

**C. Douglas Dillon Oral History Interview – JFK#4, 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 in areas of foreign policy and his involvement with Cuban Missile Crisis, among other issues.

**Access**

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## GIFT OF PERSONAL INTERVIEWS

BY DOUGLAS DILLON

TO THE

JOHN FITZGERALD KENNEDY MEMORIAL LIBRARY

In accordance with the provisions of the Federal Property and Administrative Services Act of 1949 as amended (63 Stat. 377 as amended) and regulations issued thereunder, I, Douglas Dillon, hereby give, donate, and convey to the United States of America for eventual deposit in the proposed John Fitzgerald Kennedy Memorial Library (hereinafter referred to as the Library) for administration therein by the authorities thereof:

- 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
- d) A subject index to certain classified materials in the transcripts, classified "SECRET" (attached herewith and labeled "Index II").

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Douglas Dillon

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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 and is positioned to the right of the word "Sincerely,".

Susan S. Dillon

C. Douglas Dillon – JFK #4

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Fourth Oral History Interview

with

C DOUGLAS DILLON

August 4, 1964

Treasury Department, Washington D.C.

By Mrs. Walter Rostow

For the John F. Kennedy Library

ROSTOW : Mr. Secretary, you are one of the few people in Washington who can command recollections, both of the Eisenhower [Dwight D. Eisenhower] era and from the inside, and of the Kennedy [John F. Kennedy] era from a position in the Cabinet. I wonder if, to begin with, you would like to comment on the use of the National Security Council in the two administrations—any differences that struck you by being party to the discussion in both periods.

DILLON: Well, the use of the National Security Council during the two administrations was quite different. There was little comparison in the way in which the two administrations made use of this statutory body. During the Eisenhower administration, when I was serving in the State Department as Under Secretary of State, the National Security Council worked effectively through a whole series of working level groups which developed papers which eventually came to the surface and were presented in formal manner to the National Security Council for approval or modification or rejection. The National Security Council met regularly once a week and these papers had previously been vetted by what was called the Planning Group, which was a group consisting of either Under Secretaries or in some cases Assistant Secretaries—the Assistant Secretary of Defense for International Affairs, for instance. They had, in vetting these papers, given the views of their own departments so the papers were thoroughly representative of combined views of the various departments. Often those views could not be

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reconciled, and then the papers would come forward with alternative language. A good deal of the time in the National Security Council meetings themselves was devoted to reaching agreement on compromise language to cover the various subjects that were under discussion, such as the policy toward one part of the world, or one country or another. There were policy papers for each country and once they were put forth they were supposed to guide our missions and the various agencies and departments. The National Security Council, as I recall it, at that time did not concern itself very much with immediate problems. Those were usually handled on a day-to-day basis between the Secretary of State, the President, and sometimes the Secretary of Defense.

Now when we come to the use of the National Security Council under the Kennedy Administration, what happened as far as I can see it, because I've had not very much to do with it on a day-to-day basis, was that the whole apparatus of the Security Council as used during the previous administration, was more or less dispensed with. There were no long and complex papers written in advance

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to describe policy towards various countries. The Planning Group was abolished and there was no attempt to record a basic policy in that way, country by country, for the future.

On the other hand, the Security Council mechanism, through the Executive Director of the Security Council, if that is his right title, McGeorge Bundy for President Kennedy, functioned actively in the area where previously there had been a great deal of the work done on an informal basis between the higher offices of the State Department, the Defense Department and the President, namely, the handling of immediate and important day-to-day problems. I would say one thing that is very different is that the Special Assistant for National Security Affairs, Mr. Bundy, has much more to do with these matters than his predecessors. He is much more involved in these day-to-day decisions, representing the President and talking with the President, and giving his own views, than had been the case previously. The individuals who had held that position before had also exercised a great deal of influence but primarily on the writing of long term papers and on deciding what types of things should be considered by the Security Council.

The only time in which I took an active part in Security Council proceedings in this administration was during the Cuban Missile Crisis when the Security Council as a whole functioned as a day-to-day, hour-to-hour adviser to the President on that problem. Actually, it was somewhat changed because there was an executive committee formed which somewhat changed because there was an executive committee formed which somewhat enlarged the Security Council and which left off the Director of the Office of Emergency Planning, who had really no particular first-hand interest in the decisions that were being made, which were basically decisions of war or peace.

ROSTOW:                    Would it be fair to say the comparison in one sense was that under President Eisenhower the National Security Council functioned in a more orderly way but less serious issues tended to come before it than under President Kennedy? It would not have satisfied the criteria of orderly administration to quite that degree but occasionally more serious problems were dumped in its lap.

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DILLON: Well, certainly there was nothing comparable to the Cuban Missile Crisis during the Eisenhower Administration and that certainly was a far more serious problem. It certainly is true that the Security Council functioned in a very orderly manner during the Eisenhower Administration, but it was primarily trying to look

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ahead and lay down rather detailed policy covering absolutely all aspects of United States relations with practically every country in the world. Or if there were too many in one area they might, for example, take countries in the west of Africa and have a paper that would link them together. These policy papers not only covered political but also military, economic, financial and cultural matters—all possible facets of our policy. As a result there was a good deal of similarity between many of them because basic elements of our policy were similar, for instance, in the information field and the cultural field. The same language would be inserted in all of these different papers.

I think the feeling in the Kennedy Administration was that this procedure was not a useful use of the President's time or the time of the other high officials of the government, and, therefore, this procedure was done away with. It was assumed that basic policy, say in the cultural field, would be covered by a single National Security action memo which would be written by the Special Assistant for National Security Affairs at the direction of the President and would not necessarily reflect the result of a meeting of the Security Council. Indeed, I think very few of them ever did. Most of them were results of decisions taken by the President after talking, presumably, with the Secretary of State or the Secretary of Defense, and maybe not even that, maybe just decisions the President, himself, had taken. These were then sent out to the members of the Security Council and served as overall guidance.

This did away with a great deal of paperwork and allowed a concentration on the detailed affairs of the moment which President Kennedy followed in a much closer fashion than President Eisenhower did. President Eisenhower, while he was aware of everything that was going on, didn't devote as much time to reading detailed incoming telegrams, for instance. Matters of that sort were handled more routinely by the State Department, by the Secretary of State, who only informed the President regarding them when he felt there was an important matter that required presidential approval or knowledge before action was taken.

ROSTOW: This really brings up the question of the use of advisers by the two Presidents. What was the main difference in the way Presidents Eisenhower and Kennedy used the men around them?

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DILLON: Well, President Eisenhower was always very interested in having a complete governmental position developed and certainly had the complete views of all sides of the government on any question before

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acting. He felt it was preferable to have these matters resolved without having them necessarily brought to his attention. The matters that were brought to his attention were largely differences of views that could not be reconciled.

On the other hand, President Kennedy, at least in the foreign affairs field, was interested in taking part himself, right from the beginning, in the discussions as to what the proper course might be and in hearing the various arguments as they came from the agencies that were interested. I think that as time went on President Kennedy felt the necessity of being certain, more certain maybe than in the early days of his administration, that all those who should have a point of view were fully heard before he, himself, made up his mind. But even with that he wished to be involved right from the very beginning in matters which concerned the State Department and the Defense Department. He wanted to be aware of what the opposing arguments were before any compromise was reached.

ROSTOW: I regard you as not only the father of a good many policies in the Kennedy Administration, but one of the few people who knew the origin of some of the directions of Kennedy foreign policy. For example, your connection with the foundation of OECD [Organisation for Economic Co-operation and Development], DLF [Development Loan Fund], other institutions which started in the 50's and were translated further during the Kennedy years. I wonder whether you could begin by commenting on whether you were aware of the number of institutions starting in the 50's which you saw carried through. Take, for example, OECD. Did you follow developments in that field in your position at Treasury?

DILLON: Not particularly. Of course, the creation of the OECD, as far as the United States Government was concerned, was largely my own particular responsibility. That was completed prior to the inauguration of President Kennedy. The Charter of the OECD was signed in Paris in December of 1960, as I recall, although the necessary ratification action was taken during the Kennedy Administration. It had been my feeling and had been agreed to at the time OECD was started that the U.S. Representative at the top level should be the Under Secretary of State who happened to be

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handling economic matters. It was in that capacity as Under Secretary of State that I handled the negotiations. I felt strongly when I came over to the Treasury Department that that responsibility should remain as a State Department function and that the Treasury's interest in the OECD should be limited to substantive matters that directly concerned it. Therefore, I did not follow the administrative development of the organization after it was once under way.

ROSTOW: It's a difficult task to discuss Treasury's relation with foreign policy. In one sense it's a total commitment but in another sense it leaves Treasury somewhat outside. However, there are many issues that impinge and I'd like to get into some of them later on. Right now before we get into that,

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would you go back to the early period when you began to concern yourself specifically with Latin American policy? I read somewhere that you were quite literally described as the author of the Alliance for Progress. Is there any truth in this?

DILLON: Well, certainly, I think there is from the point of view of the spirit of the Alliance for Progress and the actual governmental actions that were first taken in the United States to implement that spirit. I'm sure a lot of other people were thinking the same thoughts and had the same ideas in mind. I first became deeply concerned and aware of the problem in the summer of 1957, when I had only been six months in the Department of State, when I went to Buenos Aires for a three-week meeting of the Finance Ministers of the Hemisphere.

Secretary of the Treasury Anderson [Robert B. Anderson] was the head of our delegation, but, at that time, he had been in office only for a few days and felt that he had to get back to Washington rapidly. He stayed in Buenos Aires only for the first three or four days of the meeting, and I was left as Acting Head of the Delegation to carry on all the negotiations that led to the final result which was called the Charter of Buenos Aires. I found at that time that many of the positions which had been prepared for the United States delegation were not fully tenable and certainly would not be tenable for very much longer in view of the strong pressures that were coming from Latin America for what they considered to be more equal treatment with the rest of the world. For instance, at that time we had no aid program at all except technical assistance in Latin America. We had always opposed the creation of a development bank for Latin America.

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ROSTOW: Why?

DILLON: It had been Treasury policy up till that time, which governed in this area, that a regional bank wasn't necessary. It was felt that all the good that could be done in the way of development could be handled equally well by the World Bank and that the proliferation of institutions would merely lead to complications. That was the policy we still had to carry out at that time, but we agreed to study the matter further and one of the conclusions I brought back from Buenos Aires was that this particular policy should be changed. It was possible to accomplish that about a year later when agreement was reached in the U.S. Government. The timing had something to do with a difficult period in the Middle East. President Eisenhower was addressing a special session of the General Assembly of the United Nations, as I recall, sometime during August of 1958. It was decided that he would make a suggestion there about the possible creation of an Arab Development Bank. President Eisenhower did make that suggestion but nothing has ever come of it since. It was not picked up by the Arab nations. However, it seemed clear that such a suggestion meant that our policy had changed. Therefore, I was able to obtain agreement to favor the creation of an Inter-American Bank, or what became the Inter-American Bank. I announced this to a meeting of the Economic and Social Council of the Organization of American States here in Washington in August of 1958 just before President Eisenhower spoke at the U.N.

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It took about a year to get the bank organized and another year to get it started in its operations but that was a great change in our policy. Another fundamental change that flowed out of that Buenos Aires meeting was the willingness, which we had never had before, to support proper agreements on commodities. Basic commodities are very important to the economy of Latin America, and we had always been strongly opposed in principle to any commodity agreements, even though we were parties to some. For instance, the agreement on sugar and an international wheat agreement but we did not wish to go beyond these. We were able to break down this viewpoint in the U.S. Government. I think this was very helpful, and it enabled us to move towards the most important of the agreements which have been made and which has been gradually improved until it is now in a complete international form. That is the International Coffee Agreement which is now just under way. But there were various predecessors of this agreement which we helped to get started, which started in that early day.

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Finally, I'd say the major forerunner of the Alliance for Progress was a feeling in the State Department, which I maybe was most representative of, that now that we were beginning to have an aid program for Latin America, it should be one that would help not only in industrial development, but also in social development – in land tenure, education, housing, water supply, things of that nature. We reached a decision in the summer of 1960, late in June or very early in July, a decision which was reached at a National Security Council meeting at which I was representing the State Department as Acting Secretary of State. We decided we would undertake just such a program of social development. A few days thereafter President Eisenhower made what has since become known as the Declaration of Newport, in which he said that we would do this and that he would ask the Congress for funds for this purpose. One of the reasons for the timing was that there was a Ministerial Meeting set for late August or early September – I guess it was early September, in Bogota, to talk over all the problems in the hemisphere. We felt that it was highly important that we have this new program on the table and ready to go for that conference. We did and we obtained a vote of the Congress authorizing the appropriation of \$500 million for social development. Final passage of this bill was obtained while I was actually in Bogota in September.

This was during the session of the Congress after Senator Kennedy had been nominated. I talked with him when this legislation was up for consideration in the Senate. I was aware at that time that he was very interested in Latin America and was strongly in favor of this type of program. He expressed some concern that, by legislating at that particular time with an election coming, it might tie the hands of whoever won the election. I pointed out to him the importance of the legislation, the reason for the timing and the fact that it would still leave totally free the method of implementing this program. He was satisfied with those assurances and supported that particular legislation strongly and was very instrumental in its ready passage at that time.

Then, of course, during his campaign the slogan Alliance for Progress was brought forward to indicate a much broader and more active relationship with Latin America which more or less codified all the things that we had been doing bit by bit. It put them all together

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and lifted them up to a level where they could be seen and understood by the individual people of Latin America. This was a new thought which had not been in the other programs, as they

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were individual programs but had not been thought of in the same way as a whole. There had been some talk of the program as a whole but this had been in Brazil and was called Operation Pan America by President Kubitschek [Juscelino Kubitschek de Oliveira] of Brazil. This also could be said to be a foundation for the Alliance for Progress.

ROSTOW: You say that the phrase (this is simply a footnote) Alliance for Progress had been used during the campaign. Where did it originate? Do you recall?

DILLON: I think it was used by President Kennedy. I don't know how that phrase came to be originated as between his staff and himself. I don't know the individual who may have thought of it first, but it was used for the first time by President Kennedy as I recall, in a speech during the campaign in which he discussed policy toward Latin America. I thought it was a very felicitous phrase.

ROSTOW: Do you think it is so regarded by Latin Americans?

DILLON: I think that one of the problems with any new program like this is how it develops. There are apt to be great expectations which can't be fully met. I think that since the Alliance got started at Punta del Este there are some countries which do not feel enough progress is being made and are somewhat disappointed with it – some sections of the population. Of course, it was fought right from the beginning by the Cubans and by the Communist elements which are present in many countries of Latin America, though often not in a very large degree. But they are vociferous and they have done their best to talk against this program. I do think it is coming to be better understood. The Latin countries are beginning to realize more and more that this is a joint program in which they have as much responsibility, if not more, as the United States. I think the basic responsibility has to be their own, and they are beginning to accept that concept so I have a feeling that this name created by President Kennedy will stick. It will be a fortunate name and will be something that will be long remembered.

ROSTOW: How soon after the beginning of the Kennedy administration were you once again involved in Latin American affairs?

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DILLON: Because of the fact that I had done so much in the past in this area and had headed our delegation at Bogota in September of 1960, I was asked by President Kennedy to head the delegation to the further

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meeting of the Finance Ministers which was called to meet at Punta del Este in the summer of 1961 to write a charter for the Alliance for Progress.

President Kennedy after his inauguration had made further statements regarding his views on the necessity of creating an Alliance for Progress. This made it seem advisable to have the concept spelled out more clearly in an inter-American agreement. So there was a decision among the countries of the Americas to have a meeting for that purpose. Because of my background I was asked to head the U.S. Delegation and this was the one time where I, as an individual, was really active in diplomatic undertakings that ordinarily had been handled through the Department of State. I have always considered that President Kennedy asked me to do this as an individual and not as Secretary of the Treasury, although the other Ministers at this meeting were largely Finance Ministers. Similar to the OECD I had always thought that representation of the United States should be in the highest level of the State Department rather than in the Treasury on an organization of this nature. Although I did go to one more meeting of Finance Ministers, that in Mexico City in 1962, thereafter, at my suggestion, which President Kennedy adopted, the responsibility for carrying on this organization was lodged in the State Department. Governor Harriman [William Averell Harriman] was the representative at the following meeting in 1963.

ROSTOW: With this perspective would you make any changes in the Charter of Punta del Este were you now back in that moment in history?

DILLON: No, I think the Charter of Punta del Este was a good document. It will bear examination and scrutiny as time marches on. Some people naturally were inclined to put more weight on certain parts of it, certain statements, than on others. I think the proper thing is to look at the document as a whole, and, when one does that, the document is a valid, useful document and I think it will so continue.

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ROSTOW: While we're on the issues that bridged the two administrations in which you were closely involved before the Johnson [Lyndon B. Johnson] Administration, am I right in recalling that you had some contact with then Senator Kennedy during the time when the India consortium was being discussed? Do you recall any events of that earlier period?

DILLON: Yes, I do remember, not in any detail, but I do remember the one time when we were developing plans for what I imagine was the first substantial assistance to India when I was in the State Department, I did go up and talk with Senator Kennedy in his office about this because I understood that he had an interest in India. He was a member, of course, of the Foreign Relations Committee and I was always interested in talking with any members of that Committee that would talk with us about particularly large problems. I found him very knowledgeable and very sympathetic to what I was proposing that we do. I don't recall the details of the meeting but I remember it was very cordial, and I distinctly remember my impression of the fact that he

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had a very detailed grasp of the problem, more so than I had expected, since he was very busy even at that time and was not always in attendance at Foreign Relations Committee meetings to the extent some other senators might have been that didn't have the other interests that he had.

ROSTOW: One more bridge question. Through your earlier close ties to France and your position in the Cabinet in the Kennedy administration were you prepared for the precise role played by General de Gaulle [Charles A. de Gaulle] in recent years or did it come as a surprise to you?

DILLON: No, I don't think it came as a surprise. It was obvious, I think, almost from the moment that General de Gaulle became President de Gaulle. He made his policies perfectly clear. They were in the line of policy actions that he had followed during World War II which were devoted to achieving what he thought was the proper position of power for France on the world scene. He has simply carried out what he originally indicated he would. This all started presumably with the letter which he wrote to President Eisenhower suggesting that there be a three power directorate created, consisting of France, Great Britain and the United States to run NATO and also to decide strategy all over the world. That was unacceptable to the United States, and, when

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President de Gaulle knew that, he made clear that he was going to go his own way. Not the exact details of when he would do what and, of course, some particular actions may have been surprising. But the general outline of his policy was not.

De Gaulle had two basic policies. One was to disentangle France from her overseas problems to the extent they were not handleable. That meant independence for all the African colonial possessions which General de Gaulle favored and which he brought about very rapidly. It also meant putting an end to the Algerian war which was a more difficult problem because he faced a very difficult public relations problem inside France. I am convinced that he was working toward that sort of a solution right from the beginning and just waiting for the right time to reach it. I think when he did reach solutions in these two areas he felt France was then free of these difficulties that had tied her hands, and that he could then turn and devote his whole efforts to increasing French prestige in the world and giving France an independent position. Personally, I think this latter policy of his was not realistic, but it was his policy and I don't see nay great surprise in the way it has developed.

ROSTOW: Did you know him well at the time you were in France?

DILLON: I don't know that anybody, at least only very few people, know General de Gaulle well, but I did have an interesting chapter, I guess, to contribute to American-French relationships through my relationships with General de Gaulle. When I went to France as Ambassador in 1953, after I had been in the Embassy for a couple of months and had time to get my feet on the ground, to meet the various people in the French Government and to get a feel of how relations were

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progressing, I inquired of my staff as to when I might meet and talk with General de Gaulle. Although he was not in politics at all, he seemed to me to represent something very important on the French scene. I was informed by my staff, rather to my surprise, that the American Ambassador didn't talk with General de Gaulle. When I inquired as to how that came about, I was told that there had been some difference of opinion that developed at the time General de Gaulle left power, when Ambassador Caffery [Jefferson Caffery] was our Ambassador in Paris. There was a break at that

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time between the General and the American Embassy and there had been no contact between any Ambassador and General de Gaulle since that time. I think there had been informal contacts with some of General de Gaulle's entourage but they had been very informal and spasmodic.

I think, as I understand, the difference arose, General de Gaulle being a private figure at that time, as to whether the American Ambassador should go to see him or whether he should come to the American Embassy to see the American Ambassador. This did not seem to me to be a very realistic or worthwhile argument, so I asked to have a message conveyed to General de Gaulle through his staff that I would like the opportunity to call on him at a convenient time to both of us when he should happen to be in Paris. At that time he lived at his country place but came to Paris every few months and stayed at the Hotel La Perouse. This was in 1953 that he readily agreed to my proposal.

I went one evening at about 9 o'clock and visited him alone and must have talked with him for about an hour and a half on the occasion of that first visit, which established a connection. Thereafter, every six months or so, I made a point of calling on him either there or at an office which he later established on the Left Bank in Paris and speaking to him about the affairs of the day. So we did have a connection, although at no time when I was in the Embassy was there any indication that he would come back on the political scene or that he had any desire to do so. I am convinced that at that time he did not think this would happen and had no such desire, but the world changes and later on, two or three years after I left Paris, he was back in power as the leader of the French nation. So I think it was useful that there had been at least four or five years of contact with him prior to that at the level of the Ambassador.

ROSTOW:           Have you seen him often since?

DILLON:           No, my only opportunity to really see him since was when he made a visit to the United States in the spring of 1960— a state visit to President Eisenhower. Because I had known him before President Eisenhower asked my wife and me to accompany him and Madame de Gaulle [Yvonne de Gaulle] on their brief trip around the country. We visited New York and flew to San Francisco where

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we spent a day and then flew to New Orleans where we spent a brief time before he left by air for Martinique.

ROSTOW: President Kennedy didn't make use then of your special relations with General de Gaulle?

DILLON: No, he never did.

ROSTOW: Did you tell him about this episode of the 1950s where you met the General?

DILLON: I don't know that I ever discussed this with President Kennedy. I don't think he asked me about that particular thing, and I was always very loath to interject myself in any way into the diplomatic area because of the fact that I had come out of the State Department and was now in a different department. I did not want to appear to be giving suggestions or second guessing people who had succeeded me in the State Department. I had also felt, when I was in the State Department, that the Treasury Department, as a department, had taken too great and detailed an interest in foreign affairs—in the details of foreign policy.

I was determined to reverse this situation and as part of this to try to promote a better spirit of cooperation between the State Department and the Treasury Department at the staff level than had existed when I was in the Department of State. At that time the relations at the staff level were very bad and at times almost non-existent. About the only way we were able to maintain harmony in the government in this area was by the frequent conversations which I had with Secretary Anderson, with whom I got along very well. We found that we could generally resolve these great conflicts which were continually arising, largely in discussions of national security papers about what policy should be on this or that matter. Also, at that time there were controversies on the wording of cables that would be sent out. Whenever anything had anything to do with financial policy in any way or could have later, the Treasury was deeply concerned and wanted to approve every comma and word in the instructions that went to the field. I felt that was going much too far, and, when we came over to the Treasury, I brought with me from the State Department a career State Department officer, who had been my Special Assistant, who felt likewise. He became the Assistant Secretary of the Treasury for International Affairs. His name was John Leddy [John M. Leddy], and he is presently our Ambassador to the OECD.

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We were able to work out a much better relationship between the State Department and the Treasury Department. At present the State Department is even inclined on many occasions to call and ask for Treasury assistance, rather than the Treasury being in the position of interjecting itself into the details of State Department business. For instance, it was at the request of the State Department that a Treasury officer went to Geneva recently and headed the U.S. side in all the financial negotiations at the recent United Nations Conference on Trade and Development. It was Committee 3, I think it was called. This was

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the Committee where the major effective decisions were taken for action. This shows the close relationship which we have now developed, which involves the Treasury not bothering the State Department except on major matters of substance and the State Department, on their part, assuming the responsibility of keeping the Treasury informed whenever their interests are involved. This has worked out very well, and now all the way up and down through the staff level there is a fine relationship between those two departments.

ROSTOW: You would admit, however, at least in one area decisions made in Treasury have an impact on State and can occasionally be inhibiting, in fact. I am thinking specifically of balance of payments problems, not wholly a private preserve of the Treasury Department, but something that you deal jointly in with State.

DILLON: Yes, I don't think that the Treasury Department is in any position to make decisions on the balance of payments that can inhibit the Department of State, but the Secretary of the Treasury has the primary responsibility in the government for gold policy, and for the defense of the dollar. That means he really has primary responsibility for the overall aspects of the balance of payments. When this became a crisis, President Kennedy appointed me as Chairman of a Cabinet Committee on Balance of Payments which meets from time to time. Where the differences can come is that the Treasury, seeing the overall problem, can and does express the view that certain actions are needed to bring our payments more nearly into balance, until such time as they come into balance of their own accord through basic economic factors such as changing price levels. We have done that—recommended that government expenditures abroad be reduced so they have the least possible impact. It was, I suppose, at Treasury initiation that we began to move into the program of tying our foreign aid, which, if the State Department was free to choose, they would prefer not to do. In that instance,

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I think this was merely anticipating an action that would otherwise have been taken by the Congress in any event. We also naturally press for the minimum level of balance of payments costs for our military expenditures abroad. The State Department might find that somewhat inhibiting from time to time but I don't think it really has been a serious matter. I think that we have been able to work out programs here that the State Department feels are fully consistent with foreign policy even though they are designed to help the balance of payments.

ROSTOW: This suggests that you work very closely with the Secretary of State on this and other issues.

DILLON: We do work very closely together whenever there is an important issue of this nature. I work with the Secretary of State or with the Under Secretary who is particularly charged with economic matters of this type, which happens to be Mr. Ball [George M. Ball]. We work very closely together.

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ROSTOW: On the range of your issues then, we were discussing the points on which you were responsibly involved in the 50s which were carried into the Kennedy period. I think perhaps we have left only one thing unsaid that might be said here, and this is the scenario of the Punta del Este Conference, if there is anything more that you would like to say on this—on the personalities, on the problems, as you recall them, having emerged at that time.

DILLON: The problems of the Punta del Este Conference were numerous, such as one has at any conference. The basic problem was to get an agreement that was satisfactory to all the countries, the big countries as well as the smaller countries, that foreign assistance would be provided in what they would consider to be adequate amounts. From our point of view it was important to make clear that this would not necessarily all be from the United States or all in the form of direct governmental assistance because we had to cast it in the framework of what was likely to be reasonably available.

So there were long discussions and arguments about that at Punta del Este, which often divided the smaller countries of Latin America from the larger ones—the smaller ones feeling that countries such as Brazil would be getting too much of whatever aid might be available while they would be sort of left out.

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I would say that that was the greatest substantive problem. It was finally resolved very clearly and very well.

We also had the problem of finding the right kind of language to describe the actions that the Latin American countries should take for themselves. This was important in order to make clear that the primary responsibility for their own development and hence for the success of the Alliance for Progress lay with the Latin American countries themselves. But that was merely a question of time and negotiation. I think the conference lasted about two weeks or a little longer.

There was one other facet of the conference which was rather dramatic. This was the confrontation which was more or less continually under way between the United States and the Cuban delegations. The Cubans had sent Che Guevara there as head of their delegation, and he tried in every way to disrupt the formation of the Alliance for Progress. He made a very bitter anti-American speech early in the session. He was then a member of all the various committees that were set up and tried to cause trouble in all of these. Finally, of course, we resorted to what one always does in a case like that, an informal committee of heads of delegations which did not include Mr. Che Guevara. In this way we were able to work out our problems. It was my tactics and my policy there to stick to the business of the meeting and not to reply to Che Guevara and not to allow the meeting to degenerate into a confrontation between the United States and Cuba. This was a little bit trying at times as he went along but I think it was the right policy because it allowed us to reach decision on their merits.

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At the end of the conference after agreement had been reached and the Cuban, Che Guevara, had made a closing speech in which he again viciously attacked the United States, I felt it appropriate and proper to respond strongly. I did so and responded very strongly, making the point that the United States would never abandon the interests of the Cuban people but would never have anything to do with the dictatorship that had fastened itself upon the Cuban people. This statement was very well received by the audience. It was a public session and the audience was all Latin American. There was tremendous applause and I think the conference wound up as a general face loser for Mr. Che Guevara

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who had started on a high note and then gradually descended as he failed to accomplish any of his objectives. Finally, it became obvious that, with the sole exception of the alternate delegate from Bolivia who was friendly toward Cuba, all of the delegates were annoyed by the Cuban tactics and felt more strongly than ever the need to join with the United States in creating the Alliance for Progress.

ROSTOW: Did you expect at the outset that you would get 20 out of 21 to sign the Declaration as you did in the end?

DILLON: I certainly hoped to. Anything else would have been very difficult. The only difficulty we had all the way through, as I indicated before, was with the Bolivian delegation. It turned out that this was more a question of personalities than of national policy. The Bolivian delegate developed a very severe throat infection early in the proceedings. He was unable to take part in any of the meetings and his alternate represented Bolivia and did follow a consistently pro-Cuban line throughout. If we had judged by him, certainly Bolivia would have joined Cuba and would not have signed the agreement. He was the only individual that did not appear happy at the end when I made my statement against Cuban policy.

ROSTOW: I think this is interesting because, after all, it was only three months between the Bay of Pigs and your session at Punta del Este and that degree of support for the United States immediately afterward is worth noting.

DILLON: I think that this was largely also due to efforts that the whole delegation took, and which I took, to disassociate this meeting with the Cuban problem, the Bay of Pigs, and anything of that nature. We made clear that our interest was to get all of the countries of Latin America together in an Alliance for Progress that would help them to move ahead. This, of course, was the basic desire of the peoples and the governments in all of Latin America. So we responded to that feeling and as long as it could be differentiated and was not considered an anti-Cuban operation or a cold war operation it was acceptable. We treated it as a purely economic operation and, therefore, we did get this sort of support which otherwise would have been difficult to get.

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ROSTOW: You said earlier that you wouldn't change the Charter of Punta del Este. Do you feel that the hope expressed at that time of raising the per capita income of Latin America 2.5 percent per annum was overly optimistic or unrealistic?

DILLON: We all knew that this was a very difficult goal to meet. It could only be met if the Latin American countries took some rather drastic actions of their own as well as having a large inflow of outside assistance. This was something that was very close to the hearts of the Latin Americans. They insisted on having this goal in the Charter. It was not our idea to have quite as specific a goal, and we accepted it because of their strong desires and because of results in other areas of the world which showed that that sort of a growth rate was possible. Of course, a number of the countries of Latin America have since then achieved this rate although a good many others have not, including some of the largest.

ROSTOW: Did you conduct most of your discussions in Spanish?

DILLON: Not at all. I don't speak Spanish so I conducted all of mine at these meetings in English. I had been to enough Latin American meetings so I had some understanding of Spanish when it was being spoken, but I spoke only in English. A great part of the time was spent in subcommittee meetings in which I did not take part—in which the heads of the delegations did not take part. A good part of my time was devoted to preparing the positions we would take in these various meetings, reviewing the results of them, deciding what the position would be the next time. Then also there were individual bilateral meetings with the various heads of the Latin American delegations where we could either converse in English, or in French, or with interpreters if that was necessary. Those bilateral meetings were effective and helpful.

ROSTOW: An extremely interesting chapter in view of the way in which this country had embarked in Latin American relations in dollar diplomacy, you will recall, more by the Latin Americans than by us at the beginning of the century. Did any of this prepare you for the events of October 1962? Had you found yourself prepared for a jump forward in time the week of the 20<sup>th</sup>

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of October when the President cancelled a part of his campaign trip on the excuse that he was returning to Washington with a cold? Where were you at this stage?

DILLON: I was here in Washington at that time, and I must say I had no idea at all what it was about or what was happening. What I recall was that I received a telephone call that there would be a special meeting of the National Security Council on an urgent basis, and I went over to the White House and found

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everybody looking very serious. At that time there was described to us the intelligence which we had just received from a photographic mission that had been flown a day or two before, information that showed that missiles were being planted in Cuba. This was the 16<sup>th</sup> of October.

ROSTOW: What was your first reaction?

DILLON: My first reaction was very clear and I think it was the unanimous reaction of everybody at the meeting including the President, namely, that we were faced with something that the United States could not permit, and could not put up with under any circumstances –the installation of Soviet missiles in Cuba, aimed at the United States. The problem thereafter was how to achieve the objective, which was to get the missiles out of Cuba. But there was never any doubt in anyone's mind that this was something that could not be permitted to continue. That was, as I recall, the first reaction on that first day. This was the question that after the initial discussion was posed by the President. Is this something that can be accepted under any circumstances? There was certainly unanimity which he clearly shared that the answer was no.

ROSTOW: The differences from the outset then were differences of methodology rather than....

DILLON: Entirely, yes.

ROSTOW: There has been a lot written about the discussions that followed this initial session. As you look back on it, what was your own first impulse? What did you think before the discussions got underway that the United States should do?

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DILLON: My own first impulse was that action had to be taken to stop this and stop it dramatically and rapidly. I don't recall exactly the time that I first felt what we should do or should not do because we met every day from the 16th on. One of my first reactions was one of horror at what I considered to be a real possibility. I think we all did that before we were finished with this thing; we might have to go through a nuclear exchange with the Soviet Union. I thought that was something that if it had to come, must be faced because this was something that could not be permitted to continue. My first reaction as to what should be done was on the strong side of action and I recall that, at least in those early days, I was one of those who was favorable to an attack on the Soviet missile sites by our own aircraft before they could become operational. There were numerous things that were discussed and one of them was the idea, which was eventually adopted, of an embargo, a blockade of Cuba.

ROSTOW: Do you remember who first suggested that?

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DILLON: No, I don't remember. It was suggested in a whole list of alternatives. I don't remember that it came from any one individual or any one department. It may have been a joint thought of the Department of State and the Department of Defense. My own thinking to abandon the idea of a preventative strike at the missile sites was influenced largely by a remark that was made by the Attorney General at one of the meetings that we had at the State Department at which the President was not present. We were discussing the pros and cons of action of that sort, and he pointed out the tremendous revulsion of feeling which had occurred in the United States at the time of the attack by the Japanese on Pearl Harbor. He felt that this would be similar and that it would be contrary to our basic ideals and concepts. I thought there was enough validity to that point of view so I changed my mind and fully agreed with the concept that the Soviet Union should be put on notice clearly of the seriousness of this affair before any hostile military action was taken. I remained strongly of the view that we had to be prepared for military action, and indeed should take it relatively rapidly if the missiles were not removed. I continually pressed that view which I think would probably have been the result very shortly after the date on which the Soviets finally agreed to remove the missiles, if they had not done so.

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ROSTOW: One description of your operation during that week was to say that it reminded one participant of a command post in World War II, with a good many fairly junior officers now suddenly matured to a position of awesome responsibility who took over because they were habituated to command. Did you think there was any sense of – obviously the real fear that was ultimately to be projected outside, but from the beginning it seems in looking back at it that you knew that you had to solve the problem and you would. It was at least a situation that was going to lead to one action or another rather than to a stalemate. Given this, at what point were the mechanics by which the issue was surfaced determined? Specifically, when was the President's speech determined in the course of this week and what discussion preceded this decision?

DILLON: I don't recall the exact dates, but the basic decision that had to be taken the first few days – the immediate thing which everybody agreed on – was a great increase in our reconnaissance. As you recall, we began to fly low level reconnaissance and this very rapidly brought out that this missile building was much more widespread than we had realized. It also surfaced the fact that there were some Soviet troop units in Cuba which we had not been aware of until that time. Then the question was whether there should be action – military action without warning – to dispose of these units on the basis that the Soviet Union had been clearly warned by the President on numerous earlier occasions, which was the reason that I felt that this sort of action would be justified.

Although I knew it was a great risk, I did not feel that the Soviets would react by anything but words and so therefore on that personal feeling I took this position. However, after one of these sessions, when the Attorney General [Robert F. Kennedy] brought out this question of the long view of history and what the position of the United States would be if

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there were a premeditated, secret attack without warning, I came around to the idea that that was not the thing to do. I think at that point most everybody agreed. Then it was clear something else had to be done and there was no disagreement about the blockade and also no disagreement about the fact that it had to be announced by the President. As I recall it, the decision on this was probably reached on about Friday of

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that first week, we first having gotten the news on Tuesday. The intervening days were largely devoted to getting the necessary intelligence so we could understand what the dimensions of the Soviet buildup in Cuba really were.

ROSTOW: One other event of that period was, of course, the visit of Gromyko [Andrei Andreevich Gromyko] to the White House to discuss Berlin which must have been a bizarre extra dimension.

DILLON: Yes, because he deliberately lied to the President about Cuba which, of course, did add (we all knew that) an extra dimension, a rather sinister dimension, to the problem.

ROSTOW: In a sense, what you said so far seems to revive the view that the group was divided into Hawks and Doves. Is that a correct reading of what you said?

DILLON: I think the divisions were not as clear cut as that, but there were those, of which I was one, that believed originally that there should be a military action immediately, and there were others that did not, and felt that we should take more gradual steps to try to achieve the same result. For a period of two or three days what was decided was to develop plans to carry out both those lines. They were both developed and then discussed by the whole group. I do think that after that discussion, which didn't last more than a couple of days, there was general agreement on the measure that was taken, always with the understanding, in which there maybe have been more or less strong feelings on the parts of different people, that the use of military forces had to be maintained in the background. We had to be ready to use it if the Soviets did not capitulate, by withdrawing the missiles.

ROSTOW: Did the President himself take a position and act as an advocate for this position or was he more neutral?

DILLON: I think the President throughout this thing, as I recall, did not take an active part in these discussions except by probing questions. After the early meetings he didn't take part in many of the meetings. They were held in the State Department without him. And then when we had the issues more clarified as to alternative courses, we would meet with him, and he would listen and then he would reach a decision which he would generally put forth and ask for comments on the decision.

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Sometimes there were

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comments and he might occasionally make some modification but he generally waited until the issue was fairly well clarified, at least in his own mind, and I think with others, before he made his decision.

ROSTOW: Did you have any specific assignments during this week, aside from attending the meetings and participating in the decisions?

DILLON: I had two special problems. One was to be sure that all the financial regulations and the actions were ready for a real emergency if we should get into a nuclear exchange with the Soviet Union. For that purpose I recalled my General Counsel, who had resigned to go back to private business about two weeks before, Mr. Robert Knight [Robert H. Knight], who was aware of that sort of thing. He came down and worked on this during that week, and we got all that sort of business in order so we could have acted very rapidly, put on whatever controls might be necessary if war actually came.

The other thing was that there was a meeting scheduled in Mexico City, beginning on the 22<sup>nd</sup>, which was the day of the President's speech, a meeting of the Finance Ministers of the Alliance for Progress to which I had been scheduled to go and along about Friday or Saturday it was decided, and I thought this was the right decision, that I should go as part of the cover for the President's speech on Monday, the 22<sup>nd</sup>, so it wouldn't look as if anything unusual was taking place. However, my departure was put off because I said I had problems in Washington. Instead of going on Saturday, as I had originally planned, it was put off first to Sunday morning and finally until after lunch Sunday, which allowed me to take part in the final meeting in the Oval Room on the second floor of the White House on Sunday around noon, or right after noon where we decided on the content of the President's speech for the following day. The President approved it at that time.

ROSTOW: The speech was already in draft by Sunday night. It was written actually between that session and Sunday evening.

DILLON: I think it was already in draft by that time. I had seen a rough draft. It was undoubtedly improved considerably thereafter, but the basic elements of it were already in draft at that time.

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ROSTOW: You then flew to Mexico.

DILLON: I then flew to Mexico, arriving about 9 or 10 o'clock that night and on Monday I was asked to convey the advance notice at a particular time, I think it was 3 o'clock in the afternoon, to the Mexican Government.

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It happened that the President and Foreign Minister of Mexico were in the Philippines on a trip and it seemed to me, and to the Ambassador there, Mr. Mann [Thomas Clifton Mann], that the senior man was the Minister of Finance, my opposite number at this conference, Mr. Ortiz Mena [Antonio Ortiz Mena]. So I told him on Monday morning at our organization meeting that I had a special message to deliver to him personally from the President of the United States, but I couldn't deliver it until 3 o'clock that afternoon. I asked for an appointment with him. He immediately realized there was something pretty serious afoot and insisted on coming to see me rather than my going to see him at that time.

ROSTOW: How did you feel? I should think you would have had a somewhat uneasy sense, being out of your own country at that particular moment?

DILLON: I did have an understanding that I would stay for Tuesday morning when the actual speeches of the delegates were to begin, would make my speech, the first speech, and then come right back. I also had this job of informing Mr. Ortiz-Mena, which I did. That was really very heart-warming because, even with the head of his country away, when he heard what the problem was he immediately said "Mexico will be at your side." He then took prompt steps to warn the Minister of the Interior to strengthen their ability to offset any rioting or demonstrations that might possibly occur.

ROSTOW: Obviously, we want to say more. We are coming to the end of this tape. Perhaps in the moment that is left you could tell us your reaction listening to the broadcast. Where? At the Embassy?

DILLON: We listened to the broadcast in my rooms at the hotel. The information regarding the broadcast was announced about noon. There was a memorial ceremony just before the broadcast right outside the hotel in which the meeting was held. I listened with all of our own delegation, none of whom knew what was coming, with the exception of the Ambassador whom I had told and one or two of my own immediate staff.

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