, as well as a certain amount of nervousness and lack of self-confidence. This sort of thing is inevitable at this stage in a politically inexperienced military regime. Some opposition to the regime is likely to appear from time to time. It is also probable that some senior military officers resent the power of the junta's predominantly junior membership. There is probably apprehension within the civil service over the uncertain outlook. On the present evidence, however, we do not believe that either internal disputes or possible opposition will be allowed to imperil the regime's control of the country. Nor do we believe that the government's power will be threatened by organized uprisings, for example among the Kurds or Democrat Party elements.

7. Though the CNU has declared its intention to restore civil government, its members probably differ on when this should take place and on the nature of the government to be established. There is probably disagreement between those who favor the return of Inonu and the RPP, and those who take the view that the coup was not simply aimed at installing the RPP in power. The junta almost certainly wants to avoid a single-party system, and with the DP largely disorganized and discredited, members of the present regime may attempt either to encourage such lesser forces as the Nation Party, to revitalize the DP after disposing of its former leaders, or even to sponsor a new political movement. Establishing party organizations in the provinces is an onerous job. It is more likely that CNU members with political ambitions will retire from the armed forces and seek to use their prestige to establish a position in one or another of the existing political parties.

8. In any case, at least some members of the junta are likely to play roles of importance in future Turkish affairs. Not only are they likely to develop some taste for power and an interest in seeing that their program is not abandoned, but they are probably also uncertain about their future under any new Turkish government. They will thus almost inevitably be concerned with the course of Turkish political affairs, though opinions as to how they should make their influence felt are probably still being formed and changed. The original objectives and attitudes of those in power will remain subject to modification by the press of circumstances and the interplay of personalities. Decisions in these matters are likely to require some time, and may easily provoke dissension within the group, though we do not consider it likely to prove fatal to the junta's control.

9. The outcome of a national election will depend to a large extent on the role played by the CNU. If it merely oversees the holding of free elections, the RPP—being strong in its own right and the most likely gainer from the DP's near-disintegration—would probably gain control of the government. If, on the other hand, the CNU actively encourages lesser parties, and particularly if proportional representation is established, the RPP's power would probably be limited. Nevertheless, if an election is held within the next year or so, we still consider the RPP the most likely winner.

II. Military

10. The coup has inevitably diverted to some extent the energies and attentions of the military from their primary mission. A number of competent officers are engaged full time in overseeing the operations of civilian ministries and in other nonmilitary duties arising from the new situation. Moreover, the removal of a handful of top military officers and reassignment of others has created some organizational dislocations, including some disruption of liaison with JUSMMAT. There are indications that the regime intends to go through with long-standing plans to reorganize the armed forces, involving the retirement of a considerable number of officers. On the whole, however, we foresee no significant weakening of Turkey's military capabilities, except in the unlikely event that the regime is forced to use the armed forces to put down some large-scale uprising against its authority.

III. Economic

11. The provisional government's principal immediate economic problems are Turkey's weak financial position and the stagnation of business activity which began early this year. The government is attacking its economic problems with considerable determination. Competent civilians have been appointed to key economic positions and given commensurate authority. The government has taken the politically coura-

geous step of resisting pressures for the higher agricultural subsidies which Menderes had planned. It has also announced plans to improve its financial position by selling bonds to the public and sharply curtailing government spending, rather than by raising taxes. While its retrenchment program probably will cause some discontent, this is unlikely to be a major problem unless the present economic stagnation turns into a recession. If, as seems more likely, business confidence returns as uncertainty about government policies fades, the economic prospects for the rest of 1960 will be generally good. Harvest prospects are excellent. The stabilization program inaugurated in 1958, while only partially adhered to, has curtailed inflation, improved Turkey's export position, and enabled Turkish industry to expand production. Nevertheless, the actions taken by the new government will not of themselves overcome the weakness of Turkey's financial position and its chronic foreign trade deficit, and continued foreign aid will be necessary.

12. More important for the long run are the steps being taken to substitute an integrated economic development plan for Menderes' over-ambitious and uncoordinated spending program. A National Planning Office has been established to draw up this plan with the aid of experienced foreign experts and UN organs. Projects which are in their early stages have been halted until it can be determined whether they will fit into the new program. The government plans to curtail deficit financing and to minimize subsidies to state-owned enterprises. While these policies will yield only limited results in the near future, they should place Turkey's economic development efforts on a sounder if less ambitious basis. Should the RPP succeed to power, it would probably accept and continue this more restrained and realistic approach to economic development.

IV. Foreign Policy

13. Immediately after the coup, the provisional government gave assurances that it would honor Turkey's international commitments and that no change in Turkish foreign policy was contemplated. In general, we think this is likely to be the case. Turkish participation in NATO and CENTO councils has continued without interruption and with no discernible change in tactics or purpose. The same has been true with respect to Turkish participation in multilateral negotiations concerning Cyprus. The regime's decision to reduce Turkey's contingent in Korea from a brigade to a company was taken in the face of US opposition, but we do not believe it augurs any weakening of Turkey's essential commitment to the Western Alliance. Turkey has a shortage of regular officers, and in view of the military's increased responsibilities in civil affairs, the government probably does feel that the brigade, especially its officers, is needed at home.

14. The decision about the brigade in Korea does, however, illustrate one likely difference between the present regime's attitude on foreign policy and that of its predecessor. Gursel and his colleagues, though desirous of maintaining the same basic ties with the Western Alliance as did Menderes, will almost certainly prove more independent and less readily amenable to US influence on certain issues. They will, for example, probably show more sensitivity about Turkish sovereignty in matters arising from the presence of US troops in Turkey, and be less inclined toward informal arrangements. On the other hand, cooperation in economic matters may improve. Thus while the course of US-Turkish cooperation may be less easy than in the past, the basic relationship is not likely to be undermined.

15. The USSR is seeking to exploit the situation. Khrushchev has sent two letters to assure the new regime that Soviet aid is available, and some officials are already pointing to Soviet offers as cogent reasons for stepped-up US assistance. Basically, however, we think that the present government is as anti-Russian as its predecessor and no more likely to become neutralist. However, it might accept limited Soviet aid, as did the Menderes government. Should the RPP come to power, it, too, would probably pursue a more independent course than Menderes, at the same time preserving the broad framework of cooperation with the West.

372. Telegram From the Embassy in Turkey to the Department of State

Ankara, July 25, 1960, 2 p.m.

157. Paris for USRO—Thurston and Finn. I saw General Gursel for one hour at 1600 hours July 24. I obtained appointment through Secretary General Kunalalp who accompanied me. Colonel Turkes also present and acted as interpreter. I had prepared talking paper covering Deptel 127.¹ Three us went over paper carefully. General Gursel heard

Source: Department of State, Central Files, 782.5/7-2560. Secret; Priority; Limit Distribution. Transmitted in two sections. Repeated to Istanbul, Izmir, Iskenderun, and Paris.

¹ Telegram 127, July 19, outlined a suggested reply to the Turkish program for forced retirements and suggested that a carefully timed program "might well minimize potentially damaging effects of a widespread reaction that PGOT engaged in a political purge." The telegram further informed Warren that the United States "would not in any event wish to finance and thus become identified with any such program." (*Ibid.*, 782.5/7-1460)

me out attentively but with about as much expression as Hittite idol. He did not interrupt. When I had read portion regarding "an effective, modest plan" I asked him if he understood. He nodded assent but it later proved he had not. He again nodded when I finally mentioned MC 70 and General Norstad visit.²

When I had finished my paper I inquired whether there were any questions or comments. He then said in effect: I asked USG for 100 million TL. Do we or do we not get money? Whereupon I went back to my seventh paragraph regarding "an effective, modest plan". We went over it again. Kunalalp helped Turkes at one point with interpretation. When we had completed, I believe Gursel understood. I also believe Kunalalp and Turkes comprehended first time. During second try Turkes stated "But we need the money quickly; we have an election next year". To which I responded: "And we have one this year".

Following second run Gursel said: "I have no comments".

I then spoke along these lines: USG had been helpful as it could with previous GOT. It wanted be just as helpful PGOT. Message which I had transmitted was an expression that desire be helpful. He could see every point which he had raised our previous meeting had been considered. We had not been able accede his request for 100 million liras but Washington had indicated possible method procedure. Kunalalp attempted explain Turkish language what I had twice said and, when Turkes pressed urgency, asked whether carefully phased program could be completed one year. I said I thought process could not be completed one year since Washington spoke in terms carefully phased and timed personnel program. However Washington did appreciate urgency matter and no doubt had considered carefully Turkey's need in overall demands on USG. Gursel animadverted "Turkey is far away from USA. Perhaps USG does not understand." I responded that in 1960 Turkey just as close USA as Mexico. Her strengths and weaknesses were same concern for UGS as strengths weaknesses any part American union. Strengths weaknesses one ally is concern all allies. I was sure Joint Chiefs Staff and US [National] Security Council considered Turkey needs as carefully conscientiously as it did our own. I was equally certain our common opponent (USSR) considered that any military attack it might make against Turkey would be considered an attack against Turkey's allies.

General Gursel then decided what I said was very important and that loss Turkey could also mean loss Arab world. I agreed.

I proposed that General Gursel have my talking paper translated, studied by his experts, and be followed by plan which I could submit

²July 25. For Norstad's report on the visit, see Document 374.

Washington. He did not promise. I said he had asked for one lump sum liras which USG unable supply but it had suggested plan which might be helpful. Turkes commented money needed now and "We shall find that money somewhere". I then stated that my earlier answer to Kuneralp may have been made too quickly. I was thinking one year was too short a time for a feasible plan to work out. Perhaps I was wrong. That could be determined when a Gursel plan is submitted for USG consideration.

I again suggested PGOT try working out plan which I could submit. Also said I ready try answer any additional questions or seek replies from Washington. Gursel did not say he would submit such a plan neither did he refuse do so. I asked that he let me know if he needed me further about plan or otherwise. He said he would. As I arose to go I said "Let's try find way get funds you need." He smiled.

Comment: Gursel could not have been more [less than 1 line of source text not declassified] unyielding [less than 1 line of source text not declassified] more provincial in his interest get money as he had requested. I could detect no flexibility his attitude or understanding US position. He certainly left me understand he is going ahead as PGOT had planned. I would not be surprised by any move he might make.

Turkes, who rumor says is PGOT's strongest man and replacement Gursel some day, showed more emotion and as much determination as Gursel. He is giving no thought position USG or its commitments. He only sees need which PGOT has and US failure supply funds. I am sure any course action which he recommends will be solely unilateral its consideration.

Kuneralp was watching his P's and Q's and seemed slightly embarrassed throughout meeting. I am sure he will take or recommend no course action which he foresees will get him into trouble with Gursel, Turkes or CNU.

Query: Can Department advise quickly whether it considers that any such plan could be encompassed within one year?³

Warren

³ In telegram 174 to Ankara, July 27, the Department of State replied that it would withhold comment on Warren's request pending discussions with Norstad. (Department of State, Central Files, 782.5/7-2560) Regarding the meeting between Norstad and Department of State and other U.S. Government officials on August 2, see Document 374.

373. Telegram From the Embassy in Turkey to the Department of State

Ankara, July 25, 1960, 4 p.m.

158. When I saw General July 24 re Deptel 127¹ and completed my presentation² I mentioned upcoming trial leaders former government and constant rumors certain number them will be executed. I proceeded thus:

PGOT had requested USG for 100 million liras connection compulsory retirement plan. There would be other requests (I had in mind urgent need for 34.4 million dollars foreign exchange). As in present retirement proposal, each request would be carefully considered and USG would be as helpful as possible. Our being helpful, however, depended upon USA Executive getting funds from Congress. In turn appropriations by Congress depend upon USA public opinion. That opinion is greatly influenced by American and international press. Proposed trials would be reported by US and European press. I had tried point out to previous GOT leaders importance this relationship between USG funds and public opinion influenced by press. In same way and in same spirit of friendship I wanted do likewise today. I was speaking without instructions but with a friend's understanding of USA public opinion and that other countries allied with Turkey. Should former leaders be executed there would be a revulsion of feeling in Western world that would influence amount help which USG could give Turkey when Congress under new administration makes appropriations and deterioration USA-Turk relations.

General Gursel listened attentively. When I had finished he looked first at Turkes, then Kuneralp, and smiled. He remarked in English "I thank you very much."

Comment: I did not sense meaning Gursel's smile. Both Minister Cowles and I have mentioned this matter to Foreign MInister Sarper. I have now done so to Gursel. I have reason believe British, [garble] Italian, Swiss, Pakistani, Israeli and perhaps others have raised subject with Sarper or Gursel, or both.

I do not intend mention matter again unless Department instructs me do so.

Warren

Source: Department of State, Central Files, 782.5/7-2560. Secret; Limit Distribution. Repeated to Istanbul, Izmir, and Iskenderun.

¹ See footnote 1, Document 372.

² See Document 372.

374. Memorandum of Conversation

Washington, August 2, 1960.

SUBJECT

Turkey

PARTICIPANTS

Department of State

The Secretary

The Under Secretary

Mr. Ivan B. White, EUR

Mr. Gerard Smith, S/P

Mr. Philip Farley, S/AE

Mr. Robert Bowie, S

Mr. Jack Bell, U/NSC

Mr. Russell Fessenden, EUR/RA

Department of Defense

Deputy Secretary of Defense

Douglas

Assistant Secretary of Defense Irwin

(OSD/ISA)

General Miller, OSD/ISA

Colonel Billingslea, OSD/ISA

SHAPE

General Norstad, SACEUR

Mr. Ray L. Thurston, Political
Adviser to SACEUR*Joint Chiefs of Staff*

General Twining, Chairman

Atomic Energy Commission

Mr. McCone, Chairman

General Norstad said that he had recently paid a one-day visit to Turkey.¹ While recognizing that his visit had been a brief one, he had some very definite impressions which he felt it important to pass on. He had managed to meet during his brief visit every member of the Committee of 38, comprised of young colonels and lieutenant colonels. He had found them to be a very bright, loyal and enthusiastic group of young officers. [1 line of source text not declassified]

A major immediate problem facing them is the large group of excess senior officers. These officers are not opposed to the Revolution; the difficulty is simply that they are excess to the real needs of the Turkish Army. Gursel is most desirous of retiring them from the Army and wishes U.S. assistance in this project. General Norstad said that he asked Gursel for a paper setting forth a definite plan for the retirement of the surplus officers. General Norstad emphasized that this plan should not in any way be a "purge" but should be a systematic approach to the problem, providing a fair and equitable program for retiring the officers. It should be presented as a plan for streamlining the Turkish Army.

Source: Department of State, Central Files, 782.00/8-260. Secret. Drafted by Fessenden and approved in S and U on August 12.

¹ July 25.

General Norstad then made a plea for U.S. assistance to help the Provisional Government implement its plan for retirement. U.S. assistance, which would probably amount to about \$10 million, should be of course conditional upon the Provisional Government's coming up with a fair and equitable plan. Such U.S. assistance at this particular early stage in the life of the Provisional Government is most important. The group of young officers in charge is well disposed toward the U.S.; many of them speak English, having received training in the U.S. They give the impression of wanting and expecting U.S. leadership and assistance, and it is most important to step in at this early stage [*1 line of source text not declassified*].

It was pointed out to General Norstad that there is a legal bar to using U.S. aid funds for purposes of paying pensions in foreign countries. General Norstad then suggested that our aid be indirect, i.e., that we support some other element in the Turkish budget in order to make available the funds necessary to pay the pensions.

General Norstad also said that, during his recent visit in Ankara, Ambassador Warren had told him that he would be leaving his post about the end of this year. General Norstad expressed the hope that his successor would be young and enthusiastic, able to gain the confidence of the members of the Provisional Government and to inspire them. In reply to a question as to whether our contacts with the new Government should be through civilian or military channels, General Norstad said he felt that they should be through civilian channels.

General Norstad said that the young officers he had talked with were most concerned with the state of Turkey's finances. They told him that everywhere they turned they discovered new and heavy obligations which the previous Turkish Government had incurred. General Norstad said that he had taken with him to Turkey the present Ministers of Commerce and Finance.² He had been most favorably impressed with both men and felt that the Provisional Government would make a real effort to put Turkey's finances in order.

General Norstad also made a passing reference to Sarper, the present Foreign Minister. Sarper is essentially a technician in the present regime. Since General Norstad had known Sarper well in Paris, he had taken the occasion to call upon his wife and daughter in Turkey. He had done this deliberately in order to show the Provisional Government military authorities of his high regard for Sarper.

² Ekrem Alican and Cihat Iran, respectively.

375. Telegram From the Department of State to the Embassy in Turkey

Washington, August 4, 1960, 10:23 a.m.

233. Following for immediate delivery is text of message to Gursel from President. Advise date and time delivery.

"August 4, 1960

Dear Mr. President:

I have just had an opportunity to talk with General Norstad about his recent visit to Turkey and the fine discussion he had with you at that time. I was particularly gratified at General Norstad's report of your very friendly and cooperative attitude toward the United States.¹ I appreciate the many problems you are now facing and wish to assure you that we have a sympathetic understanding of them and are ready to study the ways in which we might be helpful.²

Sincerely,

Dwight D. Eisenhower"

White House does not wish this message to be made public. Observe Presidential Handling.³

Herter

Source: Eisenhower Library, Staff Secretary Records, International Series. Confidential; Priority; Presidential Handling. Drafted by John A. Calhoun in S/S; concurred in by Herter (in draft), G. Lewis Jones, and Goodpaster; and approved by Calhoun.

¹ See Document 374. In telegram 255 from Ankara, August 9, Warren reported that he was concerned with Eisenhower's use of the expression "cooperative attitude," warning that the new Turkish Government had in a number of instances been "short on cooperation." (Department of State, Central Files, 611.82/8-960)

² In telegram 228 to Ankara, August 3, the Department of State reported that after consultations with Norstad it was willing to make approximately \$10 million available to Turkey to assist indirectly in financing the retirement operations by providing financing for other parts of the Turkish budget. (*Ibid.*, 782.5/7-2760)

³ In telegram 230 from Ankara, August 5, Warren reported that Eisenhower's message had been delivered to the Foreign Office. (*Ibid.*, 882.00/8-560)

376. Letter From the Ambassador to Turkey (Warren) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones)

Ankara, August 11, 1960.

DEAR LEWIS: This is the letter to you which I mentioned in my communication of August 4, 1960.¹

The Provisional Government of Turkey has been in power almost two and a half months. It has been an important and critical period for Turkey and for her allies. At first, no one in Turkey, outside a small esoteric group, realized the relationships between the Committee of National Union, which staged the coup, General Gursel, who was called to head up the Government, the Cabinet and the Turkish Military. Particularly we diplomats did not know who were the principal figures in the Committee of National Union. We were not sure whether Gursel was a stooge, a disgruntled military man, or a patriotic Turk whom unusual forces had brought to the head of the Government. We did not have worries regarding the international policies which the Provisional Government said it had in mind following. For this fact I think we can thank Selim Sarper, the Secretary General of the Foreign Office who became the new Minister of Foreign Affairs. We did wonder about the ultimate acceptance by the Turkish population of the new Government. I knew that the coup was the most successful, the most efficient of the many I had seen in my service (if my memory serves me rightly, I saw seven presidents in thirteen months in Paraguay).²

This morning, August 10, 1960, many facts and much information regarding the PGOT are known to us. For instance, in the Embassy I believe it is the consensus that Gursel is a real leader. He is learning fast. He acts like a Chief of State. He conducts himself very well. He considers carefully, speaks slowly, and makes decisions that stick. He is nobody's stooge. Sarper told me on May 29, two days after the coup d'etat, that Gursel was not a great brain. I am sure Sarper has had to revise upward his estimate of this man. I do not particularly like him but I respect him, consider him to be an intelligent, loyal, patriotic Turk. But he is a Turk, in everything that the word implies.

Gursel is very much the Head of State and Head of Government. He is the leader, in my opinion, of the Committee of National Union, al-

Source: Eisenhower Library, Whitman File, International File. Confidential; Official-*Informal*. A copy was sent to Goodpaster by Secretary Herter with the suggestion that Warren's comments be made known to the President. (Memorandum from Stoessel to Goodpaster, September 7; Department of State, Central Files, 782.00/8-1160)

¹ Not further identified.

² Warren served as Ambassador in Paraguay 1947-1950.

though he may not have been a prime mover in bringing the CNU to the successful action of May 27, 1960. I believe he is able to make his desire prevail in the CNU on any matter which he thinks of prime importance. The CNU doubtless has schisms and varying opinions. The group is too inexperienced, too young, too impressed with its mission for it to be otherwise. Next to Gursel I would rank Colonel Turkes as the most important CNU member. He is the man with the fanatical zeal, the inferiority complex, the rankling feelings that will supply energy and motivation for much that the CNU will do or want done. He is my choice for runner-up to Gursel. Should there ever be a serious split in the CNU or if Gursel's course is over seriously challenged, I would expect Turkes to be the man doing the maneuvering. In the CNU there are General Madanoglu and one or two Colonels who come to our attention from time to time. One of our current jobs is to try to ferret out information that will enable us to determine the principal figures in the CNU. Thus far it seems to me that, considering the manner in which the CNU came into being and the herculean task which it has assumed, it has done remarkably well in what it has accomplished and in maintaining unity in its councils.

Turning to the Cabinet, I believe most Americans of experience in Ankara are impressed with the loyalty, the patriotism, the technical and professional qualifications of the individual members of the Cabinet. It is a Cabinet above the average, I would say. It contains some good friends of the United States. There are no doubt a few weak sisters, but they will be eliminated as the months go by. One matter of concern is that two of the best men in the Cabinet, Iren and Koper, strong friends and admirers of the United States, are already under fire from within the Government. They may be able to weather the storm. If they do not, it will be a cause for concern on the part of the Americans. This Cabinet does not, I think, have the power of the preceding Cabinet because it has been made clear that the Cabinet is the instrument of the Committee of National Union. For instance, the Foreign Office under Sarper does not have the power it exercised under Zorlu.

It might be well to recall here that the CNU has taken the place of the Grand National Assembly of the Turkish Republic and that as such it is the repository of the sovereignty and all the powers of the Turkish people. Every other office and institution of the Turkish Government is subordinate to the CNU. This means that Gursel can only be the true leader and dominate the situation if he is the master of the CNU. If he cannot impose his will on that body, he will not be able to command the situation.

When the PGOT came to power, the press, the intellectuals, the teachers, the students and the Army hailed the accomplishment of the coup d'etat. There was nothing but admiration for the thirty-eight members that made up the CNU. They were all heroes, patriots. We were un-

able to discern among these admirers any trepidation with respect to the CNU or to the new situation which it brought to hand. The military, in particular, looked upon the CNU members as splendid examples of Turkish manhood who had the courage and the bravery to risk their lives to accomplish what needed to be done. It wasn't long, however, before the military realized that the members of the CNU who had been given a hero's welcome could not return to the barracks and their commands. Captains, majors, lieutenant colonels and generals who, as members of the CNU, were giving orders to the old pashas, to the entire military establishment, to the nation of Turkey, could not return to their former jobs. Since this realization began to emerge there has been a widening separation between the CNU and the military as an institution. Today, the military is still supporting the CNU and the PGOT but with the realization that the interest of the CNU and the military are not identical. This is an important realization not only for Turkey but for the Western World.

When the coup d'etat was a successful accomplishment at 8 o'clock on May 27 this year, the CNU and its admirers thought that in a short time it would be possible to turn over the reins of authority to a new Government. There is some indication that the CNU thought it would not be necessary to organize a provisional government because the reins of authority within a few days could be turned over to a new civilian government. The revolutionists soon found this was impossible. They then set up the Provisional Government of Turkey. It was the publicized intent of this Provisional Government to turn over power to the civilians at the earliest possible moment. However, in order to turn over power to a civilian government, it was necessary to hold free elections. Free elections meant participation by more than one party in those elections. The principal parties were the DPs and the RPPs. Participation by the DPs without leadership was impossible. Their leaders, however, were and are all cooped up on Yassi Ada. They could not be released until they had been tried. In order for them to be tried there had to be investigations, selection of judges, establishment of the rules for the trial, etc. All this meant weeks and months of hard work. Furthermore, in order to justify the coup d'etat, the DP leaders and assemblymen had to be proven guilty. This raised the question of whether or not they had violated the Constitution. Inspection of the Constitution, in the light of a conviction that already existed, made it necessary that one of the first projects of the Provisional Government of Turkey must be the drafting of a new constitution. As of August 10 that work has not been completed and the exact date of its completion is yet unknown. All of this meant that the PGOT, after looking forward to turning over the reins of government in a few days has found that a few weeks or a few months are not enough. General Gursel in an Istanbul speech on August 8th said

that the target date for the new elections is May 27, 1961, the anniversary of the coup d'état. We already hear that in circles most friendly to the Government there exists the feeling that even May 27 will be too soon. One report reaching the Embassy is to the effect that perhaps it will take ten to fifteen years for the PGOT to bring up a new generation that will be capable of taking over the affairs of state and managing them in keeping with the spirit and the purposes of the revolution.

I believe it is not too much to say that the PGOT has now reached the point in its thinking where it will be disposed to continue in office as long as necessary to insure that what it considers to be the aims of the revolution are safeguarded or accomplished. In stating this, it must be kept in mind that many of the aims of the revolution have been developed since the PGOT came to power. This is not to say that Gursel is not sincere in stating that the target date for elections is May 27, 1961. The PGOT has been both pragmatic and empirical in its actions. It must continue to be until it has reached a plane of stability.

The PGOT will not reach a plane of stability until it has justified in its own mind the revolution. This can only be done by proving the leaders of the Menderes Regime a bunch of scoundrels, scalawags, thieves and traitors. Furthermore, the PGOT will not reach stability until an assured future is found for all the members of the CNU (for instance, they are toying with the idea of making themselves members of the new Senate, the tenureship to be for one, or two terms, or even life). This stability would require the Military to be brought completely under control. This the CNU is endeavoring to accomplish by a system of compulsory retirements. Such retirements would give the Military the much desired pyramidal structure. Incidentally, it will enable the CNU to get rid of every officer whose loyalty to the regime may be in doubt. Another factor in insuring stability will be the conversions of the Turk peasantry and labor classes to supporters of the present regime. Finally, the CNU members must be sure when the elections are held that the RPPs do not win. In the thinking of many members of the CNU and the PGOT, the RPP is just a little less bad than the DP.

As of today the new Constitution, the investigations for the trials, the trials, and the future of the CNU members remain the "musts" of the present Government. Since the accomplishment of these "musts" is requiring much more time than the perpetrators of the coup foresaw, they are becoming habituated to a new life with new privileges, perquisites, prerogatives and powers. I doubt if they would return to their former positions even though there were no difficulty. As this habituation has taken place they have found many other attractive projects that can be undertaken, each one of which can be tied to the aims of the revolution and justified as being in the patriotic interest of their country. We now hear talk of agrarian reform, reform of the civil ministries, the Economic

Planning Committee, the indoctrination and education of the peasantry and the illiterate, and other undertakings. Naturally as the PGOT enters a new field that field inevitably broadens and invites to other projects. Consequently, in the thinking of the members of the Government the need for the elections becomes less pressing and the desire of the members of the CNU to find security for themselves is even more exigent. For these reasons we may not soon see elections in Turkey.

I have said that the Americans in Turkey are, almost without exception, favorably disposed toward this new Government. Embassy Ankara has reported to Washington that this is a friendly Government. We know that there are important Cabinet members who are drawn to the United States by education, commercial, ideological ties. This is not to say that the PGOT is as close to the United States Government and people as was the Menderes Regime. Contrariwise, it must be stated that there is in this Government an inclination to be suspicious of the United States because relations between Turkey and the United States have been so satisfactory. The Turk is oriental enough to be naturally suspicious of a close relationship between someone he doesn't like and someone that he does like. This tendency of the CNU members and others to suspect the relationship between the United States and Turkey during the Menderes Regime was partially engendered and successfully played upon by Inonu and his supporters during their campaign after the elections of 1957 until the coup. I think the record will show that Embassy Ankara reported to the Department that Inonu and his supporters were not playing fair in that criticism of the United States. We considered that the RPPs thought that once they were elected they would make their peace with the United States. Embassy Ankara also believed that after a period of readjustment the United States Government would be able to work successfully with a new Inonu government. Today, I see results of the Inonu tactics reflected in the attitude of the Provisional Government of Turkey. This results in the PGOT, more properly the GNU, being determined that the PGOT will not be too close to the United States. The Provisional Government intends to maintain a reserve that will prevent PGOT being a stooge of the United States. This attitude has found expression to such an extent that I do not consider that the PGOT is presently cooperative with the USG. There is an Ankara telegram in the Department which lists 12 instances of the lack of cooperation on the part of Gursel Government.³ I think this state of affairs is likely to continue. We will have many more frustrations, diffi-

³In telegram 255 from Ankara, August 9. (Department of State, Central Files, 611.82/8-960)

culties, questionings of our actions during the Gursel Regime than we ever encountered under the Menderes Government.

What is said in the preceding paragraph does not mean that the leaders of the Gursel Government have decided against American assistance. On the contrary, General Gursel has publicly stated that PGOT looks to the United States and other allies for assistance and that the United States could and should help Turkey more than it does. At the same time, Gursel and some of his Cabinet members have emphasized that they expect in the long run to ask us for less assistance than did the Menderes Government. Thus far, proportionately, I should say they have asked for *more* in the short time they have been in office. This, too, is understandable because the Gursel Government has more and pressing problems than the previous Government of Turkey. However, there is without doubt a spirit of aloofness in their determination to accept the least possible aid from the United States. This means frustration, obstacles, reservations in our future dealings with Gursel and his assistants.

I have said that the PGOT has more and more pressing problems than did the Menderes Regime. These problems call for outside assistance—that is, foreign assistance. In today's unhappy world that signifies for the most part assistance from the United States. We have been helpful without precedent to the Menderes Government, to the Gursel Government and intend to continue to assist in any way we can. However, our assistance must be within appropriated funds given us by the American Congress and in the light of our world-wide commitments and obligations. From my experiences since 1956, I would say that this fact means we will not be able to supply to Turkey all the assistance which she will really require. I am sure we will do our best. However, I am afraid that our best will not be sufficient to enable this Provisional Government to hold the line. In saying this I am not forgetful of the declared and sincere determination of the PGOT to live within its national budget.

Turkey does not yet have a balanced economy, a balance of imports and exports. It might be said that Menderes was following the Franklin Roosevelt method of meeting this problem. The Menderes method had much reminiscent of our own WPA days. PGOT is more orthodox in its economic thinking. It is somewhere between Herbert Hoover and Dwight Eisenhower. The PGOT is sincere in its thinking and in its endeavor to do conventionally what Menderes was trying to do by his method. The PGOT has embarked on this economic course with conviction and determination. I am not sure it realizes the tremendous effect which this course may have on the people of Turkey. It has been reviewing intensively investment projects of government ministries and State Enterprises, making reductions wherever feasible. In general, new government projects will await the time when the budget is

balanced, exports and imports are in balance and the economic state of the nation warrants new investments. This undertaking almost certainly means less persons on the government payroll, less persons employed by contractors, what might be called collateral unemployment, and a contributory effect on agriculture and the peasantry. Of course, one salutary effect will be a reduction in inflationary pressures and in the demand for imports. One wonders whether, under such conditions, the revenues of the state will be as large as estimated. The payments gap will continue. It can only be closed by greater sacrifices on the part of the people in general and particularly the peasantry (who have lost their great friend, Menderes). Will the Turkish people endure such additional sacrifices from a Government from which they expected so much?

If the Gursel Government finds, as I am afraid it will, that it must have more aid than we are prepared to give, what can it do? We know that the Soviet Government is ready to supply and is urging the Gursel Government to accept as much as 500 million dollars at three percent interest per year. How long can a Provisional Government whose origin is a coup d'état, a Government feeling the stresses and strains that exist in the Turkish economy today, resist the tempting offer of the Soviets. We know from experience that, once it does accept such aid, the bars will be down. The United States and the Western World will have suffered a major and tragic defeat.

But the danger from the Soviets is not the only one that faces Turkey today. Heretofore, Turkey's main qualification as an ally in NATO and in CENTO was her stability deriving from the character of the Turkish people and the reliability of the Turkish Army. By the coup d'état the Military, at one stroke, demolished the record the Turkish Military had made since the time of Atatürk. Turks had been proud of the fact that the Turkish Military supported duly constituted authority. Every man in the CNU broke his oath when he took part in the coup d'état. I believe that the psychological result of breaking that oath has had an unbelievable effect on the members of the CNU and the Army in general. At any rate, once the Army has stooped to revolt, there is no way to convince dissident groups that the Military would not be justified in staging another revolt. I have indicated above the problem which the PGOT has in reaching a plane of stability. It is retiring, compulsorily, 90% of the Generals, 55% of the Colonels, 40% of the Lieutenant Colonels, 5% of the Majors. If this body of former officers becomes disgruntled, there is no mental bar to their overthrowing the PGOT. Turkey now has a coup d'état Army.

Another danger for the PGOT has been mentioned but should be explained a bit. I have in mind the need which the press, the intellectuals, the educators, the students and the Military feel to justify the coup d'état. Evidently they are not finding the crimes which they expected to

uncover. We now hear that one of the crimes which they hope to be able to prove is treasonable activities on the part of the Menderes leaders during the riots of September 5–6, 1955,⁴ a date more than two years before the last elections at which the Menderes Government was returned to power. It is hard for an American to understand the overpowering need which the mentioned Turks have to justify the revolution but it is a fact. In all my service I have not found elsewhere the hate which there is among the intelligentsia and the Military today for Menderes and his leaders. People, who in another country would be the ones expected to stand up for impartial trials, leniency, moderation, today in Turkey are calling for the execution, the hanging, of Bayar, Koraltan, Menderes, Zorlu, Polatkan. This is frightening and it lends a new light on the ferocity of the riots of '55. This feeling is behind the revolutionary zeal, the post facto changing of the law to permit the execution of Bayar, the procedures and methods set up for the trial, the mass imprisonment of an entire party representation in the National Assembly. It makes possible the mass trial of members of the Grand National Assembly and probably others. But I do not want to get too deeply into the question of the trials. They will speak for themselves when they are held. It is sufficient for me to say here that one wonders how reliable an ally is a country whose Government is motivated by hate and can only see the trial of the culprits of the previous regime in the light of that hate.

There is another danger which causes me much concern. I have hinted at it already. I am thinking of the situation that could confront this Government if the retired military officers, the peasantry, the laboring classes, the small businessmen and all those who may be disaffected for whatever reasons, should get together. Immediately it is said, but this Government has the Army with it; with the Army and a determined Government matters should be kept in hand. In view of which I cannot but recall that Menderes and Bayar thought the same thing. The Army is no longer what it was.

There is another danger: that the Turkish Military as a result of the tremendous changes arising from compulsory retirements does not have sufficient qualified and tested men to fill the vacancies which have been created. It is entirely possible that the Army in time will become what both General Gursel and American officers want it to become but, pending the development of capable officers, there is a void that could be tragic for Turkey and the allies depending upon her.

There is a great danger, just now being sensed by some Turks, which could make inevitable international trouble. The Turkish people

⁴ Reference is to anti-Greek rioting at Istanbul and Izmir set off by a bomb attack on the birthplace of Ataturk.

do like a strong dictating, not to say dictatorial, Government. When the coup came the classes that had wanted a change could not have been happier. They accepted gladly from the new Government restrictions which would have been denounced to high heaven had they been imposed by the Menderes Regime. Those restrictions today I believe to be as bad as anything the Menderes Government imposed. I would say that in two months and a half the PGOT has reached the point in repression that it took the Menderes Regime ten years to attain. I know that the American press would immediately call attention to the freedom of the press. I think, however, that an impartial observation of what took place in the Menderes Regime and of what is taking place in Turkey today would find that there is little difference. Thus far the PGOT has achieved its control of the press by talking to its members. However, under this system of freedom the PGOT has locked up fourteen or fifteen Democratic newspapermen because they were Democratic. The other day some seventy students wanted to demonstrate in behalf of *Havadis*, the only important DP newspaper attempting to publish today. The demonstration was broken up and six or seven of the students were jailed. So, by and large, the PGOT is just as repressive as was the Menderes Government. Sooner or later the Turkish people will come to realize the present state of affairs and then, with a coup d'état as a precedent, I am afraid they will do something about it.

There is a danger not quite so evident but one concerning which some observers, among whom I am included, have fear. That is, that party activities in Turkey are going to be radically changed. The RPP welcomed the coup d'état because it felt that it certainly would come to power as soon as elections were held. Now, I am pretty sure that the principal leaders of the RPP, from Inonu down, are beginning to have much doubt as to where their party stands and for its future activities. There is talk that what Turkey needs is not political parties but an absence of parties so that the people could vote their desires uninfluenced by party activity. This would mean, of course, candidates supplied by the Government. What is more likely, I would think, is the emergence of a National Union Party, or some other such organization to which the present CNU members and other Government officials can flock in order to insure their future security. Almost certainly such a development would mean that those in power are going to make sure that the RPP does not become strong enough to win the election.

I have tried to set forth above the concern which developments since the coup are causing me. Embassy Ankara will watch all future developments in an endeavor to assess accurately what is taking place. My concern, I believe, is shared by some of my colleagues but I must use the greatest care in what I say to anyone, diplomatic or not, lest it unfavorably affect this Government. The people of the United States is a

friend of the people of Turkey. Each people needs the other. With the USSR acting up today we need Turkey more than ever before. The people of Turkey gave us the Menderes Government to work with. We worked with it faithfully and loyally. We were as helpful to the Turkish people, through the Menderes Government as we were able to be. Now we can say, by a stretch of the imagination, that the Turkish people has given us the Gursel Government with which to work. We intend to work with it just as loyally and faithfully as we did with the Menderes Regime. We intend to be just as helpful to the Gursel Government as we were to the Menderes Government. It might be said in parenthesis that, when the Gursel Government goes, we shall endeavor to be in a position to work in the same friendly, cooperative way with the succeeding government (if it is not Commie). I do not like the course of events in Turkey today. I am afraid that Gursel cannot see the forest for the trees any better than could Adnan Menderes. The Turkish official doesn't seem to be able to gauge the response of his own people. Nevertheless, so far as we can see, there is no alternative to the PGOT. If this Government is overthrown, no one can foresee what we would get. One thing is certain, and that is that the Soviets are better able to cash in on a state of confusion and political disaffection than is the Western World. The interests of the United States and the Western World demand that we be as considerate, as helpful to the Gursel Government as we can be. We will have to try to be even more perceptive and understanding of what is taking place in Turkey than is the Government itself. In doing this we must not forget that the attitude toward the United States is being determined by a group of inexperienced men (members of the CNU) who basically feel that they should pull away from the United States as much as possible. We must bear with this Government, try to see that it doesn't succumb to Commie blandishments and that it remains loyal to the United States, to CENTO, to NATO.

Cordially and sincerely yours,

Fletcher Warren⁵

⁵ Printed from copy that bears this typed signature.

377. Memorandum of Conversation

SecDel/MC/7

New York, September 21, 1960.

SECRETARY'S DELEGATION TO THE FIFTEENTH SESSION OF
THE UNITED NATIONS GENERAL ASSEMBLY
New York, September 19-24, 1960

PARTICIPANTS

The Secretary
Mr. Achilles
Mr. A. Guy Hope
H.E. Mr. Selim Sarper, Turkish Foreign Affairs Minister

SUBJECT

Turkish Internal Affairs

Foreign Minister Sarper expressed his gratification at being received by Mr. Herter. He declared the Government of Turkey is anxious to continue its close and friendly cooperation with the U.S. Government. He looked forward to working with our representatives in the General Assembly and was happy to note that his old friend Ambassador Wadsworth is now the Chief of the U.S. Mission to the U.N.¹

Mr. Sarper indicated his awareness that there had been considerable interest and speculation among Turkey's friends about the meaning of the coup d'etat and the establishment of a provisional government. He noted that the coup had come off without any bloodshed or other violent action of the kind which had accompanied the upsetting of regimes in countries near Turkey, and stated that there had been a good deal of pent-up emotion which might have taken a more violent turn. He was happy to report that some fifteen days ago the Committee of National Union had chosen correctly between the two roads open to it² and he felt optimistic about the future course of Turkey in both its domestic and foreign affairs. He commented particularly that General Gursel had shown himself firm in electing a proper and moderate course for his country.

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Hope and approved in S on September 23. The meeting was held at the Waldorf Towers.

¹ James Wadsworth was appointed Ambassador to the United Nations on August 27.

² Presumably a reference to the CNU's decision that Turkey would continue its strongly pro-Western orientation in foreign policy and limit contacts with the Soviet Union.

From the first, Mr. Sarper said, the CNU and the provisional government had reiterated Turkey's continued support for its NATO, CENTO and bilateral alliances. He felt confident these were firm undertakings from which there would be no retreat.

On elections, the Foreign Minister said that there had been considerable speculation in the world press and he thought the Secretary should have the true story. When General Gursel, on assuming power, had talked originally of holding elections within three months after the May 27 coup, Mr. Sarper had gone to him pointing out that this was an impossibility and could only create misunderstandings when the CNU realized the difficulties of writing a new constitution, holding trials of members of the former regime, and taking the necessary organizational steps to hold elections. He had anticipated that postponement was inevitable and that there would be world reaction unfavorable to General Gursel and his colleagues because people would think that they had gone back on their promise because they enjoyed the taste of power. General Gursel had recognized the validity of this point and had agreed that it would be desirable to set the elections definitely for the anniversary of the coup, May 27, 1961. However, the professors who were drafting the constitution had run into the usual difficulties encountered by academic people with their heads in the clouds, and their work was too slow to allow elections by that date. However, Gursel had undertaken to have elections soon enough thereafter to permit transfer of power on October 29, 1961 to the duly elected permanent administration. In the meantime, a "sort-of parliamentary body" was being established to advise the CNU. There would be two representatives from each *vilayet* (province).

Turning to the trials of members of the Menderes government, Mr. Sarper said he was offering comments because he knew of our concern about this subject. The Secretary, noting that he was reassured by Mr. Sarper's optimism about the correct road which the Turkish Government was selecting, said that the U.S. interest in the trials is a somewhat narrow one. We are concerned that arrangements which we entered into with the previous administration should not be treated in the trial as a part of activities considered detrimental to Turkey and publicized in such a way as to cast reflections on our alliance. Mr. Sarper said that Ambassador Warren had already spoken to him along these lines³ and that on instructions from General Gursel he had discussed the matter with

³Warren reported on his discussion with Sarper regarding the fate of members of the Menderes government in telegram 126 from Ankara, July 20. (Department of State, Central Files, 782.00/7-2060)

the Minister of Justice. He undertook to stress the point again with the appropriate officials.

The Secretary inquired about the charges which would be brought against the officials of the Menderes administration. Mr. Sarper said that the basic charge would pertain to violation of the constitution, but would also include murder (killing of the students), attempted murder (of Inonu), attempt to provoke civil war (relating to the distribution of uniforms and the creation of an unauthorized militia and to the subsidizing and free transportation to workers in Izmir for troublemaking purposes), and abuse of power (relating to corruption on the part of five or six cabinet members). Mr. Sarper declared the trials, which he expected to open at the end of the first week of October, would be as fair and humane as possible. Within the limits of space (600 people or so), representatives of foreign embassies and the Turkish and foreign press would be permitted to attend along with the close relatives of the accused. Nine professional judges, some military, would sit. (In order to avoid undue influence on them, the names of the judges were not being made public; they would be elected from a panel.) Each defendant would be permitted to have three attorneys. The Chief Prosecutor would be a professional attorney. Proceedings would be broadcast. Despite speculation and false statements about capital punishment, no decision had been taken and in the nature of things it could not be until the degree of guilt had been judicially determined.

Mr. Sarper turned to the question of the Turkish debt consolidation. He said that the Minister of Finance was coming to Washington on September 22 to explore in an informal way, without any specific proposal to be advanced at this time, the possibility of the reconsolidation of the Turkish external indebtedness, perhaps to include the billion dollar debt which had not been included in the OEEC debt settlement program agreed to in 1959 (that settlement having included less than \$500 million). He stated that the previous administration had known very well that it could not meet the debt schedule set up in the OEEC negotiations, which required Turkey to pay \$140 to \$150 million a year. Turkey needed \$400 million annually to carry on and could only earn \$200 to \$300 million. It seemed to him illogical that the U.S. and other friends of Turkey should be making funds available with the one hand while requiring them to be paid back into the other. If the U.S. should prove receptive to a consideration of ways and means out of this dilemma, the Government of Turkey would consider approaching European creditor nations along the same line, talking to France, Germany and Italy bilaterally, then to the U.K. and perhaps finally to the OEEC.

The Secretary said that he was not acquainted with the details of this situation and assumed that the Minister of Finance would be taking it up with those in Washington who specialized in financial problems.

Mr. Sarper said that he wanted to inform the Secretary in advance of Turk thinking about this problem and did not expect any specific comment at this time.

Mr. Sarper said that another problem which was troubling his Government greatly concerned Algeria. He felt that the kind of stalemate which had persisted could not go on and that if the Afro-Asian bloc should produce a sensible solution, Turkey this year would have to go along with it. He had found no flexibility on either side of the question. In talking recently with Tunisians in Ankara, he had heard mention again of a possible federation of Algeria with Tunisia and Morocco. He was not sure how this could work (he compared it with the U.S. having Canada join it without the consent of the U.K.) but thought the Tunisians were serious and that it might offer a new approach to the problem. The Secretary said he was not aware of any such proposal, but responded to Mr. Sarper's request for advice on the problem by saying he would be glad to ask Ambassador Wadsworth of the USUN staff to consult with the Turks about it. Mr. Sarper said he would like to keep in step with the U.S. on this.

The Secretary inquired whether there was anything new in Turk relations with the USSR. Mr. Sarper responded that very little had happened since the Gursel–Khrushchev exchange of letters.⁴ He had felt that Khrushchev had put his own interpretation on General Gursel's remarks and had "put words in his mouth". After studying the matter, the Government of Turkey had thought it advisable to "dot the I's" and then to publish the exchange of letters. They had waited about a month before publishing them because they had not had an Ambassador in Moscow and were interested in the Russian reaction. What Sarper had attempted to set out was that while the Turkish Government was firmly committed to its NATO, CENTO and bilateral obligations, and intended to remain so, there was an area between this stance and the usual Soviet posture where better "neighborly relations" could be encouraged. He thought the Russians had received this approach favorably and they had made no difficulties about the publication of the letters. He commented that Turkey was genuinely unafraid in its dealings with Russia, and the Secretary complimented the Turkish people for their sturdy and courageous attitude.

The Secretary expressed the hope that problems arising inevitably out of the presence of U.S. military personnel in Turkey would not be allowed to create problems between us. Mr. Sarper said there was a feeling abroad in Turkey that U.S. servicemen were given better treatment

⁴ For texts of Khrushchev's June 28 letter and Gursel's July 8 reply, see RIIA, *Documents on International Affairs, 1960*, pp. 418–422.

in the courts than that accorded to troops of other NATO countries. He wondered if it might be possible to revise the treaty between the U.S. and Turkey to assure that the treatment was equal. Mr. Hope commented that the NATO Status of Forces agreements were uniform among NATO partners and that we had been seeking for some time to get the Turks to implement their undertakings so that U.S. servicemen would receive treatment equal to that accorded to them in other NATO countries. Mr. Sarper wondered if there could not be further discussions about this subject at the Ambassadorial level. The Secretary agreed it might be useful.

Mr. Sarper commented that he thought the Russians had done very well in their propaganda about the U-2 business.⁵ The Secretary thought we would be hearing more about this subject in the next few days. Mr. Sarper said that he had understood that while such airbases as Incirlik and Adana had been mentioned at the Powers' trial, they had not been identified as being located in Turkey.

In concluding the visit the Foreign Minister said that his role in the provisional government was not an easy one, although it offered many satisfactions. He had been surprised that when Gursel and the CNU dismissed ten Cabinet members recently, he had not been removed from office nor would General Gursel permit him to resign. He stated that he was the prime agitator in the dissatisfaction expressed by the dissident Ministers and indicated that he expected to continue to speak freely. He thought it was a good sign that the provisional government was prepared to accept his criticism and to take considerable guidance from him on foreign policy matters. He hoped the Secretary would help him on his difficult road, for example by seeing that there was favorable press service coverage of his visit with the Secretary and otherwise publicizing his influence with high officials of the U.S. Government.

⁵ Reference is to Soviet actions in bringing the U-2 incident before the U.N. Security Council and the August 17-19 public trial of U-2 pilot Francis Gary Powers.

378. Memorandum of Discussion at the 461st Meeting of the National Security Council

Washington, September 29, 1960.

[Here follow a paragraph listing the participants at the meeting and agenda items 1–3.]

4. *U.S. Policy Toward Turkey* (NSC 5708/2; NSC Action No. 2215–c; Memo for NSC from Executive Secretary, same subject, dated June 3, 1960; NSC Action No. 2255–b; SNIE 33–60; NSC 6015; Memo for NSC from Executive Secretary, same subject, dated September 27, 1960)¹

Mr. Gray presented the draft statement of policy on the subject contained in NSC 6015. (A copy of Mr. Gray's Briefing Note is filed in the Minutes of the Meeting and another copy is attached to this Memorandum.)² In the course of his briefing Mr. Gray read Paragraphs 4 and 5 of NSC 6015 dealing with the orientation of the Provisional Government of Turkey and asked whether Secretary Dillon wished to comment on this problem.

Secretary Dillon said that when the Provisional Government of Turkey first assumed power it had announced that it would continue the pro-Western orientation of the government which it replaced. Subsequently, the Provisional Government, after it learned something about the complexity of foreign affairs and after it had investigated the activities of the preceding government, began to consider the possibility of a slight change in Turkish orientation in the direction of greater receptivity to Soviet overtures. However, an important meeting of the Committee of National Union (CNU) held two or three weeks ago decided that Turkish pro-Western orientation should be continued. Mr. Dillon

Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Prepared by Boggs on September 27.

¹ NSC 5708/2 is printed in *Foreign Relations, 1955–1957*, vol. XXIV, pp. 720–727. NSC Action No. 2215–c, approved April 9, instructed the NSC Planning Board to revise all current NSC papers for the incoming Presidential administration. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council) The Executive Secretary's June 3 memorandum, which recommended revision of NSC 5708/2, is *ibid.*, S/S–NSC Files: Lot 63 D 351, NSC 5708. NSC Action No. 2255–b, approved July 6, instructed the NSC Planning Board to revise NSC 5708/2. (*Ibid.*, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council) SNIE 33–60 is printed as Document 371. A copy of NSC 6015, "U.S. Policy Toward Turkey," September 14, 1960, is in Department of State, S/S–NSC Files: Lot 63 D 351, NSC 6015. The Executive Secretary's September 27 memorandum, which transmitted the views of the Joint Chiefs of Staff, is *ibid.*, NSC 5708.

² Not printed.

said that the Turks had been dealing with us on a more "forthcoming" basis since the CNU reached this decision.

After describing the economic sections of NSC 6015, Mr. Gray asked whether Mr. Scribner wished to make any comment. Mr. Scribner said he did not have much to add. A great deal of pressure had been required to induce the Menderes regime to take the steps necessary to put the Turkish economy in order. The Menderes regime had not been in power long enough to complete these steps but the present Provisional Government of Turkey seemed to be carrying on the reforms undertaken by the Menderes government in the economic field. Secretary Dillon remarked that the Provisional Government had been able to eliminate certain unnecessary public works projects which had been personally linked to Menderes.

Mr. Gray then described the split in Paragraph 42 of NSC 6015 dealing with the possibility of reducing NATO-approved force goals for Turkey.

Mr. Staats said the Budget position had been well described by Mr. Gray. Budget agreed that an overall review of Turkish force goals would take place whether or not a provision for such review appeared in NSC 6015. However, Mr. Staats felt no damage would be done by providing for this review in the paper. He felt there was a danger that Turkish force goals may be unrealistically high. The main argument against Paragraph 42 as proposed by Treasury and Budget had been that Turkey would not make as much effort to reach the NATO-approved force goals if there was provision for their review. Mr. Staats felt, however, that this argument might be turned around; it could be said that Turkey would not make much effort to achieve unrealistically high force goals which were not specifically subject to review. Mr. Scribner said the U.S. had provided assistance to Turkey averaging \$277 million a year for the last five years. The new five year military assistance plan contemplated an increase in assistance to Turkey up to \$400 million a year. Mr. Scribner doubted that we would be able to provide this level of assistance and doubted whether Turkey could absorb this amount. From a reading of NSC 6015 it appeared that such a high level of assistance could not be provided for Turkey unless international institutions or countries other than the U.S. shared in giving the assistance. He was concerned lest the goals be set so high as to be unobtainable, with the result that shortfalls would be inevitable. He felt that setting the goals at too high a level would defeat rather than advance the objectives of our assistance to Turkey.

Secretary Gates felt it was difficult to disagree with the wording of the Treasury-Budget proposal which read "consider the possibility of reduction." He felt the question to be considered was what are the NATO requirements. These requirements were at the present time un-

der review by General Norstad. Moreover, NSC 6015 in Paragraph 44-a-(6) spoke of "reducing or eliminating non-essential military elements." Secretary Dillon said the State Department agreed with the remarks of the Secretary of Defense. Consideration was constantly being given to the possibility of reducing force goals. Moreover, Paragraph 42 proposed by Treasury and Budget emphasizes ability to absorb. In Mr. Dillon's view, ability to support is also an important consideration. Paragraph 42 contains the implication that the U.S. should not provide any assistance which Turkey cannot itself support. Turkey, however, will not be able for a long time to come to support the kind of military force it should have. Finally, Mr. Dillon believed that it was not wise to single out Turkey as the only country to which we applied a provision calling for consideration of the possibility of reducing force goals.

General Twining noted that SACEUR and the JCS kept Turkish force requirements under constant scrutiny. Turkey had been making a great effort to achieve NATO-approved force goals and had been making considerable progress in that direction. General Twining was anxious to see Turkey reach the NATO force goals if Turkey could absorb sufficient assistance to enable her to do so. Secretary Dillon said he had been assuming that a training program would enable Turkish forces to learn how to handle the new equipment they would receive.

The President asked what Turkey thought about its force goals. Did Turkey want to continue building its forces up regardless of the situation? General Twining replied that the new government was not interested in building Turkish forces to unrealistic levels. Secretary Dillon said that Turkey wanted a smaller, harder-hitting force. Turkey has informed General Norstad that it will not be able to meet the NATO-approved force goals and that the latter must be revised. Mr. Dillon added that State objected to Paragraph 42 because of its emphasis on Turkish ability to absorb and support the military program without any mention of requirements.

Mr. Scribner said he believed the increases in assistance to Turkey envisaged in the five year military assistance plan were unrealistic. Secretary Gates pointed out that these increases simply brought Turkish assistance back to the level at which it had previously existed. Mr. Scribner said he believed U.S. assistance to Turkey over the last ten years had averaged about \$250 million a year. Secretary Gates pointed out again that Paragraph 44-a-(6) would seem to solve the problem since it referred to "reducing or eliminating non-essential military elements". Mr. Scribner thought it would be unwise to establish force goals which would not be attainable either because of Turkish inability to absorb the requisite assistance or because of our inability to provide enough economic assistance in support of military assistance.

The President thought that in revising Turkish force goals, it would be necessary to consider Turkish economic capacity as well as the amount of assistance which nations other than ourselves could contribute to Turkey. Secretary Dillon said Paragraph 42 would not be objectionable to him if it read as follows: "In reviewing NATO-approved force goals for Turkey, consider the possibility of a reduction in those goals in relation to Turkish ability to absorb and the overall ability of the NATO alliance to support the military program." There was no objection to the revision suggested by Mr. Dillon.

Secretary Dillon said he wished to bring out two more points. First, the State Department's latest information was that a recent CNU meeting had postponed the elections in Turkey until October 1961. Second, the Development Loan Fund was making progress on the project for building in Turkey a new steel mill which would produce 360,000 tons of steel a year. This steel mill would be a joint enterprise with DLF, U.S. private interests, the Turkish Government, Turkish private interests, and French private interests all putting up a share of the money. Chase Manhattan Bank and the U.S. steel companies were cooperating. Mr. Dillon believed the steel mill project was very significant for Turkey.

*The National Security Council:*³

a. Discussed the draft statement of policy on the subject contained in NSC 6015; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of September 27, 1960.

b. Adopted the statement of policy in NSC 6015, subject to the following amendment:

Page 17, paragraph 42: Delete the brackets and the footnote thereto, and revise to read as follows:

"42. In reviewing NATO-approved force goals for Turkey, consider the possibility of revision in those goals in relation to NATO requirements, as well as to Turkey's ability to absorb and the overall ability of the NATO Alliance to support the military program."

Note: NSC 6015, as amended by the action in b above, subsequently approved by the President; circulated as NSC 6015/1 for implementation by all appropriate Executive departments and agencies of the U.S. Government; and referred to the OCB as the coordinating agency.⁴

[Here follow the remaining agenda items.]

Marion W. Boggs

³ Paragraphs a-b and the Note that follows constitute NSC Action No. 2311. (S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Actions by the National Security Council)

⁴ NSC 6015/1 is printed as Document 379.

379. National Security Council Report

NSC 6015/1

Washington, October 5, 1960.

STATEMENT OF U.S. POLICY TOWARD TURKEY¹

General Considerations

1. Turkey is of great importance in the U. S. effort to build a position of strength in the Middle East. Throughout modern history the Turks have had an unwavering desire to be accepted by Western Europe (and more lately the United States) as a member of the Western community. Strategically located astride the Bosphorus–Dardanelles water passage from the Black Sea to the Mediterranean, Turkey has contiguous land frontiers with the Union of Soviet Socialist Republics and Bulgaria, and historically has been at odds with Russia. Since World War II, concern over Soviet pressure on the area has caused Turkey to maintain a staunch pro-Western, anti-Soviet foreign policy.

2. Turkey has maintained armed forces designed to cope with direct Soviet attack as a part of a concerted allied defense and has granted extensive use of military facilities to the United States. Air facilities in Turkey extend U. S. capabilities to mount effective air strikes in the event of hostilities with the USSR. Turkey is a link in the chain of U. S. military global communications. The United States has also been granted the use of naval facilities. Turkey freely granted the use of facilities at the Incirlik Air Base at Adana in 1958 for staging troops to Lebanon. In addition, the headquarters of the NATO Commander Allied Land Forces Southeast Europe and of the Sixth Allied Tactical Air Force are located at Izmir.

3. Turkey, since the end of World War I, has been experiencing an extensive social, economic and political revolution. Government leaders have sought to create a modern state, replacing Turkey's traditional economic and social systems with Western practices. Single-party rule existed from 1924 to 1946, when Turkey inaugurated a multi-party system. In 1950, the administration changed hands peacefully following the victory of the Democrat Party (DP) over the incumbent Republican Peoples Party (RPP) of Ismet Inonu. The trend toward the development of democratic institutions and practices was halted in recent years, how-

Source: Department of State, S/S–NSC Files: Lot 63 D 351, NSC 6015. Secret. A title page, a 1962 memorandum of rescission, a covering memorandum, and a financial appendix are not printed.

¹ The current situation in Turkey is dealt with in considerable detail in this paper due to the recent political upheaval there. [Footnote in the source text.]

ever, as Prime Minister Menderes increasingly suppressed opposition elements, especially the RPP. Growing indications that Menderes was preparing to use the army and the security forces to crush his opponents led a group of military officers, despite aloofness of the military from politics since the time of Ataturk, to carry out the May 1960 coup.

4. A major question confronting U. S. policy is whether the new regime will continue to cooperate closely with the United States and NATO. The provisional government of Turkey (PGOT) is likely to continue its fundamental cooperation with the United States but is likely to be more independent than the previous government in assessing its own interests. It announced that it would honor Turkey's international obligations, specifically naming NATO and CENTO, and stated that it would relinquish power as soon as it could prepare the way for the election of a civilian government. The extent to which the military government lives up to these commitments will influence the U. S. policies required to obtain our objectives in Turkey. General Cemal Gursel has reaffirmed that substantive changes in foreign policy are not planned. In general, this seems to have been the case although there is evidence to indicate some differences in emphasis. There has so far, however, been no apparent change in Turkish tactics or purposes in the NATO councils nor, for that matter, in its participation in the UN and in CENTO.

5. Their centuries of experience under the Capitulations² have caused the Turkish people to be especially sensitive to any inference that foreigners in Turkey enjoy privileged status. In consequence, in connection with our efforts to cooperate with Turkey, special attention has been devoted by all U. S. agencies to the development and strengthening of programs designed to promote conduct and attitudes among U. S. personnel conducive to good will and mutual understanding. It may be noted that the present military leaders may well prove more independent and less readily amenable to U. S. influence on issues related to the American presence in Turkey. They may be less inclined toward informal agreements and they may look more closely at U. S. use of Turkish military facilities.

6. The coup was organized by a group of middle-level officers who enlisted the aid of a number of high-ranking officers. The Committee of National Union (CNU), as the officers who seized power called themselves, has amended the Constitution of 1924 to legalize itself and has assumed the powers of the former Grand National Assembly (GNA). The CNU is clearly the locus of power in the Provisional Government of Turkey. An initial cabinet, composed largely of able civilian

² These extraterritorial privileges exempted foreigners from taxes and enabled them to trade freely, practice their religion, and live by their national laws without regard to the central Ottoman authority.

technicians, was formed the day after the coup. Political activities have been banned for the present. Leaders of the former regime are in custody and are to be tried.

7. On its assumption of power, the CNU invited a group of prominent law professors to write a new constitution and a new electoral law. At the same time, the CNU, which has emphasized its non-partisanship in domestic politics, declared its intention to hold national elections as soon as possible and to restore civil government. It now appears that these elections will not be held before the spring of 1961 at the earliest, not only because of the time required to draft and promulgate the new constitution and electoral law but also because of the increasing emphasis the regime places on its role in reforming Turkey's military, economic and political institutions. There are also growing indications that the CNU realizes that the trials of the former government leaders must be completed prior to the holding of national elections.

8. While the military leaders apparently are sincere in their desire to restore civilian government, and seem clearly to want to prevent one-party rule, which might well be the result of an early election in view of the strength of the RPP and the near-disintegration of the DP, the CNU itself apparently has not fully decided on its future political role. It is, however, likely to attempt to encourage the growth of one or more lesser parties, and may even start a new political movement. Should the members of the CNU seek to perpetuate their power indefinitely by non-democratic means, widespread political instability could result because of the strong desire of the Turkish middle classes for representative political institutions. It is in the over-all U. S. interest for Turkey to have a form of government responsive to the will of the people as soon as practicable.

9. Since the coup, the USSR has sought to exploit the situation. Immediately following the coup, the Soviet Union made renewed offers of extensive economic assistance to help the provisional government strengthen Turkey's weak economic position. Offers of a high-level exchange of visits were also made. To date the PGOT has not accepted these offers. It may accept limited Soviet economic aid.

10. Turkey has retained a position of influence among the non-Arab states in the Middle East. It has taken a leading role in the activities of CENTO, and has repeatedly urged the United States to adhere to the organization. It has also urged the United States to give greater military and economic support to CENTO members, at the same time attempting to impress on Iran and Pakistan the limitations on U. S. assistance in view of our world-wide responsibilities. Turkey, in collaboration with the United States, has used its historical position of influence in Afghanistan to urge the Afghans to settle their quarrels with Pakistan and

to exercise caution in their dealings with the USSR. Turkey's relations with Israel have remained correct.

11. Turkey, along with Greece and Yugoslavia, is a member of the Balkan Pact. The military government has privately restated Turkey's belief that the maintenance of the Pact, even in its present dormant status, is in the interests of the Free World and does not favor any action by either Greece or Turkey which might lead to Tito's denunciation of the Pact. Turkey is also influenced by its desire to maintain a toehold in the Balkans.

12. Turkey's general attitude toward North Africa and the Middle East is influenced by the Ottoman Empire's historical position in these areas. While the Turks argue that Nasser is too closely aligned with the USSR and insist that any increase in Nasser's influence in the Middle East would increase Soviet influence in the area, there can be little doubt that behind their attitude lies the fact that the Turks have historically believed that a strong Pan-Arab state would be an intolerable threat to their southern flank. Turkey shares the U. S. position of favoring an Iraq free of domination from any quarter and has, therefore, been active in attempting to strengthen Iraq's will to resist Soviet and UAR threats and blandishments. The new Turkish regime apparently hopes to improve its relations somewhat with the Arab states, probably by attempting to keep more aloof from inter-Arab quarrels, but no basic change in Turkish policy toward the Arabs is likely. Turkey has been a cooperative and useful member of the Palestine Conciliation Commission (PCC), although the provisional government, ostensibly in accordance with its hope of improving its relations with the Arab states, has hesitated at this time to send a Turkish representative on a PCC mission to the Arab capitals.

13. Following the Cyprus agreements, Greco-Turkish relations have steadily improved and the two countries are cooperating in such areas as their approach to the EEC (European Economic Community). Nonetheless, historical disputes and suspicions remain between the two countries and can be expected to be a restraining influence on the improvement of their relations. The new government, like its predecessor, continues to support the London-Zurich Agreements as the best resolution of the Cyprus issue. Under the treaty structure created by those agreements, Turkey is a guarantor of the independence of the island together with Greece and the United Kingdom and maintains a token contingent on Cyprus as does Greece.

14. Despite serious problems, Turkey has made considerable progress in developing its economy over the past decade. Between 1950 and 1958 industrial production doubled and agricultural output increased by at least 60 percent. Although Gross National Product (in terms of constant prices) expanded at a very high rate during 1950-1953, since then

the rate has been significantly lower. This growth in output has made possible some increases in Turkey's relatively low living standards, even though the population growth has been nearly 3 percent per year.

15. However, a combination of financial mismanagement, an attempt to carry out over-extended and badly organized investment, and the maintenance of a heavy military establishment kept the economy under strain which became particularly severe in the years 1955–1958. The development of a crisis in 1958 forced the adoption of a comprehensive economic stabilization program undertaken by the Turkish Government with aid provided by OEEC³ nations, the EPU (the European Payments Union), the IMF (International Monetary Fund), and the United States. Although the Menderes Government tended to regard stabilization primarily as a series of austerity measures which were often annoyingly incompatible with its own politically-motivated free-spending plans, its performance in implementing stabilization measures from 1958 until the end of 1959 was satisfactory in many respects. The principal shortcomings in the Menderes Government's performance stemmed from its continuing failure to recognize the significance of, and pressing need for, coordinated investment planning as well as its relaxation of budgetary discipline early in 1960.

16. The Menderes Government's economic policies contributed to a decline in the confidence of creditors in the wisdom of new loans to Turkey. During the later years of the Menderes regime, the IBRD's concern over the Government's economic and financial policies and over Turkey's prospects led to sharp differences between IBRD and Turkish officials.

17. On the basis of its actions thus far, the provisional government is showing a much more promising approach to Turkey's economic problems and is taking advantage of U. S. and Western European advisers. Plans have been announced for sharply curtailing government spending, and pressures for the higher agricultural subsidies, which Menderes had planned, have been resisted. Steps have been taken to establish a government planning mechanism and to formulate an integrated development program. The government has agreed to work out a new stabilization program with OEEC and IMF in the fall of 1960.

18. The change in government presents the United States and the OEEC countries with an opportunity to encourage and assist the Turkish Government to make organizational changes, particularly in the investment planning field, which can make an important contribution to the solution of Turkey's economic problems. The emphasis which the present military regime is placing on fiscal responsibility and on the

³ Organization for European Cooperation. [Footnote in the source text.]

proper planning of investment decisions and resources allocation should, if implemented by appropriate measures and continued by successor regimes, create a new climate and help to restore the confidence of investors in the prospects for future investment in Turkey. This climate would be further improved if these policies are continued and parliamentary government is resumed. This emphasis may also help to enable Turkey to satisfy Free World financial institutions, particularly the IBRD, that it meets their normal criteria. Resumption of IBRD longterm development loans to Turkey should in turn further enhance the confidence of other investors, both public and private.

19. Improvement in the economic climate in Turkey will also strengthen Turkey's case for association with the EEC.⁴ Successful association of Turkey with the EEC would be in the U. S. interest since Turkey's trading position would be strengthened, thereby lessening the danger of Turkey's ever becoming excessively reliant upon Soviet Bloc markets for disposing of its exports. Furthermore, association would probably lead to additional development funds for Turkey and generally to the acceptance by the EEC countries of greater responsibility for Turkey's economic and political fortunes.

20. Turkey continues to depend for its foreign exchange earnings largely on exports of agricultural commodities which are subject to variation owing to the weather and world market conditions, and there is a heavy structure of external debt to be financed. Moreover, the pace of Turkey's progress is limited by such basic obstacles to growth as the shortage of technical and administrative skills, the general level of education and long-established customs involving inefficient production techniques. Nevertheless, the economy does have resources which can be developed, and as progress toward stabilization continues, the government will have increasing opportunities to direct its attention more fully to the balanced development of these resources. Over the coming years, maintenance of an acceptable pace in economic development which preserves reasonable price stability should enable Turkey to make available more of its own resources for economic development and military expenditures, to obtain and productively utilize capital from private and international lending sources, and to reduce its dependence on foreign assistance, although an economy capable of generating the real and financial resources needed for the maintenance of present military forces and a sound development program without external assistance is not likely to be attained in the foreseeable future.

⁴ Turkey applied for associate membership in the Common Market on October 31, 1959.

21. In order to promote balanced continuing growth, current conditions require a vigorous re-emphasis on the maintenance of price stability. On this basis economic growth would expand the resources base for the national budget and provide additional funds for defense. The Turkish Government can and should endeavor to improve the efficiency of state enterprises and to increase its revenues through suitable taxation measures, particularly by taxing the agricultural sector. In the Turkish development program, further industrial expansion would be desirable since Turkish agriculture cannot continue indefinitely to absorb more people and alternative employment opportunities must be created. In addition, selective development of industry capable of supplying some military as well as civilian needs may be desirable.

22. The PGOT has removed the former repressive measures against Turkish trade unions and permitted Turk-Is (The Turkish Federation of Labor) to affiliate with the International Confederation of Free Trade Unions (ICFTU). The PGOT is currently preparing legislation on labor-management relations which is understood to include collective bargaining, the right to strike, a "fair wage" policy, and a social security system. It thus seems possible that labor will have a more influential role in Turkish political, economic, and social affairs than in the past.

23. The United States furnishes the Turkish Armed Forces included in Military Assistance Program objectives with virtually all of the military supplies and equipment which are not domestically produced. Therefore, the GOT incurs no or very little foreign exchange expenditure for its defense establishment. The GOT has, however, during the past few years tended to rely increasingly on the counterpart of U. S. aid to provide local currency support for the defense budget while devoting more of its own budgetary resources to economic and other items of expenditure. However, the United States considers that the local currency costs of the defense program should be viewed primarily as the responsibility of the GOT.

24. The Turkish Government has committed Turkish ground and air forces to NATO wartime tactical command, and its naval forces under national command are assigned NATO missions in time of war. The NATO-recommended force goals⁵ and U. S. strategic force objectives⁶ are designed primarily to defend Turkey so as to maintain its integrity in concert with NATO and CENTO. Forces capable of achieving the above missions should also be capable of providing some support to

⁵ Since 1957 the NATO-approved force levels for Turkey have been reduced by 4 Divisions and 17 Ships. Negotiations in connection with the approval of MC-70 resulted in this reduction. [Footnote in the source text.]

⁶ Determined by the JCS and approved by the Secretary of Defense. [Footnote in the source text.]

Iran. Turkey also maintains additional Army and Navy forces which are not encompassed within U. S. or NATO-approved force goals, although it is possible that a reorganization of the armed forces which is contemplated by Turkey may substantially reduce these forces.

25. Turkish Armed Forces are deeply patriotic, well-disciplined and physically tough. Although the effectiveness of the Turkish defense establishment has been greatly improved as a result of the U. S. Military Aid Program, much remains to be accomplished before the Turkish Armed Forces will be capable of fully carrying out U. S. or NATO-approved missions. Further, they are now entering a transitional phase during which the emphasis will switch from less sophisticated to more advanced weapons. Since the Armed Forces lack educated and technically-trained manpower, this change will place considerable strain on Turkey's manpower resources. Accordingly, the U. S. Military Assistance Program has, and will continue to, put a great deal of emphasis on technical training while restricting the deliveries of military equipment to a level and a rate which the Turks are judged capable of absorbing. Turkey's limited absorptive capacity, and the necessity to relate deliveries to this capacity, will retard progress toward meeting NATO-approved force goals.

26. The Five-Year (FY 1962-1966) MAP for Turkey, which has been developed as a basis for planning, projects a shortfall (costed at approximately \$140 million) against NATO-approved force goals as of the 1963 target date of two Lacrosse, one Redstone and two Corporal/Sergeant battalions and eight destroyer/escort vessels. Measured against U. S. strategic force objectives, the shortfall during the 1962-1966 period (costed at approximately \$225 million) will consist of two Lacrosse, two Sergeant, four Little John (or substitute) and one Redstone battalion; four patrol vessels, 14 minesweepers, four torpedo boats, two tactical fighter squadrons and a SAM substitute for a BOMARC squadron. These shortfalls represent those portions of the prescribed force goals which cannot be effectively supported by the Turkish Armed Forces due to manpower, technical and financial limitations.

27. There are, however, certain measures which, if taken by the GOT, would contribute to an amelioration of the manpower problem. One such course, which requires legislative enactment, would terminate the long-standing regulation precluding the induction of high school graduates into the Armed Forces at lower than commissioned officer rank. Another measure would be to lengthen the period of service for conscripts by an amount of time at least sufficient to compensate for the amount of time spent in literacy training. A third would involve the reduction or the elimination of units which are not included in U. S. or NATO-approved goals, thereby making personnel available for higher priority needs. However, real relief from the shortage of trained man-

power will come only gradually and as a result of fundamental improvements in Turkey's educational system. The military regime is restudying the utilization of manpower by the Armed Forces. Its first decision affected the officer corps. The government recently has retired a large proportion of general and field grade officers of the Armed Forces prior to their normal date of retirement. The PGOT states, and the United States also considers, that such action will result in an increase in the operational capability of the Turkish Armed Forces.

Objectives

28. Continuance of Turkey's independence, territorial integrity, identification with the Free World, and will and ability to resist Communist invasion or subversion.

29. Continued Turkish cooperation in NATO and CENTO, including continued access to military facilities required by the United States and its allies.

30. Continued maintenance of Turkish Armed Forces capable of contributing to the maintenance of Turkey's territorial integrity in support of U. S., NATO and CENTO agreements and plans, and of maintaining internal security against subversion by Communist or other elements hostile to U. S. interests.

31. Achievement of a stable, democratic government representing the will of the people.

32. Vigorous economic growth within the framework of reasonable price stability which will permit the achievement of the above objectives for Turkey and will reduce, and eventually eliminate, Turkey's need for external economic assistance.

Major Policy Guidance

General

33. Continue to encourage Turkish recognition of the fact that the United States regards the security of Turkey as an important part of the security of the Atlantic Community and intends to continue the development of an increasingly effective defense posture with Turkey within the available resources of the two countries.

34. Administer U. S. assistance and support in developing the long-term economic and military strength of Turkey so as to help Turkey assure its independence and counteract Communist attempts at penetration and subversion.

35. Urge the Turks to grant to the United States and its allies continued access to Turkish military and other facilities important to the Free World.

36. Encourage the holding of free elections and continuance in Turkey of a democratic form of government, impressing upon the Turks, wherever appropriate, the advantages of individual freedoms and democratic institutions and practices and the fact that these are desirable internally as well as in the interest of Turkey's international influence and prestige.

37. Avoid over-identification with any political faction and involvement in Turkey's internal politics, and so conduct our relations that we are able to do business not only with the administration in power but also with any successor government.

38. Encourage continued control over Communist elements in Turkey.

39. Continue to regard community relations as a particularly delicate aspect of our activities in Turkey.

40. Encourage the Turkish Government to improve Turkey's educational system, with particular attention to the educational program of the Turkish Armed Forces.

Military

41. Continue military assistance consonant with Turkish capabilities to absorb and support the military program, recognizing that this limitation may not permit meeting NATO-approved goals.

42. In reviewing NATO-approved force goals for Turkey, consider the possibility of revision in those goals in relation to NATO requirements, as well as to Turkey's ability to absorb and the over-all ability of the NATO Alliance to support the military program.

43. Continue as necessary to press the Turkish Government to adopt those legislative and administrative changes needed to improve the efficiency and composition of the Turkish Armed Forces.

Economic

44. Promote orderly economic development in Turkey, aimed at building a stable economic base on which Turkey can pursue its further growth, maintain strong military forces, and reduce its dependence on grant foreign assistance.

a. Encourage Turkey to further its own economic development by:

(1) More effectively stabilizing its economy through pursuit of firm budgetary, monetary and credit policies.

(2) Improving the efficiency of state enterprises.

(3) Increasing revenues through appropriate tax measures, particularly taxation of agriculture.

(4) Developing a rational and coordinated investment program to utilize more effectively the resources available for development.

(5) Creating an improved political and economic climate to restore the confidence in Turkey's economic prospects of foreign private inves-

tors, governments, and Free World financial institutions, and particularly the IBRD.

(6) Reducing or eliminating non-essential military elements.

b. Continue U. S. technical assistance programs, with particular emphasis on assisting Turkey to strengthen its investment planning mechanism, and to develop an over-all manpower program to meet its needs.

c. Encourage efforts by Free World financial institutions to bring about desirable economic and financial reforms, and support credits to Turkey by these institutions where consistent with relevant U. S. policies covering loans by these institutions.

d. Encourage the industrial countries of Western Europe to take maximum responsibility for promoting Turkey's economic stabilization and development, urging these nations to provide a large share of financial assistance, and consulting and cooperating closely with them as appropriate.

e. Be prepared to provide U. S. loans consistent with relevant loan policies.

f. Encourage and support the GOT's efforts to strengthen Turkey's economic ties with the Free World, including association with the EEC in an arrangement which would be compatible with U. S. national trade policy and interests.

45. In the implementation of U. S. aid programs: (a) encourage the expansion of Turkey's industrial establishment with suitable emphasis on those industries capable of supplying both the military and civilian sectors of the economy; (b) encourage the GOT to facilitate the development of the private sector of industry; and (c) encourage and support Turkish efforts to increase agricultural output.

46. Be prepared to negotiate surplus agricultural commodity sales under P. L. 480 as an aid in accomplishing U. S. objectives in Turkey.

47. Continue to provide defense support to sustain political stability, to promote economic development and to help maintain military forces to meet the objectives in paragraph 30. While continuing when necessary to utilize a portion of the Turkish currency generated by this assistance to support the Turkish defense budget, continue to regard the local currency costs of the Turkish defense program as primarily the responsibility of the GOT.

48. While bearing in mind Turkey's need to maintain its investment outlays at a satisfactory level, encourage the GOT to accept an increase in the proportionate share of its contributions to the Turkish defense program.

49. Urge Turkey to continue to deny or limit exports of strategic commodities to the Sino-Soviet Bloc in accordance with U. S. economic

defense policy, and discourage Turkey from (a) accepting Sino-Soviet Bloc aid in certain particularly sensitive fields of a kind or on terms which would be damaging to their security, and (b) engaging in trade with the Sino-Soviet Bloc at levels sufficient to create undue economic dependence on the Bloc, or on terms or under conditions seriously prejudicial to U. S. interest.

50. Encourage as appropriate mutual exchanges of American and Turkish government and trade union officials and others in the labor field. Continue to provide technical assistance and advice in the labor field in ICA programs, urging the GOT as appropriate to initiate suitable labor legislation, bearing in mind that U. S. or Western European legislation is not necessarily appropriate to the Turkish situation. Encourage the participation of Turkish trade unions in the International Confederation of Free Trade Unions (ICFTU) and the various international trade secretariats (ITS's), not only for the technical aid this will bring to them, but also to provide an additional firm friend of U. S. labor in those organizations.

Turkish Relations with the Free World

51. Continue to demonstrate an awareness of Turkey's contribution to Free World defense, regarding the Turks as full sovereign partners in NATO and the UN, while recognizing that Turkey forms a connecting link between the NATO defense effort and CENTO and that it occupies a special position of influence with certain Middle East countries which it willingly uses to advance Western interests.

52. Encourage Turkey to assist in the maintenance of a pro-Western outlook on Cyprus as a means of preserving present Free World interests on the island by such actions as are set forth in U. S. Policy Toward Cyprus (NSC 6003).⁷

53. Encourage the continuance of Turkey's good relations with Greece, Israel and Iran, and improvement of relations with the Arab states, particularly those Arab states with which Turkey has traditional ties and a position of historical influence and with which it can serve as interpreter for the West.

⁷ Printed in Part 1, Document 347.

380. Telegram From the Embassy in France to the Department of State

Paris, October 31, 1960, 8 p.m.

1715. Eyes only for Secretary. Ankara eyes only for Ambassador. From Thurston. At end of conversation with Gursel reported Embtel 1714,¹ General Norstad on his own initiative raised question of current trials against former Government leaders.² He said he was going to presume on his friendly relationship with Gursel and that he was going to talk as one soldier to another, frankly, undiplomatically, and even bluntly. During his travels in the NATO world in the last six months, Norstad continued, he had been impressed by the fact that the eyes of the world were on Turkey. He had been impressed with the support and good wishes that all allies of Turkey were ready to give and with their disposition to help in every possible way as they followed the course of reforms and constitutional development on which the new regime was working. In the same family spirit the allies of Turkey were following the current trials. It is hope and prayer of all friends of Turkey and her NATO Allies that in this particular crisis Turkey will show "restraint, generosity and wisdom". Norstad concluded by asserting that what Turkey does now at the conclusion of these trials can advance the standing of Turkey as a nation in the family of nations "by at least a generation".

Gursel did not appear to be offended by the foregoing remarks. He commented simply that "we shall do our best" and that "we know you are our friends and have our interest at heart".

In later discussion with Sarper, latter told Norstad that he had not "lost any capital" by making this plea. Norstad told Sarper that he was not exaggerating the foreign reaction to the trials and also that this reaction was not merely based on personal feelings towards this or that member of the old government. Sarper reacted somewhat sharply, stating crimes had been committed against Turkish people and not against foreigners. Norstad replied that basic criterion should be what course of action will advance the cause of Turkey. Drawing upon his conversation of the day before with the King and Queen of Greece (but not mention-

Source: Department of State, S/S Eyes Only Microfilm, Eyes Only Telegrams To and From the Department of State. Top Secret. Repeated to Ankara.

¹ Telegram 1714, October 3, reported that Gursel had explained his government's educational reforms and had assured Norstad of Turkey's loyalty to its Western allies. (*Ibid.*, Central Files, 033.5182/10-3160)

² The trials of approximately 600 former ministers and leaders of the Democratic Party began on the island of Yassiada on October 14.

ing them), Norstad pointed out that though trials had led to revelations of anti-Greek activities of former Turkish Government, he had found in talking with Greeks that they nevertheless hoped that trials would not lead to extreme sentences.³

Houghton

³ The trials at Yassiada continued until September 15, 1961, when the court handed down 15 death sentences, 31 sentences of life imprisonment, and 418 lesser sentences. All of the death sentences were commuted except those of Menderes, Zorlu, and Polatkan. Zorlu and Polatkan were hanged on September 16, 1961; Menderes on September 17.

381. Telegram From the Embassy in Turkey to the Department of State

Ankara, November 5, 1960, 11 a.m.

686. Paris pass USRO Thurston. Rome for Rood. Farewell call¹ on General Gursel morning November 4 turned into very relaxed pleasant conversation in which Gursel tried to place before US Government his major domestic and international concerns. Foreign Minister Sarper only other person present. At outset Gursel said all appropriate things about my departure, wishing me happiness in retirement, et cetera, to which I was able to respond in proper fashion.

Gursel then launched into discussion of domestic scene stating that having staged revolution to achieve certain freedoms for Turkey CNU had found many internal problems and difficulties. He clearly implied that these were much greater than military leaders had imagined. He said CNU is doing everything it could to solve these problems and would continue to do what it could but meanwhile trusted that Turkey's friends and allies fully understand nature of these problems and sincere efforts being made to solve them.

Source: Department of State, Central Files, 782.00/11-560. Secret. Repeated to Amman, Athens, Baghdad, Beirut, Bonn, Cairo, Karachi, London, Tehran, Moscow, Istanbul, Izmir, Iskenderun, Paris, and Rome.

¹ On September 14 the White House announced the resignation of Warren, effective November 15.

Turning to international front, Gursel said his biggest problem concerned his largest and toughest neighbor to North. Turkey was not under direct attack but was subject to constant Soviet pressure. This pressure no longer took form of threats but constituted insistent offers and urgings to accept assistance. This approach included Soviet effort to persuade Turkey to foresake NATO and join bloc not aligned against USSR. Soviets insisted Turkey would be safer on this course.

Gursel then noted that Turkey had been placed in unique position both through geography and will of God. To North and East it faced powerful, tough nation with Black Sea coast virtually direct frontier. To south Turkey faced in Nasser another strong, tough leader cast somewhat in image of Khrushchev. He said Turkey was doing what it could with its Arab neighbors so they would not succumb to blandishments of Nasser. Turkey had to recognize that this threat existed and endeavor to minimize it by improving relations with Arab states. In this way Arabs might be led away from Nasser.

Again he emphasized that Turkey needed comprehension of friends and allies with respect to position in which Turkey found itself. He said he constantly tried to study and act on these international problems while at same time attempting to solve various domestic problems which had arisen as result of their accession to power as revolutionary government. I thanked Gursel for his frankness in discussing these issues with me but added that his remarks were no surprise to American Embassy. I said I thought his domestic problems were greater than those of previous administration and that we were sympathetic in his endeavors to solve them. On international front I understood Turkey's difficulties and could say in confidence that we had reported sympathetically almost precisely what he had outlined concerning Turkey's international position.

I went on to say that I did not foresee that change in US administration which would take place as result of elections next week would lead to any great change in US foreign policy. I felt that we might find more dynamism and more acute consideration of problems under whichever administration came to power but I did not predict any deviation from major lines of Eisenhower foreign policy.

Gursel then asked me to convey personally his warm greetings to President Eisenhower and Secretary Herter which I said I would take pleasure in doing. In turn I wished him personal good fortune, good luck in what he was trying to do and success for Turkish people.

Warren

Index

- Achilles, Theodore C., 879
Ad Hoc Interagency Committee, 64-67
Ada, Yassi, 871
Adair, Charles W., 261, 268
Adenauer, Konrad, 168, 198, 199, 202, 203, 238, 239, 258, 289, 397*n*, 407, 693, 824
Advisory Committee on Export Policy (ACEP), 167-168
Afghanistan, 692, 791, 822, 823, 890
AFL-CIO, 638-641
Africa, 730, 891
Agriculture, U.S. Department of, 254
Air Force, U.S., 857*n*
Aksal, General (Turkey), 839
Albania, 87
 Greece, relations with, 679-680, 704
 Soviet Union, relations with, 75, 87-94, 731-732
 dependence on, 93-95
 Khrushchev's visit, 86-88, 91, 95-96, 662
 U.S. and NATO missile bases in Greece, Italy, and Turkey, 95-96, 652
 U.S. policy, 71-81, 117, 119
 Yugoslavia, relations with, 398
Algeria, 413, 453-454, 693, 733, 882
Alican, Ekrem, 867
Allen, George V.:
 Finnish-U.S. relations, 549, 569
 Greek-U.S. relations, 702
 Polish-U.S. relations, 162, 220
 Soviet-U.S. relations, 29, 30-31, 41-45, 61
 Turkish-U.S. relations, 819
 Yugoslav-U.S. relations, 475
Amerika, 42, 164
Amory, Robert, 121, 848-849
Anderson, Robert B., 27, 228-229, 466
Ansiaux, Hubert-Jacques-Nicolas, 471
Areed, Phillip, 291-292
Argentina, 405, 443
Army, U.S., 857*n*
Artukovic, Andrija, 366-368
Ashford, Howard J., Jr., 759, 763
Ataturk, Mustafa K., 789
Atomic weapons. *See* Nuclear weapons
Augi (Greek newspaper), 690*n*
Australia, 728
Austria, 539*n*
 Turkey, relations with, 749
 Yugoslavia, relations with:
 escapees/refugees, 305-306, 330-331, 386-387
 exchange program, 465, 470, 472, 473
 war reparations, 362
Averoff-Tosizza, Evangelos, 605, 608, 664, 717
 prewar foreign bonds, 697-698, 699, 706, 725
 Germany, Federal Republic of-Greek relations, 735-736
 United Nations, 727-732
 U.S.-Greek relations:
 economic issues, 682-683, 694-695, 696
 Herter meeting, 675-680
 U.S. and NATO missile bases in Greece, Turkey, and Italy, 662, 666-667
Aytur, Memduh, 757
Baghdad Pact, 322, 347, 737, 740, 741, 777, 791, 798
Balkan Pact, 370-371, 455, 621, 891
Balkan region (*see also* Albania; Austria; Bulgaria; Hungary; Italy; Romania; Yugoslavia), 86-87, 397-398, 666-667
Bank for International Settlements (BIS), 467, 471, 472-473
Barinova, Galina, 69
Barnes, N. Spencer, 71-81
Baruch Plan, 244*n*
Batista, Fulgencio, 445
SS *Batory*, 170
Bayar, Celal:
 arrest of, 731*n*, 844, 876
 economic situation, 814
 Eisenhower, letter to, 747-750, 753*n*
 stabilization (economic) program, 756

- Bayar, Celal—Continued
Eisenhower, correspondence with, 747-750, 752-753
U.S.-Turkish relations:
Dulles, meeting with, 738-740
Eisenhower's visit to Turkey, 819, 820
- Beale, Wilson T.M., Jr., 138, 155*n*, 183, 187*n*, 228
Polish-U.S. relations:
agricultural issues, 230-231
economic issues, 146-148, 174-175, 176, 179, 180
replacement of, 275
Yugoslav-U.S. relations, 359-361
- Beam, Jacob D., 192
Polish political situation, 123-129, 153-155, 159-160, 288-290
Polish-U.S. relations, 186-187, 299
American property claims, 175-176, 178, 189, 207-208, 229, 261, 266
Gomulka's public statements, 156
most-favored-nation status, 294
Nixon's visit to Poland, 191, 219-221
OCB assessments, 226
Stevenson's visit to Poland, 134
Soviet-Polish relations, 122-123
- Belgium, 442, 471
- Bell, John O., 299*n*, 300, 799, 866
- Ben-Gurion, David, 729
- Benson, Ezra Taft, 101, 251-255, 273, 475
- Berding, Andrew H., 19
- Berger, Samuel D., 652, 657, 659-660, 662-667, 689, 698*n*, 718*n*
- Billingslea, Colonel, 793, 866
- Birgfeld, Clarence E., 605
- Bitsios, Dimitri, 689
- Black, Eugene R., 275, 403, 404
- Blessing, Karl, 462, 463, 467*n*, 469, 470, 472
- Bobrowski, Czeslaw, 172, 173
- Boggs, Marion W., 550, 727, 829, 887
- Bohlen, Charles E., 455
- Bolshakov, Georgi, 59
- Bowie, Robert, 866
- Bowles, Chester S., 391-396
- Brand, Vance, 715
- Brentano, Heinrich von, 202-203, 467*n*, 751
- Brewster, Robert C., 101*n*, 228*n*
- Briggs, Ellis O., 689, 718, 732
Greek political situation, 700-702, 707-708, 724-725
Greek-U.S. relations, 713
economic issues, 671-675, 680-683, 685-688, 696, 703, 704, 723-726
Greek position, 719-720
Joint U.S. Mission for Military Aid to Greece, 709-712
prewar foreign bonds, 697-698, 705-707, 714-715
tobacco, 716-717
U.S. and NATO missile bases in Greece, Turkey, and Italy, 669-671
- Brink (Sweden), 470
- Broderick, William D., 437
- Bronk, Detlev W., 11-12
- Brown, Emerson M., 138
- Brown, Irving, 640-641, 656, 657
- Bruner, Mirko, 308-309, 310-312, 364-365, 368-369
- Brunet, Jacques, 470
- Bulgaria, 95, 117, 119, 225*n*
Greece, relations with, 77, 79-80, 81, 637, 654, 659, 690, 704
Soviet Union, relations with, 77
U.S.-Bulgarian relations, 82-83, 97-98
U.S. Legation (Sofia) assessments, 99-100
Voutov's visit to U.S., 101-104
U.S. policy, 71-81
Yugoslavia, relations with, 76-77, 79-80, 81, 362
- Bureau of the Budget, U.S., 35*n*
- Burgess, Edward W., 262*n*
- Burgess, W. Randolph, 695, 746
- Burke, Adm. Arleigh A., 121, 548*n*
- Burma, 373
- Cabell, Gen. Charles P., 503-504, 805, 852
- Cahan (OEEC), 745
- Calhoun, John A., 732, 736, 868*n*
- Calligas, Stephen, 652
- Calvet, Pierre Louis, 470
- Canada, 225*n*, 305, 465
- Canellopoulos, Panayiotis, 689, 718-719
- Captive Nations Week Proclamation, 192-195, 209
- Carli, Guido, 469

- Cavalierato, Phedon, 601*n*, 611-612
- Celler, Emanuel, 714
- Central Intelligence Agency (CIA), 35*n*
 Finland, 488-491, 502-503, 583-585
 Poland, 108, 121
 Radio Free Europe, 107
 Turkey, 857*n*
 Yugoslavia, 428-429
- Central Treaty Organization (CENTO),
 816-817, 822, 825, 861, 889, 890, 894,
 899
- Ceylon, 373
- Chamoun, Camille, 338*n*, 343*n*
- Chervenkov, Vulko, 76
- Chiang Kai-shek, 394
- China, People's Republic of, 50-51, 116,
 143, 162, 259
 Albania, relations with, 87
 Finland, relations with, 489
 Greece, relations with, 645
 Soviet Union, relations with, 363,
 389-390, 393-394, 409-410, 431,
 459-460, 730
 Soviet-U.S. relations, 9-10
 Tito's assessments, 392-394
 U.N. membership, 449-450, 486,
 729-730
 U.S. policy, 435-436
 Yugoslavia, relations with, 322, 459
- Chterev, Kiril, 103
- Cliburn, Van, 12-13, 68-69, 70
- Colbert, James L., 141, 142, 146, 149*n*,
 155*n*, 174, 176
- Commerce, U.S. Department of, 249
- Comprehensive Economic Reporting
 Program (CERP), 592
- Conference of Allied and Communist
 experts on the prevention of
 surprise attack (1958), 143*n*, 225*n*
- Conference on the Discontinuance of
 Nuclear Weapons Tests (1958),
 143*n*
- Conger, Clement E., 101
- Congo, 452-453
- Congress, U.S.:
 Acts of:
 Agricultural Trade Development
 and Assistance Act, 1954 (P.L.
 480), 105, 114, 157, 166, 179,
 261, 267, 375*n*, 481
 Battle Act, 114, 162, 166, 167, 287,
 300, 481
- Congress, U.S.—Continued
 Acts of—Continued
 Export-Import Bank Act, 167
 Johnson Debt Default Act, 1934,
 114, 274-275
 Mutual Defense Assistance Control
 Act, *see* Battle Act *above*
 Mutual Security Act, 114, 166, 167,
 179, 300*n*, 331-334, 364, 565,
 607*n*
 Mutual Security and Related
 Agencies Appropriations Act,
 1961, 287, 300
 Supplemental Appropriation Act,
 1953, 352
 Trade Agreements Extension Act,
 1951, 157*n*, 273
 Captive Nations Week Proclamation,
 192, 209
 most-favored-nation status, 273
 Poland, economic aid to, 156-157
- Constantine, Prince of Greece, 724*n*
- Council for Mutual Economic
 Assistance (CEMA), 134, 173*n*, 406
- Council on Foreign Economic Policy
 (CFEP), 162
- Couve de Murville, Maurice, 467*n*
- Cowles, Leon L., 865
- Crnobrnja, Bogdan, 437, 444
- Croatia, 324
- Crusade in Europe*, 269
- Cuba, 279-280, 395, 433-434, 444-447
- Cumming, Hugh, Jr., 262-263
- Cushman, Gen. R.E., Jr., 19*n*
- Cutler, Gen. Robert, 106-109, 325, 614
- Cyprus, 338
- Cyprus dispute, 609
 Greek position, 655, 686
 London-Zurich agreements, 397, 676,
 891
 NIE on, 635, 785-786
 OCB assessments, 615, 616, 617,
 621-622, 643, 644-645, 646, 742,
 743, 769
 Turkish position, 792
 U.S. Embassy (Ankara) assessments,
 636, 637
 U.S. policy, 774
- Cyrankiewicz, Jozef, 137, 191, 192
 German reunification, 203, 204
 media issues, 197, 212, 213
 U.S.-Polish relations, 122*n*

- Czechoslovakia, 77, 117, 119, 123*n*,
225*n*, 253, 549, 645
- Czyzak, John J., 180, 187*n*, 266
- Dabney, Gen. John, 709, 712
- Damyanov, Lyuben, 97, 98
- Daskalov, T., 97
- Davis, Nathaniel, 41, 59
- Davis, Richard H., 268
- de Gaulle, Charles, 199, 244*n*, 454, 693
- Declaration on Disarmament, 1945,
225*n*
- Defense, U.S. Department of, 167-168,
788, 794, 818, 819, 894*n*
- Dembinski, Professor (Poland), 251
- Denmark, 188, 530, 536*n*, 539*n*, 599, 620
- Development Assistance Group, 442
- Development Loan Fund (DLF), 443
- Greece, 607, 675, 677, 682, 684, 722
- Poland, 167
- Turkey, 759*n*, 761-762, 826, 887
- Yugoslavia, 336, 361, 365-366, 375,
378, 403, 475, 684
- Dillon, C. Douglas, 138, 176, 221*n*, 661*n*,
733
- Finnish-U.S. relations, 503, 543, 549,
568-569, 587-589
- Greek-U.S. relations:
economic issues, 601-602, 650-652,
682*n*
- prewar foreign bonds, 698-699,
706-707, 715*n*
- U.S. and NATO missile bases in
Greece, Turkey, and Italy,
663-664, 668-669, 798-801
- Polish-U.S. relations, 135, 177, 180,
516-517
- American property claims, 189*n*,
231, 266
- GATT membership for Poland,
228-229
- Jarozewicz's U.S. visit, 271-275,
278
- most-favored-nation status, 291
- Nixon's visit to Poland, 191, 218
- surplus agricultural commodities,
285
- Soviet-U.S. relations, 29, 32-33, 101
- Turkish-U.S. relations, 360, 795-797,
809-810, 814, 815-816
- American community in Turkey,
801-803
- Dillon, C. Douglas—Continued
- Turkish-U.S. relations—Continued
- counterpart release program,
805-806, 809-810
- NSC assessments, 884-885
- stabilization (economic) program,
759-760, 763, 767
- U.S. and NATO missile bases in
Italy, Greece, and Turkey,
798-801
- U.S. military assistance, 843, 886,
887
- Yugoslav-U.S. relations, 360, 402-404
- foreign exchange system, 405
- local currency releases, 306-307
- monetary and trade reform
program, 430, 461-468
- Yugoslavia visit, 436, 475
- Algeria, 453-454
- China, People's Republic of,
449-451
- Congo rebellion, 452-453
- Cuba, 444-447
- economic issues, 437-444
- international issues, 448
- Disarmament (*see also* Nuclear
weapons), 62, 143*n*, 225*n*
- Balkan nuclear-free zone, proposed,
666-667
- Declaration on Disarmament, 1945,
225
- Rapacki Plan, 123, 127, 134, 144-145,
152, 169-170, 203, 243-244, 486
- Soviet interest in, 408-409, 454, 691,
820
- U.S. interest in, 20-21, 411, 431
- Yugoslav interest in, 322, 390
- Dobrosielski, Marian, 237, 245, 267, 277,
295*n*
- Dominican Republic, 280
- Douglas, James H., 866
- Dovas, General (Greece), 605
- Drndic, Ante, 366-368
- Dulles, Allen W., 121, 122*n*, 221*n*, 263*n*,
512, 702
- Eisenhower's visit to Greece, 695
- Greek political situation, 614
- Polish-U.S. relations, 107, 108
- Turkish political situation, 790, 832,
833, 843, 849

- Dulles, Allen W.—Continued
 U.S.-Soviet technical/scientific and cultural exchanges, 26, 29
- Dulles, John Foster, 157*n*, 323*n*, 549-550
 Finnish-U.S. relations, 517-518
 Greek political situation, 640-641
 Middle East crisis, 349
 Polish-U.S. relations, 107, 109
 Radio Free Europe, 214, 242
 Turkish-U.S. relations, 737-740, 744-745, 751, 797
 U.S.-Soviet technical/scientific and cultural exchanges, 1, 2, 5, 7*n*, 13*n*, 26
 Yugoslav-U.S. relations, 325
- East Germany. *See* German Democratic Republic
- East-West exchanges:
 East-West terminology, 54-55
 Poland-U.S. cultural and educational exchanges, 22-25
 propaganda imported into U.S., 64-67
 U.S.-Soviet technical/scientific and cultural exchanges, 33-36
 Agreement on Cooperation in Exchanges in the Fields of Science/Technology/Education and Culture for 1960-1961, 51-52
 Allen's (George) assessments, 30-31
 Camp David talks, 46-48
 China, Republic of, Ambassador, explanations to, 9-10
 Dillon's recommendations, 32-33
 Dulles' (John Foster) recommendations, 1, 2
 INR assessments, 50-51
 joint talks, 41-46, 59-62
 Lacy's summation, 10-13
 NSC assessments, 25-29
 problems anticipated by U.S., 7-8
 Science Advisory Committee's recommendations, 52-53
 U.S. Embassy (Moscow) assessments, 14-18
 U.S. Information Agency assessments, 55-59
 U.S. position, 2-6, 37-40
- East-West trade (*see also* European Free Trade Association; General Agreement on Tariffs and Trade; International Confederation of Free Trade Unions; U.S. trade relations with *under* Poland)
 Cuba, 279-280
 Finland, 557, 570
 Poland, 234, 248-251
 Yugoslavia, 430, 461-473, 477
- Eaton, Frederick, 431*n*
- Eccles, Sir David, 148
- Ecevit, Bulent, 839
- Economic Defense Advisory Committee (EDAC), 167-168
- Egypt, 338*n*, 347, 373, 737-738, 739, 769, 774
- Eisenhower, Dwight D., 40, 199, 397*n*, 474*n*, 564, 615*n*, 874
 Albanian-U.S. relations, 104
 Bonn visit, 243
 Captive Nations Week Proclamation, 192
 Greek-U.S. relations, 640, 659, 661, 720*n*
 visit, 688-694
 India visit, 392
 Japanese-U.S. relations, 724*n*
 Middle East crisis, 347*n*
 Polish-German relations, 162
 Polish-U.S. relations, 108, 109, 167
 Jaroszewicz's U.S. visit, 268-271, 278
 most-favored-nation status, 291, 302
 Nixon's visit to Poland, 217-218, 221*n*
- Public Works bill, 679
- Soviet-U.S. relations, 122, 663
 Khrushchev's U.S. visit, 205, 389*n*
 five-power U.N. resolution calling for summit, 728
 proposed visit, 59-60
 technical/scientific and cultural exchanges, 25-28, 35-36
- Turkish-U.S. relations:
 Bayar, correspondence with, 747-750, 752-753

- Eisenhower, Dwight D.—Continued
 Turkish-U.S. relations—Continued
 visit, 819-824
 force level figures, 828, 887
 Gursel, correspondence with, 850, 868
 Menderes U.S. visit, 816-817
 U.S. and NATO missiles in Greece, Turkey, and Italy, 659, 661, 663, 719ⁿ
 Voice of America broadcasting, 49
 Yugoslav-U.S. relations, 322, 325, 331-332, 333
 Tito U.S. visit, 454, 455-460
- Eisenhower, John S.D., 218-219, 455, 689, 694, 820-824
- Eisenhower, Milton S., 190, 191, 192, 197, 202, 211-212, 218, 219, 220, 221-223
- Elbrick, C. Burke, 135-138, 498, 499-500, 505
- Elliot, William, 190, 220
- Emminger (FRG), 469-470
- English, Benedict M., 187ⁿ
- Erdelhun, General (Turkey), 838, 844
- Esenbel, Melih, 737, 746, 791, 844
- Eskola, Kusti, 494
- Estes, Thomas S., 709, 712
- Ethiopia, 373
- European Free Trade Association (EFTA):
 Finland, 539-542, 544-545, 557-558, 570, 579, 583, 589-593, 595, 598, 600
 Greece, 606
 Organization for European Economic Cooperation, relations with, 821
- European Payments Union (EPU), 754, 759, 761
- European Regional Organization of the International Confederation of Free Trade Unions (ERO), 638
- Export-Import Bank, 443
 Finland, 481
 Turkey, 759ⁿ, 761, 826
 Yugoslavia, 336, 360-361, 377, 378, 382, 403-404, 440, 441, 684
- Face to Face With America*, 59
- Fagerholm, Karl-August, 494, 519-520
- Faisal II, King of Iraq, 343ⁿ
- Far East, 4, 6
- Farley, Philip J., 866
- Fenzi (Italy), 96
- Ferras, Gabriel, 468, 472
- Fessenden, Russell H., 866
- Feyzioglu, Turhan, 839
- Finland:
 China, People's Republic of, 489
 Communist Party:
 CIA assessments, 490, 584
 election gains, 486-487, 492-493, 501, 561
 OCB assessments, 508
 U.S. Embassy (Helsinki)
 assessments, 573-574
 economic situation:
 CIA assessments, 489, 502-503
 OCB assessments, 487-488, 509-510
 European Free Trade Association, 539-542, 544-545, 557-558, 570, 579, 583, 589-593, 595, 598, 600
 German Democratic Republic, relations with, 583
 Germany, Federal Republic of, relations with, 583
 political situation, 553-555
 Fagerholm government
 resignation, 520
 five-party coalition government, 494-495
 governing coalition,
 post-Fagerholm, 526
 OCB assessments, 484-488, 507-510, 537-538
 U.S. Embassy (Helsinki)
 assessments, 478-484, 500-501, 527-536
 Soviet Bloc, relations with, 485, 488-491
 Soviet Union, relations with, 504, 513-516, 523-525, 571-577
 British-U.S. talks, 546-547
 CIA assessments, 502, 583-585
 economic issues, 498, 499, 592-595
 European Free Trade Association, 540-542
 Fagerholm government
 resignation, 520
 Finnish position, 522-524
 5-year Finnish-Soviet trade agreement, 557
 Moscow economic agreements, 592-595
 OCB assessments, 537, 538, 580-581

- Finland—Continued
- Soviet Union, relations
 - with—Continued
 - U.S. Embassy (Helsinki)
 - assessments, 479-481, 482-483, 504, 515-516, 521-522, 531, 561-562, 571-577
 - U.S. policy, 513-514, 549, 590-592, 597-600
 - United States, relations with, 557-558
 - cultural exchange program, 533
 - U.S. Embassy (Helsinki)
 - assessments, 521-522, 586-587
 - U.S. economic relations with, 505-506, 516, 552-553
 - British-U.S. talks, 546-548
 - dollar loan request, 496-500
 - Finnish position, 518-519
 - investment loans, 483
 - OCB assessments, 579-580
 - standby assistance program, 543-545
 - surplus agricultural commodities, 500
 - U.S. Embassy (Helsinki)
 - assessments, 481-482, 495-496, 531-533
 - U.S. policy toward, 484, 510-511, 548-556, 552-555, 577-583, 587-592, 596-600
 - OCB Operations Plan, 577-585
 - Suggested Plan for Poland (U.S. Embassy Helsinki), 558-567
 - Flemming, Arthur S., 29, 101*n*
 - Folger, John C., 658
 - Foot, Sir Hugh, 617*n*
 - Ford Foundation programs, 24, 25, 35, 424
 - Foreign Bondholders Protective Council, 378, 602-603, 650, 665, 675*n*, 697, 705*n*, 723
 - France, 60, 335, 692
 - Algeria, 454
 - disarmament, 225*n*
 - German reunification, 202
 - Poland, relations with, 188, 208
 - Suez crisis, 200, 338*n*
 - underdeveloped countries, 62
 - U.S. military aid to, 614, 620
 - Yugoslavia, relations with, 339, 369, 413, 442, 470, 665
 - Frank, Isaiah, 138, 146, 149, 299*n*
 - Frederika, Queen of Greece, 610-611, 640, 689, 716-717, 900
 - Freers, Edward L., 19, 67-70, 82, 84*n*, 366-367
 - Gajewski, Stanislaw, 249
 - Galinski, Tadeusz, 23
 - Ganev, Dimitur, 97, 98
 - Gates, Thomas S., Jr., 35*n*, 46, 549, 550, 829, 885
 - Gazis, Nicholas, 602-603, 650, 674, 697, 699, 706, 724, 726
 - Gede, Tadeusz, 262
 - Gega, Madame, 74
 - Geijer (ICFTU), 642
 - General Agreement on Tariffs and Trade (GATT):
 - Finland, 579, 590-592, 600
 - Poland, 138-139, 141-142, 147-150, 168, 226, 228-229
 - Yugoslavia, 404
 - Georgakopolous, Constantine, 609
 - German reunification, 202, 203, 204, 412, 434
 - German Democratic Republic, 253, 395
 - Albania, relations with, 75
 - Finland, relations with, 583
 - Germany, Federal Republic of, relations with, 298
 - Poland, relations with, 206
 - Rapacki Plan, 123*n*
 - Soviet Union, relations with, 116, 246, 434*n*
 - Yugoslavia, relations with, 322, 335*n*, 466
 - Germany, Federal Republic of, 123*n*, 395
 - Finland, relations with, 583
 - German Democratic Republic, relations with, 298
 - Greece, relations with, 648, 735-736
 - Poland, relations with, *see* Germany, Federal Republic of *under* Poland
 - Radio Free Europe, 212, 241
 - rearmament, 143-144, 164, 242-243
 - Soviet Union, relations with, 407
 - Turkey, relations with, 748, 751, 755, 763, 765, 766, 816

- Germany, Federal Republic
of—Continued
Yugoslavia, relations with, 335, 435
monetary and trade reform
program, 463, 464, 465-466,
467, 468, 469-470
- Gleason, S. Everett, 28, 29, 110, 121
- Glenn, Edmund S., 192, 237, 245, 248*n*,
256, 268, 271, 277
- Glezos, Manlios, 690
- Glisic, Teodosije, 376, 377
- Glitman, Maynard, 763
- Golinski, Bishop Zdislaw, 137*n*
- Gomulka, Wladyslaw, 123-129, 163-164,
263, 276
ascent to power, 111, 115-116, 117
Berlin, 184
Hungarian revolution, 122
Nixon's visit to Poland, 191, 196-197,
217-219, 257
Captive Nations Week
Proclamation, 192-195
Germany, Federal Republic of,
198-204, 206
media issues, 210-214
U.S. economic assistance, 206-210
public speeches, 143, 151, 152*n*, 156,
516*n*
Soviet Union, relations with, 143,
150-152, 214-216, 284
U.S.-Polish relations, 158, 516*n*
contacts with U.S. officials, 183
economic issues, 282
NSC assessments, 106, 107, 110-113,
116, 117
OCB assessments, 232, 233
United Nations, 295-299
Western nations, relations with, 288
- Goodpaster, Andrew J., 813*n*, 868*n*,
869*n*
- Gosnjak, Ivan, 304
- Goustis, C., 605
- Grantham, Rear Adm. E.B., 709, 710
- Gray, Gordon, 32*n*
Finnish-U.S. relations, 512, 548-550
Polish-U.S. relations, 160-163
Turkish-U.S. relations, 818, 819, 828,
829, 832, 853, 884, 885
U.S.-Soviet technical/scientific and
cultural exchanges, 28-29, 30*n*,
35-36
Voice of America broadcasting, 49
- Greece, 75, 386, 387, 397, 455, 734, 891,
899
Albania, relations with, 679-680, 704
Balkan nuclear-free zone, proposed,
666-667
Bulgaria, relations with, 77, 79-80, 81,
637, 654, 659, 690, 704
China, People's Republic of, 645
Communist Party, 678
Eisenhower-Karamanlis meeting,
693
King Paul assessments, 708
NIE assessments, 634-635
NSC assessments, 695
OCB assessments, 613-614, 616,
622, 624, 646-647
Soviet attitude, 688
economic situation, 734
Greek position, 700-701
U.S. policy, 628-630, 721-722
Eisenhower's visit, 688-694
General Confederation of Labor
(GSEE), 638-639, 641-642, 656-658
Karamanlis' resumption of power,
613
labor disputes, 638-642, 656-658
North Atlantic Treaty Organization,
617-618, 623, 625, 635, 644, 646,
654, 655, 660, 686, 694-695, 718,
720, 735, 736
political situation (*see also*
Communist Party *above*), 724-725,
732-734
NIE assessments, 634-635
OCB assessments, 613-619, 643-649
U.S. Embassy (Athens)
assessments, 701-702
U.S. policy, 627-628
prewar foreign bonds, 602-603,
650-652, 664-665, 673-675,
697-699, 705-707, 714-715, 723-726
Queen Frederika's U.S. visit, 640
Soviet-Albanian relations, 92
Soviet Union, relations with, 686, 761
economic issues, 700-701
Greek position, 704
tobacco, 716-717
U.S. and NATO missile bases in
Italy, Greece, and Turkey, 659,
661, 662, 663, 666-667
U.S. position, 702, 719

- Greece—Continued
- Turkey, relations with (*see also* Cyprus dispute), 644, 655
 - United Nations, 727-732
 - United States, relations with, 623-624, 630-631, 735-736
 - Greek position, 719-720
 - Herter's visit to Greece, 718-719
 - OCB assessments, 644
 - Queen Frederika, 610-611
 - tobacco, 716-717
 - U.S. and NATO missile bases in Italy, Greece, Turkey, 86, 89, 94, 95-96, 658-659, 661-664, 668-671, 678, 694-695, 793-794, 798-801, 807-809, 811-814
 - U.S. economic relations with, 601, 677-679, 746, 751
 - deterioration of, 604
 - Eisenhower-Bayar correspondence, 747-750, 752-753
 - Eisenhower's visit to Greece, 690-692, 693-694
 - Greek position, 605-609, 632-633, 682-687
 - McGhee's visit to Greece, 652-654
 - 1960 level of aid, 696
 - OCB assessments, 647
 - surplus agricultural commodities, 619
 - U.S. Embassy (Athens)
 - assessments, 671-673, 680-681, 687-688
 - U.S. Embassy (Ankara)
 - assessments, 636-637
 - U.S. policy, 622-623, 625-626
 - U.S. military aid to, 605-606, 611-612, 614-615, 650
 - Eisenhower's visit to Greece, 693
 - Joint U.S. Mission for Military Aid to Greece, 704, 709-712
 - McGhee's visit to Greece, 654-655
 - OCB assessments, 618-620, 643-644, 648-649
 - U.S. Embassy (Greece)
 - assessments, 659-660
 - U.S. Embassy (Turkey)
 - assessments, 637
 - U.S. policy, 623, 628, 721-722
 - U.S. policy toward, 620-631, 721-722, 726-727
 - OCB Operations Plans, 620-631, 649, 665, 697
 - Greek General Confederation of Labor (GSEE), 638-639, 641-642, 656-658
 - Greene, Joseph N., Jr., 7*n*
 - Greene, Nathaniel, Jr., 362
 - Grivas, George, 676
 - Gromyko, Andrei, 40, 46-48
 - Gronchi, Giovanni, 824
 - Grotewohl, Otto, 87
 - Gucwa (Poland), 251
 - Gulek, Kasim, 838, 842
 - Gursel, Cemal, 731, 844, 845, 849, 883
 - armed forces retirement plan, 854-857
 - Eisenhower, correspondence with, 850, 868
 - elections, 871-872, 880
 - execution of former government leaders, 900
 - Soviet-Turkish relations, 882
 - SNIE on, 858
 - U.S. economic assistance, 874
 - U.S. Embassy (Ankara) assessments, 869
 - U.S.-Turkish relations, 845-848, 862-864, 901-902
 - Hagerty, James C., 291, 292
 - Haiti, 280
 - Hall, Carlos C., 637
 - Halsema, James L., 41
 - Hanes, John W., 305
 - Hare, Raymond G., 832-833
 - Harr, Karl G., Jr., 227, 512, 614, 726, 786, 818, 828, 851, 852
 - Hart, Parker T., 709, 710, 716*n*, 834
 - Harvey, Mose L., 518-519, 527-536
 - Haynes, Col. Dallas, 614, 709
 - Haynes, Col. Fred, 854
 - Heads of Government meeting (1960), 60-62, 63
 - Health, Education and Welfare, U.S. Department of, 12, 13, 29
 - Heath, Donald R., 73*n*, 77, 82, 99*n*
 - Heller, Rudolf, 84*n*
 - Helmer, Oskar, 305
 - Helmis, Demetrios, 605, 606
 - Henderson, Loy W., 569, 835
 - Herter, Christian A., 46-47, 53*n*, 55*n*, 262*n*, 804, 816, 834*n*, 868, 869*n*
 - Albanian-Soviet relations, 96
 - Balkan Pact, 370-371
 - Bulgarian-U.S. relations, 82-85, 104

- Herter, Christian A—Continued
Finnish-U.S. relations, 590-592
 economic issues, 511-512
 European Free Trade Association
 membership, 570
 Torngren, meeting with, 557
 U.S. policy, 549, 550
Greek political situation, 613, 676-677
Greek-U.S. relations:
 Albania, 679-680
 economic issues, 677-679, 721-722
 U.S. and NATO missile bases in
 Italy, Greece, and Turkey, 663*n*
 OCB assessments, 615
 United Nations, 727-732
 visit to Greece, 718-719
Polish-U.S. relations:
 American property claims, 266
 Gomulka's public speeches,
 150-152
 Jaroszewicz's U.S. visit, 277-280
 most-favored-nation status, 293-295
 Ochab, meeting with, 245-248
 Rapacki, meeting with, 240-244
Turkish-U.S. relations:
 stabilization (economic) program,
 757-758
 U.S. and NATO missile bases in
 Italy, Greece, and Turkey,
 812-814
United Nations, 295-299, 879-883
Voice of America broadcasting, 49
Yugoslav-U.S. relations, 407, 429-431
 economic issues, 362, 406
 international relations, 388-391
 Middle East crisis, 342-345
 Tito's U.N. appearance, 457
 U.S. assistance and Mutual Security
 Act provisions, 333-334
 U.S. military assistance program,
 termination of, 310-311
- Hetemaki, Paivio, 494
Heuss, Theodore, 749, 751
Hickerson, John D.
 Finnish political situation:
 European Free Trade Association,
 539-542
 five-party coalition government,
 494-495
 Finnish-U.S. relations, 504, 521-522
 British-U.S. talks, 546-548
 Communist election gains, 492-493
 Hickerson, John D.—Continued
 Finnish-U.S. relations—Continued
 economic issues, 495-496, 515-516,
 519-520, 544-545, 550
 U.S. Embassy (Helsinki)
 assessments, 478-484, 500-501
 Soviet-Finnish relations, 522-525
 Hilbert, G.E., 483*n*
 Hill, Robert B., 334, 386-387
 Hiltunen, Onni, 494
 Hoctor, Thomas F., 82*n*, 83*n*
 Hofmokl, Franciszek, 180
 Hogstrum, Sven, 494
 Holaday, William M., 793
 Holtrop, Marius Wilhelm, 470, 471, 472
 Home, Lord Frederick Douglas, 467*n*
 Hoover, Herbert, 874
 Hoover, J. Edgar, 26, 28, 29
 Hope, A. Guy, 727, 763-766, 879
 Houghton, Amory, 96, 469-473, 901
 Hoxha, Enver, 74, 88
 Humphrey, Hubert H., 21
 Hungarian revolution of 1956, 116, 122,
 321, 327
 Hungary, 84, 92, 112, 117, 119, 127, 305,
 338
 Hussein I, King of Jordan, 729, 739
- Immigration and Naturalization
 Service, U.S., 368
India, 162, 240, 373, 392, 449, 450, 692
Indonesia, 50, 322, 328, 372-373, 408
Inonu, Ismet, 790, 805, 830, 831, 833,
 836-837, 839, 842, 858*n*
Intelligence and Research, Bureau of,
 Department of State:
 East-West exchanges, 50-51
 Intelligence Report No. 7822, 139*n*
 Intelligence Report No. 7989, 177-178
 Intelligence Report No. 8066, 223*n*
 Intelligence Report No. 8248, 280-281
 Poland, 262-263
Interdepartmental Committee on
 Internal Security (ICIS), 119, 171
Intergovernmental Committee on
 European Migration (ICEM), 306
International Atomic Energy
 Conference, 1957, 145
International Bank for Reconstruction
 and Development (IBRD), 336
 Finland, 481, 487, 495, 497-498, 509,
 510, 528, 532, 538, 550, 598

- International Bank for Reconstruction and Development (IBRD)—Continued
 Greece, 606, 725
 Poland, 149-150, 226, 228, 229, 234-235, 275
 Turkey, 814, 892, 893
 Yugoslavia, 377, 378, 381, 382, 403, 404, 440, 441, 684
- International Confederation of Free Trade Unions (ICFTU), 582, 638, 640-642, 656-658
- International Cooperation
 Administration (ICA), 426-427, 759, 761
- International Educational Exchange Service, U.S., 35, 264
- International Monetary Fund (IMF):
 Finland, 482
 Greece, 677, 725
 Poland, 149-150, 226, 228, 229, 234-235, 275
 Turkey, 745, 746, 748, 749, 750, 752, 753*n*, 754, 756, 768, 772, 826
 Yugoslavia, 405, 415, 442, 462, 463, 467-468, 472, 477
- Iran, 347, 739, 791-792, 798, 822, 890, 899
- Iran, Cihat, 867
- Iraq, 373
 Cyprus dispute, 743
 revolution of 1958, 343, 345, 770
 Soviet Union, relations with, 791, 792
 Turkey, relations with, 774, 822, 825, 891
 United States, relations with, 349
- Irwin, John N., II, 675, 800, 801, 803*n*, 829, 866
- Isik, Hasan, 757, 759, 809-810, 814
- Israel, 116, 347, 891, 899
- Italy:
 Albania, relations with, 95
 disarmament, 225*n*
 Turkey, relations with, 749
 United States, relations with, 765
 U.S. and NATO missile bases in Italy, Greece, Turkey, 86, 89, 94, 95-96, 658-659, 661-664, 668-671, 678, 694-695, 793-794, 798-801, 807-809, 811-814
 Yugoslavia, relations with, 324, 330-331, 335, 362, 386, 387, 442, 463, 465, 469
- Iverson, Kenneth, 652
- Iwaskiewicz, Edward, 176, 255, 267, 284
- Jacobsson, Per, 275, 405, 442, 461, 462, 463, 466, 468, 471
- Jaffe, Irene, 223*n*
- Janczewski, Zbigniew, 192, 295
- Japan, 241, 344, 348, 724
- Jaroszek, Henryk, 82*n*
- Jaroszewicz, Piotr, 137, 190, 294
 U.S. visit:
 Dillon, meeting with, 271-275
 Eisenhower, meeting with, 268-271
 Herter, meeting with, 277-280
- Jaszczuk, Boleslaw, 142-146, 183
- Jedrychowski, Stefan, 134
- Johnson, Charles E., 55*n*
- Johnson, Richard E., 267
- Johnson, Valdemar N.L., 135, 182, 226, 236-237
- Johnston, Eric, 21
- Joint Chiefs of Staff, U.S., 108, 109, 121, 325, 548*n*, 614, 709-712, 857*n*, 894*n*
- Joint U.S. Mission for Military Aid to Greece (JUSMAGG), 704, 709-712
- Joint U.S. Mission for Military Aid to Turkey (JUSMMAT), 860
- Jones, G. Lewis, 715, 718-719, 727, 816, 868*n*
- Jones, Owen T., 605, 709, 757, 805, 814
 Greek-U.S. relations, 608, 609, 668*n*, 698*n*, 710
 Turkish-U.S. relations, 807-809, 834*n*, 843, 851, 852
- Jordan, 343, 344, 345, 729*n*, 739
- Jussila, Mauno, 494
- Justice, U.S. Department of, 106, 368
- Kadar, Janos, 338*n*
- Kaganovich, Lazar M., 76
- Kaila (Finland), 518, 519*n*
- Kajatsalo, Kaarlo, 494
- Kallis, Selma G., 146, 149*n*
- Kamitz, Reinhard, 470
- Kaplan, Jacob J., 766
- Karamanlis, Konstantine, 610, 632*n*, 688*n*
 Eisenhower's visit to Greece, 688, 689-694
 European-Greek relations, 703, 704
 King Paul's assessments, 707, 708
 McGhee's visit to Greece, 652-655
 NIE on, 634

- Karamanlis, Konstantine—Continued
 politico-economic assessments,
 700-702, 732-734
 prewar foreign bonds, 664-665, 698*n*,
 705-706, 707, 714-715, 724
 resignation of, 609
 resumption of power, 613
 U.S. and NATO missile bases in Italy,
 Greece, and Turkey, 662, 666,
 668*n*
 U.S.-Greek relations, 682-687, 713, 719
 Kardelj, Edward, 474
 Karjalainen, Ahti, 588
 Kassimatis, Gregory, 605
 Katz, Abraham, 103, 265*n*, 271, 284, 285,
 359, 402, 461
 Katz, Julius L., 187*n*
 Kearney, Richard D., 64*n*
 Kearns, Henry, 248, 250-251, 764
 Kekkonen, Urho, 519*n*, 520, 537-538
 governing coalitions, 526
 Soviet-Finnish relations, 486, 502,
 522-524, 527, 584-585, 589-593
 U.S. Embassy (Helsinki) assessments,
 574-575
 U.S.-Finnish relations, 539, 542, 547,
 561, 564, 588, 599
 Kennan, George F., 129-133, 432-436
 Kennedy, John F., 64*n*, 335
 Keppel, John, 223-224
 Khrushchev, Nikita S., 19, 21, 134, 184,
 196, 346, 474*n*, 542, 730, 731
 Albanian-Soviet relations, 86-88, 91,
 92, 95-96, 677-678
 Berlin, 395-396, 407-408
 China, People's Republic of-Soviet
 relations, 389, 459-460
 Cuba visit, 446
 disarmament, 691, 820
 Finnish-Soviet relations, 528, 529, 538
 German Democratic Republic, 204
 Greek-Soviet relations, 659, 662, 688,
 690
 Heads of Government meeting, 693
 Polish-Soviet relations, 111*n*, 115,
 143*n*, 214-216, 223
 Turkish-Soviet relations, 813, 882
 U-2 airplane incident, 63, 430, 431,
 719-720, 841
 U.S.-Soviet relations, 289
 five-power U.N. resolution calling
 for a summit, 728
 Khrushchev, Nikita S.—Continued
 U.S. visit, 40-41, 59, 205, 259, 389, 392,
 454, 679-680, 825
 Voice of America broadcasting, 49
 Yugoslav-U.S. relations, 363, 459
 Kirca, Coskun, 837, 839, 840
 Kirlin, Florence, 299*n*
 Kistiakowsky, George B., 52-53
 Klein, Herbert G., 256
 Knight, Ridgway B., 162
 Knight, Robert H., 793, 809*n*, 811
 Kogan, Leonid, 12
 Kohler, Foy D., 46, 70, 83, 84*n*, 102-104,
 141, 149*n*, 150, 158, 172, 173, 174,
 187, 190, 192, 221*n*, 299*n*, 342, 455
 Balkan Pact, 370*n*
 Polish-German relationship, 200, 201
 Polish-U.S. relations, 142-146, 180,
 181, 182*n*
 American property claims, 187-189,
 230, 231, 265-267
 Gomulka's public speeches, 152*n*
 Mueller's visit, 264
 Nixon's visit, 224-225
 surplus agricultural commodities,
 285, 299-301
 Yugoslav-U.S. relations, 334-337
 Kole, Julian, 175
 Kolev, Christo, 98
Kommunist (Yugoslav publication),
 320*n*, 428
 Koraltan (Turkey), 876
 Korea, Democratic People's Republic of,
 322, 645
 Korea, Republic of, 724, 849, 862
 Korean war, 394
 Kosola, Niilo, 494
 Kotlicki, Remryk, 178, 229-230, 231, 261,
 266, 294*n*
 Kretzmann, Edwin M.J., 174
 Kunalp (Turkey), 862, 864
 Kurdish people, 849
 Kveder, Dusan, 346
 Kyriakopoulos (Greece), 638
 Lacy, William S.B., 1*n*, 2, 9-13, 41, 59,
 60, 61-62
 Laingen, L. Bruce, 601-602, 709, 721*n*
 Lambrakis (Greece), 611-612
 Lange, Oskar, 152, 190
 Latham, L. Wade, 605

- Latin America, 4, 6, 79, 82, 83, 433-434, 445-446
- Lay, James S., 292
- Lebanon, 338, 343-349, 743, 768
- Leddy, John M., 228, 437, 466*n*, 467*n*, 744*n*, 759
- Leskinen, Vaino, 494
- Leverich, Henry P., 83*n*, 84*n*, 155*n*
- Levin, Zev, 656-657, 658
- Lewand, Frank, J., 22
- Lewandowski, Bogdan, 244*n*, 268, 271, 277
- Liatis, Alexis S., 650-652, 682, 725*n*
- Lieftinck, Pieter, 415*n*
- Life* magazine, 44, 98
- Lincoln, Francis F., 602, 763
- Lindblom, Olavi, 494
- Lloyd, Selwyn, 363, 397*n*, 467*n*, 468*n*, 617*n*
- Lobenstine, James C., 299*n*
- Logofet, Alexander, 59
- Lukanov, Karlo, 97, 99
- Lychowski, Tadeusz, 142, 248, 255, 271, 283
- American property claims, 229, 231, 285
- GATT membership for Poland, 146-150
- most-favored-nation status for Poland, 267-268
- surplus agricultural commodities, 230, 261, 265*n*
- U.S.-Polish economic assistance negotiations, 172-175, 176, 180-181, 281-282
- Lyytinen, Jaakko, 496
- Maakansa* (Finnish publication), 595
- MacArthur, Gen. Douglas, 395
- Machado, Gerardo, 445
- Macmillan, Harold, 767, 824
- Macovescu, George, 70
- Macy, Mr., 512, 851
- Madanoglu, General, 858
- Magill, Robert N., 793
- Makris, Fotis, 638-639, 640, 656-657, 658*n*
- Malenkov, Georgi M., 76
- Malinovsky, Rodin Y., 87
- Malles (ICFTU), 642
- Mann, Thomas C., 275
- Mannerheim, Gustav, 588, 591
- Marcy, Oliver M., 320-324, 709, 818, 819
- Mark, David E., 18
- Markezinis, Spyros, 667, 700
- Markovic, Svetozar, 376, 377, 384
- Markovich, Col. George, 98
- Marshall, Gen. George C., 557
- Marshall Plan, 822, 823
- Martin, Edwin M., 275, 281-282, 283-284, 285, 295*n*, 299-301
- Martin, General, 793, 794
- Martin, Graham, 444
- Martinovic, Slobodan, 359
- Mason, Professor, 815
- Mates, Leo, 306-307, 323, 333-334, 371, 391, 414, 432, 444, 453, 455
- Mathews, Elbert G., 793
- Matthews, H. Freeman, 306
- Mayer, Ernest, 496, 500*n*, 511, 517*n*
- McCollum, Robert S., 305, 331
- McCone, John A., 866
- McElroy, Neil H., 29, 661, 663, 664, 788
- McGhee, George C., 652-655, 791
- McIntosh, Dempster, 636*n*
- McKisson, Robert M., 82*n*, 101*n*
- Meany, George, 638-639
- Melas, George V., 601-602, 695
- Melas, Michel, 675
- Melbourne, Roy, 772
- Menderes, Adnan, 676*n*, 753*n*, 837, 876
- execution of, 901*n*
- government overthrown, 720*n*, 731, 844, 845
- NIE on, 785
- Republican People's Party, 789, 834, 840, 841, 842
- Syrian-Egyptian union, 737, 738
- Turkish economic situation, 742-743, 756, 760, 761, 892
- U.S.-Turkish relations, 791-792, 796, 816-817, 819, 820, 824
- Menshikov, Mikhail A., 19, 38
- Merchant, Livingston T., 46, 155-157, 176, 178-179, 302, 303, 517*n*, 568*n*, 675, 679, 702, 718, 843
- Merrill, Frederick, 41
- Metzger, Stanley D., 187*n*, 764-765
- Meyer, Robert, 763, 805
- Middle East, 338
- East-West exchanges, effects of, 4, 6
- oil, 692
- Soviet Union, relations with, 51
- Turkey, relations with, 774, 822, 824, 890-891, 902

Middle East—Continued

- United States, relations with, 615, 625, 645, 646, 739, 777-778, 821
- Yugoslav concerns, 342-349
- Miettunen, Martti, 494
- Mikoyan, Anastas I., 583
- Military Assistance Program (MAP), 619-620, 637, 648, 649, 680, 681, 721, 722, 735, 762, 788, 807, 895
- Millard (ICFTU), 642
- Miller, Clarence L., 251
- Miller, Brig. Gen. Frederic H., 866
- Miller, William K., 592-595
- Millot (France), 96
- Milovanovic, Vasilije, 334, 335, 359
- Milutinovic, Ivan, 337-338
- Mincev, Nikola, 461-466
- Mitchell, Vinton, 763, 765, 766
- Modrzewski, Franciszek, 134, 142, 146-149
- Moiseyev Dance Company, 12
- Molotov, Vyachaslav M., 76
- Monroney, A.S., 717*n*
- Morawski, Jerzy, 23, 263
- Morgan, Gerald D., 292
- Morin, General, 854, 856
- Morocco, 882
- Mosadeq, Mohammed, 739
- Moscow Declaration of 1957, 212, 213
- Mostar, Munir, 757, 759
- Mueller, Frederick H., 101*n*, 248-250, 264
- Mukhitdinov, N.A., 87
- Munro, Dana, 650, 651-652, 665, 682, 715*n*, 723
- Murphy, Robert D., 121, 172, 173, 180, 182-188, 237-239, 668*n*, 689, 793, 799*n*, 824
- My Fair Lady*, 67, 70
- Myerson, Jacob M., 570*n*
- Nagy, Imre, 122*n*, 127, 164, 322*n*, 338
- Naim, Prince Mohamed, 822
- Nash, Frank C., 729, 802
- Nasser, Gamal Abdul, 328, 343, 344, 346-347, 349, 474*n*, 695, 729, 731, 791, 822, 825, 891, 902
- Naskowski (Poland), 122
- National Intelligence Estimates (NIE) (see also Special National Intelligence Estimates):
- NIE 10-58, 171
- NIE 11-4-58, 171
- National Intelligence Estimates (NIE)—Continued
- NIE 11-4-59, 423
- NIE 12.6-58, 139-140, 171, 423
- NIE 12-58, 171
- NIE 12-59, 423
- NIE 28.5-54, 485
- NIE 31-57, 359, 423
- NIE 32-56, 631, 634*n*
- NIE 32-58, 634-635, 649
- NIE 33-56, 744, 784
- NIE 33-58, 784-786
- National Security Council (NSC):
- actions:
- No. 1114, 66
- No. 1365, 66
- No. 1775, 105
- No. 1781, 105
- No. 1837, 330
- No. 1862, 105
- No. 1865, 118*n*
- No. 1896, 109-110
- No. 1927, 162*n*
- No. 2091, 28
- No. 2113, 537*n*, 548
- No. 2132, 550, 551*n*
- No. 2171, 829
- No. 2215, 286, 292, 432, 884
- No. 2250, 286, 292
- No. 2255, 884
- No. 2311, 887
- documents:
- NSC 5403, 499, 500, 510, 527, 548-550, 551*n*
- OCB Progress Report, 478, 484-491
- OCB Report, 537-538
- OCB Special Report, 505-512
- NSC 5505/1, 105
- NSC 5607, 106, 119
- NSC 5608/1, 105, 108, 109-110
- NSC 5616/2, 105, 106*n*
- NSC 5704/3, 105, 106*n*, 118
- NSC 5705, 106*n*
- NSC 5705/1, 105
- NSC 5706/2, 105, 106*n*, 119, 329, 331
- NSC 5708/2, 818, 825, 828-829, 853
- OCB Reports, 741-744, 768-771, 825-828
- NSC 5718, 615*n*
- NSC 5718/1, 726-727
- OCB Progress Report, 613-620
- OCB Report, 643-649

National Security Council —

Continued

- NSC 5726/1, 105, 106*n*, 117*n*
 NSC 5801/1, 110-120, 163, 165, 286,
 291, 292, 294
 NSC 5802, 120*n*
 NSC 5802/1, 106, 119-120
 NSC 5805, 312-319, 325
 NSC 5805/1, 325, 399-402
 OCB Reports, 432, 467, 473-476
 NSC 5808, 106-110, 286
 NSC 5808/1, 111-120, 227, 236-237,
 277
 OCB Reports, 163-171, 276-277
 NSC 5810/1, 229
 NSC 5811/1, 81, 82, 95, 96, 102
 NSC 5914, 548, 549-550
 NSC 5914/1, 551-556, 596*n*
 NSC 5914/3, 600
 NSC 6015, 884, 885, 887
 NSC 6015/1, 887, 888-889
 NSC 6024, 596-600

meetings:

- 243*d*, Mar. 31, 1955, 66*n*
 288*th*, June 19, 1956, 793*n*
 362*d*, Apr. 14, 1958, 105-110, 325
 369*th*, June 19, 1958, 162*n*
 376*th*, Aug. 14, 1958, 484*n*
 401*st*, Apr. 2, 1959, 177
 406*th*, May 13, 1959, 804-805
 407*th*, May 21, 1959, 25-28
 408*th*, May 28, 1959, 28-29
 414*th*, July 23, 1959, 548*n*
 420*th*, Oct. 1, 1959, 548-550
 428*th*, Dec. 10, 1959, 688
 429*th*, Dec. 16*th*, 1959, 695
 430*th*, Jan. 7, 1960, 828-829
 Jan. 15, 1960, 786
 433*d*, May 5, 1960, 836
 440*th*, Apr. 7, 1960, 286
 May 24, 1960, 843
 446*th*, May 31, 1960, 848-849
 447*th*, June 8, 1960, 849
 448*th*, June 22, 1960, 286
 449*th*, June 30, 1960, 852-853
 461*st*, Sept. 29, 1960, 726-727,
 884-888

Polish-U.S. relations, 105-120

Turkish rebellion, 848-849

Navy, U.S., 857*n*Near East. *See* Middle East

Ndreu, General (Albania), 74

Nehru, Jawaharlal, 474*n*, 842

Neidle, Alan, 366

Nelson, Harvey F., Jr., 496, 517*n*, 543*n*,
 557

Nepal, 449

Netherlands, 253, 305, 465, 470

New Zealand, 729

Niemeyer, Sir Otto Ernst, 665

Nikezic, Marko, 375, 388, 402-404, 409,
 411, 429, 455, 461

Nixon, Patricia, 220

Nixon, Richard M., 256-260

Poland visit, 190-191, 196-197,
 217-219, 296

Captive Nations Week

Proclamation, 192-195

economic assistance, 206-210

 Eisenhower's (Milton) assessments,
 221-223 Germany, Federal Republic of,
 198-204, 206

media issues, 210-214

OCB assessments, 227, 276

INR assessments, 223-224

Soviet-Polish relations, 214-216

 Spasowski-Kohler meeting,
 224-225

U.S. Embassy (Warsaw)

assessments, 219-221

Radio Free Europe, 242

Soviet-U.S. relations:

 technical/scientific and cultural
 exchanges, 26-28, 35*n*

visit, 36

Zhukov, meeting with, 19-22

Nkrumah, Kwame, 474*n*Norstad, Gen. Lauris, 614, 650, 668,
 669*n*, 678, 695, 713, 744, 788, 801,

807, 863, 866-867, 868, 886, 900-901

North Atlantic Treaty Organization
 (NATO) (*see also* U.S. and NATO missile bases *under* Nuclear
 weapons), 20, 80, 165, 324

Albanian-Soviet relations, 89-91, 94

Balkan region, 86-87, 667

Cyprus dispute, 616, 655

defensive nature of, 123-144, 151

Finland, 514, 521

German rearmament, 143-144

Greece, 617-618, 623, 625, 635, 644,
 646, 654, 655, 660, 686, 694-695,

718, 720, 735, 736

Heads of Government meeting, 733

- North Atlantic Treaty Organization (NATO)—Continued
 MC-70 program, 637, 643-644, 647-648, 681, 770, 856, 894
 modern weaponry, 813
 Nordic bloc, 530, 536*n*, 599
 Polish-German relations, 243, 407
 Status of Forces agreements, 883
 Tito's attacks on, 323, 328
 Turkey, 741, 743, 744, 746, 769, 771, 772, 824, 836, 861, 885-886, 887, 889, 899
 U.S.-Soviet technical/scientific and cultural exchanges, 4-5
- Norway, 483, 487, 530, 536*n*, 539*n*, 599
- Nuclear energy, 626, 640
- Nuclear weapons (*see also* Disarmament):
 Albania, 93, 95-96
 Balkan nuclear-free zone, proposed, 666-667
 Baruch Plan, 244*n*
 Bulgaria, 93, 94, 95
 Greece, 93, 94, 95-96, 644, 659-660, 661-664, 668-671, 678, 694-695, 788, 793-794, 798-801
 Italy, 95-96
 Poland, 143, 164, 235
 Rapacki Plan, 123, 127, 134, 144-145, 169-170, 203, 243-244, 486
 Soviet Union, 95-96
 testing agreements, 408, 431, 719*n*
 Turkey, 94, 744, 788, 793-794, 798-901, 807-809, 811-814
 U.S. and NATO missile bases in Italy, Greece, Turkey, 86, 89, 94, 95-96, 658-659, 661-664, 668-671, 678, 694-695, 793-794, 798-801, 807-809, 811-814
 Yugoslavia, 351
- Oberlander, Theodor, 198
- Ochab, Edward, 262
 U.S. visit, 245
 agricultural issues, 251-255, 257
 Germany, Federal Republic of, 237-239, 245-247
 most-favored-nation status, 247-248
 Nixon, meeting with, 256-260
 trade issues, 248-251
- O'Connor, Jeremiah J., 55*n*, 160*n*, 226-227, 305, 500, 702
- Oder-Neisse border (Poland-West Germany), 132, 144, 165, 169, 184, 236, 244, 407*n*
- Office of Civil Defense Management, U.S., 35*n*
- Office of Defense Mobilization (ODM), U.S., 325
- Okyar, Osman, 839
- Operations Coordinating Board (OCB):
 Albania, 102
 Finland, 484-491, 507-512, 537-538
 Operations Plan, 577-585
 Greece, 613-631, 643-649, 665, 697
 Operations Plans, 620-631, 649, 665, 697
 Poland, 160-172, 226-227, 276-277, 291, 292, 294, 577-583
 Operations Plan 232-237
 Turkey, 741-744, 768-784, 786, 804, 818-819, 825-828, 832-833, 843-844, 851-852
 Operations Plans, 772-784, 786, 804, 818-819, 843-844
 Special Report, 753-755
 U.S. military and civilian employees serving abroad, 711
 Yugoslavia, 305, 399-402, 432, 473-476
 Operations Plans, 350-359, 385, 416-429
- Orfenov, A., 69
- Organization for European Economic Cooperation (OECE), 405, 695*n*
- European Free Trade Association, relations with, 606*n*, 821
- Finland, 487
- Turkey, 745, 748, 749, 750, 752, 753*n*, 754, 756, 768, 772, 816, 826, 881, 892
- Yugoslavia, 404, 406, 471-472
- Organization of American States (OAS), 433, 445
- O'Shaughnessy, Elim, 308-309, 337, 363-366, 410-413, 432*n*, 437, 444, 445*n*
- Paasio, Rafael, 494
- Page, Edward, Jr., 97-100
- Pakistan, 373, 791, 798, 822, 890
- Pakkanen, Ate, 494
- Palamas (Greece), 726
- Palestine Conciliation Commission (PCC), 891

- Papaligouras, Panayiotis, 605-609
- Paraguay, 869
- Patterson, John S., 325
- Paul I, King of Greece, 609, 610, 611, 688, 689, 707-708, 900
- Payne, C. Robert, 41
- Pella, Giuseppe, 397*n*, 824
- Penfield, James K., 604, 605, 609*n*
- Peng Tehuai, 87
- Persons, Gen. Wilton B., 291, 292
- Peters, Roberta, 68, 69
- Philadelphia Symphony Orchestra, 12
- Pitblado, D.B., 468
- Pirkham (FRG), 472
- Plaku, General (Albania), 74
- Poland, 55, 56, 92, 142-146, 158, 172-175, 182-187, 264, 549
- American property claims, 175-181, 187-189, 206-210, 229-231, 244*n*, 248, 261, 265-267, 281-282, 283-286, 294
 - SS *Batory*, 170
 - Bulgaria, relations with, 82, 83
 - Communist Party, 159
 - Eleventh Plenum of the Central Committee, 125
 - Golmulka's organization of, 127-128
 - Third Polish Party Congress, 177-178, 182, 183-185
 - economic situation, 125-126, 146
 - reforming the system, 262-263
 - Soviet aid, 112-113
 - U.S. Embassy (Poland)
 - assessments, 289-290
 - Export-Import Bank loans, 293
 - GATT membership, 138-139, 141-142, 147-150, 168, 228-229
 - German Democratic Republic, 206
 - Germany, Federal Republic of,
 - relations with, 145-146, 151, 183-184, 237-239
 - Eisenhower-Jaroszewicz meeting, 269-270
 - Jaroszewicz's U.S. visit, 278
 - Nixon-Gomulka meeting, 198-204, 206, 216-217
 - Nixon-Ochab meeting, 258
 - OCB assessments, 162, 168-169, 227
 - Oder-Neisse border, 132, 144, 165, 169, 236, 246, 407*n*
 - Radio Free Europe, 212
 - rearmament, 143-144, 164, 242-243
- Poland—Continued
- Germany, Federal Republic of,
 - relations with—Continued
 - U.S. Embassy (Warsaw)
 - assessments, 154-155
 - Gomulka's ascent to power, 111, 115-116, 117
 - Gomulka's public speeches, 151, 156
 - Nixon's visit, 190-191, 196-197, 217-219
 - Captive Nations Week
 - Proclamation, 192-195
 - Eisenhower's (Milton) assessments, 221-223
 - Germany, Federal Republic of,
 - 198-204, 206
 - media issues, 210-214
 - Spasowski-Kohler meeting, 224-225
 - U.S. Embassy (Warsaw)
 - assessments, 219-221
 - political situation (*see also* Communist Party *above*):
 - INR assessments, 280-281
 - liberalization, 129-133
 - NIE on, 139-140
 - Polish United Workers' Party (PZPR), 23
 - public statements on (U.S. and Polish), 135-138, 150-152, 184-186
 - Rapacki-Herter meeting, 240-244
 - U.S. Embassy (Warsaw)
 - assessments, 123-129, 153-155, 159-160, 288-290
 - prewar foreign bonds, 665
 - Soviet bloc, relations with, 280-281
 - OCB assessments, 232
 - Poland distinguished from, 106, 111, 126-127
 - Soviet position, 117
 - trade issues, 112-113, 301
 - U.S. Embassy (Warsaw)
 - assessments, 288
 - Soviet Union, relations with, 107, 116, 126-127, 128
 - American media, 210-212
 - conflict possibilities, 121
 - economic issues, 112-113, 263
 - German Democratic Republic, 204
 - Germany, Federal Republic of, 164
 - INR assessments, 178
 - Nixon's visit to Poland, 214-216

- Poland—Continued
- Soviet Union, relations with—Continued
 - Oder-Neisse border, 132
 - OCB assessments, 232, 233-234
 - Polish-Soviet Friendship Treaty of 1945, 151*n*
 - U.S. Embassy (Warsaw)
 - assessments, 122-123, 154, 288
 - U.S. policy, 108-109
 - United Nations, 295-299
 - United States, relations with (*see also* Nixon's visit *above*), 302-303
 - agricultural cooperation, 251-255, 257
 - cultural and educational exchanges, 22-25
 - German Democratic Republic, 247
 - Germany, Federal Republic of, 237-239
 - Herter-Ochab meeting, 245-248
 - Jaroszewicz's U.S. visit, 268-280
 - Nixon-Ochab meeting, 256-260
 - OCB assessments, 160-172, 226-227, 232-237, 276-277
 - Stevenson's visit, 134
 - Surplus Property Agreement, 215
 - visa difficulties, 171
 - U.S. asylum for Polish seaman, 163
 - U.S. economic assistance, 105, 155-157, 159, 160-162, 166-167, 175-181, 186, 206-210, 281-282, 283-286
 - U.S. economic relations with (*see also* American property claims *above*; U.S. trade relations with *below*), 516-518
 - Jaroszewicz's U.S. visit, 278-279
 - OCB assessments, 227, 234-235
 - surplus agricultural commodities, 114, 161*n*, 261, 267, 282, 283-286, 299-301
 - U.S. policy, 105-120, 165-166, 287
 - OCB Operations Plan, 232-236
 - U.S.-Soviet technical/scientific and cultural exchanges, 8
 - U.S. trade relations with, 248-251
 - most-favored-nation status, 149, 157, 168, 173, 176, 179, 188, 206, 208, 209, 247-248, 250, 267-268, 272-273, 291-292, 293-295, 302
- Poland—Continued
- Western countries, relations with, 113-115, 126
 - Polatkan, Hasan, 757-758, 759, 796, 844, 876, 901*n*
 - Polish United Workers Party (PZPR), 23
 - Popovic, Koca, 346, 371, 388-391, 430, 431, 444, 445*n*, 453, 455, 728
 - Popovic, Nenad, 403
 - Popovic, Vladimir, 437, 444
 - Porter, Dwight J., 793
 - Portugal, 539*n*
 - Potsdam Conference, 1945 (*see also* Oder-Neisse border), 132*n*, 198
 - Powers, Francis Gary, 63
 - Primožic, Franc, 334-337, 342-345, 359-361, 397, 437
 - Protopapadakis, Aristides, 602*n*, 605, 721*n*
 - Qassim, Gen. Abdul Karim, 825
 - Quarles, Donald A., 108, 109, 793, 794, 800-801
 - Quemoy Islands, 143, 394
 - Rackowski, Stanislaw, 176, 284
 - Radford, Adm. Arthur W., 791
 - Radio Baikal, 42, 46
 - Radio Cairo, 347
 - Radio Caucasus, 42, 46
 - Radio Free Europe (RFE), 45, 107, 115, 212-214, 221*n*, 222, 241-242, 244*n*, 278
 - Radio Free Russia, 42, 46
 - Radio Liberation, 45-46
 - Radio Moscow, 212-213
 - Randall, Clarence B., 823
 - Rankin, Karl L., 304*n*, 337-339
 - Balkan Pact, 370*n*
 - Tito's Near and Far East Trip, 372-373
 - Yugoslav-U.S. relations, 371-372
 - credits request, 376, 381-386
 - economic issues, 374-376, 414-415
 - Middle East crisis, 346-349
 - Tito's speeches, 326-329, 397-398, 409-410
 - U.S. assistance and Mutual Security Act provisions, 331-332
 - U.S. military assistance program, termination of, 310-312, 340-342, 368-370
 - Rankovic, Alexander, 327, 328

- Rapacki, Adam, 134, 190, 191, 192, 195, 202-203, 212, 213, 240-244
- Rapacki Plan (*see also* Disarmament), 123, 127, 134, 144-145, 152, 169-170, 203, 243-244, 486
- Raymond, John M., 187*n*
- Red Flag* (Chinese publication), 409, 410
- Reinhardt, G. Frederick, 121, 818
- Reuther, Walter, 638-639
- Rhee, Syngman, 724*n*
- Richards, James P., 778
- Rickover, Adm. Hyman G., 190, 191, 220
- Riddleberger, James W., 278, 300, 304, 610-611, 632*n*, 637, 638-639, 640, 702, 843, 851
- Roberts, Walter R., 41
- Robinson, Hamlin, 603, 650, 682
- Rockefeller Foundation programs, 24, 25
- Rodopoulos, Constantine, 706
- Rogers, William P., 5*n*, 7-8, 35*n*, 171
- Romania, 55, 56, 70, 95, 225*n*
- Roosevelt, Franklin, 874
- Rootham (UK), 496
- Ross, Michael, 641*n*
- Rountree, William M., 603*n*, 605, 606, 607, 608, 640, 737, 738, 793, 804, 805
- Rukavina (Yugoslavia), 364, 397
- Rusk, Dean, 64*n*
- Ryne, Charles S., 13
- Rzepka, Zbigniew, 180
- Saccio, Leonard J., 161, 818
- Sanderson, Fred H., 766
- Sarper, Selim, 731, 746, 845, 847, 849, 854, 865, 869, 879-883, 900
- Saudi Arabia, 740
- Schaff, Adam, 288
- Scherpenberg, Albert H. van, 468
- Schevenels, Walther, 638, 640, 656
- Scribner, Fred C., 163, 512, 702, 885, 886
- Segni, Antonio, 397*n*, 824
- Seppala, Richard R., 557
- Sessions, Edson O., 558-567, 571-577, 586-587, 589-590
- Shehu, Mehmet, 74, 88
- Shelton, Turner B., 41
- Sherer, Albert W., 142, 150, 160-161, 187*n*, 191, 224-225, 226, 227, 240*n*, 244*n*, 245, 265*n*, 267, 268
- Shipkov, Mikhail, 99
- Shuff, Charles H., 793
- Siscoe, Frank G., 25, 60, 231
- Sissman, Louise, 763, 764, 765, 766
- Slovenia, 324
- Slovenija* (Yugoslav ship) incident, 369
- Smith, Bromley, 232*n*, 276*n*, 292, 399*n*, 432, 643*n*, 825*n*
- Smith, Frederick, Jr., 366
- Smith, Gerard C., 54-55, 513-514, 866
- Smith, James H., Jr., 511-512
- Smole, Janko, 437, 471
- Sobolev, Arkady N., 46
- Socialism and War* (Kardelj), 474
- Soldatov, Aleksandr A., 46
- Sooy, Raymond W., 483*n*
- Southard, Frank B., 461*n*
- Soviet Bloc (*see also* Albania; Bulgaria; Czechoslovakia; East-West exchanges; East-West trade; German Democratic Republic; Poland; Romania; Soviet Union; Yugoslavia):
- Albanian economic assistance, 75
 - Finland, relations with, 583-585
 - Greece, relations with, 618, 624, 635
 - U.S. policy, 81, 82, 107-108, 165
 - U.S.-Soviet technical/scientific and cultural exchanges, 1, 4, 6, 32, 50-51
- Soviet Culture*, 69
- Soviet Union (*see also* Khrushchev, Nikita S.; U-2 airplane incident), 145, 225*n*, 323*n*, 391, 430, 448, 821
- Albania, *see* Soviet Union under Albania
- Balkan region, 86-87
- Baruch Plan, 244*n*
- Berlin, 201*n*, 408, 434-435
- Bulgaria, relations with, 77
- China, People's Republic of, 363, 389-390, 393-394, 409-410, 431, 459-460, 730
- Communist Party, 73, 76, 159*n*
- Cuba, relations with, 445-446
- disarmament, 408, 454
- Finland, *see* Soviet Union under Finland
- German Democratic Republic, 116, 246, 434*n*
- Germany, Federal Republic of, 247, 407
- Greece, *see* Soviet Union under Greece
- Iran, relations with, 791-792

- Soviet Union—Continued
 Middle East crisis, 344, 347, 348
 Poland, *see* Soviet Union *under*
 Poland
 Syria, relations with, 737, 741
 Turkey, relations with:
 U.S. and NATO missile bases in
 Italy, Greece, and Turkey, 813
 Provisional Government of Turkey,
 849, 862, 875, 882, 890
 underdeveloped countries, relations
 with, 820
 United States, relations with (*see also*
 U.S.-Soviet technical/scientific
 and cultural exchanges *under*
 East-West exchanges), 273*n*,
 412-413, 431, 728, 448, 823-824
 American culture in Soviet Union,
 67-70
 Voice of America broadcasting,
 47-48
 Zhukov-Nixon meeting, 19-22
 U.S. and NATO missile bases in Italy,
 Greece, Turkey, 86, 89, 94, 95-96,
 658-659, 661-664, 668-671, 678,
 694-695, 793-794, 798-801,
 807-809, 811-814
 Yugoslavia, *see* Soviet Union *under*
 Yugoslavia
Sovietskaya Kultura, 69
 Spaak, Paul Henri, 667*n*, 733
 Spahim (Albania), 74
 Spain, 405, 407, 443, 445, 465
 Spang, 603
 Spangler, George W., 180, 187*n*
 Spasowski, Romuald, 142, 150, 152*n*,
 172, 190, 237, 245, 248, 251, 256,
 268, 271, 277, 302
 Oder-Neisse border, 183-184
 Rapacki Plan, 144-145
 U.S.-Polish relations, 158, 182
 public statements, 135-138, 185-187
 Spear, Moncrieff J., 101, 102, 366
 Special National Intelligence Estimates
 (SNIE) (*see also* National
 Intelligence Estimates):
 SNIE 33-60, 857-862, 884
 SNIE 31/1-57, 359
 Spengler, William F., 266
 Sprague, Mansfield D., 613, 614
 Sprouse, Philip D., 641-642
 Spychalski, Marian, 137, 185*n*
 Staats, Elmer B., 616*n*, 741*n*, 885
 Stans, Maurice H., 29
 Stefan, Charles G., 97-98
 SS *Stefan Batory* (Polish ship), 170
 Stefanov, Jordan, 97, 98
 Stern, Isaac, 67-69
 Stevens (UK), 469
 Stevenson, Adlai E., 13, 134
 Stoessel, Walter, 466*n*, 869*n*
 Stokowski, Leopold, 12
 Strauss, Franz-Josef, 152, 184
 Stull, Lee T., 288*n*
 Sudan, 373
 Suez crisis, 200, 338, 610
 Sukarno, 372
 Sukselainen, Vieno J., 493, 526, 539
 Sutterlin, James S., 342, 370*n*, 388, 429
 Sweden, 188, 455, 465, 470, 472, 483,
 539*n*
 Switzerland, 188, 442, 455, 465, 470, 473,
 539*n*
 Syria, 328, 347, 373, 737-738, 741, 769,
 774, 791
 Szyr, Eugeniusz, 262
 Taiwan, 259, 394, 450, 729, 730
 Tanner, Vaino, 585
 Tate, Colonel, 854, 856
 Tatev, Christo, 103
 Taylor, Gen. Maxwell D., 108-109
 Tewson, Sir Vincent, 642
 Thayer, Robert H., 41
 Thebom, Blanche, 12
 Theodorou (Greece), 640, 642
 Thompson, Llewellyn E., 44, 46
 Thurston, Ray L., 866
 Tibet, 450
 Timmons, Benson E.L., III, 295, 793
 Tims, Richard W., 302
 Tinbergen, Professor, 815
 Tito, Josip Broz, 74, 116, 122, 127,
 370-371, 374, 430, 431, 611, 728, 731
 Algeria, 453-454
 Balkan region, 397, 398
 China, People's Republic of, U.N.
 membership, 449-450
 Congo rebellion, 452-453
 Cuba, 444-447
 international role for, 322-324
 Kennan, meeting with, 432-436
 Near and Far East trip, 372-373
 public speeches, 326-329, 409-410
 Soviet-Yugoslav relations, 312-313,
 315-316, 320, 321-322

Tito, Josip Broz—Continued

U-2 airplane incident, 411*n*, 412-413, 448

U.S.-Yugoslav relations, 371-372, 410-411

economic issues, 414-415

official visits, 391-396

U.S. Near East policy, 346-349

visit to U.S., 454, 455-460

Todorovic, Mijalko, 376-381, 383, 384, 385, 437-444

Tokarski, Julian, 262

Toker, Metin, 837

Tong, Hollington, 9-10

Torngren, Ralf, 526, 557-558

Trampczynski, Witold, 249

Treasury, U.S. Department of the, 35*n*, 228, 512, 603

Treaty of Bled, 1954, 621*n*

Treaty of Paris, 1947, 690*n*

Trybuna Ludu (Polish newspaper), 197

Tsatos, Constantine, 689

Tunisia, 882

Turkes, Colonel, 854, 856, 858, 862, 864

Turkey, 75, 347, 405, 443, 455, 620, 621*n*, 692, 749

armed forces retirement plan, 854-857, 862*n*, 866-867

Balkan Pact, 370-371

Bulgaria, relations with, 77, 79-80, 81

Committee of National Unity, 852-853

martial law, 833

Menderes government overthrown, 724, 731, 844

economic situation:

debt repayment, 804

international support, 465

NSC assessments, 891-894

OCB assessments, 742-743, 753-755

Provisional Government of Turkey, 874-875

SNIE on, 860-861

stabilization (economic) program, 755-767, 787, 792, 825-826

U.S. policy, 744-745

Eisenhower-Gursel correspondence, 850, 868

Greece, relations with (*see also*

Cyprus dispute), 644, 655

Middle East, relations with, 786, 825, 890-891, 902

political situation:

NIE on, 784-786

Turkey—Continued

political situation—Continued

NSC assessments, 884-888

OCB assessments, 768-771, 843-844, 851-852

SNIE on, 857-860, 861-862

U.S. policy, 773-779

political unrest in Turkey, 836-839

Provisional Government of Turkey,

845-848, 849, 862-864, 869-878,

881-882, 888-890, 901-902

Republican People's Party, 789-790,

830-835, 839-840, 841, 842

Soviet Union, relations with, 813, 849, 862, 875, 882, 890

Syrian-Egyptian union, 737-738

U-2 airplane incident, 841-842

United Kingdom, relations with, 755, 763, 764-765, 767

United Nations, 240, 879-883

United States, relations with, 791-792

Eisenhower's visit to Turkey, 819-823

OCB assessments, 741-742

U.S. policy, 776-777, 782-784

U.S. and NATO missile bases in Italy,

Greece, Turkey, 86, 89, 94, 95-96,

658-659, 661-664, 668-671, 678,

694-695, 793-794, 798-801,

807-809, 811-814

U.S. economic relations with, 740,

814, 815-816

counterpart release program,

805-806, 809-810

stabilization (economic) program, 759-760

U.S. policy, 772-773, 780-781,

795-797, 897-899

U.S. military aid to, 650, 743-744, 762, 860

American community in Turkey,

801-803, 819, 827

Greek position, 612

MAAG, 762

NSC assessments, 894-896

OCB assessments, 770-771

U.S. policy, 781-782, 827, 897

U.S. policy toward, 769, 772-784,

795-797, 818, 825-829, 896-899

OCB Operations Plans, 772-784,

786, 804, 818-819, 843-844

OCB Special Report, 753-755

Yugoslavia, relations with, 397

- Twining, Gen. Nathan F., 121, 866, 886
- U-2 airplane incident, 63, 411*n*, 412-413, 430, 431, 448, 720, 728, 841-842, 883
- Ulbricht, Walter, 156
- U.N. Atomic Energy Commission, 244*n*
- U.N. Economic and Social Council, 175, 240, 405
- United Arab Republic, 373, 727*n*, 729*n*, 737*n*
- United Kingdom, 145
 - Cyprus dispute, 617, 644, 655, 743, 891
 - disarmament, 225*n*
 - European Free Trade Association, 539*n*, 606*n*
 - German reunification, 202
 - Jordan, relations with, 343, 345
 - Mediterranean region, 692
 - Poland, relations with, 188-189, 208, 798
 - Suez crisis, 200
 - Turkey, relations with, 755, 763, 764-765, 767
 - Yugoslavia, relations with, 335, 379, 442, 463, 465, 469
- United Nations:
 - China, People's Republic of, membership, 449-450, 486
 - Congo rebellion, 452-453
 - disarmament, 454
 - Greek-U.S. relations, 727-732
 - Middle East crisis, 343-345, 348
 - Poland, 119, 240-241
 - Tito's visit, 455-460
 - Turkey, 879-883
 - U.S.-Polish relations, 295-299
- Upton, T. Graydon, 471
- Urguplu, Ali S.H., 757, 805-806, 809-810, 816
- U.S. Information Agency (USIA), 35*n*, 46
 - Finland, 512
 - libraries overseas, 615
 - Poland, 24, 115, 235
 - Soviet Union, 43, 55-59, 164
 - Yugoslavia, 424-425
- U.S. Information Service (USIS), 559, 646
- USSR (magazine), 30, 42
- Utt, James B., 367
- Vahervuori, T. Oskar, 519*n*
- Vakhrushchev (USSR), 19
- Vedeler, Harold C., 103, 265, 277, 295*n*
- Vejvoda, Ivo, 323
- Venezuela, 212, 434
- Verykios, Panayiotis, 675
- Vima* (Greek newspaper), 612
- Virolainen, Johannes, 494, 519*n*
- Voice of America (VOA), 41-42, 45, 47-49, 115, 358-359, 626
- Volski, Yuri, 41, 59
- Voroshilov, Marshal Kliment Y., 151, 338*n*
- Voutov, Peter G., 84*n*, 101-104
- Vukmanovic-Tempo, Svetozar N., 307, 428
- Wadsworth, James J., 728, 879, 882
- Wailes, Edward T., 760-762
- Waris, Klaus, 493, 496-499, 518, 519
- Warren, Fletcher, 737, 738-740, 744*n*, 748*n*, 753*n*, 768*n*, 787, 791, 797*n*, 816, 835, 868*n*
 - armed forces retirement plan, 857
 - Provisional Government of Turkey, 845-848, 869-878, 901-902
 - Turkish Republican People's Party, 830-832, 839-841, 842
 - economic issues, 862-864
 - execution of former Turkish Government leaders, 865, 880
 - political unrest in Turkey, 836-839
 - stabilization (economic) program, 757-758
- Warren, Leonard, 12
- Warsaw Pact, 86, 88, 110, 324, 328, 600
- Washburn, Abbott, 55*n*
- Washburn, Barr, 709
- Waugh, Samuel C., 278
- Weiss, Leonard, 376, 382-383, 437, 443, 444, 461
- West Europe, 50, 659, 692
 - East-West exchanges, 50
 - foreign aid, 692
 - Greece, 703, 704, 733
 - Turkey, 756, 762, 804, 823, 893
 - Yugoslavia, 336, 378, 379, 440, 442, 443, 462, 463, 464
- West Germany. *See* Germany, Federal Republic of

- Western European Union (WEU), 407
 Whisenand, Brigadier General, 793
 White, Eric W., 138-139, 148, 149n
 White, Ivan B., 543n, 675, 866
 White, Gen. Thomas D., 121
 Whitman, Ann C., 221n
 Whitney, John H., 767
 Wiherheimo, Toivo, 494
 Williams, Manning H., 237
 Williams, Murat, 601n, 611-612, 613,
 614, 615, 763, 764-765, 818, 819
 Willoughby, Woodbury, 500n, 586n
 Wilson, James M., Jr., 794
 Winiewicz, Jozef, 122-123, 134, 150-152,
 186-187, 192, 204, 231, 295, 302-303
 Witman, William, 2d, 675
 Wolf, Joseph J., 675
 Wolkonsky, Daniel, 41
 World Federation of Trade Unions
 (WFTU), 288, 656
 World War I, 247
 World War II, 198, 216-217, 247, 362n,
 367, 575-576
 Wroclaw Congress of Writers (Poland),
 23, 24
 Wycech, Czeslaw, 190
 Wyszynski, Stefan (Primate of Poland),
 124n, 137n
- Yegenagac, Turgut, 839
 Yost, Robert C., 63, 766
 Yugoslavia, 611, 621n, 891
 Albania, 86, 398
 atomic energy, 351
 Balkan Pact, 370-371
 Bulgaria, relations with, 76-77, 79-80,
 81, 362
 China, People's Republic of, 322,
 449-451, 459
 Communist Party, 320-321
 Dillon's visit:
 Algeria, 453-454
 China, People's Republic of,
 449-451
 Congo rebellion, 452-453
 Cuba, 444-447
 economic issues, 437-444
 international issues, 448
 economic situation, 173n
 OCB assessments, 401, 474-475
 escapees/refugees, 305-306, 329-331,
 386-387
 foreign exchange system, 404-405
- Yugoslavia—Continued
 France, relations with, 339, 369, 413,
 442, 470, 665
 GATT membership, 147, 168
 Germany, Federal Republic of,
 relations with, 335, 407, 435
 monetary and trade program 463,
 465-466, 467, 468, 469-470
 Greece, relations with, 614, 728
 international relations, 388-391
 Italy, relations with, 324, 330-331, 335,
 362, 386, 387, 442, 463, 465, 469
 Middle East crisis, 342-349
 Poland, relations with, 116, 119, 164
 political situation, 337-339
 NSC assessments, 315-316
 OCB assessments, 399-401, 419-422,
 473-476
 U.S. Embassy (Belgrade)
 assessments, 322-324, 328-329
 prewar foreign bonds, 665, 673,
 684-685, 698, 705, 707
 Soviet-Albanian relations, 92
 Soviet bloc, relations with, 312-313,
 326, 379, 397, 398, 399-400
 CIA assessments, 428-429
 economic issues, 317
 OCB assessments, 419, 474
 U.S. assistance and Mutual Security
 Act provisions, 332
 Soviet Union, relations with, 313-316,
 321-322, 326-328, 339, 349, 370,
 399-400
 amelioration efforts, 390
 economic issues, 361, 362, 406
 Nagy incident, 338
 NSC assessments, 314-316
 OCB assessments, 474
 postponement of credits, 335
 U.S. Embassy (Belgrade)
 assessments, 326-328
 U.S. assistance and Mutual Security
 Act provisions, 332
 Tito's Near and Far East Trip, 372-373
 Tito's U.N. appearance, 455-460
 U-2 airplane incident, 412-413
 United Kingdom, relations with, 335,
 379, 442, 463, 465, 469
 United States, relations with (*see also*
 Dillon's visit *above*), 312, 371-372,
 410-411, 429-431
 Artukovic extradition case, 366-368

Yugoslavia—Continued

- United States, relations
 - with—Continued
 - official visits, 391-396
 - Tito-Kennan meeting, 432-436
- U.S. economic assistance, 331-334
- ICA programs, 426-427
- U.S. economic relations with, 313-314, 334-337, 359, 362, 365-366, 406, 414-415
- credits request, 376-386
- Export-Import Bank loans, 360-361
- investment financing, 402-404
- local currency releases, 306-307
- long-term arrangements, 374-376
- monetary and trade reform
 - program, 430, 461-473, 477
- OCB assessments, 417, 418, 422-423
- surplus agricultural commodities, 305, 375
- Technical Cooperation program, 426-427
- U.S. Information Agency, 424-425
- U.S. military assistance program,
 - termination of, 304*n*, 308-310
 - finalization, 388
- NSC assessments, 325
- U.S. Embassy (Belgrade)
 - assessments, 340-342, 369-370
- Yugoslav position, 310-312, 363-365, 368-369

Yugoslavia—Continued

- U.S. military sales to, 304, 313, 401, 427, 476
- U.S. policy toward, 317-319, 350-359, 402, 416-423, 476
- OCB Operations Plans, 350-359, 385, 416-429
- U.S.-Soviet technical/scientific and cultural exchanges, 8
- Yugov, Anton, 76, 77, 99, 100
- Zakharov, A.V., 584
- Zapasnik, Franciszek, 175
- Zaroubin, Georgi N., 1*n*, 2, 61
- Zawadzki, Aleksander, 190
- Zhivkov, Todor, 76, 100, 102
- Zhukov, Georgi, 19-22, 36, 40, 41-45, 46, 47-49, 59-62
- Zolotas, Xenophon, 603*n*, 664-665, 673-675, 682, 683, 707
- Zorlu, Fatin Rustu, 738, 744*n*, 748*n*, 756, 791, 816, 876
- Cyprus dispute, 676
- Eisenhower's visit to Turkey, 819-824
- execution of, 901*n*
- political unrest in Turkey, 836-839
- Saudi Arabia visit, 740
- Syrian-Egyptian union, 737-738
- U.S. and NATO missile bases in Italy, Greece, and Turkey, 812
- U.S.-Turkish economic relations, 746, 760, 796*n*, 805-806, 809*n*, 814, 815-816





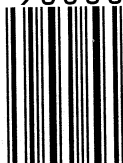




ISBN 0-16-041694-9



90000



9 780160 416941

