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# The Outlook for South Korea

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*Concurred in by the*  
UNITED STATES INTELLIGENCE BOARD  
*As indicated overleaf*  
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## THE OUTLOOK FOR SOUTH KOREA

### THE PROBLEM

To assess the prospects for political and economic stability in South Korea through 1970, with particular reference to the impact of major changes in the level and type of US support and assistance.

### NOTE

The last estimate on Korea was NIE 14.2/42-61, "The Outlook for Korea," dated 7 September 1961. It dealt with the major trends and prospects in South Korea, with particular attention to the impact of North Korea on the south over the next two or three years. That estimate remains substantially valid, in our opinion, and it should be consulted for the background of the present estimate.

The introduction to the present estimate is intended to bring NIE 14.2/42-61 up to date in the briefest possible manner. Parts II through V assess the prospects for South Korea through 1970. Part VI discusses the probable impact of a substantial reduction of South Korean armed force strengths and, concurrently, a substantial increase in the amount of US economic aid. For the purpose of this section it is assumed that US aid during the period FY 1964-1968 would be based upon a phased reduction of about one-third in present Republic of Korea (ROK) armed force strength and, concurrently, an increase in assistance for a comprehensive and balanced economic development program on the order of \$50-\$100 million per year.

### CONCLUSIONS

1. As far as we can see at present, the political situation in South Korea during the period of this estimate will prob-

ably be characterized by vigorous dissension and factionalism in both military and civilian circles. We believe that the military will continue to dominate the state, even though the government may be ostensibly civilian. Occasional abrupt changes of leadership by coup d'etat may be in prospect. (*Paras. 9-13*)

2. The economic outlook is grim but not hopeless. Assuming a continuance of US aid at approximately present levels and a reasonable degree of political stability, there will probably be some improvement. An increase in the amount of US aid, if effectively used, could speed up the rate of economic growth and in the long run would probably contribute to political and social stability. At best, however, economic advance will be slow. (*Paras. 14-17, 27-29*)

3. The Communist powers will continue their attempts to destroy the independence of South Korea by various forms of political warfare and subversion. The greatest threat to the country lies in the possibility that political dissension, economic stagnation, and social unrest will render it increasingly vulnerable to this Communist effort. (*Paras. 21-23*)

4. As long as the Communist powers believe that the US will defend South Korea, they will almost certainly not launch an overt military invasion.<sup>1</sup> Accordingly, a reduction of strength of the South Korean armed forces, by anything up to about one-third of present numbers, would probably not in itself increase the likelihood of invasion from the north. It would, however, produce considerable political unrest within the country, which would possibly be great enough to endanger any government initiating the measure.<sup>2</sup> (*Paras. 24-26, 30-33*)

<sup>1</sup> The Assistant Chief of Staff, Intelligence, USAF, would state this sentence as follows: As long as the Communist powers believe that the US will defend South Korea with the kind and degree of force necessary quickly to defeat any invasion, they will almost certainly not launch an overt military invasion.

<sup>2</sup> For the positions of The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; and the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; see the footnote to paragraph 25.

## DISCUSSION

### I. INTRODUCTION

5. The military junta under General Pak Chong-hui is in a stronger position now than at any time in its career. Factionalism within its own ranks and among the military in general continues to be a major problem, but tensions have been kept under control and indeed have diminished during recent months. Cooperation is good between General Pak and Colonel Kim Chong-pil, head of the ROK Central Intelligence Agency, and the existence of the Agency, even though it arouses public apprehension, is probably the most important deterrent to any violent overthrow of the regime. In general, the present leadership shows itself to be well-intentioned as well as fairly competent and honest, though it lacks experience in political and economic matters and has antagonized important elements of the population by harsh and authoritarian measures.

6. Economic conditions have substantially improved since the sharp contraction of business activity following the May 1961 coup. Gross National Product (GNP) in 1961 was 2.8 percent higher than in 1960. Signs of recovery were evident in important parts of the industrial sector, particularly in power, mining, and chemical production. Through most of the year price rises were remarkably well restrained. As the junta eased some of its rigorous early measures, the business community became less apprehensive and appears now to be awaiting further developments before committing itself to full participation in the regime's economic program. The junta, indeed, is aware of the economic problems which face South Korea, and it has acted promptly and vigorously to deal with immediate difficulties.

7. None of this means, however, that South Korea's basic economic problems are on the way to solution. Scarcity of natural resources, deficiencies in technical and managerial skills, and overpopulation impose severe limitations. The rise in GNP during 1961 was mainly attributable to favorable weather conditions, which increased agricultural output. For the second successive year, moreover, there was no per capita gain. Unemployment and underemployment are prevalent. Inflation remains a substantial threat.

8. The regime has not gained widespread popular support. General Pak personally remains a remote figure and none of the other junta leaders has established an appealing public image. Most South Koreans agree with the junta's stated aims, particularly the elimination of corruption, the regeneration of Korean society, anticommunism, and economic growth, but they see little evidence of progress toward these objectives. The enthusiasm which greeted the revolution of April 1960 has evaporated, and the general public attitude seems to be one of passive acceptance of the existing situation. Farmers feel some gratitude for government efforts to help them, but they retain their traditional distrust of all central authority. Civilian politicians are unenthusiastic and have recently been shaken by the promulgation of a law which could be used to bar them from political activity for up to six years; President Yun has resigned in protest against this law. Students and intellectuals are in large part hostile, alienated by drastic repression in the early postcoup period and continuing restraints on their activities.

### II. POLITICAL PROSPECTS

9. The Pak junta has promised to restore civilian government and has announced a

timetable calling for resumption of political activity at the beginning of 1963, promulgation of a new constitution before March, and general elections in May. There seems to be a strong public desire for such a transition; indeed, popular acceptance of the present regime appears to have been obtained on the understanding that military rule is to be temporary. Any action to postpone the return to civilian government would provoke serious unrest within the country, and it appears to us that the junta will have to make at least a plausible pretence of fulfilling its promise.

10. This undertaking to return the country to civilian rule may prove to be one of the most important causes of friction within the military leadership. As the time to fulfill the promise approaches, disagreements over election tactics and political alliances will probably become acute within the junta. If the group splits over the issue, a coup or coup effort by one of the major military factions is probable.

11. Moreover, the occurrence of diplomatic, economic, and political setbacks will increase the likelihood of serious dissension within the ranks of the junta and will encourage rival elements seeking power. Even if the junta were to be spared failures, the personal characteristics and ambitions of its members would almost certainly lead, in time, to political conflict within the group and probably to coup plotting. The makeup of the junta will probably change from time to time as the fortunes of individuals or groups rise and fall. Moreover, other military elements with political and economic aspirations will probably appear, in time, to challenge the monopoly of power now held by the Pak group. The junta is wary of plots, however, and well protected by its internal security apparatus. We believe that the threat which other military elements could pose would probably be serious only in certain contingencies, such as: (a) the assassination of Pak Chong-hui followed by assumption of leadership by more radical

elements; (b) a prolonged power struggle within the junta; (c) undue prolongation of military rule with consequent extreme public dissatisfaction; or (d) pronounced economic setbacks.

12. Even in the short run, therefore, the political outlook is uncertain, and for the longer period it cannot be very favorable. The basic institutions of government are not firmly established either in law or in tradition; such stability as they had begun to achieve has been undermined by the sweeping changes of the past two years. Clearly the military leadership is planning to dominate whatever new government emerges or, at a minimum, to maintain a watchdog role from positions of strength within the armed forces. Some officers expect to participate in the new government, and it appears that Pak himself (who is now Acting President) may be a presidential candidate; he has indicated a preference for a presidential system with a strong executive and a single legislative chamber.

13. If a new civilian government is formed on the basis of elections, and if it proves unsatisfactory to the junta, another military takeover is almost certain. In fact, there is very little chance that any government made up of civilian politicians would survive long if it proved unsatisfactory to the South Korean military, now that the psychological barrier to military intervention in state affairs has been broken. Thus, we believe that the most probable long-term outlook is for continued dominance of the state by military elements even though the government may be ostensibly civilian. If the military were genuinely united behind the present leadership we could feel fairly sure that their control would be prolonged and that it might be effective in meeting South Korea's problems. As far as we can see, however, vigorous factionalism is likely to plague both military and civilian elements on the political scene for a long time to come, and further abrupt changes of leadership by coup d'etat may be in prospect.

### III. THE ECONOMIC OUTLOOK

14. The military junta has recently set forth its long-range economic goals in a draft five-year economic development plan for the period 1962 through 1966. The principal plan goals are: (a) an average annual economic growth of 7.1 percent, compared with 4.7 percent during 1953-1960; (b) an increase in employment from 7.9 million in 1960 to 10.1 million in 1966, which would lower the unemployment rate from 27 to 11 percent; (c) a near doubling in the rate of fixed capital formation; and (d) expansion in exports of goods and services from \$117 million in 1960 to \$291 million in 1966. Investment is to be concentrated on the expansion of electric power, coal, and agricultural production, on construction of roads, flood control and irrigation facilities, and on the development of such import-replacing industries as cement, fertilizer, and synthetic fiber.

15. This plan is almost certainly overoptimistic and it lacks concrete provisions for implementation. However, it does provide a sense of direction and a set of operational priorities for developmental efforts. It is the first significant effort by a South Korean government to plan seriously for the longer economic future, and the effort alone marks a favorable development in the preoccupations of ROK leaders. The choice of primary sectors for investment is sound though many of the targets are unlikely to be attained.

16. The key to even partial fulfillment of the plan is the amount of foreign assistance which will be available. Up to the present, both the level of foreign aid from governments other than the US and the amount of foreign private investment flowing to South Korea have been extremely low because of the country's political instability and poor economic outlook. At present there are prospects of investment from sources in West Germany and Italy. More important would be the consequences of a settlement with Japan, which

would not only facilitate increased trade and Japanese investment in South Korea, but would probably include financial assistance from the Japanese Government through payment of some of the Korean claims together with grants or long-term loans. We believe there is an even chance that such a South Korean agreement with Japan will be achieved within the next year or two.

17. All prospects for economic improvement, however, depend on various contingencies of which the most important are the level and nature of US aid and the effectiveness of the ROK Government. The limitations imposed by scarcity of natural resources and overabundance of population are grave, but they do not make the situation inherently hopeless. We think that if the contingencies just mentioned are not unfavorable, the South Korean GNP will almost certainly increase substantially faster than the population, though not as fast as is called for in the junta's five-year plan. It seems to us probable, though by no means certain, that the economic situation in general will not be bad enough to cause significant popular unrest. On the other hand, it is extremely unlikely to be good enough to contribute markedly to political stability, and certainly it will not, in the period of this estimate, improve so far that it ceases to require substantial foreign assistance.

### IV. ROK-US RELATIONS

18. With the assumption of power by the junta, South Korea's relations with the US entered a new phase. After an initial period of suspicion and mistrust, the leadership now emphasizes the closeness of its ties with the US. Nevertheless, it is intent upon exercising full control of Korean affairs. There is an element of ultranationalism and Korean xenophobia underlying this attitude, especially among the younger junta members. Moreover, to enhance its prestige at home and

abroad, the regime seeks to demonstrate that it is no mere puppet of the Americans.

19. As a result of these conflicting pressures, the junta's responsiveness to US guidance has varied considerably. Occasionally it has adjusted its position, at least partially in response to US influence. On the other hand, it has carried forward its political purge trials and, more recently, has chosen to push for a status-of-forces agreement despite clear indications that both courses will create US-ROK friction. The early actions of the military junta upset relations with the UN Command in South Korea and compromised CINCUNC's operational authority. The junta has since accepted the principle of the subordination of the South Korean armed forces to the UN Command, but its willingness fully to implement agreements on the command structure cannot yet be taken for granted. For example, the recent trial and conviction of Major General Kim Ung-su, who was first charged with having acted in accordance with UNC orders, definitely impaired the principle of CINCUNC operational control and put ROK commanders on notice concerning the possible consequences of obeying CINCUNC in situations related to domestic politics.

20. The junta probably intends to exercise a large degree of independence in its command of South Korean forces, particularly in peacetime. This desire for greater autonomy in military matters may take several forms, including requests for renegotiation of basic operational agreements with CINCUNC, attempts to have a ROK General appointed Deputy CINCUNC, or a reorganization of the ROK Army command structure with a reduction in the number of troops subject to UNC operational control. We do not think it likely that there will be a complete withdrawal of ROK forces from the UN Command, but there is almost certain to be a further erosion of CINCUNC's authority over the ROK forces.

## V. THE EXTERNAL THREAT TO SOUTH KOREA

21. North Korea will continue to pursue the goal of reunification of the country under Communist control and this objective will be supported, as in the past, by both the USSR and Communist China. Nevertheless, as long as the Communist powers believe that the US will defend South Korea, overt military invasion will be highly unlikely. At present the Communists almost certainly estimate that the US would defend Korea with whatever force was necessary, and might not hesitate, this time, to carry the conflict to Communist China itself.

22. It is by political, psychological, and subversive means that the external threat to South Korea will be operative during the period of this estimate, and the magnitude of the threat will depend primarily on the situation within South Korea itself. There is a natural and strong desire among South Koreans for reunification of the country. This desire is now largely offset by the wartime legacy of hostility to Communists, but it will gain force if North Korea continues in the future, as it has in the past, to outstrip the south in economic development, or if corruption and maladministration should be resumed in South Korea to such an extent as to cause large elements of the population to become seriously disaffected. The North Koreans, for their part, have made a series of reunification gestures including comprehensive proposals for economic exchanges which appeared highly beneficial to the south. They have also called for the renewal of cultural relations and postal exchanges, and under conditions substantially free of restraint in early 1961, this call met with a highly favorable response among student elements and socialist groups in the south.

23. As for subversion and infiltration, the North Koreans have thus far made little progress with such methods in South Korea. Any substantial deterioration of the political, so-

cial, and military situation would open the way for greater success, however, and the Communists would take advantage of such deterioration to step up their efforts. They probably believe that the South Korean situation will eventually be favorable for these activities, and perhaps for guerrilla operations as well. More recently the North Koreans have de-emphasized the theme of peaceful reunification, but we expect them to play upon it again in their propaganda and political action, and to make some headway with it, as the passage of time dulls the South Koreans' memories of Communist excesses.

#### VI. CONSEQUENCES OF A MAJOR CHANGE IN US AID POLICY<sup>3</sup>

24. The South Korean military establishment is not only the fifth largest in the world,<sup>4</sup> it is also the most competent and powerful organization in the state and its influence within the country is pervasive in economic and political as well as security matters. A sizable proportion of the male population receives some measure of technical training and political indoctrination in the armed forces, while many of the ablest men in South Korea are in the officer corps. The people at large appear to respect their armed forces, despite the earlier record of political and financial corruption among senior officers. Thus

<sup>3</sup> See NOTE at beginning of the estimate.

<sup>4</sup> NOTE: The only important change in North Korean or South Korean military strengths since the publication of NIE 14.2/42-61, "The Outlook for Korea," dated 7 September 1961, is in the air forces. South Korea activated an additional squadron of 18 F86D fighters in November 1961. A re-evaluation of intelligence concerning the North Korean Air Force indicated that their FRESCO D (limited all-weather) inventory is greater by approximately 15 aircraft, that 10 additional FARMERS have probably been added, and that there are now approximately 80 rather than 50 BEAGLES. Thus, the North Korean Air Force has further improved its already substantial capability for launching a surprise attack on South Korea and UN military and logistics installations.

any substantial reduction of personnel strength would have profound repercussions, extending well beyond purely military considerations.

25. South Korean armed forces play a part in deterring the Communist powers from overt military invasion of South Korea, and they certainly contribute substantially to a feeling of national security among South Koreans. The chief deterrent to invasion, however, is not these forces but the general US commitment to defend its ally. It is possible that the circumstances of the force reduction would be such as to persuade the Communists that this commitment had become less firm, but the US could take steps to prevent this interpretation. Therefore, we do not believe that the assumed reduction in South Korean military strength would appreciably increase the likelihood of invasion. It would, of course, reduce the capabilities of the South Koreans to resist such invasion if it did occur, and would throw a correspondingly greater burden on US forces.<sup>5</sup> Reduction of capabilities could be partly offset, however, by a further modernization of the reduced South Korean forces—a process which would be expensive. We believe that the capabilities of South Korean forces to maintain internal security would still be adequate after the reduction, but if internal upheaval were widespread the frontier might be undermanned while the army

<sup>5</sup> The Assistant Chief of Staff, Intelligence, USAF, would state the fourth and fifth sentences as follows: Therefore, we do not believe that the assumed reduction in South Korean military strength would appreciably increase the likelihood of invasion, unless the Communists had some reason to believe that the US would not respond with the kind and degree of force necessary quickly to defeat the aggression. Nevertheless, the assumed reduction would, of course, lessen the capabilities of the South Koreans to resist such invasion if it did occur, and would throw a correspondingly greater burden on US forces.

was dealing with disturbances in the rest of the country.<sup>6</sup>

26. The reduction in force strength would greatly upset various important vested interests. Military officers would react against what they would regard as a mutilation of the forces in which they have made their careers, and against the personal prospects of unemployment and hardship in a country where other opportunities are limited. An important segment of the business community, which profits both honestly and dis-

<sup>6</sup> The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy, believe that the chief deterrent to Communist military and paramilitary action against South Korea is a combination of the Communist belief that the US will defend South Korea, present US-ROK military capability in South Korea and the additional military strength which the US can immediately bring to bear in that area. The South Korean forces must be considered as part of the strategic posture of the US and its allies, and implications of the proposed reduction in these forces cannot be assessed in isolation from this strategic concept. The proposed reduction would reduce the capabilities of the South Koreans to resist invasion by the North Koreans, supported by the Chinese Communists and the Soviets, and would thus throw a greater burden on US forces to defend installations and weapons now placed in South Korea for strategic employment. Moreover, this proposed reduction would jeopardize the capabilities of South Korean forces to contain an attack for a time sufficient for US forces to be deployed in reinforcement, particularly if US forces were committed or engaged in other areas. In effect, the proposed reduction would not only lower the threshold of extensive US participation with conventional forces in reinforcement, but also could lower the threshold at which nuclear weapons would have to be employed. These implications undoubtedly would be apparent to the Communists. In addition, the reduction would diminish the confidence of our allies in the commitment of the US in the Far East, would increase the vulnerability of Japan to Communist influence, and would further reduce the psychological advantage of UN sponsorship of military forces in South Korea. The net result of the proposed reduction would be a dilution of the present deterrent to Communist action in the Far East.

honestly from the supply of goods and services to the armed forces, would have to make commercial adjustments. Conservative elements would be alarmed and segments of the press would amplify their objections. Among the general public, there would probably be considerable apprehension that the military reductions were a prelude to the withdrawal of US protection. However, if concurrent increases in economic assistance demonstrated a continuing US commitment in Korea, the reductions would be approved by most socialist and intellectual groups, and probably would be acceptable to significant conservative political elements.

27. From an economic point of view, the effects of the reduction would be mixed. They should include a decrease of South Korean military expenditures, which now amounts to about 30 percent of the government budget. Insofar as the hwan saved from military use were applied to economic development, the effect would be beneficial, particularly since local currency for developmental projects is scarce. On the other hand, cuts in the armed forces would tend to aggravate the existing unemployment problem and the social unrest arising therefrom unless counteracting steps were taken.

28. As for the increase in economic aid, it could, of course, lead to a higher rate of investment and hence to accelerated economic growth. For most of the time since the Korean War, US economic aid has been used to a large degree for alleviation of budgetary difficulties, importation of consumers' goods, and other stop-gap measures contributing little to long-term economic advance. It may be that the present government, and those which follow, will cooperate with the US in more fruitful programs; certainly there is an increasing public recognition of the need for a sustained development effort. If this should occur, it is probable that increased US backing for economic development plans would encourage the flow of private Korean funds

into investment, and perhaps also produce a greater readiness in other foreign countries to help underwrite economic development. All this would depend, of course, upon the maintenance of reasonable political stability within the country.

29. The beneficial effects of long-range programs are, of course, slow to be felt by the general public, and it is far from certain that the South Koreans will be content to wait. Certainly it cannot be asserted that increased economic aid for long-range development would guarantee social and political stability in the years immediately ahead.

30. The junta would be somewhat torn between different views of the scheme as a whole. It would almost certainly oppose the military reductions, in part because its members are military men themselves with a clear interest in maintaining large armed forces and a professional concern with the country's military security. A major reason for the junta's objection, however, would be the domestic political problems that the proposed reduction would bring on. The political situation is already precarious in South Korea, and the junta so assailed by factions and disputes that it would have no desire to add this divisive issue to its troubles. We would expect it to argue most vigorously against the military reductions. It could, if it wished, effectively resist the proposal, e.g., by allocating a larger proportion of the national budget to military purposes, or by simply refusing to cooperate.

31. On the other hand, the junta is well aware of the crucial importance of economic

development for its own fortunes and those of the country as a whole. Its leaders realize that the success of their revolution is to a major degree conditioned upon their ability to develop the sense as well as the substance of economic progress and hope for the future. If they were persuaded that only through the suggested scheme could US economic aid be increased, their willingness to undertake force reductions would be significantly increased.

32. Thus, if the arguments for a redirection of US aid were forcefully presented and strongly maintained, Chairman Pak and his associates would probably conclude that the difficulties and risks of the force reductions would have to be accepted. They would insist upon US assistance in dealing with the internal political and economic difficulties which the force reduction would cause, particularly emphasizing US actions which would carry assurance that the defense and security of South Korea were not being jeopardized. They would also be alert to any evidence of US indecision which might enable them to secure additional economic aid while deferring troop reductions.

33. The South Korean Government could not carry out substantial troop reductions without trouble and difficulty. It is possible that military elements outside the government would find the measure intolerable, and would attempt a coup. It is certain, as we have noted above, that the reduction would be attended with some degree of political turmoil and short-term economic maladjustment. However, if the government got through the initial phases of the measure, these difficulties would substantially lessen.

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