

C. Douglas Dillon Oral History Interview – JFK#5, 08/04/1964
Administrative Information

Creator: C. Douglas Dillon
Interviewer: Elspeth Rostow
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Biographical Note

Dillon, Secretary of the Treasury (1961-1965) discusses his work on the National Security Council during the Cuban Missile Crisis and the Berlin crisis of 1961, among other issues.

Access

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BY DOUGLAS DILLON

TO THE

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- a) Transcripts of ten (10) personal interviews approved by me and prepared for deposit in the Library;
- b) Ten (10) tapes, containing the interviews, from which the transcripts were prepared;
- c) An unclassified subject index to the transcripts (attached herewith and labeled "Index I"); and
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Douglas Dillon

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Archivist of the United States

Date:

Feb. 26, 1965

January 5, 2004

Allan B. Goodrich
Chief Archivist
John F. Kennedy Library
Columbia Point
Boston, MA 02125

Dear Mr. Goodrich:

This is in reply to your recent letter regarding the interviews my husband, Douglas Dillon, did for the John F. Kennedy Library Oral History Project in 1965.

I have looked over the documents you enclosed with your letter, and I agree that there are no longer any reasons to restrict access to the transcripts. As authorized by his deed, I hereby annul the clause that closes Mr. Dillon's interviews for a period of five years following his death that was originally stipulated in the deed.

This letter authorizes the Kennedy Library to open his Oral History interview tapes and transcripts for general research use without restriction.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan S. Dillon". The signature is written in dark ink on a white background.

Susan S. Dillon

C. Douglas Dillon – JFK #5

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Fifth Oral History Interview

with

C. DOUGLAS DILLON

August 5, 1964
Washington D.C.

by Mrs. Walter Rostow

For the John F. Kennedy Library

ROSTOW: This is the second tape of the interview on international matters for the Kennedy Oral History Project with the Secretary of the Treasury, C. Douglas Dillon, in his office in the Treasury of the 5th of August, 1964.

Well, Mr. Secretary, history has a gift for creating coincidence and between the first and second tape in which you went off yesterday afternoon, you were called to a meeting of the National Security Council, we had the second attack on the Maddox and the situation is in a small scale, one trusts, reminiscent of some of the tensions of October 1962. At the end of the first tape you were discussing your communication to the Mexican government of the President's [John F. Kennedy] speech of October 22, and the reaction which you found there. Would you care to go back over that?

DILLON: I'd be glad to. We were asked to—when I say we, I mean the leading U.S. representative, in almost all cases the Ambassador—to deliver a personal message from the President to the Chief of State of the country to which he was accredited, just before the President spoke on Monday, the 22nd, to outline the facts of Soviet forces in Cuba, the facts of the pictures we had taken, and also to explain the action which the President was going to announce an hour or so later.

In the case of Mexico, the President, Mr. Lopez Mateos [Adolfo Lopez Mateos], and his Foreign Minister were on a good will tour in the Far East. I think they were in the

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Philippines. After talking with Ambassador Mann [Thomas Clifton Mann], we decided that, since the senior member of the government present was the Finance Minister, Mr. Ortiz Mena [Antonio Ortiz Mena], who was my opposite number at the conference, it would be appropriate for me to personally deliver the President's message to him. So on Monday morning I asked to see him and told him there was an important message from the President and that I could only give it to him at 3 o'clock that afternoon. While I was talking with Ortiz-Mena the announcement came over the news tickers that the President was going to address the nation on television at about 5:30pm, I think it was. Ortiz-Mena immediately realized that something very serious was about to occur. He said he would be glad to come to my room, but we finally compromised and instead of going to his office, I visited him in a room he had in the hotel in which I was staying, which was where the conference was being held.

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I saw him as scheduled alone and I told him of the situation, what we had discovered in Cuba. He listened very intently. I told him what the President intended to do, the establishment of the blockade and told him of our determination to undertake and measures that might be necessary to remove the Soviet missiles from Cuba. As I say, he listened very quietly. When it was finished, he said immediately that this military intrusion of a foreign country into the hemisphere was something that Mexico could not stand for. He said that we could count on Mexico being on our side in this situation, and that he would immediately be in touch with the Minister of the Interior so that the police forces could be alerted in case there should be any attempt at Communist demonstrations after the President spoke.

I told him that we were making arrangements to notify the Mexican President in the Philippines. He was probably being notified at the same time I spoke to him. Ortiz-Mena said that there would be no doubt that Lopez Mateos' reaction would be the same because he knew that this would be the reaction of all the Mexican people against the intrusion of Soviet military power into the hemisphere. This was a most heartening response because as you will recall, Mexico had not agreed with us entirely on our handling of the Cuban problem and on our relations vis-à-vis the Cuban government and continues not to agree on that score. But nevertheless, when it came to this different problem of Soviet intrusion into the hemisphere, there was just no doubt and there was no wish-washiness. Ortiz-Mena fully understood the stakes we were playing for and what this meant to the world, and he was fully ready to accept the responsibility of supporting our position.

ROSTOW: Two questions, one technical and one not. Am I right in assuming this was a strictly oral communication?

DILLON: Yes, strictly oral. No record whatsoever. I think there is probably a record in the State Department files because I reported it back. There must be a telegram, but there was no record made at the time.

ROSTOW: The second question is different. It must have been an extremely moving confrontation.

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DILLON: It was. It was extremely moving because I frankly hadn't known what the Mexican reaction would be in a situation like this. I don't think anyone had known, although our Ambassador thought it would be favorable. But I don't think any of us could have realized it would have been so spontaneous and so rapid, although, of course, this is in the tradition of Mexican democracy and Mexican belief in the independence of this hemisphere from foreign intrusion. But it was extremely courageous and deeply appreciated by me.

ROSTOW: Ambassador Mann was not present?

DILLON: No, he was not present at this session.

ROSTOW: Immediately after this, what did you do?

DILLON: Well, immediately after this I think there was a ceremony and there was a laying of wreaths. This was at a Mexican monument in the square outside our hotel. After that I went back up to my room to wait and listen with the rest of our delegation to the President's speech.

ROSTOW: Did you see that on television or hear it on the radio?

DILLON: We heard it on the radio. There was no simultaneous television in Mexico but we heard it on short wave radio. The transmission came in quite well and all the members of the delegation were there and we all listened together.

ROSTOW: What was the next episode in your Mexican trip?

DILLON: Well, I think the next thing was the following morning, Tuesday, morning, I was due to address the conference. It was arranged that I would speak out of order and make the first speech even before the introductory speech by the Chairman and the speech that had been scheduled by the head of the Inter-American Bank, so that I could leave promptly

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and get back to Washington. I did deliver our message to that conference which was in regard to economic cooperation, the development of the first year of the Alliance for Progress, sort of a review of that and then when I got to the end I told them that the blockade had been proclaimed and that Soviet ships were staying outside the area. I reiterated to the conference the strength of our feelings about this intrusion of the Soviet Union into the hemisphere, and pointed out that missiles could reach not only the United States but could

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cover Mexico, the whole of Central America, the northern areas of South America. I said we were determined to see that they were removed and were going to take every action necessary to see that this would be done. This was received, similarly to my confrontation with Guevera [Che Guevara] at Punta del Este, with great acclaim by all the delegates—again with one exception. This time it was the Brazilian delegate, a Mr. Celso Furtado, who obviously felt chagrined at our action and was sympathetic to the Cuban-Soviet position.

ROSTOW: On your own reaction at this stage as you look back on it when you listened to the President and thought about it the next day, which of the following alternatives did you consider the most likely—a quick and bloodless resolution of the crisis or a substantial conventional clash in the Caribbean, Europe or elsewhere, or possibly a nuclear war?

DILLON: My own feeling was right along that there would not be a nuclear war, that there might possibly be some Soviet reaction in some other part of the world. I did not really expect it at Berlin. My own feeling was that the Soviets would eventually probably back down. Only I was never sure that this would happen short of the actual use of military forces by the United States. I was naturally very pleased when it took the other tack, and the Soviets decided to withdraw the missiles without the necessity of our using military force against them. I had been more or less of the opinion that they would not, but that they would wait until some form of attack occurred and would then try to whip up feeling around the world against us as inciters of war and use this possibly as an excuse to take limited action of their own in some such place as Iran or some other place like that where they thought it would not be highly expensive and would be unlikely to start a nuclear war.

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ROSTOW: During the week of October 22nd, at least six Latin American countries offered us military aid. Argentina, for example, offered a couple of destroyers. Was any offer of this sort made to you in Mexico?

DILLON: No, at that time I didn't get into that sort of detail or ask for it and there was no such offer.

ROSTOW: So you returned with a sense of support barring the Brazilian attitude.

DILLON: Well, I didn't think that the Brazilian attitude was necessarily the Brazilian government, because they hadn't any time for it. It was the attitude of the individual who happened to be there representing Brazil.

ROSTOW: How soon after your statement to the session did you return to Washington?

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DILLON: Immediately thereafter. I think I was in the airplane by noon and was back in Washington that evening, the evening of Tuesday, the 23rd.

ROSTOW: So that the blockade then had been in force for several hours by the time you returned.

DILLON: Actually it had been, yes. I got back a little later because while I had gone down on Sunday on a military air transport jet 707, they were all otherwise engaged after the 22nd; I came back in a piston engine Constellation which took something like 11 or 12 hours instead of 5. We didn't get back, as I recall it now, until well into the night of Tuesday.

ROSTOW: By this time on that day the plans which you had been discussing for a week had really gotten started. You did mention it but I'd like to ask it more specifically. Looked at from the perspective of 1964, was there any true evolution of opinion within EXCOM [Executive Committee of the National Security Council] to take the position of representing the President's speech of October 22nd? Would you say that a consensus had been there from the beginning and details had been worked out in the previous week?

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DILLON: No, I think there was no consensus for the first two or three days but that would have been a difficult thing to expect since we were faced with such a tremendous problem. There was an immediate consensus that firm action would have to be taken to get the missiles removed. There was no immediate consensus on what the action should be. Also we didn't have full information on what the extent of this was. It took two or three days for that to come in and as that flowed in that tended to influence people's thoughts. And we also began to get better information on the Soviet ships that were still on their way that were probably arms carrying ships and so then the consensus evolved toward the latter part of the week and it was a broad consensus.

ROSTOW: On your return then the plans were under way on the 23rd, as you say the blockade began. It was really effective by the end of that day. The next major event, at least I would say in retrospect, the next major event was the turning around of the first Soviet ship. Do you recall how President Kennedy greeted this news?

DILLON: Well we were all very pleased when we realized that the Soviets had no intention of testing our blockade. We had been anxious about having forcibly to prevent their going through it.

ROSTOW: You don't recall any particular reaction?

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DILLON: I think there was a reaction of relief and certain amount of pleasure. It was clear we didn't think this meant the end of anything. We thought it did mean that the Soviets had not foreseen the strength of our reaction and were confused as to what they should do. That indicated to us that they did not have any plan to push this incident, come what may, to the utmost and strengthened the views of those of us, which I think was always the majority, that felt that a firm position by the United States, if maintained, would eventually bring about the removal of the missiles. So we felt we were on the right track.

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ROSTOW: Again, as yesterday, I am interested in your dual approach of diplomat, State Department official and Secretary of the Treasury. Where do you think you can point your finger to the major Soviet miscalculation? Obviously they made some miscalculations. How would you define these miscalculations? Why do you think they made them?

DILLON: Well, I think it's difficult to tell in a country like the Soviet Union. There is one problem that is ever present in a dictatorship such as the Soviet Union, and that is the fact that you never can be certain that Soviet leaders are being given accurate information about other countries. We were very aware of that when I was in the State Department. We became aware in one way or another of the fact that some of the reports that were going back to eastern European capitals were so unrealistic as to be really laughable or fairy tales. The only serious side was that this was the information on which governments were acting. So I am not at all sure that the Soviet Union had been given an accurate assessment by their Embassy here and had been in a position to make an accurate assessment as to what the United States reaction would be. It seems clear that they misjudged this completely. I think this was largely because we were always talking about peace, and because we had not followed through in the case of the landing at the Bay of Pigs with our own military power. I think the Soviets interpreted this as a sign of weakness because they could not have conceived themselves of starting something like that without following it through their own military power. There may have been some in the Soviet government that felt this was a wrong assessment, but there were certainly enough who felt this was a wrong assessment, but there were certainly enough who felt that it was worth the gamble. They probably felt they could always retire without a major loss if they were really forced to. But from the way this developed it is clear that they did not have any well-thought out plans for reversing their direction because it proved a rather difficult long drawn out process for them to do so.

ROSTOW: You extrapolate then two things. One, either poor intelligence, or good intelligence badly interpreted, and two, the episode of the Bay of Pigs from which

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they generalized the view that this was an administration that would not respond in full strength. Do you think that had the crisis come earlier we would have responded as effectively as we did in the missile crisis? Do you think that this was the result of the rather bitter education of the Bay of Pigs?

DILLON: I think that probably had something to do with it, but I don't see how any U.S. government could have stood by and permitted the establishment of Soviet missiles in Cuba. I think that the exact form of response would very likely have been different with different men. The thing that was characteristic of this response was the extreme coolness of the President under this great provocation and the determination to use force at some point if necessary, coupled with the willingness to wait until the last minute and to give the Soviets every opportunity to withdraw with a minimum loss of face. I think this was very skillfully handled and well done. But I must say that I can't conceive of any government of the United States that would not have taken strong military action, if necessary, to have prevented the establishment of Soviet missiles in Cuba.

ROSTOW: I asked mostly because I so firmly agree with you, and I think it underlines your first point about the communications failure between Russia and this country and their inability to take seriously the elements they had.

DILLON: Well yes, when you say they had bad intelligence, I think they probably have excellent intelligence about physical things, scientific developments, things of that nature. We know enough about their efforts in that field, but where they had fallen down was in their inability to understand the basic strength of a democracy and of a democratic people and to confuse the political vacillation that takes place from time to time in any democracy over things that are not really crucial, with a fundamental weakness which certainly has never been shown by our country when faced with a real challenge.

ROSTOW: You mentioned the President's coolness. Was there any moment that you can recall during the Missile Crisis or at any other time when the President showed any signs of panic?

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DILLON: No, none whatsoever during this time. All the way through this I never saw any sign of panic as you put it or fear or lack of confidence that this was something that he could not handle properly. I never saw that in any other respect with him either.

ROSTOW: The reports are that toward the end of the week he did show one emotion, which was anger, over the bargaining prices on missiles and over what he regarded as a breach of faith on the part of Premier

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Khrushchev [Nikita Sergeyeovich Khrushchev]. Were you in this stage?

DILLON: Well, yes, this was on Saturday morning. On Friday the President had received a letter from Khrushchev that looked as if he was beginning to think about some sort of a withdrawal or some sort of an arrangement and it looked like this matter might be resolved. Suddenly there was this new note that was first put out over the Soviet radio which was the fastest channel of communications at that time. It appeared to reverse the earlier letter and took the impossible position of linking Cuban missiles to our bases in Turkey. This was obviously utterly unacceptable and I think the President was annoyed by the change, by the feeling that this looked like it might mean that, after all his efforts, the Russians were going to force us to use our military power to throw them out of Cuba. The President didn't want to have to do this but I am sure he was prepared to do it if necessary.

ROSTOW: You called the comparison between Cuban missiles and Turkish bases perfectly impossible and wholly unacceptable. Why? There had been some published reports that some within the Executive Committee were in favor of this?

DILLON: Well, if there were any that were in favor of this they were such a small minority that it never was seriously debated or considered for a minute, because Turkey was a part of NATO. All our forces in NATO have always been defensive. We never would have gone into Europe if it hadn't been for Soviet threats and these missiles, a few of them, had been in Turkey for a long time. There was nothing new about them.

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They were infinitely less than the tremendous volume of missiles in the Soviet Union that were aimed at Turkey and the rest of Western Europe so the situation was entirely different. The Soviets coming into Cuba were coming into an area that had not been an area of East-West military confrontation and were attempting to upset the established balance of power by putting these missiles that were aimed to cover the entire United States on Cuban soil.

ROSTOW: As the week ended then, once the discussion that you have just been referring to had been resolved favorably, what was the atmosphere in Washington as you describe it? I said earlier that one published description of the week in which you were so eminently involved said that the Executive Committee operated like a command post in war. How did the command post feel as the week came to a successful conclusion?

DILLON: Well, we heard about the successful conclusion early on Sunday morning and I guess everybody was individually very relieved and pleased because we knew that, while there would probably be a long road of haggling about details, in effect, the crisis was over. We had prevailed and the

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missiles and other offensive arms were going to be removed from Cuba. I don't even know if there was a further meeting of the group as a whole on that Sunday. Certainly there wasn't one early. I got the news at my home. I guess we got it because it was on the Russian radio and that was the first news that we received. Everybody was informed and it was immediately on their own radios so the whole country knew about it about as soon as we did in this case. I think our feeling was one of relief, much the same as that of the rest of the country, of any other citizen.

ROSTOW: I asked because again there is another description of this episode which compares it to the Gettysburg of the Cold War and says that you participated in an event quite as important for the future of the free world as Gettysburg was for the North. I know that you have certain Southern antecedents so I don't know if that is a fair illustration to offer you. Do you think that there is any basis for this rather inflated suggestion?

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DILLON: I think this was a very important situation because it was the first time that there had been a direct military confrontation involving the possibility of a full scale nuclear exchange between the Soviet Union and the United States. It was caused by Soviet provocation and the U.S. very clearly stood up to it and said that if this is what you want we are ready for you. The Soviet Union, not being ready for that, pulled back which is, of course, in accord with basic Communist doctrine which has always been to press as far ahead as they can and when they meet a stone wall to pull back for awhile, regroup and try again in some other way. But this put an end, I think, to military adventurism as a major tool of Soviet policy for some long time to come.

ROSTOW: About the structure of the Executive Committee, has it had a life after the Missile Crisis?

DILLON: Well, I don't think it has ever been officially dissolved, but I think its main function ceased after the Missile Crisis. Of course, it continued for about a month because we continued to meet, although less frequently, on the various details that were necessary to work out the final arrangements with the Soviet Union for inspecting the withdrawal, for helicopters looking at the decks of the ships, for the removals of canvas so we could see the missiles, and finally for the argumentation which took quite some time and was sort of a minor Missile Crisis until we were able to persuade the Soviet Union to remove the bomber aircraft which were also part of the offensive weapons that they had given to the Cubans. That wasn't completed for about a month but the tensions were nowhere near as great. We met fairly frequently though, I would say, until sometime in early December when this was all completed. Since then, while this organization continued and may have met from time to time, I never have looked on it as much different from the Security Council itself.

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ROSTOW: Is there anything else that should be said about the Missile Crisis that we haven't discussed at this point?

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DILLON: No, I think that's as far as my viewpoint on it goes. I think that about covers it. I do think I would like to say that I was very impressed throughout the discussions of the Missile Crisis in the Executive Committee by the wisdom shown and the positions taken by the Attorney General [Robert F. Kennedy] who was present at all our meetings. It had been the first time I had had the opportunity to really see him extensively in action on a foreign affairs matter, and I thought he made a very great contribution all the way through and I would like to say so.

ROSTOW: I noticed that as you were talking about the Missile Crisis in front of you is the calendar for that month which the President gave those who participated in the meetings of the Executive Committee. This is an item which looks, as I look down on it, as though you regard it rather highly. I gather this is a moment in your Washington career that you do think not only important but that you are glad to have participated in.

DILLON: Oh, it is a memento that is highly treasured. I think it will be, not only in my Washington career, but I think for anyone who participated in this, it would probably be in a way the high point of their lives, because never was there a more serious crisis in the history of the world. Because never before had the world seen a crisis of this nature in the age of full-blown nuclear weapons. So this was something unique which I hope very much the world doesn't have to face again.

ROSTOW: At least a good precedent has been set.

DILLON: That's right.

ROSTOW: On the issues of national security policy which is the theme of this particular part of your interview, Mr. Secretary, there are a great many other issues and I just wonder whether you would like to, for example, turn away from Cuba and make any comment on the Berlin situation over the period of President Kennedy's tenure of office? Or is there anything within Berlin that you feel has not been said that you'd care to comment on?

[-90-]

DILLON: No, I don't think I have anything particularly to add to that. The Berlin crisis erupted in the summer of 1961 and I, as a member of the Security Council, had something to do with that. I think you recall that the Security Council as such was really activated for the first time by President Kennedy after the Bay of Pigs episode. Prior to that there had not been any regular meetings and the

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Security Council, as far as I know, was not used at that time. I certainly had no part in it. It was used thereafter from time to time, but intensively whenever there was a crisis of any sort or anything that looked like it might become a crisis and this was certainly true in the Berlin situation, including the decision to reinforce our troops there and the decision to stand fast and to maintain access to Berlin come what may. I think that that action was also well handled and apparently the message got across to the Soviet Union at that time, and they decided it was not worth the effort to press us further on hindering access to Berlin.

ROSTOW: I'll get back to Berlin in a moment but someone listening to what you said in the last 15 minutes might ask, since you believed the Security Council plays an important role and since it was so effective in the Missile Crisis and articulate either in Berlin, whether the use of the Security Council at the time of the Bay of Pigs might have precluded some of the more disastrous elements of that American performance.

DILLON: Well, I think chances are that it might well have. Looked at with hindsight I think that that probably was the reason President Kennedy thereafter utilized a somewhat larger group of advisers, such as the Executive Committee at the time of the Missile Crisis or the Security Council and utilized them as a body whenever there was a crisis that was really important. I think he must have come to the conclusion that that was useful and, if it was useful to him afterwards, I think it would have probably been useful to him at the time of the Bay of Pigs and might well have led to a better result.

ROSTOW: All right, well assuming that the utility of NSC has been proved, what would you say to criticism that some of them made on what is called American weakness in the summer of '61 in not moving more decisively to keep the wall from being built? Was there discussion within the Security Council as to a stronger line that might have been taken at that moment?

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DILLON: No, I don't really think there was. There was no recommendation from any side that I think suggested there was anything that we could do about this wall in Berlin. You see, this was a difficult situation and looking back at it even from now, I don't see what other attitude we could have taken from the one we did, which was to deplore this Soviet act. What one could do about it was very little because the wall was built not on the boundary but back of the boundary through the eastern sector. To prevent its being built would have required western forces to forcefully move into the Soviet sector where they had no right to be. Now, whether there was a legal right to build a wall and divide Berlin that way was not clear because no one ever foresaw that when the arrangements on Berlin were set forth, so this didn't violate any clear-cut treaty obligation or understanding. Therefore, I, for one, find it very difficult to see what else we could have done without putting ourselves into the position of being an aggressor. In fact, this wall was merely a continuation of the wall which the Soviets had constructed along the

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whole boundary between east and west all the way from the Baltic down through Germany, Czechoslovakia and Hungary around Austria.

ROSTOW: You know Europe so well. Would you agree with the position taken by Joe Alsop [Joseph W. Alsop], among others, that the wall was in no sense a symbol of American weakness but a demonstration of Soviet weakness which in a sense was a great American psychological warfare aspect?

DILLON: Well, of course, it was clearly an admission of complete failure of the Soviet Union and East Germany in the eastern zone, because they were not able to keep the population in the eastern zone, even with a big police force and an army. The population was escaping in large numbers to the west through West Berlin. People were walking across with absolutely nothing, leaving whatever their property was behind, just to get away from Communist life. And so the Soviets had to build up a wall not to keep people out, but to keep people in so they couldn't run away from Communism. The wall was a standing memorial to that and the mere fact it is still there means the situation is still the same.

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ROSTOW: My original question as to whether we could not have kept the wall from being built might be answered by your statement that it was more in our interest to allow it to stand as a symbol.

DILLON: Well, I think that's difficult because it was such an inhuman thing, and naturally we feel a responsibility to the families of Berlin that were divided and to the Berlin people who had to suffer so much. We couldn't feel any satisfaction when this thing went up even though it showed the utter bankruptcy of the Communist regime in the eastern zone. But it did show that, and worldwide, that is of course a useful thing. Anytime a people begin to think that Communism might be a pleasant way to live, all you have to do is show them Berlin and the Berlin wall.

ROSTOW: Was it an NSC [National Security Council] decision to ask the Vice President [Lyndon B. Johnson] to go to Berlin at that time and to pledge our lives, our fortune and our sacred honor in defense of the city?

DILLON: I'm not sure. I don't recall. I know that was discussed and I was aware of the trip, but whether it was finally decided just by the President or by the NSC decision, I wouldn't recall that.

ROSTOW: Have you been to Berlin, by the way, since the wall?

DILLON: I have not been since the wall was constructed. I have been there a number of times before, but never since the wall.

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ROSTOW: That is one major issue that came before the NSC frequently. If we turned to a wholly different area, has there been much discussion in NSC of our relations with Southeast Asia aside from the Vietnam crisis while you have been on the NSC – in other words, the literature on the National Security Council which scholars will have to depend on, which is woefully inadequate as to the way in which issues surface? My question is really does the NSC handle crisis situations only or do you have a regular docket?

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DILLON: No, I think I've tried to explain that. In the previous administration, the NSC did operate with a regular docket that tried to look ahead and have policies for every country in the world. In the present administration it has been used as a body only to handle crises in important situations. There is no clear-cut way of saying which is right or which is wrong. It certainly is good to look ahead and I can see the usefulness of such papers in certain circumstances. On the other hand, I can understand the feeling that paper work for its own sake can be overdone and too much time can be spent on unimportant matters. The National Security Council, one should remember, is merely an advisory body to the President of the United States. While it is a statutory body, it is created to advise the President who has to make these decisions of foreign policy under the Constitution, both as President and as Command-in-Chief. It is entirely proper that he should use the Security Council in any way that he finds most helpful to himself in making these decisions because that's all the Security Council is for. It is not to make the decisions itself. It is merely to advise the President so that he can make them.

ROSTOW: For example, on the issue of South Vietnam when in the summer of '61 it was decided to send the President's military representative, General Taylor [Maxwell D. Taylor] on a fact finding mission over there, was this discussed in advance in NSC? And were any instructions given to General Taylor or did he operate strictly as the President's personal representative at this stage?

DILLON: I don't recall that, but it could have been either. My guess is that it was probably done without discussion in the NSC because this was merely a fact finding mission, and I would think that the President wouldn't have felt it incumbent or useful to ask the NSC whether it was advisable for him to get some facts. So I think, my guess is, he probably made the decision himself after talking with the Secretary of State and possibly the Secretary of Defense [Robert S. McNamara].

ROSTOW: So on Southeast Asia, have there been many issues which have been put on the desk of the Security Council since that time? For example, take the issue of South Vietnam. I know that Laos has been involved with it. Has this been a continuing responsibility for NSC?

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DILLON: Yes, from time to time, I can't recall the exact moments but the problem of South Vietnam has been sort of a chronic crisis over a long time. There were a series of problems at the time of the overthrow of the Diem regime [Ngo Dinh Diem]. There have been problems with Laos which is closely intertwined with South Vietnam because both of them are subject to aggression from Communist North Vietnam. The North Vietnamese used Laos as a corridor to get to Vietnam so we have discussions from time to time on this matter. It has been more or less chronically or continually before the Security Council but the Council being only drawn in when the chronic ulcer out there seemed to be flaring up or getting a little more difficult. We didn't meet on it continuously by any means.

ROSTOW: I'm beginning to wonder how you have been able to do as much as you have and maintain the innumerable responsibilities that the job of Secretary of the Treasury requires you to do. It seems to me that this is asking a great deal.

DILLON: My situation in the National Security Council has been, I think, a little different from that of the other participants. It has been more similar maybe to that of the Attorney General. I have always considered that I was there probably more, and was being used more, because of my personal judgment, the fact that I'd had some experience in the State Department, and that President Kennedy and later President Johnson wanted to avail themselves of that at certain moments. As you know, the Secretary of the Treasury is not a statutory member of the National Security Council. The history has been that ever since the Council has been in existence he has been asked to meet with it in one form or another. Under the Eisenhower Administration [Dwight D. Eisenhower] he was very active in processing these papers and arguing the purely Treasury position, which is a financial position—the financial impact of what various policies would be on the U.S. Government. That position was not argued by me in the Security Council. I've only argued that position as it became necessary in consideration of balance of payments problems which were never considered in the Security Council context. President Kennedy had a number of meetings on the balance of payments. President Johnson has had one or two, in which the Cabinet Committee on Balance of Payments, which is a slightly different and broader

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body than the National Security Council have met. These same subjects, including military forces, came up in the large and were discussed there. We have also been very active in bilateral discussions between ourselves and the Department of Defense and the Department of State as to individual problems in holding down these government expenditures overseas. We found full and complete cooperation because Secretary McNamara is fully cognizant of the importance of maintaining the value of the dollar and so were the top officers of the State Department. So we have never had any really basic conflict of views in this area.

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ROSTOW: You bring to the Security Council then a degree of detachment, or at least objectivity, in one sense that not all members can have.

DILLON: Yes, I think it's different because I don't come with a preparation, a staff paper or a briefing from my own staff that I am supposed to uphold or which is supposed to represent the Departmental position. It's mainly just to listen, and except in a situation like the Cuban Crisis, I generally find that the positions that have been developed by the Defense Department and the State Department ahead of time are ones I have no particular question about. From time to time I know, I don't at the moment recall exact incidents, I have had some thoughts that something might be handled in a little different way—thoughts that proved useful—but they haven't been major changes. It is just another objective appraisal looking at this from the outside.

ROSTOW: As an objective appraisal let me ask you a very large question. When Kennedy Administration came to power in January of 1961 there seemed to be throughout the world crisis situations that were slipping down, with Laos, Vietnam, the Congo, Cuba, Berlin, to name a few. Now in the summer of 1964 would you say there is any appreciable advance in these crisis situations and in net could you say that our position in regards to national security is in any way better than it was in that early month?

DILLON: I don't know that the situation was as bad in that early month as you picture it. There was a very difficult situation in Laos which was probably at that moment the most difficult situation facing the President and that situation, I think, is probably now somewhat better because the issue is

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gradually resolved and becoming more clear cut. What we are facing there is Communist aggression because, as you will recall, there was a neutralist group in Laos that tended to side with the North Vietnamese and the Communists against a right wing government that was supposedly friendly to us which was in power in Vietnam in 1961. Over a period of time, it became a coalition government and then by Communist pressure these neutralist forces have now found themselves shoved over on the other side of the fence and they are now joined with the so called rightist forces in trying to defend their country against a complete Communist takeover. So I think that position has clarified. We are in a stronger world wide position there as a result of this and Laos itself is certainly still there. It hasn't been taken by the Communists.

I think that the Vietnamese situation has certainly worsened during the years. It was not as bad at that time. There was more reason to expect that the South Vietnamese government would be able to contain and handle the situation, although it was always recognized that if it did get worse this was potentially a much more important problem. In Berlin there was no problem. The Berlin problem was a problem that erupted in the summer of 1961. It had been a constant problem over the years before that about communications from time to time, the autobahn, Russians threatening to shut down communications, and we

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would have questions about what to do about passes and whether we would show a pass or not show a pass but it was not a particularly burning crisis. That only developed as the bankruptcy of the East German regime became more obvious during 1961 and the Soviets finally felt they had to answer it by building a wall which is what made the crisis in the summer of 1961.

ROSTOW: I don't wish to disagree but certain topics regularly run through current history; the Berlin crisis has been a constant topic starting much earlier, as you point out, at the time of the airlift actually.

DILLON: Yes, it was always there but it wasn't particularly acute at that time. The Congo was. The Congo looked like an almost hopeless situation and it was more or less solved, I think, to the extent it can be solved, the Congo right now

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doesn't look very good, but I think what is clear is whatever is happening there now is more on the lines of anarchy, which one doesn't like to see anywhere, but it is not Soviet or Communist penetration where it can be, where one could look forward to it possibly falling into a satellite position. I think the big thing that's happened really hangs around the Cuban Crisis, which we of course had in early 1961, which was aggravated by the Bay of Pigs, and which is still with us today. But the confrontation over the Cuban Missile Crisis, I do think brought an end to Soviet feeling that they could use military force fruitfully as a measure for expanding their influence. Now we have had also a period in the last few years of relative quiet in the China area. Probably largely because of the falling out between the Soviets and the Chinese. If you will recall one earlier period, we had some very acute moments of crisis with Red China over the Formosan Straits and over the attacks on the offshore islands. That has quieted down. We haven't had to face that in the last few years and I would hope that we would not have to. I think that is largely because of the fact that the Chinese have not been supplied with military equipment for the last few years by the Soviets and had their own problems at home. So I think that generally speaking the Chinese-Soviet falling out, plus the military confrontation with the Soviets and its result, plus some of the economic difficulties of the Soviet Union at home, have put us now in a stronger position vis-à-vis the Soviet Union than when we came in.

I would like to say one thing that is a little different from this. This was just a review of foreign policy but there was one thing that was very ominous, that lay in back of the situation in January 1961, as far as any of us know. And that was that it was very clear, no one could tell the exact measure of Soviet military power, but it was very clear from the military programs of the United States, even before they were speeded up by President Kennedy in 1961, that by this time 1964 or 1965 the United States would have reestablished a very substantial military superiority over the Soviet Union. And that the Soviet Union would reach a point somewhere in the period of 1961 or 1962 when their military power, their nuclear power with their missiles, would be at a peak as compared to ours. It never would

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have been more than ours, but they would possibly see themselves in if they wanted to undertake a military adventure or make a military threat.

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I was very conscious of that, I know, when I joined the Cabinet and I felt fully certain that we would have—we were likely to have—a confrontation with the Soviets at some time during that period. I was rather surprised that it came as late as it did in the Cuban Missile Crisis, and I would have more expected that the Soviets would have forced matters harder at an earlier stage, at the time of the Berlin crisis in 1961. But they didn't and certainly in the situation now, the United States is far better off than it was earlier because the military buildup is largely completed. You never complete it. You are always going ahead but the relative buildup is largely completed and we once more have a measure of superiority that is so large that it is inconceivable that the Soviets would try to use or threaten to use military force.

ROSTOW: A very interesting review. Would you regard our foreign assistance as a component of national security? Did you have much to do with aid in your capacity as Secretary of the Treasury?

DILLON: No. I do think it certainly is very definitely part of national security. The only place I have had any part to do with aid has been in South America. Of course, the Treasury does take an active part in the larger aid matters such as the consortiums for India and Pakistan because of the fact that the Treasury represents the United States Government on the Boards of the World Bank and the International Development Association that ran those consortiums and that were parts of them. We have also been active in trying to, alongside the State Department, urge the Finance Ministries in other European countries to give better terms for aid and things of that nature. So I have had an indirect contact that way although most of the direct contact has been at a lower level at Treasury through our Office of International Affairs headed first by Assistant Secretary Leddy [John M. Leddy] and then followed by John Bullitt.

ROSTOW: You have not then had many continuing ties to your offspring, the OECD [Organisation for Economic Co-operation and Development].

DILLON: No. Not at all, except for one special area which is a part of the OECD that I think was created largely under Treasury influence and has since proved very useful. This is a strangely titled group called Working Party III. This was supposed to be a subcommittee of a committee of the OECD called the Economic Policy Committee. Actually, it has always functioned

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as a separate fully co-equal committee. In fact, it has greater importance and is probably given greater importance by the member countries than its so-called parent, the Economic

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Policy Committee which talks merely about long-range economic matters. But Working Party III is a restricted group which does not have the full membership of the OECD but has as members those countries that are primarily responsible for and interested in maintenance of the international monetary system. Here is a forum where, for the first time, countries drew together and exchanged what had always been very confidential information about central bank operations and about the monetary operations of the individual countries. They came to accept the fact that there was no longer the same freedom that had been thought to exist to use monetary policy at home for domestic reasons without thinking about the international repercussions. Our representative on Working Party III has been the Under Secretary of the Treasury for Monetary Affairs, Mr. Robert Roosa [Robert V. Roosa], who is probably one of the two or three most competent men in the world on international monetary problems today. But I have taken a great interest in this and have followed it very carefully with him and we have followed the evolution of this committee. We recently succeeded in getting Japan admitted to it and we have also recently reached an agreement which we had wanted to do earlier but had not been able to whereby there will be Ministerial meetings. The Ministers of those countries who are represented in Working Party III will meet at least three times a year to discuss international monetary problems. This effectively, of course, severs the umbilical cord that tied Working Party III to the Economic Policy Committee and gives it direct access to the ministerial level. In this ministerial level—in this committee, contrary to the ministerial level in the OECD itself, I, as Secretary of the Treasury, represent the United States, because this matter of financial and international monetary policy is an inseparable element of the maintenance of the stability of our currency and of our gold policy and is therefore a Treasury responsibility. So in that sense, I continue active in this one small area, which I consider to be a very important one and a very new one because until the creation of this subcommittee there had never been any international cooperation at all in this area. Countries had always been very jealous of their prerogatives. They have now made that move and are continuing to move and steadily evolve towards a much closer cooperation which I am sure is necessary in the world ahead.

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ROSTOW: You are suggesting then that partnership is becoming more than a slogan and there are certain meaningful dimensions to partnership.

DILLON: Oh, there have been most meaningful dimensions in this area of international monetary cooperation. The countries have worked together because they found they had to. Using individual nationalistic policies just wouldn't work. With freely convertible currencies, no one country could control monetary flows by its own actions so there had to be combined cooperative action. They do realize that there is some scope for individual action within this, but it is not the complete freedom that existed before, and every country realizes that, in its own interest, it must cooperate. So this cooperation has been very real and continuous.

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ROSTOW: Mr. Secretary, what have we left out? We have covered your role in the Eisenhower years as it related to security problems of the Kennedy period. We have gone into particularly the origins of our policy in Latin America, the background of the Alliance, Punta del Este, down through your Mexico trip at the time of the Missile Crisis. You discussed that crisis in considerable, interesting detail and made some comments on Berlin, Southeast Asia, foreign aid, partnership. I can suggest some other topics.

DILLON: Well, I think this pretty well covers it. There is one thing I might say which covers one of these so-called bridges that you were talking about between the two administrations, and that is the difference in military policy, the greater emphasis given in the Kennedy administration to the development of a strong army and an ability to fight limited war and guerilla actions. This has been regarded as a break in policy, a change in military policy and of course it was. But it had its roots, I think it is interesting to point out, deep in the preceding administration because the policy that was adopted by President Kennedy had been the policy that had been urged for at least two or three years—the last two or three years of the Eisenhower administration—by the Department of State with great vigor. In his last year in the State Department, Secretary Dulles [John Foster Dulles] was urging an increase in our

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limited war capabilities, and the State Department under Secretary Herter [Christian A. Herter] and myself did our best to emphasize the need for this but we were not successful in convincing the government at that time. I think it is interesting that this change of emphasis which occurred under President Kennedy was not a total change to the extent that it was a reversal, but rather it was an adoption by him of what had been the minority view in the government before. It had been the view of the Department of State and of course had always been the view of certain elements in our military forces although others had differed and felt that more emphasis should be placed on strategic power.

ROSTOW: Even before that, is it not true that men like C.D. Jackson [Charles Douglas Jackson], Nelson Rockefeller [Nelson A. Rockefeller] had argued and discussed brushfire?

DILLON: I think so. I think this has been there a long time but what I was trying to emphasize was that this had been the State Department doctrine. You will recall in the first Eisenhower administration when Secretary Dulles had spoken about massive retaliation and the need for heavy strategic forces, but seemingly this was to the exclusion of this other kind of weapon. The point I was trying to make is that even before he left the scene he had changed his views on that and realized the importance of developing a brushfire war capability and tried very hard to obtain it. This was solid State Department doctrine from top to bottom for certainly the last three years of the Eisenhower administration.

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ROSTOW: That's a very interesting point to raise. Well, I would like to go on asking many more questions but I know your time is limited. If you have no other points you would like to raise at this moment, may I thank you very much.

DILLON: Thank you. It has been very fine.

[END OF INTERVIEW]

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