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10/1

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
	STATE letter MAY 25 1978		
#4 index	state secret <i>open 8-20-79 sig</i> Agenda & background papers 1 p	02/67	A
#6 report	state <i>open 6-10-98 NL 8 93-269</i> secret <i>sanitized 8-20-79 sig</i> suggested topic for discussion 3 p	undated	A
#8 report	state secret <i>open 8-20-79 sig</i> talking points 3 p	"	A
#10 report	state conf " background paper 2 p	02/15/67	A
#12 report	state conf " background paper 1 p	02/15/67	A
#16 report	state conf " background paper 1 p	undated	A
#18 report	state <i>open 6-10-98 NL 8 93-269</i> conf <i>sanitized 8-20-79 sig</i> background paper 2 p	"	A
#20 report	state conf <i>open 8-20-79 sig</i> background paper 1 p	"	A
#22 report	state conf " background paper 2 p	02/15/67	A
#12a report	[duplicate #12 above]		

FILE LOCATION

NSF, CF
United Kingdom, WWR Talks with Wilson - Brfg. Bk 2/67

RESTRICTION CODES

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MEMORANDUM TO: W. ROSTOW

SUBJECT: Suggested Guidance for Public and Private Discussions
About Viet Nam During Your Upcoming Trip to the UK

1. What did PM Wilson mean when he said "I believe there were moments when (negotiations for a peaceful settlement) could have been very near"?

Suggested public response: I assume that what the Prime Minister was referring to was the fact that if the North Vietnamese had shown any willingness to halt or scale down its own military action against SVN, it might have been possible to start down the road towards peace. As the Prime Minister stated elsewhere in his report to the Parliament, "a gesture by North Viet Nam which would have cost them nothing in terms of security or even face could have set in motion events which could have led to peace." Unfortunately there was no such gesture. To borrow Secretary Rusk's phrase, Hanoi was unwilling to show "elementary reciprocity" for the restraints which the United States was and remains willing to undertake. To the contrary, and the Prime Minister noted these facts as well, Hanoi's only response during the Tet truce was a massive re-supply effort for its troops in the South. (Unclassified)

2. Has Hanoi responded to the USG's message which Bruce and Cooper informed the PM about on Feb. 8?

Suggested private response to Wilson: (with strong caveat

about secrecy). Yes. The response was the same as that contained in Ho's February 13 public letter to the Pope. It stated that the USG "must halt definitively and unconditionally the bombings and all other acts of war against the DRV, withdraw from South Viet-Nam all American troops and all troops from the satellite countries, recognize the NLF, and let the Vietnamese people settle their problems themselves". The reply did restate the principal point mentioned in Trinh's January 28 interview with Burchett that after the unconditional halting of US bombings and all other acts of war against the DRV, "the DRV and the US could repeat could begin talks and discuss questions affecting the two parties." (FYI: We never told Wilson whether our earlier message to Hanoi was conveyed directly by us to the DRV or where.)

3. What did Kosygin tell Thompson on February 18?

Suggested private reply to Wilson: (With strong caveat about secrecy) Kosygin had no new information from Hanoi to give Thompson. Kosygin said "he could not venture to propose anything constructive now and he did not wish to make unrealistic proposition". As in London he indicated overriding concern about the Chinese situation and made it clear that Peking wants continuation and expansion of the Vietnamese conflict. Kosygin indicated to Thompson that the last offer which he had conveyed to Hanoi

contained an unacceptable ultimatum, and he "knew it was hopeless the moment he had read it." He made it clear, however, that the USSR continued to favor a political rather than a military solution to the Viet-Nam conflict, and Thompson thanked him on behalf of the USG for the efforts he had made during his visit in the UK.

4. What are the next steps you intend to take?

5. Will you keep me fully informed of all Viet-Nam discussions involving the Soviets?

Suggested private replies to Wilson: The next steps are under consideration in Washington at this very time, and you will report his desire to be kept fully informed. Personally, you are entirely confident that the President fully understands the PM's need and desire to be kept informed of key developments in the Viet-Nam negotiating front. However, you know that the PM would appreciate that if and when we do get into direct talks with the other side in which the DRV makes the discussions contingent on absolute secrecy and not advising any other government, we would be unable to jeopardize the discussions by immediate disclosure even to the UK for a brief period.

2

DEPARTMENT OF STATE
ASSISTANT SECRETARY

2/17

Halt -

I understand you
will be in England
next week seeing
some top British
officials.

I thought that
you might like to
have this problem in
mind and say a
word about it if
you get a chance

BMS

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS

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February 17, 1967

DECLASSIFIED

MEMORANDUM FOR: Mr. Walt W. Rostow Authority E.O. 11652 SEC. 5(A) and (D)
FROM: Robert M. Sayre By: [signature], NARS, Date 11-28-77
SUBJECT: Possible Additional British Credit Guarantee
for Castro.

We have reliable reports HMG is about to approve a
\$9 million credit for the Cuban purchase of several hundred
Leyland buses //

I believe it could be useful as a deterrent and is desirable for the record that HMG be informed a further credit guarantee such as this for Cuba, coming on the heels of the recent fertilizer plant guarantee, could cause difficulties in terms of US-UK relations and particularly Congressional and public attitudes on Rhodesia. As we expected the fertilizer credit has stimulated interest in similar deals on the part of Belgium, Italy, France, and possibly other countries, which seriously threatens the future effectiveness of the OAS economic denial policy. //

We have previously stressed to the British the temper of our Congress re Cuba which is well illustrated by the current bill introduced by Congressman Pelly (attached) which would bar UK ships from US ports if they persist in engaging in the Cuban-North Viet-Nam trade. We will oppose this bill, but British cooperation would be helpful and appreciated.

If the occasion is suitable you may wish to mention our concern on this matter to the Prime Minister and/or the Foreign Secretary next week.

Attachment:

Copy of H.R. 1135.

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Group 4
Downgraded at 3 year intervals

20TH CONGRESS
1ST SESSION

H. R. 1135

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1907

Mr. PELLY introduced the following bill; which was referred to the Committee on Merchant Marine and Fisheries

A BILL

To amend the Merchant Marine Act, 1920, to prohibit transportation of articles to or from the United States aboard certain foreign vessels, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That section 27 of the Merchant Marine Act, 1920 (46
- 4 U.S.C. 883), is amended by inserting "(a)" immediately
- 5 after "SEC. 27." and by adding at the end thereof the
- 6 following new subsections:
- 7 " (b) No article shall be transported in commerce
- 8 aboard vessels of any foreign country which allows vessels
- 9 sailing under the flag of that country to be used, on or after
- 10 the date of enactment of this subsection, in trade with

1 Cuba (except United States installations in Cuba) or with
2 North Vietnam.

3 " (c) As used in subsection (b) of this section, the term
4 'commerce' means commerce between a point in any State
5 or possession of the United States (including the District of
6 Columbia and the Commonwealth of Puerto Rico) and any
7 point outside thereof or between points in the same State
8 or possession of the United States (including the District
9 of Columbia and the Commonwealth of Puerto Rico)
10 through any point outside thereof.

11 " (d) Whoever violates subsection (b) of this section
12 shall be fined not more than \$10,000, or imprisoned not
13 more than one year, or both.

14 " (e) The President shall issue such regulations as he
15 may deem necessary to carry out the provisions of subsec-
16 tion (b) of this section."

17 SEC. 2. The amendment made by the first section of this
18 Act shall terminate, with respect to trade with Cuba or with
19 North Vietnam, as the case may be, on the date of publica-
20 tion in the Federal Register of a proclamation by the Presi-
21 dent, of the United States stating, in effect, that the Govern-
22 ment of Cuba, or of North Vietnam, as the case may be, is
23 no longer a Communist-dominated government.

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FEB 17 1967

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Copy of H.R. 1135.

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DEPARTMENT OF STATE
WASHINGTON

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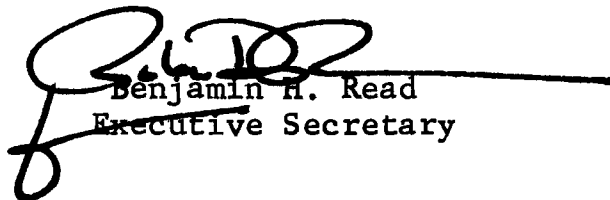
~~SECRET~~ Enclosure

February 18, 1967

MEMORANDUM FOR WALT W. ROSTOW
THE WHITE HOUSE

SUBJECT: Briefing Book for Your Talks
with Prime Minister Wilson

There is enclosed a briefing book for your
use during your visit to the United Kingdom.


Benjamin H. Read
Executive Secretary

Enclosure:

Briefing Book

~~SECRET~~ Enclosure

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MR. WALT W. ROSTOW'S TRIP TO THE UNITED KINGDOM

February, 1967

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Authority STATE letter MAY 25 1978
By inf, NARS, Date 8-20-79

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SUGGESTED TOPICS FOR DISCUSSION WITH
PRIME MINISTER WILSON

1. Credit Guarantees for Cuba

The British Government has agreed in principle to guarantee a credit for the construction of a fertilizer plant in Cuba. We recognize Britain does not see eye to eye with us on how to deal with Cuba. The Prime Minister should know, on the other hand, that public and Congressional opposition to such deals is intense. Any more of them, particularly a government guaranteed credit for the sale of additional buses, would seriously intensify the Administration's difficulties in pursuing its Rhodesia policy.

2. Rhodesia

The Rhodesia problem is particularly murky at this time. We are continuing to support the British, but it is not at all clear where they are headed. We are currently feeling our way with them and not taking a strong line as to what should be done in the future. Two points may be worth discussing:

a) We have held up issuance of our sanctions regulations awaiting the British reply to our questions on the handling of British subsidiaries operating abroad. However, our report of action to the Secretary General of the UN is due, and we cannot wait for the British answer much longer.

b) As we recently indicated to the British Ambassador, we are interested in the British assessment of the prospective impact of the sanctions and how the British relate the sanctions program to a peaceful settlement.

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E.O. 12958, Sec. 3.6

NLJ 93-269

By is, NARA Date 4-16-98

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3. The Prime Minister's Impression of Kosygin's Visit

The visit of the Soviet leader was apparently a political triumph for Wilson even though concrete results were few. We would be particularly interested in the Prime Minister's reactions to discussions on the following subjects:

✓ a) Mutual Troop Withdrawals - The British have been anxious to get something in return from the Soviets for anticipated Western troop reductions. Apparently, Kosygin told Wilson this question could not be considered until the problem of frontiers had been settled.

How HARD?

✓ b) ABMs - HMG has for some time been interested in the ABM question and in the possibility of playing a mediatory role between the U.S. and the U.S.S.R. We gather Wilson received no encouragement from Kosygin who maintained that general disarmament was the real problem.

✓ c) European Security Conference - The British agreed to consider holding an European Security Conference but say they insisted timing was important, the U.S. must be a participant, and careful preparation was a necessity.

4. Prime Minister's Visit to Bonn

The Prime Minister and the Foreign Secretary visited Bonn on February 15 and 16 in continuation of the EEC probe. We would be interested in knowing:

✓ a) the Prime Minister's impressions of developing policy trends in the new German government;

✓ b) if the Germans gave any signs of being more helpful on the offset question than indicated by Duckwitz in his conversations in Washington and London.

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✓ 5. Kennedy Round

1 We would wish to reaffirm U.S. interest in the successful outcome of these negotiations and the time pressures with which we are now faced. Our strong desire, which the UK Government undoubtedly shares, is that the balancing of advantages be at the highest possible level. The U.S. also attaches importance to a satisfactory outcome of negotiations in the agricultural sector. Within the agricultural sector the UK will be important both in making adequate concessions on agricultural production directly important to the U.S. (particularly tobacco) and in reaching a satisfactory international arrangement on grains which is vital to achieving an overall agreement. The UK should make a major contribution to food aid which will be a key element in reaching a grains agreement.

6. The UK-EEC

West
5 Q's
Plan ?
Prime Minister Wilson will have completed most of his exploratory conversations with other heads of government of the Six. His latest consultations will have been with Kiesinger in Bonn. His thinking on entering the EEC should have considerably evolved after these consultations. You might wish to explore whether he intends to move slowly or feels he has obtained the essential support required among the Five other than France to force the issue, particularly in light of his discussions in Germany. Having their full support would seem essential to pursuit of this tactic. It would be useful to get his thinking on how he contemplates using technology as a lever in the entry negotiations.

7. Vietnam

(See Tabs B and C)

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MR. WALT W. ROSTOW'S TRIP TO THE UNITED KINGDOM

February, 1967

Suggested Talking Points

VIET-NAM

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Authority STATE letter MAY 25 1978

By inf, NARS, Date 8-20-79

1. Political Outlook

The Ky Government, which has now been in office almost 20 months, has perceptibly gained in self-assurance and in the maturity with which it approaches its many problems, to the point where there is less ad hoc improvisation in devising policies and more thorough preparation and better coordinated execution of programs. Internal divisions within the Directorate have been eased with the elimination of such rivals or intriguers as Generals Thi, Quang, and Co. Southern regionalist antagonism against Northern predominance flared briefly in October but was adroitly handled by Premier Ky. The Government's relations with the Constituent Assembly, initially troubled by mutual suspicion, have developed along generally constructive lines; potential confrontation over the controversial Article 20 has so far been avoided; and there seems to be adequate recognition on both sides of the need to resolve the issues between them in a spirit of compromise and mutual forbearance. Much will depend upon the course of events in the final weeks before the Constitution is completed. The draft is supposed to be completed by the end of March and promulgated shortly thereafter. Presidential elections are to be held within six months after promulgation of the Constitution, and Ky has recently predicted that they will be held in early summer. Legislative elections are expected to follow soon thereafter. Some of the most difficult constitutional issues remain to be debated, and already the political atmosphere is heating up in anticipation of elections. There thus remains considerable potential for political unrest in the months ahead. Nevertheless, the prospects at present appear reasonably good for a successful transition to a new government.

2. Relations with the United States

The improved fortunes of war have been a major source of the Government's increased self-confidence, but the consequences of a large American presence and the impact of American policy advice on virtually every phase of national life has led to a growing self-assertiveness and need to demonstrate independence

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from the American will. This is also true with regard to the question of a possible political settlement, where the US and others are so often taking a prime role without evidence of consultation with the South Vietnamese.

3. GVN Attitude Toward Negotiations

One sign of the Government's sense of its own greater stability is its more positive approach to the question of negotiations for a peace settlement. Formerly ruled out as tantamount to surrender, negotiations have increasingly become accepted as a responsible avenue toward a secure peace, and General Ky on January 6 for the first time said he would be willing to meet Ho Chi Minh at any time and at any place. The Government feels that it is now in a position to deal from a far stronger base than at any time in the past, and it also realizes that growing segments of articulate South Vietnamese are looking with new interest upon the chances for finding an acceptable solution around the conference table. Nevertheless, the Government continues to reject the idea of sitting down with the Viet Cong; and plans have progressed very slowly for a National Reconciliation Program to expand greatly the Chieu Hoi process and to split off selected members of the NLF by holding out the hope of their being able to find suitable work and participate in South Vietnamese political life.

4. Increased International Prestige

Internationally, the Government is proud of its enhanced stature as a result of the Manila Conference last October and Premier Ky's January travels to Australia and New Zealand, where he succeeded in making a generally good impression upon an initially hostile press and public. The April SEATO meeting and Troop Contributing Conference will provide South Viet-Nam with another forum from which to advance its ideas, while in the meantime it will continue bilateral consultation with other troop contributing nations such as the Republic of Korea, whose Premier is now visiting South Viet-Nam.

5. The Economy

Although the perennial threat of inflation is never far distant, government borrowing to meet its deficits has been sharply reduced and increases in money supply and prices have been kept reasonably modest since the June devaluation. In order to avoid the potential inflationary threat from accelerated military and civil spending plans, we have agreed on a tight spending ceiling for the GVN, the U.S. military, AID and other U.S. civilian agencies in Viet-Nam.

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6. Revolutionary Development

The fundamental task of identifying and destroying the political and intelligence infrastructure of the Viet Cong in the countryside has been greatly augmented this past year by improved organization on both the GVN and the U.S. sides. The training of Revolutionary Development cadres has progressed reasonably well and 60,000 of these workers in security, economic aid and propaganda will be in the field by the end of 1967. The task is a slow one, but steady progress has been made and the most recent Mission estimate is that about a million more people are in secured areas than in 1965. Meanwhile, estimated population under Viet Cong control has declined from 3.3 million in 1965 to 2.6 million in 1966. A key requirement in the Revolutionary Development program is the provision of an adequate shield of security behind which the program can work and a decision has been made to re-train and reassign a substantial portion of the South Vietnamese armed forces for pacification duties, as distinct from the search and destroy mission being carried out primarily by US forces. This has led to some dissatisfaction at middle and lower levels of the officer corps, and could prove to be a troublesome political issue at higher levels, but it is moving forward satisfactorily at this moment.

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By isb, NARS, Date 8-20-79

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February 15, 1967

Background Paper for Mr. Walt Rostow

Vietnam: UK Position

Both the Conservative and Labor Parties are officially committed to general support of United States policy in Vietnam. This presents no problems for the Conservatives as they are in the opposition. It does present problems for Wilson who must bend and shape this general policy to fit specific situations in the light of conditions within his own Party.

Opposition in the UK to what the United States is doing in Vietnam has waxed and waned depending on developments. At the moment, it is at one of its periodic peaks, largely because of the United States bombing of North Vietnam. Even the many British, including the Prime Minister, who want to see the United States succeed, believe that the bombing of North Vietnam does not bring military results commensurate with its high political cost.

Opposition to our Vietnam policies in the United Kingdom has always found its most effective voice in a segment of the Parliamentary Labor Party. The Labor MP's have a natural forum and more important, can bring pressure to bear directly on the Prime Minister. This pressure has produced some embarrassing moments for US/UK relations as was the case last April and June when HMG "dissociated" itself from American bombing of the North.

Despite the above, Prime Minister Wilson has demonstrated great political skill in keeping the vociferous critics of American policy under control without making basic alterations in his policy of support for the United States. His most effective argument, the one he always draws on when forced to a wall, has been that the Americans are willing to talk peace whereas the other side is not.

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This argument survived the recent Kosygin visit in a modified form. The Americans are now depicted as being more willing to talk than the other side. The North Vietnamese were more responsible than the Americans for not taking advantage of the recent truce and the presence of Kosygin in London to get peace talks started.

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Authority STATE letter MAY 25 1978
By ing, NARS, Date 8-20-79

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February 15, 1967

Background Paper for Mr. Walt Rostow

Domestic Political Situation in the United Kingdom

Wilson today, following the Kosygin visit, is near the height of his popularity. He is perhaps not as well off in this respect as he was immediately preceding the March election last year, but he has staged a dramatic recovery from his personal low point of last July. Then, there was agitation and discontent in the Labor Party. Reports of a movement to put Callaghan in his place have been denied on all sides, but Callaghan did not get the Foreign Office as he desired when the Cabinet was reshuffled and relations between the two men do not appear to be close.

Wilson is often said to be a consensus man. He is also said to have successfully captured the middle road of British politics. He has certainly succeeded in making the Labor Government respectable. To many, he is the Labor Party and its fortunes are dependent on his own success. There appears to be wide-spread acceptance of Wilson and the Labor Government throughout Britain even by many who voted against the Party in the last two elections.

Conservative fortunes are now at a low ebb. The party has not yet recovered the vigor dissipated during 13 years in power. Edward Heath has had a difficult time both in establishing his leadership in the party and in creating a favorable national image. Approval of him as Leader of the Opposition has consistently been at a low level in national polls. He has come off second best in direct encounters with Wilson in the House of Commons. Nevertheless, Heath's position as party leader is not under serious challenge at the moment.

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February 15, 1967

Background Paper for Mr. Walt Rostow

The British Economy

The problems of the economy continue to transcend all other difficulties facing the British Government and to have a strong impact on the entire range of UK policies. The balance of payments problem has led the Government to institute a program aimed at saving £ 100 million annually in overseas expenditures, and the politico-military implications of this program have already become apparent in the stiff positions the UK has adopted concerning the British Army of the Rhine and the forces rundown on Malta.

The immediate questions prompted by the present economic situation are how far the recent decline in business activity will go; how much unemployment there will be; and how soon the balance of payments will improve sufficiently to permit renewed expansion. Looking further ahead, the more fundamental and continuing problem remains to be solved - how can the UK avoid a recurrence of its balance of payments problem, and how can it reconcile a satisfactory rate of growth with stability in its international payments position. Unfortunately, Britain has not yet been able to find an answer to this all-important question.

It is likely that the various economic measures adopted by the Government in response to last July's payments crisis will succeed in bringing about balance of payments equilibrium before mid-1967. For the year as a whole, there should be a significant surplus. However, progress in the balance of payments is being achieved only at the expense of a wages freeze and the elimination of economic growth. In the absence of further policy changes, it is likely that the British economy will experience virtually no growth whatever in its gross domestic product during the 18-month period to end-1967. Moreover, unemployment may rise above 500,000 (totally unemployed, excluding school leavers) by the end of this year, a high level for the British economy.

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The British Government is therefore facing difficult decisions of economic policy. When the wages freeze legislation expires in July, the Government clearly will have to find some means of preventing a new round of wage increases if renewed inflation is to be warded off. It now looks like some form of continued Government interference in collective bargaining will be necessary, although there have not as yet been any firm pronouncements from the Government on this question. In addition, the Government will soon have to consider what future rate of economic growth can be made consistent with balance of payments equilibrium without devaluation of the pound. Unless the trend of export earnings and the economy's import propensities can be altered significantly, it will be necessary to accept both a low growth rate and relatively high unemployment in order to achieve the balance of payments surpluses which Britain needs in order to defend sterling, to build its reserves, and to pay its debts to the International Monetary Fund and foreign central banks.

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~~CONFIDENTIAL~~Background Paper for Mr. Walt Rostow

Subject: UK Overseas Military Economies

During his first year in office, Minister of Defense Healey engaged in an extensive and much publicized defense review designed to determine how much the United Kingdom should spend for military purposes and what commitments these expenditures could reasonably be expected to cover. The resulting White Paper established a goal of £ 2 billion (at 1964 prices) for British military expenditure by 1970, a figure considerably below the total which would have been reached in the ordinary course of events. The White Paper also set forth the determination of the Wilson Government that Britain would remain a world power.

The defense review is still under way and gives promise of being a continuous process. Last July, the Government announced a further cut of £ 100 million in overseas spending, much of it to come out of the military establishment. The original Labor endorsement of a world role for Britain has now been considerably eroded. Recently, Wilson told the House of Commons that Britain had neither the inclination nor the resources to go on being the world's policeman.

The continuing defense review has coincided with a period of national soul-searching and with the severest of the post-war balance of payments crises since the devaluation of the pound in 1949. One result has been that more and more Englishmen are unable to find any real reason why their country should spend blood and treasure in far off places. Another has been to swell the ranks of those who believe Britain's future lies in Europe.

The tide is now running out with increasing swiftness and with no real prospect that the process can or will be halted. Premature British departure from certain areas, for instance Aden and Malta, presents real problems for us.

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~~CONFIDENTIAL~~Authority STATE letter MAY 25 1978By isg, NARS, Date 8-20-79

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Background Paper for Mr. Walt Rostow

Subject: BAOR

In return for our commitment to provide a special offset of \$35 million, the British have agreed to defer a logistics rundown and any reductions in the BAOR until July 1. This was a stop-gap measure designed to provide time for US/UK/German agreement on strategy, future force levels, and offsets in an orderly manner.

From the British point of view, the prospects for the success of the trilateral talks are now very dim indeed. They are increasingly taking the view that the sole subject of the talks should be financial arrangements, with force levels and strategy left to NATO. They have received numerous intimations that the Germans are unlikely to provide anything like the £ 60 million or so which will enable them to offset the foreign exchange costs of a moderately reduced BAOR. In fact, they have been told, informally, that the Federal Republic will provide nothing in the way of new offsets in 1967 when the current agreement expires April 1 and that only limited offsets will be available in 1968.

The United Kingdom is also concerned that the United States will reach some settlement with Germany, possibly based in part on the sale of bonds to Germany, and leave Britain alone to deal with Germany. Bonds do not provide a solution to the British problem nor do the British believe they can get what they need through bilateral negotiations with Germany. The British Government is heavily and publicly committed to getting a full offset for the foreign exchange cost for the BAOR or something which could be presented as such. It is equally firmly committed to troop reductions if a full offset is not achieved.

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E.O. 12958, Sec. 3.6
NLJ 93-269
By is, NARA Date 4-16-98

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It is not clear, on the other hand, that Britain would withdraw the entire BAOR and the substantial RAF presence if little or nothing in the way of offsets is forthcoming. Obviously, the balance of payments drive, being relentlessly directed by the Chancellor of the Exchequer Callaghan, could at some point run headlong into Britain's desire to get into the Common Market. A wholesale cut in the British forces in Germany based on the balance of payments considerations alone would undermine British prestige and raise serious doubts as to Britain's desire to be part of Europe. How the United Kingdom will resolve this dilemma remains to be seen.

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Background Paper for Mr. Walt Rostow

World Food Problem -- OECD Fund

Background

At the OECD Ministerial Meeting on November 25, the United States proposed that the OECD consider establishment of a fund to stimulate investment in agricultural development in developing countries by means of such devices as subsidies, guarantees, tax incentives, etc. Pursuant to this proposal and to the Communique issued by the Ministers at the close of the OECD Meeting on November 25, which stated that "possible ways should be studied of stimulating private investment in agriculture and agriculture related industries in the developing countries" the United States is now preparing a paper outlining how the OECD Governments might develop a fund and related multilateral programs designed to stimulate OECD private investors to invest in agriculture in developing countries.

U.S. Objectives

We should like British support for the fund suggested by the United States at the OECD Ministerial Meeting to stimulate private investment in agricultural development. The British are expecting us to present in the OECD a further elaboration of our concept of such a fund. They should be assured that this elaboration is under preparation within the U.S. Government. The British should be told that we believe this to be an important element in dealing with the world food problem and that we would hope for positive British support for the Development Assistance Committee work program on agricultural development to meet the world food problem in the longer term.

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BACKGROUND PAPER FOR
MR. WALT W. ROSTOW

SOUTHERN RHODESIA

Political Background

Soon after the unilateral declaration of independence by the Smith regime on November 11, 1965, the British won approval in the Security Council for a measured policy of economic sanctions against the regime. The voluntary sanctions program did cause some deterioration in the Rhodesian economy, although there was serious circumvention through South Africa and Portuguese Mozambique. The Rhodesian economy has continued to function reasonably well and the Smith regime has remained in firm political control. The British began in April 1966 a series of exploratory talks with the Smith regime aimed at finding a basis for negotiations. The most recent meeting took place aboard HMS TIGER on December 2-4. There, the two sides drafted a "working document" to be submitted to the British and Rhodesian cabinets. The British Cabinet approved but the Smith regime stated on December 5 that while it was prepared to agree to Wilson's constitutional proposals it had to reject the TIGER proposals as a whole because it could not accept the formula for a return to legality (i.e., rule by the Governor for an interim period of about four months). Thereafter, Wilson went to Parliament and affirmed a British commitment expressed first in the September Commonwealth communique not to grant independence before majority rule. Under the terms of the "working document", independence would have preceded majority rule.

UK and US Views and Objectives

We believe the UK continues to have primary responsibility for the situation. We feel that we, nevertheless, should maintain close touch with the British as the sanctions program evolves and do whatever we can to provide the British with maximum leverage to use with the Rhodesian regime to reach an acceptable settlement. We share the

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British view that a phased movement toward majority rule in Rhodesia is the best way to achieve our aims. Our goals are to avoid either 1) a racist war in Southern Rhodesia and, thereby, serious deterioration in race relations elsewhere in Africa (particularly in Zambia), or 2) a situation in which extremist elements may attempt to take advantage of the lack of movement toward a solution of the Rhodesian problem.

The question that the Security Council will be faced with in March 1967, when a review is scheduled by the Security Council of the effectiveness of the mandatory sanctions resolution of December 16, 1966, is what action to take should there be evidence of non-compliance by UN members. If there is considerable evidence of non-compliance by South Africa and the Portuguese territories, various UN members may not only call for an extension of mandatory economic sanctions to these areas but may also request an armed blockade of the coast of southern Africa to force these governments to comply. Both the UK and ourselves have considerable national interest in seeing economic conflict avoided with South Africa so as not to increase the strains on the value of the pound and speculation in gold. The Communists could be expected to encourage and support extremist demands in order to bring economic pressure on the West for their own ends.

Clearance:

AFSE - Mr. McElhiney *7*

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