

September 17, 1953

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MEMORANDUM

SUBJECT: Discussion at the 162nd Meeting of the  
National Security Council, Thursday,  
September 17, 1953

Present at the 162nd meeting of the Council were the Vice President of the United States, presiding; the Acting Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Acting Secretary of the Treasury; the Acting Attorney General (for Items 4 and 5); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 2, 3 and 6); the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force (all for Item 2); the Chairman, Joint Chiefs of Staff; The Chief of Staff, U. S. Army (for Item 2); the Chief of Naval Operations (for Item 2); the Chief of Staff, U. S. Air Force (for Item 2); the Commandant, U. S. Marine Corps (for Item 2); Capt. C. C. Kirkpatrick, USN, Col. D. O. Monteith, USAF, and Carroll Hinman, Foreign Operations Administration (all for Item 2); the Director of Central Intelligence; The Assistant to the President; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the NSC Representative on Internal Security (for Item 4); the Acting White House Staff Secretary; the Executive Secretary, NSC; Hugh D. Farley, NSC Special Staff Member; and George Weber, NSC Special Staff Member (for Item 2).

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

Prior to taking up the items scheduled on the agenda, Mr. Cutler reviewed the Council's schedule over the next several weeks, high-lighting the following plans: Continental Defense on Thursday, September 24; Solarium on Thursday, October 1; Review of the German Policy on Wednesday, October 7; and Policy in the Event of Failure of the Korean Policy and Review of China Policy, on Thursday, October 15.

Secretary Wilson inquired when the Council would consider the FY 1955 budget. Mr. Cutler said that was planned in the last week or so of November. Secretary Wilson remarked that he thought it would have been earlier, and Mr. Dodge said that the military

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budget was to go to the Bureau of the Budget in the middle of October. Mr. Cutler added that it might be necessary to have two or three Council meetings on the '55 budget from November 15 on, in order for the President's decision to be made by December 15.

Secretary Wilson commented on the two major problems he was facing in connection with the military budget: (1) what to base the budget on, and (2) how to price it accurately.

1. SIGNIFICANT WORLD DEVELOPMENTS AFFECTING U. S. SECURITY

The Director of Central Intelligence began his briefing by remarks that the recent apparent peace feelers from Peking in regard to Indochina were not considered seriously, but merely as a cover for their real intentions and as a technique for strengthening neutralist feelings in both France and Indochina. ....  
..... a Communist drive on the northern delta area was likely. Recent Cambodian statements, to the effect that they would take no offensive against Ho, if Cambodia were not attacked, were given little significance by Mr. Dulles, since Cambodia has little military strength. The statements could only serve to embarrass the French, he added.

In response to a previous request by Secretary Wilson, Mr. Dulles then reviewed the situation in Trieste, showing the limits of former Italian boundaries and tracing the history up through the present division of control and responsibility there.

Turning to the Soviet Union, Mr. Dulles remarked that Krushchev is now Number Three in the government, and Number Two in the Party. Though not much is known about him, on the basis of his background Mr. Dulles ventured the opinion that he did not appear likely to aspire to the top position, as did Beria. In response to Secretary Wilson's question, Mr. Dulles said that it is not known what happened to Beria.

With respect to Iran, Mr. Dulles said that Zahedi would have his headaches in spending the \$45 million aid from the U. S.. He called attention to the new determination being exhibited by the Shah, for example, in his requiring the Chief of Staff to report directly to the Shah rather than to the Prime Minister. In the long run Mr. Dulles felt this would be a favorable and stabilizing change. In explanation of the Shah's change of behavior, Mr. Dulles suggested that it was only now that the Shah had become convinced of his personal hold over the people. ....

As a final item of interest, Mr. Dulles reported that Mrs. McLean, who was American-born, and her three children had just disappeared from Switzerland behind the Iron Curtain.

The Vice President inquired what the current intelligence thinking was about the reasons for the earlier disappearance of the two British diplomats.

Secretary Smith and Mr. Dulles explained that while the two men were mixed up in unsavory affairs and had been obviously engaged in espionage.

Mr. Dodge asked how it was possible for a woman with three children to disappear so readily. Mr. Dulles replied that he had just recently visited Switzerland and crossed borders in that vicinity. Consequently, he was able to report at first hand that the frontiers were open again and travel was very easy. Accordingly, with the heavy tourist travel in Europe this summer, it was quite understandable that Mrs. McLean could have slipped out.

The National Security Council:

Noted an oral briefing by the Director of Central Intelligence on the subject, with specific reference to Indochina, Trieste, political changes in the USSR, Iran, and developments in the McLean-Burgess case.

2. STATUS OF UNITED STATES PROGRAMS FOR NATIONAL SECURITY  
AS-OF JUNE 30, 1953  
(NSC 161)

Mr. Cutler reviewed the history of the NSC status reports, of which this is the fourth, with several new sections not previously included, notably a contribution for the first time by the Department of State, one by the Atomic Energy Commission, a special comparative section by CIA on comparable Soviet data, and a Treasury-Budget section which was still to be submitted. Mr. Cutler remarked on the usefulness of the status reports, both for the preparing departments and agencies themselves and for the Council and Planning Board. He referred also to the Key Data Book, which was being revised and brought up to date on the basis of the new information in NSC 161.

The Military Program. Admiral Radford presented highlights of the military program status report, calling attention particularly to changes that had taken place since the last full presentation to the Council in March of the status as of December 31, 1952.

Admiral Radford read the pertinent paragraphs from NSC 153/1, approved in June, as a general policy guide for the military program, but said that this recent decision did not affect the period being reported on, which ended June 30, 1953. The new objectives would govern from July 1 of this year onward.

With respect to readiness of forces, Admiral Radford stated that all force levels were now measured against interim objectives, pending completion of the current review, and that all these interim objectives had been achieved with respect to forces in being except for the Air Force, with readiness of units varying as stated in the report.

Admiral Radford called attention to the fact that this status report included for the first time a section on non-divisional and combat-support units, in which area there had been a 300% growth since 1950. As to Army forces in this category, he remarked that the personnel involved 39% of the major divisional strength. Naval amphibious lift forces had doubled since 1950, and Air Force and Marine support forces provided great flexibility and additional punch.

Admiral Radford then reviewed the changes in deployment over the past six months, and then resumed the capabilities of each service to perform its missions. Army capabilities were roughly the same as they had been at the end of December, as were Naval and Marine forces. Air Force capabilities had had pronounced progress in this interval, with a 9% increase of combat wings. Admiral Radford cautioned, however, that the Air Force, of course, had been materially behind the others when the build-up had begun. SAC capabilities had increased in the half year, with 23 wings operationally ready, as against 17 on December 31--with four of the modern B-47 medium bomber wings included in the 23. The Air Defense Command had had a considerable increase in its radar coverage and a growth in interceptor wings from 45 to 59.

With respect to the effects of the armistice in Korea, Admiral Radford said that the military forces in the Far East had to be prepared to resume combat at any time, pending a satisfactory political settlement. Accordingly, there could be no significant reduction in manpower on that score now.

Admiral Radford then called attention to the new section in the status report on costs, which were unreviewed Service estimates of annual expenditures when the level of maintenance and replacement had been attained. The figures were as follows:

<u>Service</u>	<u>Billions per year</u>	<u>Personnel</u>
Army	\$10.8	1,423,000
Navy	10.27	745,000
		(Marines) 230,000
Air Force	<u>14.62</u>	<u>965,000</u>
Totals	\$35.69	3,363,000

Mr. Dodge inquired if the plan was to attain the maintenance level by the end of FY 1954. Admiral Radford replied that this was so except for the Air Force, assuming, of course, no adverse developments in Korea or elsewhere.

Mr. Flemming referred to the interim personnel force goal above and inquired when that would be attained as against the present 3.5 level. Admiral Radford replied, by July 1, 1956.

Mr. Cutler inquired what force levels had been the basis of the cost and personnel estimates. Admiral Radford replied that they were the interim force levels stated in the report, with the Air Force at 120 wings.

The Mutual Security Program. Mr. Stassen began his report by stating that his program was directed primarily at the second of the major objectives in NSC 153/1, namely, the strengthening of the free world. He stated that two-thirds of our foreign expenditures were in the NATO area, where expenditures were levelling off. End-item shipments had been greatly accelerated in the past six months to NATO, and considerable progress had been made in other critical items to which the President and the Council had drawn attention in the early spring.

Mr. Stassen then summarized the shifting of aid emphasis in the other areas of the world--the Middle East (more to Iran and Egypt) and the Far East (with a substantial increase to Indochina).

On the basis of such economic indicators as the cost of living, food production, and GNP, Mr. Stassen analyzed the present position of India in the cold war as one in which no crisis should be anticipated, but rather one in which it should be possible for India to work out its affairs without totalitarian tendencies. In Pakistan, however, in his analysis he revealed the reverses from which that country had suffered, largely because of drought and because of declining prices in the jute market.

In response to a query by Mr. Cutler, Mr. Stassen said that the improvement in India's economic position could be attributed in large part to American TCA activities.

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Secretary Smith remarked that recent telegrams expressed the view that the speedy handling of wheat relief shipments to Pakistan had produced excellent results there. Mr. Stassen gave credit to his staff for this expeditious work. He said that he had taken the chance of assembling the wheat so that the first ship was able to leave port the day after the President signed the Bill.

The Atomic Energy Program. Mr. Strauss referred first to our competition. He said that the Soviet test series in August involved more than had been announced. However, it had been concluded that unless the tests were unusual, each individual one would not be announced, because that would play into the Soviet hands and might cause undue alarm elsewhere. With respect to our thermonuclear program, Mr. Strauss said this was on schedule, with the first shot set for February. If this were successful, prototype production had been readied so that weapons would immediately be available for emergency use, if needed.

Production of fission weapons is proceeding satisfactorily, with JCS requirements assured and with five new reactors due to be operating by the end of FY 1955.

Accordingly, the two plants had now been declared surplus, and would either be disposed of or put to other uses, with considerable savings as a result.

Mr. Strauss mentioned the labor troubles which the Commission had had recently, mainly in construction activities, from both AFL and CIO unions. The recent appointment of Mr. Ching on the mediation board gave him hopes of clearing up these difficulties.

With respect to reactors, Mr. Strauss said that first priority was being given to those for submarines. Some two and a half months ago the first submarine reactor had undergone a full power test for 90 hours, producing all that had been expected of it--estimated to be enough for a single cross-Atlantic run. This information, he said, was being kept classified at the request of the President.

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Mr. Strauss then summarized recent developments with respect to civilian power reactors, as covered in the status report, and concluded by reporting that late Congressional action had authorized him to increase the salaries of key AEC personnel.

The National Security Council:

Noted oral briefings by Admiral Radford for the Department of Defense, Mr. Stassen for the Foreign Operations Administration, and Mr. Strauss for the Atomic Energy Commission, on the status of the military, mutual security, and atomic energy programs, respectively, based on the reports contained in NSC 161.

3. POSITION OF THE UNITED STATES ON DISARMAMENT IN THE EIGHTH GENERAL ASSEMBLY  
(NSC 112 and NSC 112/1; NSC Action No. 899)

Secretary Smith introduced this item, which had been scheduled on the agenda as an urgent matter in view of Secretary Dulles' speech at the UN the following day. He referred to the Council action at its last meeting and said that the Department of State had assumed that the Council had not met to repudiate our past positions while the new review was pending, even though the Council had not approved paragraph 7-a of NSC 112/1.

Mr. Cutler said his understanding was that the Council did not wish to reaffirm or push our previous disarmament proposals until the new review had been completed.

Vice President Nixon asked if Secretary Dulles wanted to reaffirm our position.

Secretary Smith then said that the Department of State was proposing that Secretary Dulles reaffirm the basic principle, that any disarmament system must meet the basic test of effective safeguards, but added that our past proposals were designed to meet this basic requirement and were not inflexible as the only proposals that could meet such a test. Secretary Smith felt that the Council could agree on language which would state that our past proposals had been designed to meet this test, but we are not inflexible in believing they are necessarily the only ones that would meet these criteria.

The Vice President, Secretary Wilson and Mr. Cutler all felt that the Council would support the latter language, but did not intend to reaffirm our past proposals.

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Secretary Smith said there was a chance that Secretary Dulles might be asked categorically if we still stand by our former proposals. In this event, he felt the answer must be yes, subject to review.

At Mr. Stassen's suggestion, Mr. Strauss expressed his view, namely, that the language proposed, to the effect that our past proposals had been designed to meet this test but that we are not inflexible, was satisfactory. He remarked that the control aspects for fissionable material did not apply to fusionable material. The latter is much more plentiful, harder to inspect and easier to produce. Accordingly, Mr. Strauss said his understanding was that the NSC intended the whole disarmament problem to be reviewed in the light of new developments.

Admiral Radford suggested that if Secretary Dulles were asked the direct question, he might say that technical developments had outmoded the details of our previous disarmament proposals.

Secretary Smith said that Secretary Dulles could not decline to answer where we stood on such a basic UN resolution, and suggested that Secretary Dulles could say that we supported our previous UN resolutions, subject, of course, to such review as new developments require.

The National Security Council:

Agreed that the following U. S. position on disarmament at the eighth General Assembly, as proposed orally by the Acting Secretary of State, would be consistent with NSC Action No. 899:

- a. Any acceptable disarmament system must meet one test, that of effective safeguards to ensure the compliance of all nations and to give adequate warning of possible evasions and violations.
- b. Our past proposals have been designed to meet this test, but we are not inflexible in believing that they are necessarily the only ones that would meet these criteria.
- c. We are constantly reviewing the disarmament problem; hope others will do likewise; and will seriously examine any promising new proposals made by others or will put forward new ideas as we develop them.
- d. If required during the course of the eighth General Assembly, we might take the position that we still support the basic principles of our past proposals, subject to review of the details of these proposals in the light of recent developments.



4. INTERNAL SECURITY

(Progress Report, dated July 24, 1953, by the NSC Representative on Internal Security on NSC 17/4 and 17/6)

In response to Vice President Nixon's question about the difference between the IIC and the ICIS, Mr. Cutler said it was like the difference between G-2 and G-3 - the IIC is the intelligence investigatory agency, and the ICIS is the operational coordinating agency. Mr. Cutler also referred to the study now proceeding by Mr. Flemming's task force, as a result of the organizational questions that arose in the continental defense paper.

Mr. Flemming said that he expected to have a progress report by Thanksgiving.

Mr. Cutler invited the Council's attention to several items in the report: the 6500 known dangerous subversives employed in installations on the key facilities list (page 9); the emergency alert plan for key government officials (page 12); and the government employee security program (page 16). Mr. Cutler added that the early estimates that this program might cost in the neighborhood of \$72 million had now been scaled down to the neighborhood of \$3 million, in view of a recent ruling by the Attorney General as to interpretation of Executive Order 10450.

Mr. Dodge remarked that cost estimates in this area are very indefinite.

Vice President Nixon said that the figure as to how many employees had been removed since the new Administration had taken over would be very interesting. Acting Attorney General Rogers said such a report was being prepared for the President next week. Mr. Coyne said that the Civil Service Commission was now required to make a semi-annual report, which would undoubtedly include such information.

Secretary Wilson said he was attempting to keep removals in the Department of Defense quiet.

Mr. Cutler also referred to the proposed executive order on classification, transmission and handling of security information, prepared in the Department of Justice (page 17). He suggested that the Attorney General might wish the NSC to bless this order before it is finally approved and promulgated.

Mr. Dodge remarked that some of the staff in the Bureau of the Budget had questioned possible duplication between the activities of the Department of Defense in connection with the Key Facilities List, and the activities of the Department of Commerce through the Facilities Protection Board and its classification of plants.

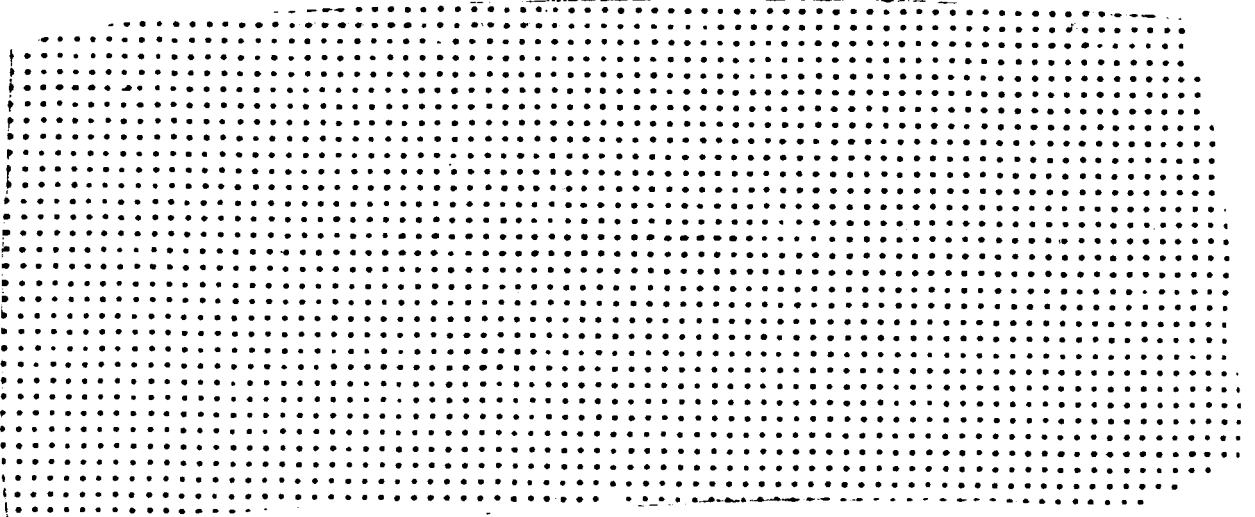
Mr. Coyne referred to the recent executive order which had put all responsibility in this area into the hands of ODM and added that,

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while the activities had been somewhat independent up to the present, the current intention was to have one evaluating group with all parties represented.

Secretary Wilson questioned this merger and remarked that this evaluation activity was getting into an area where the important thing was how well done the security job was on very highly technical and secret material. Mr. Coyne remarked that the Department of Defense is represented on the Facilities Protection Board. Mr. Flemming added that he was driving toward the elimination of duplication.



Vice President Nixon opened the subject of changes needed in basic internal security legislation. He referred to the Internal Security Act of 1950, which had been passed by the Congress over the opposition of the Department of Justice. He mentioned the experiences of other countries in outlawing and handling Communist activities, and expressed the view that we could write a much better basic law now, with the new Justice Department working closely with the Congress. Accordingly, he suggested that a whole new re-examination of the laws, which constitute a patchwork at the moment, would be in order. Mr. Rogers said the Justice Department was reviewing all the laws and statutes in the field with the thought of having a complete legislative program to propose to the Congress about the first of the year. He added, however, that there was as yet no thought of outlawing the Communists.

The Vice President felt that reviewing and tightening up the various bits and pieces of internal security legislation would be good. But he clarified his interest by stressing his feeling that we were dealing with a new problem which required completely new thinking.

Mr. Stassen commented that Solarium had raised a question about this. Secretary Wilson said that the Department of Defense was concerned about the Communist dominated unions in the electronics industry.

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Mr. Cutler said that the IIC and the ICIS were also considering appropriate legislation.

Vice President Nixon suggested that one main object of the Administration should be to prepare constructive proposals in this field along the lines of a new approach, if possible, without being wedded to the hodgepodge of legislation that had been passed up to date.

Mr. Stassen felt we could now get real progress in this regard if, on the one hand, we made it tougher for subversive persons, and on the other, make it possible for some of the youngsters who had been involved to get cleared and receive some sort of amnesty if they made a clean breast of it.

Secretary Wilson said he would not wish any reformed subversives in the Department of Defense.

Mr. Stassen mentioned the need for firing also those individuals who had the responsibility for action in dismissing subversives, but who dragged their feet. Vice President Nixon mentioned several recent cases where the Administration had been embarrassed and put in a bad light by such delay - in the Army, the GPO and the Conciliation Service.

Vice President Nixon said that there was no need to protect a person who cleared individuals, and Mr. Stassen agreed that a security official should be prepared to testify in Congress, upon a letter of inquiry.

Vice President Nixon mentioned the President's early statement that the principal job in this field is that of the administrative agency, not the Congress, and that this policy required quick action.

The National Security Council:

- a. Noted and discussed the reference Progress Report on the subject by the NSC Representative on Internal Security, with particular reference to paragraphs 11-A and -E, 27 and 28.
- b. Agreed that the Department of Justice, with the assistance of the IIC and the ICIS, should review existing internal security laws in their entirety with a view to submitting for Council consideration constructive proposals regarding possible legislation which might be introduced at the next session of Congress.

5. PROGRESS REPORT ON IRAN  
(NSC Action No. 891)

Secretary Smith reported that Herbert Hoover, Jr. was now on duty as the Consultant for handling the oil problem, in accordance with NSC Action No. 891-b. He cited the two main problems we now face: to

get a settlement between Iran and the UK, and then to get Iranian oil on the market. Mr. Hoover had accepted the appointment on two conditions, Secretary Smith said: (a) if he could be assured of the cooperation of the big oil companies in making room on the market for Iranian oil; and (b) if he could be assured of the cooperation of the Department of Justice in not pressing the cartel suit.

Secretary Smith said that Mr. Stassen had dug to the bottom of the barrel to find the \$45 million for Iranian aid, and that General McClure was asking that additional military equipment be expedited. Secretary Smith said he felt that the key to stability in Iran was the Iranian army.

Secretary Smith then mentioned the reluctance of the big oil companies to open the market, and suggested we must look forward to providing some kind of an operating syndicate, without risk of running afoul of the Attorney General.

Secretary Smith concluded his report by stating that we apparently had snatched victory from the jaws of death, and he was optimistic now.

Mr. Stassen said that the \$45 million would probably hold for about 6 months, until the oil got moving. He added that the Army pay had to be increased. General Smith seconded the importance of raising Army pay in Iran, and mentioned that they have only one uniform apiece now. He felt that the UK and Iran were very close now, as were the UK and Egypt; and it is important that we not miss our chance.

In response to Secretary Wilson's question, Secretary Smith said that Iranian oil was about 5% of world production. Mr. Stassen added that if the oil went into non-dollar markets it could find its own room, and added that this was possible in Europe.

Secretary Smith cautioned that some of the oil must, however, go into the dollar market.

The National Security Council:

- a. Noted an oral progress report by the Acting Secretary of State on developments with respect to Iran.
- b. Noted that Mr. Herbert Hoover, Jr., had been appointed as a special representative of the United States to deal with problems related to an Anglo-Iranian oil settlement, in accordance with NSC Action No. 891-b.

6. ARMAMENTS AND AMERICAN POLICY  
(NSC Action Nos. 869-b and 895)

Mr. Jackson reviewed the history of "Operation Candor", which is now called the "Safety of the Republic" series. In March of this year,

the Oppenheimer Committee had proposed greater disclosures of the facts of the current atomic armament race, and the President had approved the idea. Thereupon, a PSB committee had gone through six drafts of a speech.

Concurrently and independently, Mr. Jackson said, others in the Administration and the Advertising Council had conceived the idea of a series of speeches this Fall on atomic energy and other national security matters.

Six weeks ago, Mr. Jackson continued, the two developments had been married and the new draft sent to the President and edited by him in Denver. The idea had been for the President to start the series, to be followed by other Cabinet officers. The President's speech was so momentous, however, in that it was not just a disclosure, but contained decisions, that anything following it might well seem anti-climatic. Accordingly, the question was wide open as to whether there would be a series of speeches or whether the Cabinet members would simply handle this matter in their own regular speeches. The tentative date had been set for the President's speech on October 4.

Mr. Jackson concluded by expressing great concern over the fact that a recent Alsop article carried a full and accurate account of recent plans, taken almost word for word from a draft paper which had been given limited distribution.

The National Security Council:

Noted an oral report by Mr. C. D. Jackson on the status of the program being developed pursuant to NSC Action No. 869-b, which indicated that consideration is now being given to a new plan which differs from the planning previously reported in NSC Action No. 895.

7. NSC STATUS OF PROJECTS

The National Security Council:

Noted the status of NSC projects as of September 14, 1953.

HUGH D. FARLEY