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PMW/B-14
December 3, 1964

VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

BRITISH GUIANA

DISCUSSION

December 7 is election day in B. G. Results will not be known for about 72 hours but all the information we have points to a close race. We are hopeful that when the returns are in the Governor will ask one of Jagan's opponents to form a government and we hope he will be able to do so without taking Jagan and his supporters in with him. In our view Jagan's record indicates that he is sympathetic to communist influence and we are afraid that any government in which he or his henchmen participate would be vulnerable to communist infiltration. That is why we have opposed him and with U.K. cooperation done what we could to support alternatives to him.

We anticipate that a non-Jagan government will have a difficult time at best. It will be opposed by Jagan who will try to discredit it both at home and abroad. It will be subject to severe internal strains because of the diverse political beliefs and interests of its component members. It will have the large task of making up for the failures of the Jagan administration.

We are prepared, if called upon, to assist a non-communist government in B.G. just as we assist friendly governments in other areas. We anticipate working closely with HMG and Canada recognizing that ~~their~~ financial interests in the area are far greater than ours. Our preliminary estimates call for an expenditure of approximately \$10 million in 1965 and during the first year we will be ready to work with HMG in forming a consortium for long term economic development.

The Prime Minister may say HMG plans to go slow on the question of independence for B.G., waiting until it can be sure the new government can maintain internal peace and stimulate economic development.

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By iss, NARA, Date 11-10-24

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You may wish to say that we have no strong feelings as to the merits or disadvantages in delaying independence. We expect that there will be substantial pressure in B.G. and in the UN for early independence and we would not oppose independence if a non-Jagan government is in charge.

We know that there is ahead of us an economic and social revolution in Latin America as the people of that area seek to establish a better life. Our deep concern is that this revolution not be used by the Communists for their own destructive purposes. We have been afraid that they would get a chance to do so under a Jagan government in B.G., and we have been gratified to be able to work with HMG to reduce the likelihood of this happening.

We hope the Prime Minister will agree that our cooperation in the past has been beneficial to our joint interests and that he will wish it to continue along present lines.

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December 4, 1964

VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

International Economic Situation

The Prime Minister has asked that the "International Economic Situation" be put on the agenda for his talks with the President. We have no details as to what aspects of this wide-ranging topic Wilson wishes to discuss, but we believe that he will merely present some of his ideas on various topics in general terms for US consideration. No deep or detailed discussion is envisaged.

He will almost certainly talk about the world trade and payments situation because of its bearing on the UK balance of payments position. He may also wish to touch on the need for new imaginative action to help the low income countries; an "international new deal" for the LDCs was the phrase used by the head of the newly created Ministry of Overseas Development at the recent Colombo Plan meeting.

I. World Trade and Payments Situation

1. International Liquidity: Prime Minister Wilson is known to be concerned about the "international liquidity problem," i.e., the sufficiency of the international money supply (monetary reserves and credits) to finance expanding international trade. His general thesis is that if world trade is to expand, major and reasonably automatic expansion of international credit is also needed. In addition, because of its severe recurrent balance of payments difficulties, the UK has a very strong interest in longer-term sources of finance.

There is general recognition that world reserves and money supply will probably require expansion as the volume of world trade increases. European central bankers favor some expansion of credits but place heavy emphasis on the avoidance of inflationary monetary expansion. They are not sympathetic to the idea of extending more credit to chronic debtor countries and consider that the United Kingdom and the United States should take steps to correct their balance of payments deficits.

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The US favors measures to provide adequate international liquidity but does not consider that this is the time for any major new initiative. For the present we are concentrating on carrying through the recently agreed increase in quotas in the International Monetary Fund so as to put them into effect next year. This should handle the international credits issue at least for the immediate future.

We do not yet know enough about Wilson's ideas to make any substantive response appropriate if he should make specific suggestions, and it would be best, therefore, if he should put forward any specific proposals, to say we would need to consider them before taking any position.

(A fuller discussion of this subject is appended at page 5.)

2. Kennedy Round: The Prime Minister may refer to the urgent interest of the UK in the success of the Kennedy Round and express gratification at the recent US decision to table our non-agricultural exceptions list despite the lack of progress on treatment of agriculture in the negotiations. The Prime Minister may caution, however, that because of the complexities and the entrenched positions of farmers in all countries, agriculture may lag behind industry in the Kennedy Round. He may go further and suggest that at some point it may be necessary to divorce industry and agriculture. The UK is interested in industrial exports only. However, it is in our trade interest to obtain the reduction of trade barriers on both industrial and agricultural products, and we are convinced that a combined package will include more benefits for industry as well as for agriculture. It thus is important to keep the pressure on in agriculture in order to get the best over-all deal not only for the US but also for other countries, including the UK.

II. Helping the Less Developed Countries (LDCs)

Because so many Commonwealth members are LDCs, the UK would like to play a larger role in helping them, but in ways that do not further burden the UK balance of payments. After reaffirming the intention of the UK -- strapped as she is -- to continue to provide financial aid on favorable terms, the Prime Minister may propose a series of measures to help the LDCs in the trade and payments field, measures that would be less costly, and perhaps even helpful, to the British economy. He may propose:

1. Commodity

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1. Commodity Agreements: More commodity agreements to provide stability in the prices and production of primary commodities important to the trade of the LDCs, such as cocoa, tea, sisal, and jute.

2. Favored Treatment for LDC Manufactures: Increased imports by the advanced countries of LDC-manufactured goods, by imposing lower duties on goods coming from LDCs than on those from advanced countries.

The UK grants duty-free entry to imports from the Commonwealth. As a result, it imports relatively more LDC-manufactured goods than does the US and substantially more than does the EEC. At the UN Conference on Trade and Development last Spring, the then British Government proposed a system of generalized tariff preferences from all advanced countries to all LDCs, a measure warmly supported by the LDCs and warmly opposed by the US.

3. International Credit for LDCs: Substantial expansion of international credit availabilities for the LDCs (presumably through new IMF techniques), such credits to be directed to spending in debtor countries, e.g., UK and US.

4. World Food Aid: International action to channel food surpluses from advanced countries to meet the needs of hungry nations. (The UK is not a food-exporting country. What contribution would the UK make in support of world food aid?)

U.S. Position

With respect to these proposals, we might respond as follows:

The US recognizes that the low-income countries need stable and growing earnings from trade as well as increased aid on favorable terms.

1. Commodity Agreements: We are prepared to help develop and support commodity agreements to stabilize markets and arrest price erosion in those cases where workable arrangements can be devised. We are, however, aware of the great technical difficulties in putting together and executing such agreements.

2. Favored

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2. Favored Treatment for LDC Manufactures: We believe there are two effective ways to help the LDCs increase their exports of manufactured goods: (a) by reducing tariff and non-tariff barriers in world trade, and (b) by helping them produce and market more effectively, for example, by offering technical assistance in export promotion and quality control, by encouraging regional groupings of LDCs to widen the internal market so as to develop industries of efficient size.

We hope to see significant reductions in trade barriers to LDC exports on a multilateral basis within the Kennedy Round. We are opposed to preferential treatment for LDC exports, believing such arrangements would prove to be unworkably complex and divisive, would benefit only a few LDCs at best, would lead to quantitative restrictions to protect injured industries in the advanced countries, and give the LDCs a vested interest in high tariffs among advanced countries to assure a significant margin of preference for LDCs.

3. International Credit for LDCs: We should go no further than indicate our willingness to study any specific proposals in this matter the Prime Minister may put forward.

4. World Food Aid: We are making our food surpluses available to feed the hungry not only through our PL 480 program but also multilaterally through the pilot World Food Program to whose modest resources the US is now contributing in excess of 50%. We would hope to see others increase their contributions to such programs, making available cash as well as surplus foods. We also need a more concerted and systematic effort to increase agricultural productivity in the LDCs so that they can over time feed themselves.

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International Economic Situation - Appendix

International Liquidity

Prime Minister Wilson has at times expressed concern about the "international liquidity problem," that is, the adequacy of the supply of international monetary reserves and international credit in relation to expanding international trade. In Washington last year, as leader of the Opposition, he called for an expansion of credits from the IMF to developing countries that could be spent only in "debtor countries" such as the US and the UK. In London recently he has commented in general terms on the need for steps to increase and strengthen world liquidity.

In his conversations scheduled for December 7 and 8, he is expected to mention the importance he attaches to progress in the field of international liquidity, rather than to bring up specific proposals or suggestions. The British have encountered severe balance of payments difficulties on several occasions in the past ten years. The recent financial assistance of \$3 billion is short-term and the United Kingdom now has a very strong interest in alternative and longer-term sources of credit, in addition to the earlier feeling that more reserves would give them greater leeway in internal policies.

Apart from the United Kingdom case, there is a general feeling that reserves are adequate for the world as a whole in the immediate future, allowing for the 25 percent increase in the resources of the International Monetary Fund (IMF) that is now in process of negotiation in the IMF. There is general recognition that in the longer run, there is likely to be a need for more international liquidity, with the continuing growth of world trade and payments. However, European central bankers and governments place heavy emphasis on the avoidance of inflationary monetary expansion. They are also not sympathetic to extending more credit to chronic debtor countries, especially those in a less developed stage. They consider that the United Kingdom and the United States should correct their balance of payments deficits, and that the less developed countries do not need liquidity but rather aid and capital investment.

The United States

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The United States places particular emphasis on the importance of improved credit facilities, and regards the immediate need as met by an expansion in the resources of the IMF and further development of our bilateral credit arrangements. Looking ahead to a longer-term future, we feel that the Europeans, especially the French and the Dutch, are too restrictive in their attitude towards the further development of the international monetary system. The French particularly favor control of future reserve creation by a small group of major financial powers, with an important role for the central banks of Europe, acting through the Bank for International Settlements. Although other European countries are not so restrictive in their approach, the leading Continental powers lean in the direction of a conservative approach through a limited group. The United States, the United Kingdom, and the other members of the Group of Ten favor the use of the IMF for assuring an orderly growth of international liquidity for a wider group of countries. (The Group of Ten is composed of Western European countries plus the US, Canada, and Japan). The entire subject of the long-run problem of liquidity is closely related to the need for effective policies to correct balance of payments deficits and surpluses. Detailed examination of both questions is being actively pursued through special study groups established last year by the Group of Ten.

U.S. Position

The United States' view is that this is not a time for any major new initiative in the field of international liquidity. The monetary system is now weathering quite well the shock occasioned by the recent British difficulties, and it would be unsettling to consider any new approach. Our objective at present should be:

1. We should concentrate on carrying through the 25 percent increase in quotas now in process in the International Monetary Fund so as to put it into effect next year. This should handle the international credit problem at least for the immediate future.

2. We should press forward on the studies now under way on ways to supplement the present reserve system of gold and reserve currencies, if that should be needed in the longer run.

3. We should

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3. We should also press forward with the study of the proper way to minimize and correct balance of payments deficits and surpluses and with the program of international financial cooperation and consultation that has done so much to facilitate the handling of our own deficit and to meet the problems of other countries such as the United Kingdom.

It should probably be sufficient at the December 7 and 8 meetings to agree with the British Prime Minister on the importance of the liquidity question, and of our proceeding with the current program of attacking it. We should also indicate our satisfaction with the close working relations with the British technical people that have been in effect for the past two years and which currently are being intensified. If, contrary to our expectations, the Prime Minister were to make any specific proposals, they should not be given any encouragement until we have had the necessary time to give them appropriate consideration. At the present time we have no knowledge of any new specific ideas that he might have in mind.

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PMW/B-16

December 3, 1964

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VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

WAIVER OF BRITISH LOAN PAYMENT

Prime Minister Wilson may mention the desire of his government to postpone the \$139 million payment due the United States December 31 on the \$3.75 billion loan extended to Britain in 1945 and the Lend-Lease and Surplus Property Settlement. The terms of the agreement permits the British to postpone both principal and interest payments under certain circumstances.

Should the Prime Minister raise this subject, the President may wish to respond that he understands that this request will be discussed by Chancellor Callaghan and Secretary Dillon on December 14.

Background

Sir Eric Roll, Permanent Under Secretary, Ministry of Economic Affairs, has indicated to Under Secretary Roosa that such a request is under consideration in the United Kingdom Government, and they have agreed that it would be appropriate for Chancellor Callaghan and Secretary Dillon to discuss it when they meet in Paris on December 14.

The Anglo-American Financial Agreement, as amended in 1957, provides that in any calendar year beginning in 1957 the United Kingdom may obtain a deferment of the annual installment due to the U.S. if it advises the Government of the U.S. that "...it finds a deferment is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves". In other words, legally the decision can be made by the U.K. unilaterally.

No more than seven annual installments may be deferred and each installment shall bear interest at the rate of 2 percent per annum. The installment due in 1957 was deferred and thus the U.K. has only six options for deferment remaining. There is
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By JB, NARS, Date 8/2/77

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no other restriction on the availability of the deferments apart from an indication by the British Ambassador in 1957 that it would not be the intention of Her Majesty's Government "to avail itself of the major part of the deferments in the years immediately succeeding the date of the Agreement".

If the U.K. scheduled payment due the United States on December 31, 1964 is deferred, the United Kingdom will also be relieved of its obligation to pay C\$38 million (\$34 million) to Canada under a parallel agreement.

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VISIT OF PRIME MINISTER HAROLD WILSON
December 7-8, 1964

U.K. Military Expenditures Overseas

London press reports suggest that Mr. Wilson may ask U.S. help in reducing or offsetting the cost of U.K. military expenditures overseas, particularly in Germany and east of Suez.

It is important to us that the British payments position be strengthened, but not at the expense of our own balance of payments.

The British have tried to obtain from Germany a full offset of their military expenditures in Germany, but have not succeeded. Whereas the Germans are committed to cover fully our defense expenditures in Germany by military procurement from the U.S., in the British case they are committed to do so only "insofar as possible". The British would like to close the gap and may ask our help in bringing pressure on Germany. However, the Germans have made it clear that if we pressed them to buy more military equipment from the U.K. they would buy less from us. We should avoid agreeing to encourage a deliberate shift of German military procurement from the U.S. to the U.K.

Our balance of payments situation will not permit us to assume additional military responsibilities elsewhere in the world solely in order to provide relief for the U.K.'s balance of payments unless such additional responsibilities are fully offset by U.S. reductions elsewhere. (This does not of course include U.S. strategic requirements which are unrelated to the British balance of payments.) The Defense Department has not yet succeeded in meeting the \$300 million reduction agreed July 1963 at the time of President Kennedy's balance of payments statement, and assuming any additional responsibilities would make us even further from the target.

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III. BACKGROUND
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Authority State etc. 5/22/78
By lhux, NARS, Date 7/28/78

VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

Regional Background Paper - Africa

Although the Wilson Government has not had sufficient time to face many African problems, its policies toward Rhodesia and South Africa have been considerably more flexible than those of the previous government. This augurs well for enhanced US-UK cooperation in African matters.

Specific Problems:

1. Congo. Our next major problem will be the OAU summit meeting on the Congo planned for December 18 at Addis Ababa, where we hope to get the Africans to take a constructive attitude. We hope the UK might provide additional help bilaterally and/or by an additional contribution to the UN Congo fund and might use its influence with other African countries to encourage a modus vivendi with the Congo.

2. South and South West Africa. Next fall the International Court of Justice will decide whether South Africa has violated the terms of the League of Nations mandate in its administration of South West Africa. If the judgment is adverse there may be a serious confrontation between South Africa and the UN. The UK shares our concern. It cooperated with us early this year to dissuade Prime Minister Verwoerd from increasing apartheid measures in South West Africa. It recently adopted an arms embargo similar to our own against South Africa, but the Labor Government is still basically opposed to sanctions.

We should evolve a coordinated policy aimed at persuading the South African Government to comply with the coming ICJ decision. Support for the authority of the Court, the rule of law and the UN Charter may well be at issue. We

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also generally question the usefulness of sanctions, but some limited enforcement measures re South West Africa might ultimately become necessary.

3. Portuguese African Territories. The Portuguese believe they have the Angolan rebellion under control. (The nationalists have suffered serious setbacks in Angola, but are active in Portuguese Guinea and have initiated attacks in Mozambique.) The Africans are increasingly critical of the West and more firmly committed to violence, thereby increasing the prospect of communist exploitation. The Labor Government is concerned about the Portuguese African territories and may take a stronger stand for self-determination.

The US is concerned over the deterioration of the situation, diminishing Western influence with the Africans, Portugal's unwillingness to accept a policy of self-determination, and growing communist involvement. We continue to seek ways to encourage a peaceful resolution of the problem.

4. Rhodesia. The white-minority Government of Rhodesia is threatening to declare independence unilaterally under a constitution and franchise which drastically limits African participation in government. The UK published its ultimatum to the Rhodesian Government outlining the consequences of a unilateral declaration. HMG will refuse to agree to independence until majority rule is guaranteed.

We consider the problem primarily a British responsibility. We are pleased with the forthright way the UK is handling it. Like the UK we hope to see majority rule. We trust that the UK will remain firm on this point and will continue to seek the best obtainable compromise. We

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repeat our standing offer to be of assistance when the UK thinks it has found a workable solution.

5. Economic and Military Assistance.
UK economic assistance to Africa has been running just under \$200 million per year. US economic assistance through AID has totalled about \$200 million annually in the last several years. Food for Peace shipments have roughly equalled this amount. We are by no means satisfied that current levels of aid from the West are sufficient in building viable economies and preserving our interests in a disturbed continent. We hope HMG will increase its assistance.

UK grant military materiel assistance to Africa was approximately \$3,000,000 in 1963. (Our military assistance has averaged approximately \$23 million annually in the last several years.) It is hoped that HMG will find it possible to respond favorably to military assistance requests, in particular grant assistance for sensitive areas such as Zambia.

6. USSR and Communist China in Africa.
Since the latter part of 1963, both the Soviets and the Communist Chinese have markedly increased their activities--visits, (Chou En-lai to ten African countries; Khrushchev to the UAR), diplomatic approaches, aid, cultural "exchanges"--to Africa.

Whether supplementing each other as before the split, or rivalling as after the split, Soviet and Chinese Communist activities have the same immediate objective--to estrange Africa from the West. The rivalry has given additional impetus to the Chinese Communists, who, for the immediate future, pose the greater danger.

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The UK and the US have already held talks (Dec. 3-4 at Foreign Office London) to explore means of expanding efforts in the particularly vulnerable African countries to keep Chinese Communist penetration to the minimum.

7. African Regional Organizations. We have been sympathetic to the OAU, hopeful that it will in the long run find African solutions to African problems. We have encouraged it to act in various disputes. Our influence is limited but we have tried to encourage the moderates to participate more vigorously in OAU forums to counter excesses of extremist elements as Secretary General Diallo Telli.

We approve of and wish to encourage African regional economic groupings such as the UN/ECA. We have offered financial support to the newly created African Development Bank. We hope for more harmonious relations between the OAU and other regional economic organizations, especially those of the UN.

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PMW/R-2

December 2, 1964

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VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

ARA Regional Paper

1. The Alliance for Progress and Participation by Other Economically Advanced Nations. The United States supports Latin American initiatives for closer European, Japanese, and Canadian participation in the economic, social, and political development efforts of Latin America.

Dr. Sanz de Santamaria, Chairman of the Inter-American Committee on the Alliance for Progress (CIAP), made clear in the recent meetings of the Development Advisory Committee (DAC) of OECD that the inter-American community invites the participation of all the industrial countries in the workings of CIAP, including the latter's periodic review of individual country performance and needs. It has also been proposed that the staffs of the DAC and CIAP create a closer working relationship. The Inter-American Development Bank, the World Bank, and the IMF currently participate in the CIAP.

2. Dispute over British Honduras. The United States, which has limited its role to good offices, would be happy to see early talks among the British, Guatemalan, and British Honduran governments about the disputed territory of British Honduras (Belize). The British Honduran government is not interested in arranging talks prior to the elections early next year in British Honduras, and the British government believes it must accommodate to this point of view.

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By VTB, NARS, Date 8/2/77

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Talks were held in September-October 1964 between representatives of the Guatemalan and British governments. These talks deadlocked over the terms of British Honduran participation. All three governments have expressed interest in new, tripartite talks at some neutral location. The Guatemalans want talks soon to explore avenues of settlement, including mediation or arbitration. The Guatemalan constitution, which declares British Honduras to be Guatemalan territory, is now being re-written, and action should be taken on the dispute before mid-March if the new version is not to harden Guatemala's position once more by the insertion of its traditional territorial claim.

3. Demise of the Caribbean Organization. Puerto Rico has indicated its intention to withdraw from the Caribbean Organization, which will effectively kill the Organization. The British have given the United States to understand that they will go along with us in encouraging a Puerto Rican initiative to establish a "Caribbean Economic Community." The United States favors the development of regional economic cooperation in the Caribbean.

The Caribbean Organization was created as a consultative and advisory body in 1961. Its members are British Guiana, British Virgin Islands, France (for French Guiana, Guadeloupe, and Martinique), U. S. Virgin Islands, Surinam, the Netherlands Antilles, and Puerto Rico, the largest contributor to the Organization. The United States, United Kingdom, and Netherlands send observers to its meetings. In recent months, its members have become increasingly dissatisfied with the Organization's effectiveness. On its own initiative Puerto Rico is proposing a loosely-structured "Caribbean Economic Community" as a successor

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organization, with a nucleus membership of Puerto Rico, Trinidad, the Netherlands Antilles, and the U. S. Virgin Islands.

4. Membership of Jamaica and Trinidad and Tobago in the Organization of American States. The United States favors the admission of these two countries into the OAS. This is not expected to pose any special problems for the British.

A Special Inter-American Conference is to be called for December 16. The agenda item for the meeting will be admission of new members. The United States hopes that procedures can be worked out which will enable Jamaica and Trinidad and Tobago (and Canada later if it wishes) to become OAS members as soon as possible, without need for amendments to OAS charter. The two countries may delay entering the OAS for a while because of irritation caused by the fact that the admission problem has been pending for so long. Argentina is concerned that easy admission procedures may set a precedent for the Falkland Islands, which are the subject of a long-standing territorial dispute between the British and the Argentines. Guatemala has a similar concern in the case of British Honduras.

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VISIT OF PRIME MINISTER HAROLD WILSON

December 7 - 8, 1964

Background Paper

"FE Regional Paper"

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Authority State ltr 5/23/78
By lhwa, NARS, Date 7/28/78

1. Laos

The Prime Minister appears firmly in charge of the Government. The leading conservative politicians and generals seem convinced for now that the leadership of Souvanna Phouma is essential to continued international and, especially U.S., support.

The tripartite talks at Paris have stagnated because the Pathet Lao has refused to adopt a cooperative attitude. Souvanna has urged Souphanouvong to agree to the transfer of the talks to a mutually agreed site in Laos. Military ground operations remain at a low level of activity. After a lapse of several months, General Kong Le is prepared to assault again the mountain peak of Phou Kout near Muong Soui (northwest of the Plain of Jars) in order to capture this strategic point.

Assuring the renewal of contributions to the economic stabilization fund has been slower than expected. The U.S. and Australia have notified the Lao Government that their contributions to the fund (The Foreign Exchange Operations Fund) will continue in CY 1965 at the same level as in CY 1964. Negotiations with the French are continuing in order to obtain a contribution at the same level as in CY 1964. Japan is close to agreeing to participate in the Fund for the first time with a contribution of \$500,000.

The U.S. is continuing to make every possible diplomatic and political effort together with other friendly governments to restore the situation in Laos to that anticipated by the 1962 Geneva Agreements. The primary objective is to enable the Lao to live in peace - independent and neutral.

2. Cambodia

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2. Cambodia

With a view towards heading off a possibly imminent break in diplomatic relations with Cambodia, and to make a clear record of our willingness to negotiate outstanding issues, we proposed to Cambodia on November 16 that bilateral talks be held at a neutral capital. Somewhat surprisingly, Cambodia accepted our offer. The Cambodian Government proposed New Delhi as a site for the talks, and subsequently agreed to our proposed opening date of December 7.

Although we were assured that Cambodia took the proposed talks "seriously," Sihanouk's reaction was to give them the customary airing via press and radio, and to begin listing Cambodia's "bases of acceptance."

We did not address ourselves to the various bases of acceptance, but stated that we regarded the discussion of Cambodian-US differences as potentially useful, that either side should be free to raise any matter which it regarded as relevant, and that we could not speak for third countries. At this writing, the Cambodians appear prepared to hold some kind of talks. They are also carrying on discussions with the DRV and the National Liberation Front (Viet Cong), however, with a view towards securing border guarantees, and the prospect for the Delhi talks is not particularly reassuring. We still see no particular value in a Geneva solution, without careful advance preparation and the prior agreement of all parties concerning the scope and purpose of the conference.

3. Indonesia

The past two months have seen the emergence of a significant internal movement against the Indonesian Communist Party (the PKI), which has enlisted the active or tacit support of a number of figures in the Indonesian hierarchy, Trade Minister Adam Malik has emerged as the rallying point for the loose anti-PKI coalition, although the hand of ambitious Third Deputy Prime Minister Chaerul Saleh is evident. The Army has indicated its guarded support for the movement, but so far has remained largely in the background and let the civilians run the risks.

The motives of the shadowy coalition are mixed, although it is clear that it is not communism as an ideology but the PKI as a political organization which is being opposed. The principal motivating factor is a belated recognition that only Sukarno stands between them and an Indonesia controlled by the PKI and a fear of what this would mean to their pocketbooks and their positions. Widespread awareness that Sukarno's health has deteriorated has added a note of urgency.

Sukarno's

Sukarno's tolerance of the dispute since his return in early November has been somewhat unusual, since he normally has a strong distaste for overt signs of disunity in the country. It seems likely that the strength demonstrated by the anti-PKI forces, plus the defiance shown by the PKI in pushing its anti-US campaign in August and September despite government instructions to taper off, have convinced him to take a thorough reading of the situation before throwing his weight to either side.

4. Nationalist China

While economic progress on Taiwan has continued, the Chinese Communist nuclear explosion and the prospect of a very close vote in the UN General Assembly on the issue of Chinese representation have raised political problems for the Government of the Republic of China. Peiping's nuclear detonation has destroyed much of what remained of the GRC's mystique about return to the mainland. This fact raises questions about the government's political confidence in itself, confidence which we wish to maintain in view of Free World security interests in Taiwan and the Far East.

On Chinese representation in the UN, we expect that an Albanian-type resolution to supplant the GRC with Communist China will be defeated at the forthcoming Assembly, but by a narrow margin. We anticipate that the important question resolution will be upheld by a dozen or more votes, and are grateful for the UK's decision to support the resolution. (The Labor Government has assured us that, while it will vote for the Albanian-type resolution on Chinese Representation, it will not this year actively lobby for it.)

5. Korea-Japan Negotiations

Full-scale negotiations are to resume December 3. The Sato Administration, like the preceding Ikeda Administration, appears ready to reach agreement, and the Pak Administration is moving to conclude an early settlement despite the danger of domestic opposition. Such opposition appears to have moderated somewhat and the Koreans hope to complete the agreement by February. Significant substantive differences remain, however, particularly on the fisheries issue (including the controversy over the "Peace Line"). A settlement would be of great benefit to the Free World position in the Far East.

6. Republic of Korea

6. Republic of Korea

Representative civilian government has been restored for almost a year (December 17, 1963). Although President Pak and his party won only a plurality of the popular vote and do not have broad popular support, they constitute the most stable government the Republic of Korea has had since 1959. There has been increasing public interest in the unification problem, but the Government appears to be containing pressures for unification by unacceptable means. The Government has been performing commendably in economic stabilization. Although the military burden is heavy, industrial production and exports have increased substantially. A settlement with Japan remains essential to accelerated economic progress.

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December 2, 1964

VISIT OF PRIME MINISTER HAROLD WILSONDecember 7-8, 1964

NEA REGIONAL BACKGROUND PAPER

1. Cyprus Situation

The situation on the island continues to be quiet; some tentative moves toward a degree of renewed communal cooperation are being made. The Turks are pressing us to declare ourselves in favor of their federated state solution. Greece is uneasily following Makarios' lead in maneuvering toward his objective of "unfettered" independence. Meanwhile, United Nations Mediator Galo Plaza has completed his second round of talks in the capitals concerned and is planning to continue his efforts beyond the General Assembly's Cyprus debate sometime early in 1965. We continue to want the debate not to challenge the validity of treaties or interfere with Security Council responsibilities with regard to Cyprus.

2. Iran-Arab Problem

The Shah is extraordinarily apprehensive about Nasser's intentions in the Arab areas bordering on Iran. He has asked for tripartite contingency planning (with us and the British) on the possibility of a Nasser takeover in Iraq and has told us that he intends to use an unofficial visit to London next March to press the British for some joint long-range planning for the security of the Persian Gulf area. While we continue our attempts to persuade the Shah that Nasser poses no immediate or short-term threat to Iran, [REDACTED]

25X1A

[REDACTED] We also agreed to allow our military advisers in Iran to provide technical review of Iranian military contingency planning for the defense of Khuzestan. This review will be limited to comment regarding the wisest possible use of Iranian forces, with the understanding that the U.S. does not endorse Iranian plans and is not committed to support them.

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1.3(a)(*) (s)3. Near East Arms Race

We are concerned at escalation of the Near East arms race and the danger of missile and nuclear weapon proliferation. The UAR has developed a number of primitive, militarily ineffective missiles and Israel is acquiring superior missiles from France. The UAR has no nuclear capability for the foreseeable future, but Israel does have the technical capability to produce nuclear weapons and may have

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decided to do so. We see the need for concerted effort to halt the missile build up and extend IAEA controls to nuclear facilities in both countries.

4. U.S.-UAR Relationship

The UAR has strong influence over the policies of the other Arab states. Therefore, in order to protect its vital interests in the Near East at minimum cost, the USG must seek a friendly relationship with the UAR. Since our arms policy precludes military cooperation, and our status as a cotton exporter precludes significant commercial cooperation, the only firm basis for U.S.-UAR cooperation is the Food for Peace Program. That cooperation is complicated by the several areas of conflict between American and Egyptian policies. However, in concentrating on common objectives, such as improving the Egyptian standard of living, we hope to minimize U.S.-UAR friction in other areas.

5. Arabian Peninsula Problems

The British still distrust Nasser, despite the apparent UAR desire to withdraw most of its troops from Yemen. The UAR has cooperated with the Saudis and put pressure on the Yemeni Republicans to bring to a successful conclusion the Yemen conciliation talks, now anticipated to begin before the end of 1964. Continued UAR-sponsored subversion in the South Arabian Federation (SAF), although on a slightly lessened scale, feeds this distrust. The British have told us they are willing in principle to recognize a compromise Yemeni Government provided there is a prior withdrawal of UAR troops to a low level, official Yemeni indication of willingness to live at peace with the SAF, and a halt to the subversion campaign in the south. We believe that an early indication to the Yemeni Conference of a British readiness to be more conciliatory would find a ready response among Yemenis and clear the way for more fruitful future SAF-Yemen relations. The British continue to move forward in granting independence to the SAF (the next constitutional conference is scheduled for January). Good relations between the SAF and Yemen are a necessary ingredient for the success of British efforts to extend their tenure of military facilities in Aden.

6. Military Assistance to India and Pakistan

We are hopeful that EMG and India will reach an agreement on naval assistance which will keep the Soviets out of the Indian Navy.

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We expect to continue our military aid to India against the threat from Communist China within the context of India's five-year defense plan and under the assumption that India, as agreed, will continue to keep its defense expenditures down in order to avoid excessive diversion from economic development.

We welcome HMG's continuing efforts to get staff talks started with Pakistan on British military assistance. However, there seems as yet no disposition by Pakistan to live with Western military aid to India, lacking a settlement of the Kashmir dispute.

7. India-Pakistan Relations

Despite the Ayub-Shastri meeting in Karachi in October, we see no real forward movement in the area of Indo-Pakistan problems. We would welcome HMG's views in light of discussions with Shastri during his London visit.

Ayub is currently preoccupied with his elections, and the GOP has not recently put any major new strains on our relationship such as its earlier threats to leave SEATO. Nevertheless, Pakistan clearly has no intention of changing its current policy course with the Chinese Communists, and it continues to pander to Afro-Asian sentiments on many issues that are important to us.

India under Shastri is beset with internal difficulties, is banking on continued Western support, is worried over policies of the new Soviet regime toward the subcontinent, and is very sensitive to Pakistan's new relationship with the Chinese. We expect the Indians to be guided on international issues, much more than in the past, by narrow considerations of immediate national interests, e.g., their need to get economic and military assistance and diplomatic support on their border problems.

8. Visits by Shastri and Ayub

We are thinking about inviting both Shastri and Ayub here sometime in 1965.

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IV. PUBLIC STATEMENTS

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1

VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

WELCOMING REMARKS OF THE PRESIDENT

Welcome again to this country and to this house. We are happy to see you and the other members of your party, both as old friends and now as ministers of our old and valued ally, the British nation.

The alliance between our two countries is firm and lasting. Its terms are not engrossed on any single piece of parchment. It rests, rather, on the common determination which our people share that we shall live in a world of peace and justice and freedom under law, and on the ties of friendship and understanding which enable us to work together. And I believe I may say this alliance has served us both well in times of trial and of prosperity. It has flourished under Democratic and Republican administrations in this country, and Labor and Conservative governments in yours. I am confident that it will continue to do so under our present stewardships, as it did under those of our great predecessors.

It is in this spirit that we come together to consider our common problems. There may be differences of

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view and approach to these problems. But as in the past, they will be surmounted and overcome, for together we can go far to secure for our people, indeed for all the people of the world, a just and lasting peace.

This will not result from the series of meetings we will have in the next two days but will emerge from continued Anglo-American cooperation in the months and years ahead. I am confident we will be successful in this long-term enterprise.

Drafted by: EUR/P:JFKing/RFCourtney	Cleared by: P - Mr. Sieverts BNA - Mr. Stullaw EUR - Mr. Creel
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VISIT OF PRIME MINISTER HAROLD WILSON

December 7-8, 1964

PRESIDENT'S TOAST AT HIS DINNER
FOR THE PRIME MINISTER

- 1. State that we are delighted to have you here on your first visit as Prime Minister.
- 2. Refer to our strong British heritage. Our laws, our economic system, our social institutions and even our politics, while peculiarly our own, originated in large part in England.
- 3. State that although there were deep differences between us from our earliest association, there also were incalculable benefits which were acknowledged by our founding fathers. The U.S. grew up under the protection of the British Navy.
- 4. Emphasize that there exists between us now an interdependent and warmly fraternal relationship which is a tribute to the vision and effort of the greatest men of our century. For your part, you remain dedicated to strengthening those ties in all contexts.
- 5. State what this close collaboration has meant for the world over the past 25 years. Together our two countries took leading roles in fighting a war and freeing

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Western Europe while safeguarding other continents. Similarly have we secured the peace by shouldering major responsibilities to maintain the freedom and independence of nations in the non-communist world. Together we have contributed substantially to their economic well-being and advancement. And by our example we have provided a model political organization which has been universally honored by imitation.

6. Recognize as President of all the people of the U.S. that this model is solidly established throughout the Commonwealth, where governments work for the benefit of all races, colors, and religious creeds.

7. Recall that your predecessor's most cherished hope was that the world could be made safe for diversity, a hope which you deeply share and which you are convinced the Prime Minister shares.

8 State that Britain and the U.S. share the same basic principles on these and other matters. While at times there will be differences, as there are among all sovereign nations, such differences will concern questions of approach, not fundamental aims.

9. Declare

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9. Declare that among these basic aims is our identity of views on the indivisibility of responsibility for the security of the West. Included here are not only the purely military questions but economic and other forms of Anglo-American cooperation.

10. Add that on matters of cooperation in the military sphere this identity of view is particularly relevant at this time. When doubters forecast the end of NATO, it is heartening to have our old ally reaffirm Britain's commitment to the Alliance and propose significant measures for increasing its strength and cohesion.

11. State that another shared principle is our agreement on the imperative need to undertake new efforts to obtain a just peace, no matter how difficult the task. While we must secure our defenses we agree that all genuine possibilities for disarmament must continually be explored.

12. Conclude by saying that only if the world achieves peace and security can the great challenges to develop our societies be seized and exploited to the full. In meeting these challenges, Mr. Prime Minister, you and I bear a solemn and urgent obligation to help advance the welfare of all free men.

13. Ask all to join in a toast to Her majesty, Queen Elizabeth.

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<u>Drafted by:</u>	<u>Cleared by:</u>
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James Harold WILSON
Prime Minister and First Lord
of the Treasury

Harold Wilson at 48 became the youngest British Prime Minister in this century when the Labor Party won a narrow victory in the October 1964 election. Party leader only since February 1963, he successfully united Labor's diverse elements within a few months, bringing it back into power after 13 years in opposition. He has shown the same managerial skill in his government appointments, placing "moderates" in key cabinet posts, assigning safe spots to "leftists." The juxtaposition, which gives him room for maneuvering, should enable him to retain effective control of the government.



A former economics don and statistician, Wilson has a brilliant mind, organizational ability, debating skill and wit, and unusual political acumen. Since he entered Parliament in 1945, he has held a series of important posts: President of the Board of Trade in the Attlee government (1947-51); Shadow Chancellor of the Exchequer (1955-61); and Shadow Foreign Secretary (1961-63). He has never been personally popular with the Labor MP's but is respected for his talents. The center and right wing in particular accused him of overweening ambition, opportunism, deviousness, and shifting political loyalties. He was elected party leader apparently because he was the only Labor MP with the necessary qualities for a potential prime minister. Although he has "flirted" with the left, Wilson is not a doctrinaire socialist. He is above all a pragmatist, well aware of the realities of power. His commitment to close Anglo-US relations is not based solely on sentiment.

Called variously a "loner," "a cold fish," and "a cat who walks by himself," Wilson has no close political friends, and shuns ordinary social life. It is said he trusts no one completely, and vice versa. Before going to Downing Street, he and his wife and two sons lived quietly in a modest house in Hampstead. He has few interests, apart from politics, reading, and golf. A short, stocky man, he smokes a pipe constantly, enjoys simple food (canned salmon, cold roast beef), and drinks moderately (lager, bourbon whiskey). The Wilsons will celebrate their silver wedding anniversary on New Year's Day 1965.

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The Earl MOUNTBATTEN of Burma
Chief of the Defense Staff

Admiral of the Fleet The Earl Mountbatten of Burma became Chief of the Defense Staff in July 1959. His five-year term was extended to July 1965 to enable him to oversee reorganization of the UK's three Service Ministries under the new Ministry of Defense, a project in which he has great interest.



One of the most colorful and controversial figures in British public life, Lord Louis Mountbatten, 64, had a meteoric rise in the Navy through merit, although he had the advantages of royal connections, a wealthy marriage, good looks, and unusual personal charm. A supremely confident person, he brought to his service commands and other appointments resourcefulness, a fertile, inventive mind, and an almost inexhaustible energy. Mountbatten is the son of Prince Louis of Battenberg, an Admiral of the Fleet. Entering the Navy in 1913, he won legendary fame as a destroyer commander early in World War II and was made Chief of Combined Operations in 1942. The following year he was appointed Supreme Allied Commander in Southeast Asia. As Viceroy of India in 1947, and as Governor General in 1948 he was able, through his tact and diplomatic skill, to bring to a successful conclusion the extremely delicate negotiations for the British withdrawal.

Resuming his naval career in 1948, Lord Mountbatten held various assignments, including the NATO post of Commander in Chief, Allied Forces, Mediterranean. Named First Sea Lord and Chief of Naval Staff in April 1955, he thus achieved his lifelong ambition to attain the rank and position held by his father, forced to resign in 1914 because of public resentment of his German origin. Lord Mountbatten's many trips to the US have resulted in a close association with US defense officials. However, he has opposed the US plan for a multilateral nuclear force. Mountbatten is one of the strongest advocates of concentrating Britain's defense efforts on an amphibious force in the Indian Ocean area and of a strong, nuclear-powered navy. His advice on defense matters will be highly valued by the Labor Party, even after his retirement as CDS in July.

A great-grandson of Queen Victoria, Lord Mountbatten is an uncle of Prince Philip, Duke of Edinburgh, whom he raised. His wife, Countess Mountbatten, whom he married in 1922, died suddenly in North Borneo in 1960. He has two daughters, both married, and several grandchildren.

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Sir Burke TREND
Secretary of the Cabinet

Sir Burke Trend, 50, became Secretary of the Cabinet in January 1963. He holds the key civil service post in the British Government. He attends Cabinet meetings and summarizes and records Cabinet decisions. As the main link between the Cabinet and the government machinery, he sees that action is taken. He has his hands on all aspects of British policy.



A civil servant since 1936, Sir Burke has spent most of his career at the Treasury.

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Married in 1949, Sir Burke has two sons and a daughter. He was knighted in 1962.

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Sir Harold Anthony CACCIA
Permanent Under Secretary of State, Foreign Office

Sir Harold Caccia, 58, became Permanent Under Secretary of State at the Foreign Office in 1962, following a five-year appointment as Ambassador to the US. One of Britain's most able and skillful professional diplomats, he now holds the ranking post in the career Foreign Service. In Washington he was a very successful and popular representative during the difficult post-Suez period. He has an exceptionally fine mind and is an excellent speaker, with a command of salty, terse language. Persuasive in negotiation, he can also be firm and tough. Sir Harold's career has taken him to Peiping, Athens, North Africa, Italy, and Austria. His relations with US officials abroad and in London have been cordial and friendly.



Sir Harold's vigorous, cheerful, and amiable personality has won him many friends. A shad under medium height, he is quite bald, with a genial, commanding face. Underneath his affability, he is a very serious person. Described as a "demon for physical fitness," he was an outstanding athlete in college days (Rugby football). He now plays squash rackets, and hunts and fishes at every opportunity. He is an excellent shot.

Sir Harold married Anne Catherine Barstow in 1932; they have one son and two daughters.

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Sir Solly ZUCKERMAN
Chief Scientific Adviser to the Minister of Defense

One of the most influential scientists in Britain, Sir Solly Zuckerman became Chief Scientific Adviser to the Minister of Defense in January 1960. In April 1964, he was named chairman of the Defense Research Committee and of the Weapons Development Committee and became a member of the new Defense Council. In October, Harold Wilson appointed him a scientific adviser to the Cabinet Office and adviser to the Foreign Secretary on the scientific aspects of disarmament. A man of many activities, Sir Solly is, in addition, deputy chairman of the Advisory Committee on Scientific Policy, Britain's representative on the NATO Science Committee, chairman of the Natural Resources (Technical) Committee, and a very active Honorary Secretary of the Zoological Society.



Born in Cape Town, South Africa, Zuckerman, 60, was educated at the Universities of Cape Town, Oxford and Birmingham, and at University College Hospital, London. A zoologist by profession and an authority on primates, he has filled a succession of academic posts concurrently with his public commitments.

Professor of Anatomy at the University of Birmingham since 1946, his professorship now is on an honorary basis, but he is available to the University for consultation and keeps in touch with the research which is being carried on there. Zuckerman originally concentrated primarily on research on primates, but became interested in wound ballistics and, during World War II, was chief scientific adviser to Air Marshal Lord Tedder and SHAEF on the tactical and strategic purposes of aerial bombardment. He was knighted in 1956.

Zuckerman was married in 1939 to Lady Joan Rufus Isaacs, a daughter of the second Marquess of Reading; they have one son and one daughter. Described as an extremely energetic, enthusiastic, and aggressive individual, who is interested in many things, he is an adroit committee chairman and is an excellent speaker. In 1951 Zuckerman was regarded as being somewhat antagonistic to the US, but this was resentment that the British must accept American aid, rather than an emotional hostility toward this country or its institutions. According to a British newspaper, he has no illusions that scientists have a monopoly of brains, and comes to terms easily with service chiefs and civil servants. Zuckerman has made many visits to the US.

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Sir Henry HARDMAN
Permanent Under Secretary of State, Ministry of Defense

Appointed Permanent Secretary to the Ministry of Defense in June 1963, Sir Henry Hardman has been largely concerned with the reorganization of the Ministry which went into effect on 1 April 1964. Inasmuch as the unification of the British defense organization--involving the integration of the three fighting services--is patterned on the US Department of Defense, Sir Henry is referred to in the press as "Mr. Pentagon." A trained economist and a former economics tutor at Leeds University, he was seconded to the Ministry of Food in 1940.

He remained in government service after the war, and in 1946 came to the US as Deputy Head of the British Food Mission in North America. Later he served as an Under Secretary at the Ministry of Food (1948-53), Minister and Alternate UK Representative to NATO (1953-54), and Deputy Secretary, Ministry of Agriculture, Fisheries and Food (1955-60). In 1961 he became Permanent Secretary to the Ministry of Aviation.

An intelligent, able civil servant, Sir Henry, 59, enjoys a high reputation for trustworthiness and discretion. His manner is friendly, alert, carefully attentive, and responsive to the reactions and comments of others. Resourceful and constructive, he pressed his government's position with honesty and with firm directness at meetings of the North Atlantic Council in Paris. He appears to be pro-US, and speaks enthusiastically of his tour in this country. With regard to NATO, he apparently feels that NATO as now constituted is no longer adequate to satisfy rapidly changing world-wide strategic requirements, and that the time has come to rethink and develop a new, big strategic plan. He is also known to view with polite skepticism both the MLF, either as a military or political weapon, and the German role in such an organization.

Sir Henry is married and has a son and two daughters.

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