

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION
WASHINGTON 25, D. C.

April 7, 1953

Honorable Allen Dulles
Director
Central Intelligence Agency
Washington, D. C.

Dear Allen:

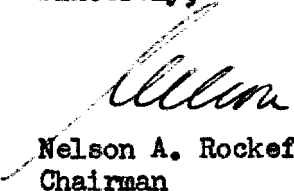
Attached is the final revision of the Committee's recommendations to the President concerning foreign affairs organization.

These recommendations have been cleared with the Secretaries of State and Defense, the Director for Mutual Security, as well as certain other interested departments and agencies.

This memorandum will be considered by the President at the 3 P.M. meeting Thursday, April 9th.

I appreciate greatly your cooperation in connection with various matters relating to this paper.

Sincerely,



Nelson A. Rockefeller
Chairman

Attachment

NSC review(s) completed.

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Washington 25, D. C.

April 7, 1953

MEMORANDUM FOR PRESIDENT EISENHOWER

(Memorandum No. 14)

SUBJECT: Foreign Affairs Organization

INTRODUCTION

The security and welfare of the Nation have become increasingly and critically dependent on the successful conduct of our foreign affairs in all its aspects: political, military, economic, and psychological. In the conduct of our foreign policies and programs, it is not enough simply to react to developments as they occur; it is imperative that all our material and intellectual resources and skills be harnessed to the formulation and execution of positive and effective efforts designed to achieve the National goals.

The organization of the Federal Government for this task can be materially strengthened.

The Committee considers it of the highest importance that the Secretary of State have sole responsibility (subject to the President) for the formulation and control of foreign policy and that he be freed from foreign program operations in order that he may concentrate on his primary function.

The foreign policy primacy of the Secretary of State should be maintained through clear Presidential mandate and through the President's consistent practice of employing the Secretary of State as the

Executive's channel of authority on foreign policy questions. This

relationship should, of course, be sustained on specific issues by the President.

At the same time, within the framework of foreign policy, the Secretary of Defense (subject to the President) should have clear primacy in the formulation and direction of military policy.

The Committee considers that to achieve this clarity of responsibility and to assure the proper coordination and execution of our foreign operations, it is essential that there be a single agency in which all foreign assistance and economic operations, to the greatest degree practicable, shall be centralized or coordinated, and that a similar consolidation be effected in the administration of the foreign information programs. These agencies should exercise their functions subject to foreign policy as determined by the Secretary of State, and military policy as determined by the Secretary of Defense.

Accordingly, the following steps are recommended:

RECOMMENDATIONS

Recommendation No. 1 - Establish a new foreign operations agency, in which shall be centralized or coordinated the most important of the foreign assistance and economic operations of the United States, the head of which should be appointed by and be administratively responsible to the President, and should report jointly with the Secretary of State to the President where matters of foreign policy are concerned and jointly with the Secretary of Defense where matters of military policy are concerned. He should be a member of the National Security Council and the National Advisory Council.

At the present time, foreign assistance and economic operations are widely dispersed among numerous government agencies. The result is waste, confusion of purpose, and often ineffective action. The proposals contained in this memorandum are designed to improve this situation by centralizing or coordinating in a single agency, so far as practicable, the most important of our foreign assistance and economic operations.

The Committee suggests that the new agency be known as the "International Cooperation Administration". The Director for Mutual Security would prefer that it be named "Mutual Security Operations Administration".

Since the new agency would replace the Mutual Security Agency, this recommendation of the Committee would not result in an increase in the number of Government agencies.

The new agency would:

- a. Formulate and administer the Government's foreign operating programs in the fields of economic aid, relief or assistance, technical assistance, and defense support; it would give continuous supervision and general direction to the formulation and execution of military assistance programs; and it would present the program budgets to the Bureau of the Budget, the President and the Congress.
- b. Be responsible for the procurement of defense materials in foreign areas and for materials development activities in such areas.
- c. Under the coordinating authority of the National Advisory Council, administer the loan activities now vested in MSA.
- d. Cooperate with the Department of Commerce in domestic activities for promoting private overseas investment and for stimulating international trade, as provided in the MSA and TCA legislation.
- e. Exercise the authority now vested in MSA over counterpart funds.

f. Exercise the foreign claimancy function now vested in MSA and the Office of International Trade. (For Department of Commerce dissent on this recommendation, see 2d below.)

Recommendation No. 2 - Transfer to the new agency (or, where appropriate, to the head of the new agency) the following:

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- a. The powers and functions now exercised by the Mutual Security Agency (except for foreign information functions, which are dealt with in Recommendation No. 4) and the functions vested in the Director for Mutual Security by statute or Executive Order.

The responsibility for the programs of economic and technical assistance, and for the continuous supervision and general direction of assistance programs, including military assistance programs, now assigned to the Director for Mutual Security under the Mutual Security Act and the Mutual Defense Assistance Act, would be taken over by the new agency.

The head of the new agency would take over functions now exercised by the Director for Mutual Security under statutory authority or Executive Order, including responsibilities with respect to the following:

- (1) Continuous supervision and general direction of all foreign military, economic, and technical assistance programs.
- (2) Preparation and presentation to Congress of the foreign military, economic and technical assistance programs.
- (3) Preparation of the reports to Congress covering operations in furtherance of the purposes of the Mutual Security Act.
- (4) The development and administration of programs of assistance designed to sustain and increase military effort in foreign countries.

- (5) The provision of equipment, materials, and services for carrying out mutual defense support programs.
- (6) The provision of economic assistance to nations for which the United States has responsibility as a result of participation in joint control arrangements.
- (7) The guaranty of investments in connection with approved projects.
- (8) The initiation of projects for the increased production of materials in short supply.
- (9) The approval of the use of counterpart funds.
- (10) The responsibilities presently assigned to the Director for Mutual Security with respect to the Battle Act. Study should be given to the question whether additional aspects of economic defense should be centered in the new agency.

The transfer of the programs and functions referred to above could be accomplished by Reorganization Plan or by legislation.

The authority and responsibility for executing the Government's program for relief and resettlement of refugees coming into Israel and for operating the escapee program were assigned to the Director for Mutual Security by Executive Order 10300 and have been delegated by the Director for Mutual Security to the Secretary of State. These authorities and responsibilities should be revested in the head of the new agency by administrative action.

New authorizing legislation for the Mutual Security Program must be obtained prior to June 30, 1953. In the new legislation, the present position of the Director for Mutual Security in the Executive Office of the President should be abolished.

- b. The powers and functions established in the Act for International Development and exercised by the Technical Cooperation Administration, the statutory functions of the Administrator for Technical Cooperation, and the statutory functions vested in the Institute of Inter-American Affairs by the Institute of Inter-American Affairs Act.

Authority is provided under the Act for International Development for bilateral technical cooperation programs relating to economic development, and for participation in, or contribution to, multilateral technical cooperation programs of this nature carried on by the United Nations, the Organization of American States, their related organizations, and other international organizations. Responsibility for these programs was assigned by the President to the Secretary of State, who established the Technical Cooperation Administration as the agency for planning, executing and evaluating the programs authorized under the Act. Most of the projects undertaken by the TCA have been farmed out to other Government agencies for implementation. The new agency should immediately take steps to establish effective control over these programs.

The statutory functions now vested in the Administrator for Technical Cooperation should be transferred to the new agency.

The Institute for Inter-American Affairs is a Government corporation authorized to engage in technical programs and projects in the other American Republics, especially in the fields of public health, sanitation, agriculture and education. The Institute is the operating agency of the TCA in Latin America, for programs in these fields.

The law creating the Institute provides that its Board of Directors shall be appointed by the Secretary of State. The Committee

recommends that provision be made for transferring from the Secretary of State to the head of the new agency the authority to appoint the Institute's Board of Directors. Pending such change, the Secretary of State would have authority under the present law to appoint to the Board individuals recommended to him by the head of the new agency.

The transfers included in this recommendation (except for the change in the authority to appoint the Board of Directors of the Institute of Inter-American Affairs, and the transfer of the statutory functions of the Administrator of the TCA to the head of the new agency, which must be done by legislation or by Reorganization Plan) can be accomplished by Executive Order.

- c. Appropriate responsibilities and functions, as stated below, with respect to the U.S. participation in economic aid, technical assistance and relief programs of international organizations.

To the extent not covered by Recommendation 2b. above, the Secretary of State should assign to the new agency the responsibility for the development of the U.S. position on the place, within the total U.S. assistance program, of multilateral economic aid and technical assistance programs carried out through international organizations; for justification of such multilateral programs before the Bureau of the Budget and Congress; for reviewing such multilateral programs and advising the Department of State thereon; for overseas coordination between the operations of the U.S. bilateral assistance programs and the operations of multilateral assistance programs; and for the allocation of funds to the Department of State for U.S. contributions to such programs, including the Technical Assistance Programs of the U.S. and of the Organization of American States (OAS); the United Nations International Childrens Emergency Fund (UNICEF), the United Nations Relief and Works Agency (UNRWA), the United Nations Korean Relief Agency (UNKRA),

and the Intergovernmental Committee for European Migrants (ICEM).

The Department of State would continue to be responsible for U. S. policy on the role of economic aid and technical assistance activities in the programs of the International organizations; for the presentation, with the assistance of the new agency, of U. S. positions on these assistance programs of international organizations; for representation of the U. S. in the international organizations; for maintenance of relations with headquarters staffs of the international organizations, with the participation of the new agency in these assistance matters; and for the control of U. S. contributions to international organizations for these assistance programs.

Authority and responsibility for U. S. participation in the UNRWA for Palestine Refugees are now vested in the Secretary of State pursuant to the United Nations Palestine Refugee Aid Act of 1950. The transfer of responsibility for this program to the new agency could be accomplished by legislation or by Reorganization Plan. Authority and responsibility for U. S. participation in the UNICEF and in the ICEM have been delegated to the Secretary of State under Executive Order 10300. Appropriate responsibilities in respect of such programs could be shifted to the new agency by an amendment of that Order.

- d. The foreign claimancy functions presently exercised by the Office of International Trade, for United States exports subject to control.

At the present time this function is exercised by the Mutual Security Agency, for the MSA countries, and by the Office of International Trade in the Department of Commerce for all other countries. The transfer of this function as exercised by MSA is covered by Recommendation No. 2a above.

This transfer can be effected by administrative action or by Executive Order.

The Department of Commerce does not concur in this recommendation and recommends that the foreign claimancy function be concentrated in OIT alone.

- e. The functions of the Defense Materials Procurement Agency relating to the development and the procurement of defense materials in foreign areas.

The assurance of adequate materials to supply U. S. industrial capacity is of major long-term significance to our national security and the dynamic growth of our economy. Placing responsibility in the new agency both for the development and the procurement abroad of materials in short supply will make possible a more active effort in this field and will enable the new agency to promote foreign development along lines that will give the United States a full return for the assistance rendered.

The responsibility for the overseas procurement of defense materials, and for stimulating increased production of such materials, has been exercised in the past, in large part, by the Defense Materials Procurement Agency.

The programming of defense materials procurement will be carried out in the Office of Defense Mobilization. In line with the present recommendation, the General Services Administration would handle domestic procurement of defense materials and in certain situations might act as the contracting agency for the new agency for materials produced abroad. The Office of Defense Mobilization should organize a committee representing the various interested departments and agencies, including the new economic agency, General Services Administration, the Department

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of Commerce, etc., to develop programs that will fulfill adequately our national needs.

This recommendation can be carried out by Reorganization Plan or by legislation.

- f. The authority to correlate private programs with Governmental programs in the field of foreign relief; to maintain a registry of organizations in this field; and the authority to pay ocean freight charges on shipments of relief supplies, now exercised by the Department of State.

The Advisory Committee on Voluntary Foreign Aid was created and authorized to perform the first two functions by letter of the President of May 14, 1946, and has been carrying on its activities in the Department of State. Payment of ocean freight charges was authorized in Section 535 of the Mutual Security Act of 1951. Authority over this program was delegated to the Department of State by Executive Order 10300 as amended by Executive Order 10368.

This transfer would require a new Presidential letter and Executive Order.

Recommendation No. 3 - Appropriations for foreign aid, including military assistance, and for materials procurement abroad, should be made directly to the President who should then delegate responsibility to the head of the new agency for the allocation of the funds in accordance with programs formulated as provided in this memorandum.

Since the head of the new agency would be responsible for the coordination of all foreign economic programs and for the continuous supervision and general direction of programs formulated as provided in this memorandum which are carried out by other departments and agencies of the Government (as in the case of the military assistance program), he should have control over the allocation of the funds, such allocation to

be made in accordance with such programs. Appropriating such funds to the President, in the first instance, would provide maximum flexibility.

Recommendation No. 4 - Hereafter the term "Voice of America" should be applied only to statements of the official United States' positions, including those on current developments, for use abroad.

The State Department should have responsibility for development of this program. The material should be given to a new foreign information agency (to be established as set forth in Recommendation No. 5) for dissemination abroad as directed by the Department of State.

No other material, regardless of its nature, origin, or medium used for its dissemination, should be identified as the "Voice of America".

Recommendation No. 5 - Establish a new foreign information agency, in which would be consolidated the most important foreign information programs and cultural and educational exchange programs now carried on by the United States International Information Administration, by the Technical Cooperation Administration, by the Mutual Security Agency, and by the Department of State in connection with the Government of Occupied Areas.

Under this proposal, the major activities for interpreting abroad United States policies and practices (with the exception of formulating materials for the official "Voice of America" program which shall be handled as outlined in Recommendation No. 4) together with foreign cultural and educational exchange programs, would be placed under a new foreign information agency. This transfer would not apply to foreign information and educational exchange services which are an integral part of technical assistance programs. The new agency would be established under the National Security Council under arrangements paralleling those set forth in the National Security Act for the Central Intelligence Agency.

The above would require legislation or action through Reorganization Plan.

The head of the new agency would be appointed by the President, by and with the advice and consent of the Senate. He would have full administrative authority for the operations of the agency, including development of programs, budget, administrative procedures, and the hiring and dismissal of personnel, but subject to foreign policy as determined by the Secretary of State and to such other instructions as may be furnished by the National Security Council. With respect to the official "Voice of America" program, the new agency should accept responsibility for dissemination abroad, including necessary services of translation, technical preparation, transmission, and distribution, for which services the new agency should provide within its budget,

Since the successful functioning of this agency will depend upon the skill and wisdom of its operations no less than upon its adherence to U. S. foreign policy, it is important that its Director receive expert counsel upon operating procedures. Public Law 402, the United States Information and Educational Exchange Act of 1948, created the United States Advisory Commission on Information and the United States Advisory Commission on Educational Exchange to formulate and recommend to the Secretary of State policies and programs for carrying out this Act, and to report to Congress upon the effectiveness of these efforts. Under the proposed reorganization, these two Commissions logically would counsel the head of the new information agency instead of the Secretary of State. Legislation or action under the Reorganization Plan would be necessary to effect this change.

These Commissions should play an even more active role than in the past, since the collective wisdom and practical experience of their members would be invaluable to the new information agency.

There is a second commission in the field of international educational exchange -- the President's Board of Foreign Scholarships, establish under Public Law 584. Congress and the Executive Branch might wish to give consideration to the merger of this Board with the United States Advisory Commission on Educational Exchange, since both groups operate in the same field.

The head of the new agency would attend meetings of the Psychological Strategy Board when appropriate, and would be authorized to provide staff services for the PSB upon foreign information matters.

The authority and responsibility now vested in the Secretary of State pursuant to appropriate National Security Council papers and Executive Orders for interdepartmental coordination of foreign information activities should also be transferred to the new agency.

The responsibilities now exercised by the Secretary of State with respect to informational media guaranties should be transferred to the head of the new information agency by an amendment of Executive Order 10300.

Recommendation No. 6 - Organize the structure of the foreign economic operations agency and of the foreign information agency so that their operations will be responsive to foreign policy determination by the Secretary of State and to military policy determination by the Secretary of Defense.

a. At the Washington level, the line organizations of the two operating agencies should be organized as far as possible on a common pattern with those of the Department of State, with the sub-divisions of each dealing with parallel areas of the others.

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b. Regional staffs should be established only in cases where there is a regional organization or multilateral activity of sufficient importance to warrant the establishment of a ^{Regional} diplomatic mission.

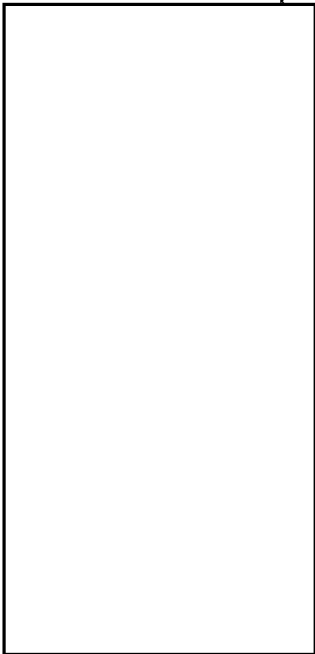
c. At the country level the field staffs of the agencies should be organized in such a manner as to provide for effective foreign policy direction and coordination of their operations by the United States Mission Chief (The Ambassador or Minister). The field staff of the economic agency would perform the major economic staff assignment in the development of country programs and in estimating economic capabilities and requirements.

The Secretary of State, and the Secretary of Defense, as appropriate, should have authority and responsibility to review plans and policies relative to military and economic assistance programs and foreign information programs, and legislative proposals of the foreign economic operations agency and the foreign information agency, to assure that, in their conception and execution, such plans, policies and proposals are consistent with and further the attainment of foreign policy and military policy objectives.

The heads of the new agencies should furnish information to the Secretaries of State and Defense in such manner and form as may be agreed between the head of the agency and the Secretary concerned to insure that the programs of the agencies and the implementation of such programs conform with foreign policy and military policy objectives.

To assure to the new economic agency its proper role with respect to the coordination and direction of the military assistance programs, the Secretary of Defense would be required to keep the agency

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currently informed on the status of such programs, including military end item procurement and deliveries, both domestic and offshore.

Recommendation No. 7 - Executive Order 10338, relating to overseas personnel relationships, should be extended to cover the representatives of the new economic and information agencies, and when amended should be supplemented as stated below.

Executive Order 10338 defines the authority of the Chief of Diplomatic Mission (Ambassador or Minister) to coordinate the activities of United States personnel in his area who are engaged in carrying out programs under the Mutual Security Act and provides that he shall exercise general direction and leadership of the entire effort. This Order should be amended to cover the representatives of the new economic and information agencies, and when amended should be supplemented as follows:

- a. The Chief of the Diplomatic Mission would have the authority, through appropriate official channels, to effect the withdrawal of U. S. personnel in his area;
- b. The Chief of the Diplomatic Mission shall be kept fully and currently informed, as he desires, by all U. S. representatives, including the representatives of the new economic and information agencies and the chiefs of military assistance advisory groups, on all matters, including prospective plans, recommendations, negotiations, and actions, relating to the programs of such agencies; and
- c. The Secretary of State should have the right to veto the proposed appointments of the chief representatives abroad of the foreign economic and information agencies.

The Committee strongly recommends that at the country level, where mutually agreed among the agencies concerned, there be an integration of personnel performing related functions under a single top

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official, as is now the case where the Chief of the MSA Mission also performs the duties of the Counsellor of Embassy for Economic Affairs, or where the Public Affairs Officer directs the foreign information activities of the MSA and the U. S. International Information Administration.

Recommendation No. 8 - The Secretary of State should retain his position on the NAC to assure that the foreign loan policies of the U. S. are consistent with and further the attainment of U. S. foreign policy objectives.

The foreign policy responsibility of the Secretary of State in matters involving loans and credits is of equal importance to his responsibility in matters involving grants. They represent alternative forms of financial assistance designed to implement foreign policy.

REORGANIZATION PLAN OR LEGISLATION?

Many of the above recommendations, it will be noted, can be carried out either by Reorganization Plan or by legislation. The decision as to which course shall be followed, if the recommendations are approved, is one of considerable political importance. The advantages and disadvantages of each course may be summarized as follows:

The Reorganization Plan approach would have the following advantages:

1. It would enable the President clearly and specifically to set forth the organizational arrangements which he desires for the administration of foreign affairs and programs.
2. The Reorganization Plans would become effective unless

rejected by a Constitutional majority of either House. While

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the Plans could be rejected in their entirety, they could not be amended as in the case of legislation.

3. Responsibility of the Administration for the reorganizations would be clearly fixed.

4. The Reorganization Plan procedure (if the plans are submitted promptly) might be a quicker method of putting the recommendations into effect, since it would undoubtedly take more than 60 days to obtain legislation.

The principal advantages of proceeding by legislation are as follows:

1. Legislation must be requested, in any event, for certain basic authorities under the Mutual Security Act which expire on June 30, 1953, and must be renewed.

2. This has been the traditional method of determining organizational structure in the field of foreign affairs and might be preferred by the Foreign Affairs and Armed Services Committees. In the last two years the committees which handle these programs have shown a concern about organization at least equal to their concern about the magnitude of the programs and are therefore likely to desire to consider all aspects of these programs at one time.

3. It has been suggested that a more sympathetic consideration of Administration proposals concerning organization for foreign affairs would be given by the legislative committees than by the Government Operations Committees.

If the legislative leaders concur, the Committee believes that it would be preferable for the President to effectuate the contemplated reorganization by Reorganization Plan.

Before reaching a decision on this matter the President may wish to consult with the Secretaries of Defense and State, the Director for Mutual Security, the Director of the Bureau of the Budget and probably others among his advisors; and, after obtaining their views, with legislative leaders.

In the course of the Committee's study, the Departments of Agriculture and Commerce have raised certain issues which the Committee has not had time to explore thoroughly. These should be dealt with later.