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November 25, 1957

MEMORANDUM

SUBJECT: Discussion at the 346th Meeting
of the National Security Council,
Friday, November 22, 1957

Present at the 346th Council Meeting were the President of the United States presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General; the Director, Bureau of the Budget, the Special Assistant to the President for Disarmament; the Chairman, Atomic Energy Commission; the Director, International Cooperation Administration; the Director, U.S. Information Agency; the Deputy Secretary of Defense; the Secretary of the Army; the Acting Secretary of the Navy (Franke); the Secretary of the Air Force; the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Army; the Chief of Naval Operations; the Chief of Staff, U.S. Air Force; the Commandant, U.S. Marine Corps; the Deputy Director, Bureau of the Budget; the Chairman, Council of Economic Advisers; Assistant Secretary of State Gerard C. Smith. Also present for the Department of Defense were Assistant Secretary Mansfield Sprague; Assistant Secretary W. J. McNeil; Assistant to the Secretary of Defense William M. Holaday; and Messrs. Max Lehrer and John Keller. Also present at the meeting were the Director of Central Intelligence; the Assistant to the President; the Deputy Assistant to the President; Special Assistants to the President Cutler, Dearborn, Larson and Killian; the White House Staff Secretary; Mr. Bryce Harlow, Administrative Assistant to the President; the Executive Secretary NSC and the Deputy Executive Secretary, NSC.

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

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E.O. 12356, SEC. 3.4 (b)

MR 78-149 #1

BY LKO DATE 11/14/86

PORTIONS EXEMPTED

E.O. 12356, SEC. 1.3 (2/5)

NSC letter 8/14/86

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FOLDER 346th Meeting of NSC
November 22, 1957

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1. U.S. MILITARY PROGRAMS FOR FY 1959
(NSC Action No. 1816)

General Cutler introduced the subject and called upon Secretary McElroy. Secretary McElroy informed the Council of what had transpired since the last NSC meeting when the Defense Department had indicated to the National Security Council how it was tentatively proposing to allocate funds to the several military programs in accordance with the 38 billion dollar limit on New Obligational Authority and on Expenditures. He reminded the Council that at last week's meeting the heads of the Military Departments and the Chiefs of Staff of the Services had gone on to indicate what each of the Military Departments believed to be required by way of additional programs (add-ons) over and above the 38 billion dollar limit. In the days following last week's meeting, Secretary McElroy indicated that after consultation with the Joint Chiefs of Staff, the Service Secretaries and other officials of the Defense Department, a selection had been made among the add-on programs of those which represented the highest urgency and need. Subsequent to this selection, these high priority add-on programs had been discussed with the President himself. Thereafter, these agreed add-on programs had been incorporated in the recommendations which would be presented today by Assistant Secretary of Defense McNeil. Secretary McElroy also pointed out that, as the President and the Council would have expected, the Department of Defense had tried to fund as many of these add-on programs as possible within the 38 billion dollar limit of the Defense Department Budget. This had not proved entirely possible and the Budget which would be presented today for FY 1959 would be higher than the Defense Department Budget for FY 1958. He then called on Secretary McNeil. (A copy of Secretary McNeil's presentation will be found in the official Minutes of the meeting).

Secretary McNeil made use of two charts. One was entitled "FY 1959 Budget Summary"; the second was entitled "FY 1958 Augmentation." Referring to these charts Secretary McNeil produced the following information with respect to the proposed revision of the FY 1959 military Budget.

1. The revised presentation for FY 1959 Military Budget:

	<u>NQA</u>	<u>Direct Obligation</u>	<u>Expenditures</u>
\$38 billion basis	38.60		
Adjustments .61			
Transfers .33	.94		
	37.66		
Agreed "add-ons" -	2.14		
	39.80	40.98	39.5

- NOTES: 1. About \$450 million is left in stock funds
2. At the end of FY 1958 there will be no free funds to carry over - all \$7 billion, though not "obligated," will have been committed.

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2. Detail of agreed "add-ons":

	<u>Total</u>	<u>Army</u>	<u>Navy</u>	<u>A.F.</u>	<u>DOD</u>
Pay increases for military & civilian personnel -	.70	.25	.19	.23	.04
Increase SAC alert and dispersal -	.18			.18	
Ballistic missile detection -	.10			.10	
Ballistic missile acceleration-	.57		.26	.31	
Increased research & development -	.14	.04	.01	.08	
Force levels -	.07	.03	.04		
Satellite & Outer Space Program -	.10				.10
Anti-submarine warfare -	.15		.15		
Pentomic Divisions -	.13	.13			
	<u>2.14</u>	<u>.45</u>	<u>.65</u>	<u>.90</u>	<u>.14</u>

3. End strengths for Services at the end of FY 1959:

Army	870,000
Navy	630,000
Marine Corps	
	175,000
Air Force	850,000

These strengths will permit the retention of 2 Divisions in Korea and 5 Divisions in NATO, and the minimum Air Force requirements of Norstad through CY 1959. Note that there will be reduction in the National Guard and Reserves

The present agreed expenditure allocation for FY 1958 is \$38.670 billion. To carry out several augmentation programs now scheduled, it will be necessary to make approximately \$411 million more NOA available during FY 1958. Possibly one-half of this amount could be met by transfers of existing funds. The other half will have to be met either by a supplemental appropriation request or deferring certain FY 1958 programs so as to utilize the funds thus made available. The total NOA of \$411 million would increase the present FY 1958 expenditure allocation of \$38.670 billion, by \$91 million.

Secretary McElroy pointed out at the conclusion of Secretary McNeil's presentation that it was going to be very difficult to come to a definite decision with respect to acceleration of the Intermediate Range Ballistic Missile Program. The 570 million dollars for IRBM acceleration would permit 16 squadrons of JUPITER or THOR by 1963. Before deciding on further acceleration, Secretary McElroy thought he needed more discussion

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discussion with Secretary Dulles. He suggested that if a decision to accelerate were made immediately, one squadron of IRBM's could be made operational by the end of 1958. While this would involve additional funds, such a course of action would help the morale of our Allies and assist the United States in the forthcoming NATO meeting. Secretary McElroy said he could not be more definite at the moment on this subject.

When Secretary McElroy had finished his comments, the President asked Secretary Dulles if he had any questions. Secretary Dulles said that he had ^{had} a talk just prior to this Council meeting with Secretary Quarles and Mr. Killian. He had informed them of his belief that it would be important to be able to say at the NATO meeting that we were capable of making available to NATO (in addition to our commitment to the United Kingdom) one squadron of IRBM's by the end of Calendar 1959. This date was probably the earliest when NATO would be in a position of readiness, with respect to bases, training, etc., to receive such squadrons. But if we could make such a statement as this, the effect would be very reassuring.

The President inquired whether the countries receiving IRBM squadrons would undertake to build the necessary ground installations. Secretary Dulles said that this question had not been settled. The President said he supposed that ground installations for IRBM squadrons would be very expensive. Secretary Quarles confirmed the President's supposition by stating that the ground installation would prove almost as expensive as the IRBM itself. The cost might amount to somewhere in the neighborhood of 50 million dollars if all the equipment, etc. were included. The President commented that the elaborate character of such a ground installation suggested to him that such installations would be prime targets for an enemy attack.

In order to avoid requesting New Obligational Authority without precise foreknowledge of the need for appropriated funds for missile production (when operational capability is ascertained), Secretary Anderson asked whether we should seek authority for the Secretary of Defense, with the approval of the President, to make transfers among appropriated funds or alternatively should authority be sought for the Secretary of Defense, likewise with Presidential approval, to contract for the purchase of missiles in addition to appropriated funds, at a time when Congress was not in session.

Secretary McNeil thought that such a part-appropriation and part-contract authority would lead to difficulties except on a one-time basis. The President, however, seemed to prefer Secretary Anderson's idea for seeking contract authority over and above appropriations - for use when Congress was not in session - on a missile break-through.

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With respect to the Outer Space Program, the President expressed satisfaction that the Department of Defense was to have 100 million dollars for this program. On the other hand, the President said he did not believe that the Air Force as such should have one cent for this program. Secretary McElroy explained that the Air Force was not going to proceed with its own Outer Space Program (apart from the Department of Defense Program) but at the appropriate time would transfer Air Force funds into the Department of Defense Budget for the Outer Space Program. The President stated with great firmness that he thought this was Secretary McElroy's business and not the business of the Air Force. Secretary McElroy again explained that the appearance of a figure in the Air Force Budget for an Outer Space Program simply indicated that he, Secretary McElroy, did not wish to interrupt progress on the Air Force Outer Space program until such time as the Department of Defense was ready to take over the Outer Space Program.

The President said that there was another part of his question with respect to the Outer Space Program. Did Secretary McElroy and Mr. Killian believe that as much as 200 million dollars would be necessary for the Outer Space Program in FY 1959? Mr. Killian said that he was not in a position to give a firm answer to the President's question as yet but he thought that the 200 million dollars was necessary.

The President indicated that he was not so sure and he pointed out that he had that morning received a very gloomy letter from one of the NSC's "old associates" complaining about the growing lack of confidence by U.S. business in the Administration and warning that we were going to go to Hell as a result of our large Government expenditures.

Secretary Anderson then raised the question of the use of certain stockpile materials for military production. This suggestion seemed to have merit in the eyes of Secretary Anderson but it was pointed out by Mr. Gordon Gray and others that such use of stockpile materials would not prevent the suppliers from continuing to put into the Government stockpile materials under their contracts. The only advantage to be gained by using stockpile materials for military purposes would be to avoid continuing to carry a surplus of materials in the stockpile.

The President asked Mr. Gray whether it was not a fact that the contracts for stockpile materials were originally entered into so that the Government could supply materials like aluminum to the aircraft companies under certain circumstances. Mr. Gray replied that the primary motive was to achieve expansion of productive capacity.

Referring to forthcoming Congressional hearings, the Vice President predicted that strenuous efforts would be made by members of Congress to find areas where certain defense programs could move faster even on a crash basis. Congressmen might argue for more rapid production of

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operational missiles even if they were not as good quality as we could wish. The Vice President believed that if these hearings brought out the point that we had the capability to put a squadron of IRBM's in Europe by the end of Calendar 1958, even if these missiles were not fully proved out, there would be strong Congressional pressure to take the risk and place the squadron in Europe for psychological reasons.

Secretary McElroy expressed his general agreement with the Vice President's comment but pointed out that there was a difference between putting squadrons in the United Kingdom and in NATO. IRBM's would be in the United Kingdom late in Calendar Year 1958.

Secretary Dulles expressed doubt whether the NATO nations in Western Europe would actually be ready to receive IRBM's prior to Mid-1959. Accordingly, he would counsel against accelerating this program in order to be able to send an imperfect IRBM to NATO before our European Allies were ready to use it. Secretary Douglas of the Air Force indicated that our IRBM program vis-a-vis the United Kingdom contemplated that the first IRBM squadron in the United Kingdom would be U.S.-manned.

The Vice President repeated that from information and rumor available to him, he judged that there would be heavy Congressional pressure to go ahead on a crash program to achieve operational IRBM's by the end of Calendar Year 1958. With a smile the President asked the Vice President which of the two parties was likely to propose a big tax increase in order to mount a crash program. The President indicated, however, that he had no objection to going forward with this program for the United Kingdom. Secretary McElroy added a warning that there would be need for additional money if this acceleration of the IRBM program was decided on.

Director Brundage asked several questions, notably about the possibility that Congress might decide to cut out Defense Department carry-over funds, about another attack carrier, and about the possibility of saving money by slowing up the process of promotion in the armed forces. This last suggestion produced a brief discussion of the recommendations of the Cordiner Report. Secretary Quarles and Secretary Douglas expressed the opinion that implementation of the Cordiner Report would ultimately result in a savings but not in the first year.

Mr. Brundage then inquired whether the FY 1959 Defense Department program contemplated restricting construction to the high priority needs of the Department of Defense and further whether it was possible to close down some military installations.

Secretary McElroy replied that the Defense Department did indeed hope to find some military facilities which could be closed down.

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By way of suggesting a consensus, General Cutler asked whether the Council action on this agenda item should state that the National Security Council found that the FY 1959 Defense Department Budget and programs were consistent with the requirements of our national security policies. The President seemed to find General Cutler's suggestion desirable but added that he wished Mr. Killian and Secretary McElroy to go over the figures which had been presented to the Council at this meeting with a view to seeing just how much of this money must be placed in the New Obligational Authority column for the FY 1959. Should the total figure be presented for NOA or should it be partly presented for NOA and partly for Contingent Contract Authority in addition to NOA? The President went on to remind the members of the Council that when the Council had first become involved directly in the ballistic missiles programs he had expressed the opinion that the effect of ballistic missiles would be more important in the psychological area than in the area of military weapons. He still felt that as a weapon the manned bomber was superior to the missile. We were now, however, in a transitional period but it was still a question how much money we are justified in asking for on behalf of these missiles programs. In conclusion the President again directed Secretary McElroy to provide Mr. Killian with the crystallized views of the Department of Defense after which he wished these views to be considered at a restricted meeting.

The National Security Council:

- a. Noted and discussed an oral presentation, pursuant to NSC Action No. 1816, of the recommendations by the Secretary of Defense as to the U.S. Military Programs for FY 1959 and augmentations for FY 1958, as presented at the meeting by the Secretary of Defense and Assistant Secretary of Defense McNeil.
- b. Agreed that, subject to normal budgetary review and final action by the President, the U.S. Military Programs for FY 1959 and the augmentations for FY 1958, as recommended by the Secretary of Defense at this meeting, were generally consistent with national security policy objectives.
- c. Noted the President's desire that the Secretary of Defense assure himself that the amounts for the U.S. military programs for FY 1959 and the augmentations for FY 1958, to be recommended for final action by the President, represent what is necessary for the national security without reflecting excessive concern.
- d. Noted the President's request that the Secretary of Defense review with the Special Assistant to the President for Science and Technology the amount of new funds that should be requested for each FY 1959 "augmentation program" (other than the Cordiner recommendations and the civilian pay increase) presented at this meeting.

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- e. Noted that the President, based on the review in d above, would subsequently meet with a selected group of officials to discuss the best method to be presented to the Congress for financing such FY 1959 "augmentation programs" (including consideration of a request for Presidential contract authority in lieu of appropriations for some portion of such "augmentation programs").

NOTE: The above actions, as approved by the President, subsequently transmitted to the Secretary of Defense and the Special Assistant to the President for Science and Technology, for appropriate implementation.

2. SIGNIFICANT WORLD DEVELOPMENTS AFFECTING U.S. SECURITY

Mr. Allen Dulles first referred to the recent meeting in Moscow on November 14 to November 16. The fact that the communiqué had only been issued yesterday (November 21) indicated that there had been difficulties encountered at the meeting. After summarizing the contents of the communiqué, Mr. Dulles pointed out that it was neither very ringing nor very important. It was significant that the Yugoslavs had not joined in the communiqué and that there was to be apparently no new Cominform.

Mr. Dulles alluded next to the very confused situation in Guatemala. A new election has been ordered for Mid-January and Communist supporters of former President Arbenz are now sneaking back into Guatemala. Both the Right and the Left were well organized and the Center group on which we pinned our hopes was somewhat disorganized. Thus we are facing a situation where if this election goes wrong, we might well have a repetition of our previous troubles in Guatemala. The problem needed most careful watching.

Mr. Dulles similarly described the situation in Laos where the Pathet-Lao had been merged into the Royal Government as a situation requiring careful and continuous U.S. scrutiny.

Mr. Dulles indicated that the strength of the Communist Party in Java had increased to a point where the Communists were the strongest party in that island. As a result, the Communists were becoming increasingly bold. Soekarno was about to leave for South America and wished to stop in the United States on his way back home. Meanwhile, dissidence in the outer islands continues. This was yet another problem which required our most careful consideration.

Mr. Dulles concluded with reference to the situation in the Middle East and particularly in Syria. While basically matters had not changed greatly in Syria, there were some signs of diminishing coherence in the Syrian regime.

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With respect to certain of Mr. Allen Dulles' remarks, the President said with a good deal of vigor that while he could well understand the usefulness of our system of military attachés in the less-developed countries, he had a strong impression that we had more such attachés than we need in the more mature countries. He could see no need for such big staffs, for example, in a capital like London. Here was an opportunity to save both money and manpower.

General Twining assured the President that the Military Services were working on this problem all the time.
The President, however, repeated his belief that we could make drastic cuts in the attaché system and incidentally save a lot of trouble with visiting Congressmen.

The National Security Council:

Noted an oral briefing by the Director of Central Intelligence on the subject, with specific reference to the recent meeting of Communist leaders in Moscow; and the situations in Guatemala, Honduras, Laos, Indonesia, and the Middle East.

- 3. TUNISIA, MOROCCO, ALGERIA
(NSC 5614/1; Progress Report, dated November 13, 1957, by OCB on NSC 5614/1)

The National Security Council:

Noted the reference Progress Report on the subject by the Operations Coordinating Board.

S. Everett Gleason
S. EVERETT GLEASON

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Mr. Truman
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November 22, 1957

PROGRESS REPORT ON TUNISIA, MOROCCO & ALGERIA (NSC 5614/1)
(Approved October 3, 1956)

Mr. President - This report covers the period
March 1957 - November 13, 1957

The The essence of this report is in the last two sentences on page 4,

which read: "The Algerian problem and our attitude on it remain the critical issue in U. S. - French relations and are an increasingly sensitive point in our relations with Morocco and Tunisia, because of the inevitable repercussions on area stability and on our position and interests in the two independent countries. In fact, the Algerian conflict has serious effects on the entire Western position in North Africa."

Until some solution of the Algerian problem emerges, we can expect no stability in the area, (but will see progressive dissatisfaction with the West and uncertainty, at best, in our military and economic relations with Morocco and Tunisia). (Because of our relationships with France, we are presently confining ourselves to discreet pressures on the French and to encouraging Moroccan and Tunisian efforts to bring the Algerian leaders to a more conciliatory point of view.)

In turn to Morocco
During King Mohammed's visit it seems likely that the major issue of U. S. bases in Morocco will be discussed, *during the King's visit*

Real progress in the base negotiations, begun last May with the Moroccans over French objections, depends upon satisfying the Moroccan *for a permanent* need to justify foreign troops and bases in their country, the sufficiency of our economic aid programs as a quid pro quo for base rights, and the

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Moroccan desire for military assistance. There remains also the fundamental problem of liquidating or revising the 1950 Franco-American agreements and satisfying the French contention that base negotiations should be tripartite because of their claimed title to the base properties and defense responsibilities.

(Negotiation of a new Treaty of Friendship, Commerce and Navigation with the Moroccans, decision on the status of present VOA radio facilities at Tangiers and the installation of new high-powered transmitters at that location will await developments in ^{the} negotiating a base rights agreement.

As you know, the principal U. S. problem in Tunisia arose from Bourguiba's request for arms following border clashes with the French. Implementation of the U. S. and U. K. decision to furnish arms, if other Western sources failed, led to the expected adverse reaction in France.

Although U. S. economic and technical aid assistance programs have been instituted for Morocco and Tunisia in the amounts of \$20 million and \$8.5 million, respectively, it is too early for them to have had noticeable effect in alleviating problems caused by declines in private investment and severe unemployment. Programming of U. S. aid is complicated by lack of adequate economic planning and the continuing uncertainty of the level of French aid. While ^{it is expected} it is hoped that the French financial contribution to ^{Moroccan} economic development ^{amount} will amount of \$57 million in calendar year 1957, ^{but} negotiations for a temporary financial convention have been ^{down}

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suspended. French financial aid to Tunisia, which was suspended in May, was resumed in July and may reach \$30 million this year.

Tunisians and Moroccans are sensitive to U. S. control over the administration of aid programs, and it is expected that France will become increasingly resentful of our intentions toward the area as these programs get under way. We plan to pursue our present policy of exchanging information with the French on our programs and of encouraging their continued military and economic assistance to, and influence in, North Africa.

The OCB recommends no review of policy.