

Mr Reston 31

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 91-124
By ijg, NARA, Date 11-3-92

~~CONFIDENTIAL~~

Saturday - December 10, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Loans for Chile

AID requests (Tab B), under the new commitments procedure, your approval of a \$65 million assistance package for Chile divided as follows:

- \$35 million program loan;
- \$20 million sector loan for agriculture;
- \$10 million sector loan for education.

The request is \$25 million under what you approved for 1966, and \$40 million less if the PL 480 reduction is included.

Joe Fowler concurs in the proposed program (Tab C). AID knows about the understandings mentioned by Fowler in his note. Charlie Schultze recommends your approval (Tab A).

One aspect in which you will be particularly interested is the relationship of continued high copper prices and the level of our assistance. Bill Gaud foresees the possibility that copper prices in 1967 may stay close to the present high level. Against this possibility, he plans to release the \$35 million program loan in three tranches, the final \$15 million subject to need in the light of copper prices and exchange reserve trends. From the windfall copper earnings this year, the Chilean Government has agreed to use, as the situation permits, \$40 million for advance repayment of short term US debt: \$7 million to the US Treasury and \$33 million to US private banks.

Tony Solomon and Linc Gordon strongly recommend that we not try to get the type of copper arrangement with Chile that we had this year. Their reasons and alternative suggestions for handling -- which they have discussed with Joe Califano and Gardner Ackley -- are explained in the memorandum at Tab D. They propose securing a Chilean commitment that Anaconda will supply the United States with 125,000 tons or more at market price during 1967 instead of extending this year's deal which would cost AID \$25 million for the difference between 36 cents and present market price.

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I join Gaud, Fowler and Schultze in recommending that you approve the Chilean aid package.

Approve ____.

Disapprove ____.

Speak to me ____.

Joe Califano and I recommend that you approve the Solomon-Gordon formula for meeting our copper requirements from Chile for 1967.

Approve ____.

Disapprove ____.

Speak to me ____.

W. W. Rostow

Attachments:

- Tab A - BOB (Schultze) recommendation.
- Tab B - AID request for approval.
- Tab C - Treasury (Fowler) concurrence.
- Tab D - Solomon/Gordon recommendation.

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

NOV 30 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Loans for the Government of Chile

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 91-124
By ing, NARA, Date 11-3-92

AID requests your approval to negotiate and conclude an assistance package of \$65 million for the Government of Chile.

We lent Chile \$90 million for 1966. Chilean performance has been good, and included:

- a dramatic increase in tax revenues
- new agrarian reform legislation and a major resettlement program
- decrees enabling a significant expansion of copper investment, already underway.

Copper prices are substantially above what we or the Chileans had anticipated last year and AID proposes to reduce our assistance by \$25 million.

The Program Loan

AID recommends a program loan of \$35 million to help finance the Chilean investment budget. The program loan gives AID continuing influence over Chilean budgetary, monetary and foreign exchange policies. The loan will be released in three parts, each depending on Chilean performance -- including a significant devaluation and a strong fiscal program. Even assuming good performance, AID reserves the option to withhold the last \$15 million release if copper prices remain high. In this way, we will be able to influence Chilean policies now when the government is making its budgetary decisions, with the lowest possible commitment of U.S. funds.

The Agriculture and Education Sector Loans

The second part of the assistance package proposed for Chile this year represents an important innovation by AID. Rather than negotiating one large program loan, AID proposes this year to negotiate two distinct smaller loan packages, one for agriculture and one for health. Each loan will be negotiated with the Cabinet Minister responsible for that sector as well as with the President and/or the Finance Minister. This should help to ensure that:

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- the Minister of Agriculture and the Minister of Health will have a more direct stake in the success or failure of each program
- we can withhold release of funds for one loan if the self-help effort is not forthcoming, while continuing assistance in the other.

Chile is the first country where AID is trying this promising new bargaining device. Its applicability to other countries where conditions are different is under review.

The \$20 million agricultural sector loan will be tied to specific policy measures and investment programs to stimulate efficient food production. It will provide technical assistance, fertilizer, pesticides, machinery and equipment for use in the private sector.

The \$10 million education sector loan will be tied to completion of an overall education plan, continued quality improvement in primary, secondary, and vocational education, and a 6 percent increase in Chilean budget outlays for education. It will provide teaching materials, construction and equipment for primary schools and vocational training centers.

The loans will be reviewed by the interagency Development Loan Committee after negotiations are completed.

Balance of Payments

The funds provided under all three loans will be used to finance imports from the United States. AID will continue to use special procedures designed to encourage U.S. exports which have increased from 19 percent to 28 percent of the Chilean commercial market over the past three years. Secretary Fowler agrees that the procedures to be used under these proposed loans will serve to minimize any adverse impact on the U.S. balance of payments.

Recommendation

I recommend that you approve the AID request to negotiate and conclude the proposed loan agreements of up to \$65 million.

Attachment

Charles L. Schultze

Charles L. Schultze
Director

Approved _____

Disapproved _____

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D. C.

NOV 16 1966

OFFICE OF
THE ADMINISTRATOR

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Economic Assistance Program for Chile

On the recommendation of Assistant Secretary Gordon and Ambassador Dungan, I am requesting your authorization to begin negotiations in mid-November with the Government of Chile, for a 1967 economic assistance package of up to \$65 million consisting of a program loan of up to \$35 million, a sector loan for agriculture of up to \$20 million, and a sector loan for education of up to \$10 million. While I am asking for your authorization to negotiate these loans if the Chilean Government commits itself to a satisfactory program of self-help under the Alliance for Progress, the final loan agreements and amounts will be subject to the normal inter-agency review and approval process. Signatures and public announcement of the loans would not occur until after January 1, 1967 and disbursements would not take place until later in 1967.

Ambassador Dungan and the AID Mission in Santiago recommended an assistance level of \$85 million. However, because of the shortfall in the FY 1967 Alliance appropriation and pressing requirements elsewhere in Latin America, I am recommending \$20 million less for Chile than the Country Team requested. The \$65 million total would represent a reduction of \$25 million from the 1966 assistance level; when the reduction in the P.L. 480 program is taken into account, the 1967 aid level would be \$40 million less than in the current year.

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E.O. 12356, Sec. 3.4

NLJ 91-126

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GROUP 3

By iep, NARA, Date 6-25-91

Downgraded at 12-year intervals;
not automatically declassified.

The amount of the program loan is based on an assumption that copper prices will average 45¢ per pound in 1967, below their current level, but still higher than in recent years. However, given the wide fluctuations that have characterized the price of copper during the past year, our assistance strategy in Chile must be flexible. A decline in copper price below this assumed level could place the Chilean Government in a difficult financial position and could jeopardize our stabilization and development objectives. Therefore, there may be a need to review the 1967 aid level next September after assessing copper price developments, and in the light of expected FY 1968 Alliance fund availabilities.

On the other hand, copper prices in 1967 may be close to the present high level, in which case the need for program assistance would be less than is now foreseen. To avoid unnecessary disbursement of scarce AID funds, we propose to release the \$35 million program loan in three tranches, with the final \$15 million subject to a special determination of the need for these funds in the light of copper and exchange reserve trends. Also, we would seek an understanding with the GOC that any windfall revenues arising from unexpectedly high copper receipts would be used only in a manner which the two governments agreed was consistent with development objectives.

The International Monetary Fund will also be negotiating a new stand-by agreement which is expected to be for about \$40 million. The International Bank expects to make a major project loan for the Chilean electric power system of about \$60 million. Bank representatives will participate with the IMF in the forthcoming negotiations in support of a negotiating position which has been worked out in common for the U.S. program loan.

During 1967, Chile expects to receive medium term assistance from European Governments of about \$35 million. More importantly, the Export-Import Bank shortly will conclude negotiations for a \$51 million loan to a Chilean steel company, and expects to conclude project credits in connection with the copper expansion program totalling about \$196 million. It is estimated that about \$40 million would be disbursed on the Export-Import Bank credits in the remainder of FY 1967 and about \$90 million in FY 1968.

As you know, Frei's Christian Democratic Government took office in November 1964, committed to a program of stabilization and reform consistent with our own objectives under the Alliance for Progress. In 1965 and again in 1966, we extended program loans in the amount of \$80 million. Unexpectedly high copper prices this year have improved Chile's foreign exchange receipts. These earnings have been used to advantage, and the Government has agreed to use \$40 million to repay in advance short-term U.S. debt (\$7 million to the U.S. Treasury and \$33 to private U.S. banks) as the situation permits. Chilean performance under commitments to CIAP and to the U.S. has been encouraging and the economic situation continues to improve.

Politically, the situation in Chile remains stable. Although buffeted by the extreme left and the right, and under attacks from within the Christian Democratic Party, Frei has retained wide popular support and is in stronger control of his party than at the beginning of 1966. There is every reason to believe that Frei will continue to control the political situation in Chile until the end of his term in November 1970. Thus anticipated political stability, combined with sensible and progressive economic policies, augurs well for the attainment of our objectives in Chile.

Developments of Major Significance in 1966

The Frei Government has made notable progress on the economic front in 1966.

1. Economic growth. The Chilean Gross National Product rose by 5.8% in 1965 which was a 3% per capita increase. The 1966 increase is expected to exceed 5%. These growth rates substantially exceed the Chilean average of the past ten years.

2. Taxes. Tax revenues continue to increase dramatically. In 1965 revenues increased by 24% in real terms, and in 1966 further progress was made, with another substantial increase of about 25% in real terms. These increases have largely gone to finance a higher level of public investment.

3. Agrarian reform. Enactment of a new agrarian reform law is expected before the end of this year. A key step was

taken in mid-October when the Chilean Congress passed a constitutional amendment permitting deferred payment for expropriated land. About 6,000 families are expected to be resettled during 1966 under existing legislation.

4. U.S. copper investment. Legislation authorizing new, improved relationships with the U.S. copper companies was enacted in April 1966. Final investment decrees covering two of the three U.S. companies have been signed and the third is expected before year's end. These decrees will permit full-scale initiation of the \$400 million copper expansion program designed to double Chile's output by the early 1970's. The program is being carried out jointly by the Chilean Government and the U.S. companies, supported by Export-Import Bank financing.

5. Education. The Government has undertaken a broad reform of the educational system to meet the needs of a growing economy. In 1965, primary school enrollment rose 175,000 compared with an average rise of 40,000 in prior years. The increase in 1966 was 80,000.

Progress in some other areas has been slower in 1966 than had been hoped.

1. Inflation. When the Frei Government took office, it was faced with a chronic inflation which amounted to about 40% in 1964. In its first year the Government succeeded in reducing this rate to 26%. Although the target for 1966 was a reduction in the rate to 15%, inflation will be about 22% this year. The Government's efforts to achieve its 1966 price target have been frustrated to some extent by food shortages, although the large increases in public investment expenditures also have been a contributing factor.

2. Agricultural policies. Chilean agriculture has been declining for many years, partly because of unwise government policies. The Frei Government has made some progress in changing some of these policies. The prices which farmers receive for their products have been improved and the cost of agricultural inputs has been reduced. Nevertheless, the pace of reform of Chilean agriculture has been too slow

when the size of the problem is considered. Our assistance proposal for 1967 is designed to accelerate progress in this area.

3. Exchange rate. The GOC has lived up to its commitment under the 1966 program to devalue the exchange rate in proportion to the increase in internal prices; moreover, significant import liberalization has occurred. Nevertheless, the Government has failed to reduce the degree of overvaluation of domestic currency which it inherited from previous Chilean administrations.

The U.S. Interest in Chile

On occasion the Frei Government has felt it necessary for domestic political reasons to take a stance different from that of the United States on international issues. However, these occasions have become less frequent as Frei's views, which are that Chile needs a close and friendly relationship with the U.S., have become increasingly dominant within the Christian Democratic Party. Chile is one of the few countries in Latin America where substantial social and economic change is taking place without civil discord, interruption of normal constitutional government, or serious political instability. There is every reason to believe that this situation can be maintained. Therefore, U.S. interests in Latin America argue for continued and strong support for the democratic, reformist Frei Government because its performance has been substantial and its failure would be a serious blow to our efforts to advance reform in Latin America. Our long-run assistance goal in Chile is to eliminate the need for concessional assistance by 1972. This will require a high but declining level of assistance in the intervening years. There is good reason to believe that we will attain our objective.

Economic Assistance Strategy for 1967

We will be seeking a total program involving increased self-help on the part of the Chileans in exchange for a total aid package which is significantly less than in 1966 and which

will be partly conditional on copper price developments. Although this can be justified economically on the basis of the likelihood of higher copper earnings, it will be considered by the Frei Government in a political context as well. Thus, we may find it difficult to obtain commitments to all the performance targets we are proposing to negotiate in the 1967 agreement.

Nevertheless, the strategy for the \$35 million program loan will be to require the continuation and improvement of the GOC's financial program designed to curb inflation and encourage economic growth. The following will be the major elements of the 1967 program:

1. The complete elimination of borrowing from the Central Bank for budgetary purposes. The GOC's commitment in 1966 is to hold such borrowing to a specified, modest level. Although the Government is expected to meet this target by the end of the year, it has exceeded the ceiling for several months at a time. We intend to insist on much better performance in 1967. This will require the Chilean Government to exercise strict control over current expenditures, limiting the increase to about 4.5 percent, as recommended by a recent World Bank study, in contrast to substantially larger increases which have occurred in recent years.

2. A significant devaluation of the escudo. We will seek a rate of devaluation faster than the increase in the price level so that progress could be made toward achieving a realistic exchange rate within the next two years.

3. A shift in the allocation of public investment away from housing and social infrastructure (which have been too large in Chile in recent years) and towards the more productive sectors, such as agriculture, education, and industry.

The \$20 million agricultural sector loan will:

Provide the foreign exchange for the importation from the U.S. of increased amounts of agricultural inputs and capital goods; afford a source of credit to permit farmers to purchase increased quantities of inputs; and afford leverage to the GOC to implement a program of policy reforms. Such measures would include the announcement of support prices for major

crops well in advance of the planting season; a plan for the eventual elimination of price controls; the use of credit and changes in import charges to reduce the cost of inputs to agriculture; and the expansion of credit to farmers.

One of the key aspects of the sector loan is that it will require a substantial addition of Chile's own budgetary contribution to agriculture. This additionality will be achieved by establishing a target for GOC agricultural investment above that of last year and reducing the agricultural sector loan by a corresponding amount should there be a shortfall in GOC expenditures.

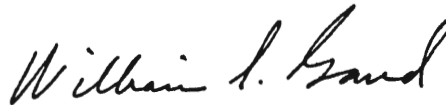
The \$10 million education sector loan will also require an increased outlay of GOC funds for education by using the same technique as in the agricultural sector loan. The total \$10 million will be used to support the GOC budget for education. Of this amount \$3 million will go for U.S. imports of educational equipment and materials. Major conditions to be attached to the loan include the improvement of teacher training, the extension of educational facilities to the rural areas, and increased resources for vocational education. The GOC will make a significant contribution to the program from its own resources.

The U.S. Balance of Payments

U.S. assistance dollars will continue to be used exclusively for the purchase of goods and equipment in the United States. During the past two years aid-tying techniques have been improved. Moreover, special financial incentives have been provided to Chilean importers to use AID dollars to purchase capital goods from the United States. These measures have had encouraging results. The U.S. share of the Chilean commercial import market rose in 1965 and, on the basis of the latest data available, continued to improve in the early months of 1966.

Recommendation:

I recommend that you authorize the initiation of negotiations with Chile in mid-November for an assistance package consisting of a program loan of up to \$35 million, a sector loan for agriculture of up to \$20 million, a sector loan for education of up to \$10 million. The assistance package of up to \$65 million would be concluded if the negotiations result in a strong Chilean commitment to necessary self-help measures. All loan signatures, announcements and disbursements would occur after January 1, 1967.



William S. Gaud

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Note from the Secretary of the Treasury

I concur in the proposed program for Chile. In doing so, I have taken special note of AID's intention to continue efforts to improve the effectiveness of aid-tying procedures. Although recent improvement is apparent in Chile, the U.S. share of Chile's commercial market is still substantially lower than in 1960.

I wish also to note, in connection with this and other proposed programs in Latin America, my concern that AID not foreclose the possibility of financing sound projects which require direct imports from the U.S. and would give rise to follow-on purchases from the U.S. on a continuing basis. I concur in this program on the basis of my understanding that AID has agreed to consider on its merits a cellulose plant project recently recommended by our Embassy in Santiago.

Henry H. Fowler
Henry H. Fowler

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 94-22
By ing, NARA, Date 2-22-94

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DEPARTMENT OF STATE

Washington, D.C. 20520

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Bowdler

November 29, 1966

MEMORANDUM FOR: Mr. Walt Rostow
Mr. Joseph Califano *AA*
Mr. Francis Bator

The attached memo, written (and very strongly felt:) by me, is part of the Aid for Chile package sent over by Bill Gaud and Linc Gordon. I hope that you will do your best to see that this recommendation prevails.

for Carl Schmidt
Tony Solomon

Attachment:

Memo re Recommended 1967 Copper Arrangements with Chile

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NOV 28 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Recommended 1967 Copper Arrangements
with Chile

The 1966 100,000 ton arrangement at 36 cents, paid for by an additional \$10,000,000 AID loan to the Chileans, made good sense because it was necessary to get rid of the argument offered by some U.S. domestic copper corporations that they could not roll back their domestic price from 38 cents to 36 cents unless the Chileans did likewise.

However, for 1967 this particular kind of a copper arrangement with Chile is not in the U.S. interest because:

a. There would be little substantive anti-inflationary advantage to the U.S. economy. Ninety percent of the 100,000 tons is used by fabricating subsidiaries of the same corporation that produces it in Chile (Anaconda) and they simply follow market prices for their fabricated product line. Thus the 36 cent price on these 90,000 tons is really an internal bookkeeping price to Anaconda which furthermore does not consider it a true cost since the company pays additional taxes to the GOC as a result of this deal.

b. Anaconda has repeatedly told us they are strongly opposed to another 36 cent arrangement with Chile (even though their fabricating subsidiaries in the U.S. are the apparent beneficiary of this arrangement). Their cooperation with us in the 36 cent domestic price is the important objection for us and we would weaken rather than reinforce their cooperation

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GROUP 4

Downgraded at 3-year intervals.
Declassified 12 years after date
of origin.

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Authority NLT 94-12By CG, NARA, Date 8-27-98

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with the domestic price if we insisted on another Chilean arrangement of this particular kind.

c. It would cost us approximately \$25,000,000 to compensate the Chileans for the difference between 36 cents and present market prices. We do not have this money in the Alliance for Progress appropriation and we would be severely criticized by the Congress and the press for increasing, rather than decreasing, assistance to Chile when their copper foreign exchange earnings have increased significantly.

d. The copper industry and the copper trade in general do not place any psychological importance on renewal of a 36 cent arrangement with Chile. This has been confirmed by the adviser from the trade with whom we checked at Mr. Califano's request. Also, both the trade and Gardner Ackley feel that it is more important to us to assure a substantial increase in the quantity of copper the U.S. will get from Chile in 1967.

e. Impeachment proceedings were instituted against the Chilean Minister of Mines by the Chilean Congress for having concluded the 1966 deal with the U.S. It is clear that the Chilean Government could not conclude such an agreement again without incurring a massive political risk which we have no positive interest in forcing upon them.

We can best achieve our anti-inflationary objective in copper, without paying the Chileans anything for it, by securing a commitment from the Chileans that Anaconda will supply the U.S. with 125,000 tons or more at market price during 1967. Tony Solomon says that such a commitment can be secured based on his conversation with Anaconda, of which Joe Califano is fully apprised.

E:AMSolomon:mg
11/22/66
(retyped)

Clearance: ARA - Mr. Palmer
Original signed by
Lincoln Gordon
Lincoln Gordon

~~CONFIDENTIAL~~

Saturday, December 10, 1966 -- 5:50 p.m.

Mr. President:

After thanking Abe Feinberg for his peaches, he volunteered the following.

The Jewish community is troubled by the UN censorship resolution. If this is followed by an arms move on behalf of Jordan which appears to tip the balance, we may have real political trouble with the Jewish community in the U.S. He added that Max Fischer, a substantial figure in the Detroit Jewish community, is now working with Romney and is bad news in this matter.

He says that he understands fully what our problem is but hopes we handle it in a balanced way that keeps the local Jewish community from defecting.

I said that in quieting Jordan down we were doing Israel's work. We had no intention of upsetting the arms balance. But Israel cannot yet take the stability of Jordan for granted.

I also said Ellsworth Bunker would be going out to Israel on the 16th for his first sessions.

W. W. Rostow

WWRostow:rln

December 10, 1966

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Helicopters for Malaysia

As you know, the Malaysians are interested in buying helicopters, and they want to buy them from us. This was the one item of serious business raised with you by the Tunku during your visit to Kuala Lumpur. You promised to look into the matter on your return to Washington.

The deal would involve 15 helicopters. The Malaysians need them for their civic action and counter-guerrilla activities. The amount of the contract would be about \$17.2 million, which would help in our balance of payments problem. The only competitors are an American company (Sikorsky) and a French company.

The attached memo from State (Katzenbach), in which Defense concurs, recommends that we offer the Malaysians terms of 5-1/2% interest and 7 years repayment. It suggests that we inform the Malaysians in a letter to Deputy Prime Minister Razak from Bill Bundy, and that you not communicate directly with the Tunku on this matter.

I find the memorandum from State inadequate on several grounds.

First, it does not offer you the options that in fact exist for handling this matter.

Second, it is misleading in implying (paragraph c, page 2) that it would require \$11 million to cover the difference between an offer of 5-1/2% and 3% on interest rates.

Third, it does not offer a judgement as to how the Malaysians may react except to say "we may have some protest and bad feeling."

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Fourth, it does not offer a judgement on the likelihood of the Malaysians turning to the French for this contract if we offer the suggested terms.

I have asked Bill Jorden to staff this out further. He has done so, with State, Defense and the Bureau of the Budget.

The picture is as follows:

On options:

Guarantee of EXIM loan plus needed MAP credit would cost out as follows (all figures approximate):

(With a 15% down payment)

5-1/2% for 7 years	-	\$ 3.8 million
4% for 7 years	-	\$ 6.7 million
3% for 10 years	-	\$10.4 million

(With a 10% down payment)

5-1/2% for 7 years	-	\$ 3.9 million
4% for 7 years	-	\$ 6.9 million
3% for 10 years	-	\$11 million

Funding for your preferred option can come from:

(1) Adjustments in the credit sales program (assuming not all of the programmed sales materialize);

(2) selling at harder terms to some countries for which concessional terms are now planned;

(3) the contingency reserve (which at last report was about \$18 million).

On Malaysian reaction:

There is no doubt in Ambassador Bell's reporting that the offer proposed by State and Defense will come as a severe disappointment to

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the Tunku and to his government. It may be "without any warrant from us" -- as State says -- that the Malaysians have built up their hopes for something better than 5-1/2%. But the fact is that those hopes exist.

Two years ago, we offered these same terms on Cessna aircraft. We lost out to the Canadians -- and there were demonstrations in the street denouncing the U. S. as "uncle skinflint."

The Malaysians have come along well in backing our policy on Viet-Nam. They seem ready to do somewhat better in the future. I would not like to see that trend reversed without good cause.

Nor would I like to see the very positive effects of your visit to KL dissipated needlessly.

On probable outcome:

The Malaysians prefer our helicopters. But the French apparently have offered 3% for 10 years. Sikorsky representative thinks the Malaysians will go to the French if we offer 5-1/2% for 7 years. Ambassador Bell agrees.

On the problem of precedent:

State and Defense are concerned that a better offer than that proposed will encourage other military purchasers to expect concessional terms. They are also worried that the Malaysians would expect us to supplant the British military role which, as the memo states, "is the last thing we wish to do."

I am sympathetic with both these concerns. However, we have made concessional sales in the past, in a variety of countries, without those concessions automatically becoming the basis for future deals. We have, in fact, made military sales to the Malaysians themselves (in 1965) at 3% for 10 years. I see no reason why our position cannot be explained to the Tunku and to others (if the question arises). This is one of the functions of diplomats -- to make complicated and sensitive matters clear to others. I would explain it as a very extraordinary case holding no promises for the future, and as your response to a quite special appeal from the Tunku.

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Recommendation:

I recommend that you consider favorably an offer of 4% for 7 years, with a 10% down payment. Our best estimate is that we can get the deal on these terms, although they are not as good as the French. But, in any case, you would have clearly responded to the Tunku's appeal. You may want to tell State and Defense that this is your inclination but that you will consider any strong and overriding objections. Unless there are such major objections, you propose to move ahead on this line.

W. W. Rostow

Approve 5-1/2% for 7 years _____

Approve 4% for 7 years _____

Approve 4% for 7 years but
check whether State and
Defense have major
objections _____

Approve 3% for 10 years _____

See me _____

P. S. I haven't listed the options on a 15% down payment here; they are in the body of the memorandum, if you want them.

WWR

WJJorden:ps:WWRostow:rln

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DEPARTMENT OF STATE
WASHINGTON

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December 6, 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Helicopters for Malaysia

You will recall that Prime Minister Tunku Abdul Rahman of Malaysia talked to you in Kuala Lumpur about the possibility of our offering concessional terms for the sale of approximately 15 helicopters to Malaysia. You said that you would look into it, but gave no commitment.

The background was and is that Malaysia needs the helicopters and will presumably buy them commercially either from Sikorsky or from a French firm. Both with an eye to obtaining the \$17.2 million involved in the sale, and with an eye to any reasonable concessions we could make for policy reasons, we and DoD have exhaustively explored the possible ways of giving any concession. The analysis is as follows:

a. DoD assumption of certain costs. Under the Foreign Assistance Act, DoD can assume certain costs, totalling perhaps \$500,000 in the present case. However, a very careful legal analysis has made clear that this cannot be done unless the terms of the sale are in effect for cash. It is our clear conclusion that this possibility is not open to us under the law.

b. Handling the sale on a government-to-government basis. This would permit minor savings amounting to perhaps \$250,000, which is nowhere near the difference between a 5½%/7-year

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DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines

By lg/cb, NARA, Date 9-3-98

Downgraded at 12 year intervals;
not automatically declassified.

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deal and the 3%/10-year deal that the Malaysians have in mind. While we could suggest this possibility to them it would be somewhat cumbersome and really would not meet their point at all.

c. MAP credit sale. This is the major possibility. Under the law, we could offer government backing of a sale on the 3%/10-year basis. However, this would be contrary to normal policy in view of Malaysia's credit status. Moreover, under the clear and explicit provisions of the law, we would have to commit MAP FY '67 funds in the amount of approximately \$11 million in order to back the principal and also to cover the difference between an interest rate of 3% and an interest rate of 5 ½%, plus some other lesser elements. In short, we could take this course only if we were prepared to use \$11 million in military assistance funds from other programs which we consider to be of higher priority. It is our clear conclusion in both Departments that this is not warranted. Still further to the point, we would be very concerned at the effect on other military purchasers of our extending concessional terms to Malaysia in this fashion, and we are concerned also that the Malaysians would hereafter expect similar treatment in other cases and that we might indeed get into the position of supplanting the British military role in Malaysia, which is the last thing we wish to do.

d. You should know that Secretary McNamara has agreed to provide a commercial loan guarantee for this sale, resulting in terms of 5½% interest and 7 years repayment, which is considerably less than the prevailing commercial rate. This is entirely feasible.

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Secretary McNamara and I therefore recommend that you approve our informing the Malaysians, in as tactful and complete a fashion as possible, that we simply cannot arrange more favorable terms for this sale than that outlined in paragraph d. above. We do not believe you should communicate personally with the Tunku on this matter, and have in mind that Mr. Bundy would write a full letter to the Deputy Prime Minister explaining the whole situation. Since the Malaysians have built up their hopes -- without any warrant from us -- we may have some protest and bad feeling on the issue, but we think we simply have to live with this. We will try to accompany the final decision with some minor gestures, and we are trying generally to see how we can get the Malaysians to understand and make use of our outstanding offers, notably the PL 480 and EXIM Bank loans, for their economic development program.


Acting Secretary

Approve _____

Disapprove _____

Other _____

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Saturday, December 10, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Daily Foreign Affairs Summary

Mr. President:

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By sig, NARA, Date 11-3-92

When you are in town, unless you indicate to the contrary, I do not plan to send you a comprehensive foreign affairs summary like the ones which I have been cabling down to the Ranch.

What I propose to do, beginning today, is to give you only those items which you will not have seen in your daily CIA Report or in Secretary Rusk's evening reading.

Herewith today's items:

1. Indo-Pak Talks Fizzle

Ambassador Bowles reports that efforts to set up secret India-Pak talks before the Indian election appear to have "fizzled out" because they cannot agree to a formula for handling the Kashmir discussions. Since these talks will probably not materialize as a forum for discussing arms limitation, Bowles will press the Indians unilaterally to show restraint in acquiring arms and holding down defense expenditures. Secretary Rusk will talk with Bowles and have a half-hour meeting with the new Indian Foreign Minister during a refueling stop on December 12.

2. SEA Agricultural Development Conference

The Japanese-sponsored, 3-day, Tokyo conference on Southeast Asian agricultural development ended yesterday. Delegations attended from Indonesia, Malaysia, Laos, Vietnam, Philippines, Singapore, Thailand, and Cambodia. Burma declined. Observers represented the UN's FAO and ECAFE and the Asian Development Bank (ADB). Participants agreed that an agricultural development fund should be set up as a special fund of the ADB, and the Japanese agreed to organize a group of experts from the countries concerned to study the

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establishment of a marine fisheries research center. The convening of a second high-level meeting of SEA countries in Tokyo in less than a year (Japan held a ministerial-level conference on SEA economic development in April) is an impressive regional achievement underscoring Japan's assumption of a position of leadership in SEA development.

3. Hill Consultation on Offset

Gene Rostow and Doug MacArthur consulted with the following Members of Congress this week regarding the tripartite talks on troop strengths and the offset problem: House Minority Leader Ford appreciated very much being informed about our deal with the British. He mentioned the sensitivity of certain kinds of purchases in Britain, where industry in the United States is in difficulty, but was understanding of, and agreeable to, our agreement with the British. Senator Sparkman understood the problem and the difficulties involved for both the British and the Germans and approved of what we were doing. Senator Hickenlooper listened with interest and made no specific comments. While neither approving nor disapproving, he did not indicate that he had any objection whatsoever to what we planned to do. Congressman Paul Findley greatly appreciated being informed about the tripartite talks and our deal with the UK. He understood the need to buy from them in order to have an orderly resolution of the troop strength-offset problem and had no objection to what we are doing. However, he "hoped we will make good use of our deal with the British." He is particularly concerned about the German problem and the need to treat Germany on the basis of equality. He personally supports the idea of a NATO nuclear force in which the U.S. has no veto. In addition, Doug MacArthur and his staff also consulted with the following: Art Kuhl (Acting Chief of Staff of the Senate Foreign Relations Committee) very much appreciated being informed and indicated that he would notify interested members of the Committee and inform them of our effect of a full briefing. He cautioned, however, that there are virtually no members of the Committee in town at this time. Chairman Morgan was indisposed but Boyd Crawford was fully briefed and said he would inform the Chairman shortly. He did not foresee any problems with the Chairman. Congresswoman Frances Bolton, Congressman Ross Adair and House Majority Leader Carl Albert are out of town but their offices were informed we wished to brief them upon return.

4. Hill Given Advance Notice on Outer Space Treaty

Prior to the announcement of the Outer Space Treaty, the State Department passed advance word to the staffs of Senator Hickenlooper, Senator Dirksen, Majority Leader Mansfield, and Chairman Morgan. Carl Marcy and members of the staffs of the Senate Aeronautical and Space Sciences Committee and the House Committee on Science and Aeronautics were also informed. Ambassador Goldberg personally tried to reach Senators Fulbright, Aiken, Mondale, Gore, Smith, Russell, Anderson, and Symington, and Representatives Fulton and Miller.

5. Congressman Gallagher Discusses Indian Food

Congressman Cornelius Gallagher, member of the Foreign Affairs Committee, has discussed the food situation with Food Minister Subramaniam and other Indian officials.

W. W. Rostow

2. Pres-file

December 10, 1966

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Presidential Determination on Military Assistance to Laos

Earlier this year, you authorized grant military aid to Laos valued at \$50 million. The Foreign Assistance Act has since been amended to permit you to authorize assistance in excess of the \$50 million limit to a country "which is a victim of active Communist or Communist-supported aggression."

We do not have a formal assistance agreement with Laos because of the neutrality provisions of the Geneva Accords. Thus the requirement for a special determination.

Defense and State estimate that Laos military requirements call for an additional \$35.3 million in military hardware -- ammunition, weapons, aircraft, vehicles, and communications equipment. They note both the increased demand for ground and air munitions and the higher current costs for ammunition.

The additional assistance will help the Lao defend themselves against Communist attack and to continue to play a role in opposing the flow of men and materiel from North Viet-Nam into South Viet-Nam.

The attached memo from AID Administrator Gaud sets forth the details and recommends your making this Determination. State and Defense concur. So does Budget Director Schultze. I believe the Determination should be signed.

W. W. Rostow

Att. DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 89-26
By mg NARA, Date 3-14-90

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2. *problem*
3. *hit*

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

GROUP 4
DOWNGRADED AT 3-YEAR INTERVALS;
DECLASSIFIED AFTER 12 YEARS

DEC 8 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Presidential Determination on Laos MAP

Earlier this year you authorized a level of MAP defense articles grants to Laos of \$50 million. Because of the Geneva Accords Laos has not signed the usual military assistance agreement required by the Foreign Assistance Act. Attached is a determination which authorizes an additional grant level of \$35.3 million, part of the total 1967 Laos program of \$108.7 million. Also attached are a memorandum and background annex from AID Administrator Gaud setting forth the rationale and details of the program.

The need for a higher grant program was anticipated at the time of your last determination. However, at that time the Foreign Assistance Act contained an absolute \$50 million limitation on furnishing military assistance to countries with which we did not have an agreement. Since then the Act has been amended. It now enables you to authorize country grant programs in excess of the \$50 million limitation for countries which are victims of communist aggression.

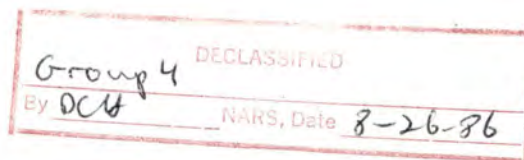
The major reasons for the increased funding level of the Laos program are the depletion of excess stocks and rising costs of ground and aerial ammunition as well as the costs of additional equipment to increase the mobility and overall combat capabilities of the Laos Armed Forces.

I recommend you sign the proposed determination. Walt Rostow concurs.

Charles L. Schultze

Charles L. Schultze
Director

Attachments



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GROUP 4
DOWNGRADE AT 3-YEAR INTERVALS;
DECLASSIFIED AFTER 12 YEARS

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR

6 DEC 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Determination and Authorization Permitting Additional
Defense Articles to be Furnished to Laos

I recommend that you make the necessary determination and authorization under the Foreign Assistance Act of 1961, as amended (the "Act") to increase from \$50 million to \$85.3 million the amount of funds which may be used in FY 1967 to furnish grant defense articles to Laos.

Such determination and authorization are necessary because Laos has not met the requirements of section 506(a) and 506(b)(2) with respect to eligibility for grants of defense articles. In order to waive these requirements you must find under section 614(a) of the Act that the proposed grants of defense articles are important to the national security, and authorize the furnishing thereof accordingly.

On July 14, 1966, you exercised the section 614(a) waiver authority to permit the use of up to \$50.0 million of FY 1967 funds to furnish defense articles to Laos. This amount of defense articles was included within a total FY 1967 program of \$70.0 million, as originally submitted to Congress. At the time of the determination it was recognized that more defense articles for Laos would be necessary during FY 1967, but Section 614(a) at that time was subject to a ceiling of \$50.0 million for any one country. The Foreign Assistance Act of 1966 has since removed this ceiling with respect to Laos.

The July determination has enabled continuation through the present of necessary military activities in Laos. Continuation of these activities through FY 1967 requires that the total Laos military assistance program be increased from \$70.0 million to \$108.7 million, of which total, defense articles are estimated at \$85.3 million.

Combat operations in Laos continue to make heavy demands for ground and aerial munitions. The FY 1967 cost of ammunition for Laos is expected to be more than double the FY 1966 cost. In addition, more fixed and rotary wing aircraft, weapons, vehicles, and communications equipment are required to sustain the defensive combat capabilities of the Laos Armed Forces.

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By Dat, NARA, Date 12-14-78

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The purpose of the military operations in which these defense articles will be used are to protect the free areas of Laos from control by Communist forces and to interdict North Vietnam lines of communications through Laos to South Vietnam. It is important to the security of the United States, and particularly to our efforts in Vietnam, that these operations be fully supported.

I recommend, therefore, that you sign the attached memorandum containing the proposed determination and authorization which will permit an increase in the amount of grant defense articles furnished to Laos in FY 1967 from \$50 million to \$85.3 million. The Departments of State and Defense concur in this recommendation.

William S. Gaud

William S. Gaud

Attachments

1. Background Annex
2. Proposed Determination

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BACKGROUND ANNEX

Basis for Increase in FY 1967 MAP for Laos

1. General

The following information supplements information contained in the Background Annex forwarded with Presidential Determination Number 67-1 dated 14 July 1966, a copy of which Annex is attached hereto.

Presidential Determination 67-1 authorized the furnishing of up to \$50 million in defense articles for Laos without regard to certain requirements of the Act. The defense articles were included within a total FY 1967 program of \$70 million, as originally presented to Congress. At the time of that determination, it was recognized that the \$70 million program (including \$53.6 million for defense articles) would probably be inadequate. Nevertheless, the determination had to be limited to \$50 million at that time because Section 614(a) of the Foreign Assistance Act, under which the waiver determination was made, then included a ceiling of \$50 million for any one country.

The Foreign Assistance Act of 1966 amended Section 614(a) to make the ceiling inapplicable to a country, such as Laos, "which is a victim of active Communist or Communist-supported aggression." It is necessary that grants of defense articles to Laos be the subject of Presidential determination and authorization under Section 614(a) because the neutrality provisions of the Geneva Accords do not now permit the United States to require, nor Laos to comply with, all of the conditions of Section 506(a) of the Act. We do not now consider that Laos has met any of the conditions of Section 506(a), or the requirement of Section 506(b)(2) (second condition) that the defense articles will be utilized by Laos for the maintenance of the defensive strength of the free world.

The general defense article requirements of the Laos military assistance program are shown below. A more detailed functional summary outlining the scope of the proposed revised program is shown in paragraph 4.

2. Defense Article Requirements

The increase in defense articles required amounts to \$35.3 million over the \$50 million in articles now authorized by Presidential Determination No. 67-1, for a new total of \$85.3 million.

Pursuant to an urgent request by Prime Minister Souvanna Phouma for means to increase the mobility of Lao ground forces, 12 H-34 helicopters at a total cost of \$5.1 million are being provided to the Royal Lao Air Force.

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By act, NARA, Date 12-14-88

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GROUP 4
Downgraded at 3 year
intervals; declassified
after 12 years

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Also required are 30 T-28 aircraft, costing \$5.3 million, in FY 1967 to provide replacements for combat losses in maintaining the approved level of 40 aircraft through FY 1969. The other major additional requirement is for \$13.3 million in ammunition, the total cost of which is currently estimated at about \$40.5 million for FY 1967. This estimate assumes that combat will continue at about the same level of intensity as in FY 1966 and that the quantity of ammunition needed in FY 1967 will be slightly higher than that used in FY 1966. The rather large increase in FY 1967 costs over FY 1966 is due primarily to the depletion of excess service stocks of ammunition heretofore available at minimum or no cost, and to the sharply rising prices of ammunition, particularly aerial munitions.

Other major elements in this supplemental program provide for weapons, vehicles, and communications items, totaling \$4.0 million, the necessity for which has become apparent during recent months. Increases for follow-on aircraft spares and for POL (\$5.1 million) result from the enlarged inventory of aircraft in FY 1967.

3. Availability of Funds

The additional funds required to support this increase in the Laos program will be made available within the total funds appropriated for the FY 1967 Military Assistance Program.

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4. Proposed Amendment to the Laos FY 1967 MAP
(Functional Summary - \$ Millions)

<u>Category</u>	<u>Amount</u>
A. Investment Costs (Force Improvement)	(/7.4)
1. Aircraft (UH-34D)	(/5.1)
2. Support Vehicles, Weapons, and Communications Equipment	(/1.8)
3. Support Equipment and Supplies	(/ .5)
B. Operating Costs (Force Maintenance) Total	(/24.3)
1. Follow-on Spares	(/4.6)
(a) Aircraft	(/4.3)
(b) Other	(/ .3)
2. POL (Fuel and Lubes)	(/ .8)
3. Medical Supplies	(/ .1)
4. Clothing, Textiles, and Individual Equipment	(-2.4)
5. Ammunition	(/13.3)
6. Other Maintenance Costs	(/7.9)
(a) Attrition Replacements, Aircraft (UH-34D, T-28D, C-47, U-17A)	(/5.3)
(b) Miscellaneous	(/2.6)
	<u>Total Defense Articles</u>
C. Defense Services (Overhead)	(/31.7)*
1. Training	(/2.4)
2. Supply Operations Costs (PCH&T)	(/2.0)
3. Other Services	(/2.6)
<u>Summary Program Totals</u>	
A. Investment Costs	(/7.4)
B. Operating Costs	(/24.3)
C. Defense Services (Overhead)	(/7.0)
	<u>Country Total</u>
	(/38.7)

* This amount is additional to the \$53.6 million level for defense articles as shown in ANNEX 3, PD 67-1.

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Attachment 1

Annex 1

Basis for Determination - Laos

I. Need for Military Assistance

Laos, like Vietnam, continues to present a problem of active insurgency and outside (DRV) aggression. Outside support is required to continue effective control of the territory presently held by non-communist forces.

Insurgency in Laos is not likely to be settled in the absence of a decision in Hanoi to halt its aggression, but genuine neutralization might be achieved if that decision were made. The use of Lao territory for infiltration of men and supplies from North to South Vietnam in violation of Laos' sovereignty and of the 1962 Geneva Agreements is one of the elements perpetuating Viet Cong capabilities in South Vietnam.

The U.S. decision to retain the framework of the 1962 Geneva settlement restricts the methods we can employ to support the Royal Lao Government (RLG) and to suppress the infiltration into South Vietnam through Lao territory. We have found, however, that a rather wide range of supporting military actions can be carried on in and over Laos without precluding the possibility of returning at some future time to the strict application of the Geneva Agreements.

Our objective has been and remains to support non-communist forces at the level necessary for them to maintain the capability of defending essentially those areas under non-communist control in 1962. This objective serves two purposes: (1) it assists in keeping the Mekong valley free of communist control and provides a buffer for Thailand; and (2) it permits continuing efforts to interdict more effectively the infiltration through Laos into South Vietnam. The projected military assistance program is designed to attain these objectives at minimum costs. We are undertaking no general modernization of major types of equipment for these forces.

With U.S. military assistance, the Royal Lao Army, including Neutralist forces, has increased in size from a small constabulary force to a fully organized national army. The Lao forces have improved their coordination and cooperation. Substantial progress has been made in the tactics and techniques of small unit operations and patrolling. The Royal Lao Air Force has developed a small but active tactical air force in the past two years, employing T-28 aircraft.

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By Delt, NARA, Date 12-14-88

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The Lao Armed Forces are capable of holding the Pathet Lao in check and conducting limited clearing operations. The Royal Lao Air Force has assisted in the interdiction of Communist infiltration routes to South Vietnam. Military assistance programs in FY 1965 and FY 1966 have enhanced the capability of these forces for sustained combat and combined arms operations.

Because of the persistent intransigence of the communists and their demonstrated continued willingness to use armed force in pursuit of their aims, the political-military situation in Laos will continue to be uncertain in FY 1967, and combat operations on about the FY 1966 scale may be expected. If combat intensifies, however, U.S. military assistance at a significantly higher level than in FY 1966 will be required.

II. Legal Requirements for Determination

Before the United States, Laos and twelve other interested countries agreed to the Declaration and Protocol on the Neutrality of Laos on July 23, 1962, at Geneva, Laos had legally complied with the conditions of section 506 of the Act. The neutrality provisions of the Geneva Accords, however, do not now permit the United States to require, nor Laos to comply with, all of these conditions. None of the conditions set forth in section 506(a) of the Act is considered to have been met since the conclusion of the Geneva Accords. However, all the conditions set forth in section 506(b) of the Act have been considered to have been met since then, except the requirement of subparagraph (2) (second condition) that the defense articles furnished will be utilized by Laos for the maintenance of the defensive strength of the free world.

III. Scope and Nature of FY 1967 MAP Requirements

As result of increased communist intransigence and continued large-scale use of Laos by North Vietnam to support and reinforce the Viet Cong, the FY 1966 military assistance program for Laos was increased from \$43.3 million to \$63.3 million. The program proposed for FY 1967 is \$70.0 million which assumes continuation of the military effort in Laos at about the same level as in FY 1966. The increase over FY 1966 represents largely the anticipated higher cost of supply operations and ammunition and maintenance of a force structure totalling 75,000 personnel. Only \$.3 million is for investment items, primarily for additional vehicles and a small quantity of weapons.

Of the total operating costs, 39% or \$27.2 million is for ammunition alone, to meet anticipated requirements for both air and ground warfare. It is in this category that an increase in the FY 1967 program over the \$70.0 million level may be necessary due to upward revisions of the amounts

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estimated, depletion of excess, service stocks of ammunition, and rising costs. These additional requirements are currently being studied and refined in light of FY 1966 combat usage factors. In the event that additional FY 1967 funds are needed for this purpose, the source thereof will be subsequently identified and an additional Presidential Determination requested to provide authorization for the increased expenditures.

The increased tempo and magnitude of air operations in Southeast Asia and particularly the continued emphasis on such operations in Laos resulted during FY 1966 in the establishment of an authorized equipment level of 33 helicopters to provide widely expanded and improved search and rescue operations, enhanced mobility of Lao ground forces, and more reliable logistical support for troops dispersed throughout a large area in difficult terrain and often isolated by enemy forces. To support this newly established level of 33 helicopters, it is necessary to provide eight attritional H-34 helicopters. It is also necessary, in order to maintain the Lao Air Force at its authorized level of 40 combat aircraft, to furnish 27 rehabilitated T-28D aircraft. Two C-47 type aircraft and one U-17 aircraft are needed to sustain the logistic and administrative capabilities of the Air Force. Funds in the total amount of \$8.1 million are programmed to support attritional aircraft replacements in Laos.

Other major items include 169 trucks, 57 trailers, 1 bulldozer and 1 grader, at a total cost of approximately \$.8 million. These are to replace worn out items or to provide for attritional losses.

Supplies of clothing and individual weapons and equipment, crew-served weapons, communications equipment, medical items, spare parts, construction materials, and petroleum products for force maintenance and combat operations require a total of \$17.2 million in FY 1967 funds.

Included in the \$70.0 million program, but not requiring a special Presidential authorization, are funds in the amount of \$16.4 million for defense services. A major portion of this sum, \$5.3 million, is required to pay contract air support costs. Air America contracts for supplying fixed-wing services. In addition, it operates U.S. Government-furnished helicopters under another contract. The fixed-wing aircraft perform a variety of essential supply and transport missions, including support of AID projects. Transportation of military personnel and refugees is another important function of these aircraft, a function in which the helicopters are also often employed, in addition to performing search and rescue tasks. Another item in the fixed and rotary wing requirements category reflecting the significance of air power in the Lao equation is the requirement for approximately \$1.7 million to provide engine overhauls for T-28D and other aircraft in the RLAF inventory. Supply operations costs, including packing, crating, handling and transportation of items in the program, amount to \$7.7 million. The cost

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of training, \$1.4 million, provides for Lao unit and individual training in Thailand as well as for the training of Lao officers and non-commissioned officers in U.S. Service Schools.

In summary, the basic \$70.0 million program providing \$53.6 million for defense articles contains the materiel and equipment that are vital to the accomplishment of the national defense and internal security mission by organic units in the Lao Armed Forces. Costs of ammunition resupply are expected to exceed the currently programmed amounts, and if this is verified as result of studies now in progress, add-ons later in the fiscal year will be necessary.

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Attachment 1

Annex 2

Legal Basis for FY 1967 Determination - Laos

Section 506(a) of the Act establishes four categories of conditions to which a country must agree in order to receive any defense articles on a grant basis, namely;

- (1) to place specified limitations on the possession and use of the defense articles;
- (2) to maintain the security of the defense articles;
- (3) to the extent required by the United States, to permit observation and review by, and furnish information to, United States representatives with regard to the use of the defense articles; and
- (4) to offer to return to the United States Government defense articles no longer needed for the purposes for which furnished.

The Agreement for Mutual Defense Assistance to Indochina between the United States of America and Cambodia, France, Laos, and Vietnam signed at Saigon on December 23, 1950, as supplemented with respect to Laos by the Agreement effected by an exchange of notes signed at Vientiane on December 18 and 31, 1951, contains undertakings which are substantially similar to those specified in section 506(a) of the Act.

In addition, should grants of defense articles exceed \$3 million in any fiscal year, four determinations must be made under section 506(b) of the Act, namely:

- (1) that the country conforms to the purposes and principles of the United Nations Charter;
- (2) that the defense articles will be utilized by the country for the maintenance of (a) its own defensive strength and (b) the defensive strength of the free world;
- (3) that the country is taking all reasonable measures, consistent with its political and economic stability, which may be needed to develop its defense capacities; and
- (4) that the increased ability of the country to defend itself is important to the security of the United States.

Where a country has entered into a conventional military assistance agreement, such as the Agreement for Mutual Defense Assistance in Indochina,

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Authority Group 4
By Det, NARA, Date 12-14-88

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as supplemented, it has been considered that these four determinations might properly be made, based upon such agreement.

Section 643(b) of the Act provides that where provisions of the Act establish conditions, compliance with, or satisfaction of, substantially similar conditions under predecessor legislation shall be deemed to constitute compliance with those conditions of the Act. Under the Mutual Security Act of 1954, as amended, and other predecessor legislation, conclusion of such a conventional military assistance agreement was required to comply with substantially similar conditions of such legislation.

Prior to the conclusion of the Geneva Accords of July 23, 1962, Laos was in this position.

By virtue of the Declaration on the Neutrality of Laos and accompanying documents signed at Geneva on July 23, 1962, the United States could no longer, consistent with the principles acceded to in those Accords, hold Laos to at least the following undertakings in the 1950 and 1951 bilateral military assistance agreements which meet the requirements of sections of the Act:

(1) To use United States assistance effectively only within the framework of the mutual defense of Indochina and to make the full contribution consistent with its political and economic stability permitted by its manpower, resources, facilities and general economic condition to the development and maintenance of the defensive strength of the free world; and

(2) at least as regards military personnel, to receive within its territory such United States personnel as may be required for the purposes of the military assistance agreement and to extend to such personnel facilities freely and fully to carry out their assigned responsibilities, including observation of the progress and technical use made of United States military assistance.

There may be other provisions as well, relating to cooperation with France and other States of former French Indochina, which are equally inapplicable.

The provisions of the Agreements of 1950 and 1951 which satisfied the requirements of what is now section 506(a) of the Act would seem to have survived the modifications wrought by the Geneva Accords of 1962 except insofar as the rights of the United States, such as the right to require the Government of Laos to accept military personnel to perform the observation and review called for by section 506(a)(3) of the Act, have been curtailed by the consent of the United States to the Geneva Accords. On the other hand, the changes in the Agreements wrought by the Geneva Accords and

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developments in Laos thereafter are not fully clear, since it is not now feasible, because of the political situation in Laos, to seek a clarification of the legal effect of these changes. Accordingly, the United States cannot rely on the continuance of any of the terms of the old Agreements as a basis for maintaining that the requirements of the Act have been satisfied. Therefore, it is believed necessary to request authorization to furnish defense articles to Laos without regard to the requirements of section 506(a) of the Act.

The determination required by section 506(b)(4) of the Act was made by the President with regard to Laos on March 9, 1962. This determination rests on an evaluation of fact. No change in the facts on which this determination was based has occurred. Therefore, it is not believed necessary to renew the determination or authorize the furnishing of military assistance to Laos without regard to this section of the Act.

The determinations required by paragraphs (1), (2) and (3) of section 506(b) of the Act were made by the Administrator of A.I.D. with regard to Laos under the authority of Executive Order 10973 and Department of State Delegation of Authority No. 104, both dated November 3, 1961. This authority of the Administrator is effective only in respect of countries which have agreed to the conditions about which the determinations are made. Since Laos continues to be a member of the United Nations, and no incidents have arisen to cast doubt on Laos' willingness to continue to conform to the purposes and principles of the Charter of the United Nations, the first of these determinations is considered to remain in force. With regard to the second determination (first condition) and the third, it has been impossible to regard Laos as having agreed to the conditions about which the determinations were made since the conclusion of the Geneva Accords on July 23, 1962, in which the United States and Laos agreed to conditions which might have been interpreted to be inconsistent with those conditions. Therefore, for the MAP of FY 63-65, insofar as section 506(b) has been applicable to the Laos program, those determinations were regarded as having lapsed, and the authorization of the President under section 614(a) of the Act was obtained to continue granting defense articles to Laos without these determinations.

However, the situation in Laos last year warranted making the determinations required by section 506(b)(2) (first condition) and (3). Since it could not be said that Laos was bound by any agreement to the conditions about which the determinations needed to be made, they could not be made by the Administrator of A.I.D. They were therefore made by the President in Presidential Determination No. 66-1 on July 26, 1965.

It is felt that the determination required by section 506(b)(2) (second condition) cannot properly be made at this time. Therefore, it is necessary to request authorization to furnish defense articles to Laos without regard to the requirement of this provision.

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While we would wish to work out with Laos at an appropriate time the extent to which the bilateral military assistance agreements of 1950 and 1951 may be retained in effect consistent with the Geneva Accords, in recognition that at least some provisions are not consistent and in anticipation of potentially broader abrogation of existing commitments, the exercise by the President of his special authority, pursuant to section 614(a) of the Act, to permit use of FY 1967 funds for the furnishing of defense articles on a grant basis to Laos without regard to the requirements of section 506(a) and paragraph (2) (second condition) of section 506(b) of the Act is considered necessary for the continuation of the Laos program in FY 1967.

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Annex 3
PROPOSED LAOS FY 1967 MAP
(Functional Summary - \$Millions)

Category

A. Investment Costs (Force Improvement)		<u>.3</u>
1. Support Vehicles, Weapons and Communications Equipment	(.1)	
2. Support Equipment and Supplies	(.2)	
B. Operating Costs (Force Maintenance) Total		<u>53.3</u>
1. Follow-on Spares	(3.5)	
(a) Aircraft	(2.3)	
(b) Other	(1.2)	
2. POL (Fuel and Lubes)	(2.6)	
3. Medical Supplies	(.2)	
4. Clothing, Textiles, and Individual Equip.	(7.4)	
5. Ammunition	(27.2)	
6. Other Maintenance Costs	(12.4)	
(a) Attrition Replacements, Aircraft (UH-34D, T-28D, C-47, U-17A)	(8.1)	
(b) Miscellaneous	(4.3)	
	Total Defense Articles	<u>53.6</u>
C. Defense Services (Overhead)		<u>16.4</u>
1. Training	(1.4)	
2. Supply Operations Costs (PCH&T)	(7.7)	
3. Other Services	(7.3)	

Summary Program Totals

A. Investment Costs	.3	
B. Operating Costs	53.3	
C. Defense Services (Overhead)	16.4	
Country Total		<u>70.0</u>

~~SECRET~~

DECLASSIFIED

Authority Group 4
By Out, NARA, Date 12-14-88

~~SECRET~~

35g

THE WHITE HOUSE
WASHINGTON

Presidential Determination
No. 67-13

MEMORANDUM FOR THE ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT: Determination and Authorization Pursuant to Section 614(a) of the Foreign Assistance Act of 1961, as amended (the "Act") to Increase the Amount of Defense Articles Permitted to be Furnished on a Grant Basis to Laos.

In accordance with the recommendation in your memorandum of December 6, 1966, I hereby:

(1) determine, pursuant to Section 614(a) of the Act, that authorization of the use of up to \$35.3 million of FY 1967 funds made available for military assistance under the Act for the furnishing of defense articles on a grant basis to Laos without regard to the requirements of Section 506(a) and Section 506(b), subparagraph (2) (second condition) of the Act, in addition to \$50 million so authorized by Presidential Determination No. 67-1, is important to the security of the United States; and

(2) authorize, pursuant to Section 614(a) of the Act, the use in FY 1967 of up to \$35.3 million of such funds for this purpose without regard to the above specified requirements of the Act, in addition to \$50 million as authorized by Presidential Determination No. 67-1.

You are requested on my behalf to give prompt notice of these actions, pursuant to Section 634(d) of the Act, to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives.

15/ Lyndon B. Johnson



GROUP 4
Downgraded at 3 year
intervals; declassified
after 12 years

Saturday, December 10, 1966 -- 3:45 p.m.

Mr. President:

You may be interested in the following.

Some weeks ago I was invited by Hedley Donovan of TIME-LIFE to spend an evening at Airlie House discussing foreign policy with a group of college presidents from our major universities.

I first laid out the four basic objectives of our over-all policy, as enunciated by you in your Lancaster, Ohio, speech. In the question period I went through our approach to Viet Nam in terms of the critical factors in the equation, much as I once did with Bill Fulbright in your office. They seemed to find it interesting and new.

Donovan then invited me to meet all the editorial staff of TIME-LIFE-FORTUNE. This I did yesterday, Friday, December 9, in New York.

I again laid out our over-all foreign policy position. Just as we were getting to the question period and would have gotten into Viet Nam, I was called back for the 4:30 p.m. meeting.

I go into this so that you will know the kind of Johnson Administration foreign policy doctrine to which the TIME-LIFE people have been subjected thus far.

W. W. Rostow

WWRostow:rln

37
p file

Saturday, Dec. 10, 1966
1:30 p.m.

MR. PRESIDENT:

Max Kohnstamm is a levelheaded Dutchman --
one of our best friends in Europe.

His evaluation of where we are is worth reading.

W. W. R.

~~CONFIDENTIAL~~ attachment

(cc Bator
State Secretariat)

~~CONFIDENTIAL~~

Saturday, December 10, 1966

MEMORANDUM OF CONVERSATION

SUBJECT: Max Kohnstamm (Vice President of the Action Committee for the United States of Europe)

Max Kohnstamm came in to talk to me this morning about the state of Europe. His main points are these:

1. The deterioration in German political life over the past two years -- and especially in Germany's relations to the United States -- is extraordinary and potentially dangerous. In a phrase of Raymond Aron's, what has happened is that de Gaulle has broken up the sense of fellowship both in Europe and the Atlantic and revived the old position that: "nations look at one another like cold beasts in the jungle." Rightly or wrongly, the Germans have come to believe that that is the way we now look at Germany and at Europe. He said he was prepared to accept that the fault was Erhard's weakness. But he was reporting fact.

2. The new German coalition is a collection of good, decent men. Should they fail, the whole of the West will be in the gravest danger again, since post-war German democracy and its tie to the West will fail with them.

3. They need not fail. But the essence of the problem is that the United States establish with Kiesinger, Brandt, and the others, the most intense and mature communication. In recent months Brandt has felt completely out of touch with the United States. Kiesinger is uncertain of his reception in the United States and of our willingness to accept him as a serious partner. The crisis in United States/German relations is basically psychological and can be repaired. Specifically, we should think of the following:

-- opening up as soon as possible a dialogue between the President and Kiesinger;

-- getting Kiesinger and Brandt over here and talking with them in the greatest candor and fellowship;

-- conducting with the Germans the most honest possible dialogue on the non-proliferation issue and planning together how to deal with it;

-- taking Germany and Europe into our confidence on the ABM problem. If we go ahead with ABM's and a non-proliferation agreement, leaving Western Europe naked to MRBM's and with no possibility of defending themselves, the split between the United States and Europe will greatly widen.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJL 91-124
By ind, NARA, Date 11-3-92

12/10/66

-- We should try to find out from the Germans whether they want the British to force the pace in getting into the Common Market, or to go slowly. Whichever way the Germans wish to go, we should help guide the British. There is no chance of pressuring de Gaulle on this matter unless the Germans are with the British.

-- McCloy's presence in the negotiations is psychologically of great importance to U. S. /German relations.

He closed by saying that he has not been so worried since the war. He understands our Congressional pressures and the need for Europeans to accept their responsibilities. But we are skating on thin ice -- all of us. But all is by no means lost. The key to the survival of the West, as we have tried to build it since the war, is U. S. /German relations. We must get close to them and stay close to them.

W. W. R.

Saturday, Dec. 10, 1966
11:30 a.m.

~~CONFIDENTIAL~~

MR. PRESIDENT:

I delivered your four points to Ambassador Nehru. His comments were as follows:

1. With respect to lobbying in the press, his embassy has been under instructions not to talk to the press. He understands well that these stories only compound your difficulties and his. As for the situation in New Delhi, there has been much discussion in Parliament and much speculation. The United States Government has not articulated its position. He, Ambassador Nehru, believes he understands it; but it has been inevitable that there be much talk in Delhi since the issue is vital both in terms of Indian lives and Indian politics.

2. With respect to commercial purchases, India had to go first to Australia because it was only from Australia that they could get arrivals for January. He is now empowered to purchase 50,000 tons commercially in the United States and is arranging that.

3. With respect to January arrivals, his figure is 702,000 tons as follows:

441,000 from the U. S.
111,000 from Canada
150,000 from Australia

4. With respect to our need to await the arrival home of the Congressional delegation, he asked when they would be here. I told him either December 21 or 22.

5. I went over again the four key points in our policy:

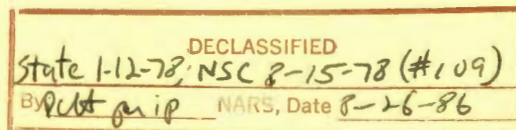
-- there must be evidence of effective high priority for agricultural production;

-- there must be equitable burden-sharing internationally;

-- there must be a Congressional base for aid in this field;

-- commercial purchases should be made on an equitable basis.

He said he understood these points and thanked me for my communication.



W. W. R.

~~CONFIDENTIAL~~

Saturday, December 10, 1966
11:40 a.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Letter from Ambassador Anderson on the Atlantic-Pacific
Interoceanic Canal Study Commission

Bob Anderson has asked me to deliver the attached letter to you.

He describes the problem the Commission faces in telling Congress when it can complete its study because nuclear experiments have not progressed.

The AEC has not received final authorization for Project CABRIOLET, the nuclear cratering experiment originally scheduled for early December. Nick Katzenbach promises me his recommendation to you by the close of business today.

There is a budget question about the follow-on cratering experiments desired by Anderson for this study, since the AEC has not included funds for any cratering tests in the planning figure submission for FY 1968. I have the Budget Bureau and AEC thinking about how to solve it if you give the go ahead.

W. W. Rostow

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By sig, NARA, Date 11-3-92

WGBowdler:WWRostow:rlh

~~CONFIDENTIAL~~

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39a

ATLANTIC-PACIFIC INTEROCEANIC CANAL STUDY COMMISSION

1815 H STREET NW.
WASHINGTON, D.C. 20006

December 1, 1966

The President
The White House
Washington, D. C. 20500

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By ing, NARA, Date 11-3-92

Dear Mr. President:

This letter is intended to be purely informative and relates solely to the legislative and budgetary considerations of this Commission.

In July 1965 the Commission advised you that we planned to include in the canal routes to be investigated two which would be economically feasible for construction only if nuclear excavation means could be utilized.

Thereafter, we advised the Appropriations Committees of the Congress that because of unforeseen delays in obtaining permission to conduct surveys in Panama and Colombia and because nuclear experiments had not sufficiently progressed, it would be impossible for the Commission to complete its investigation as planned. Accordingly, we have submitted to the Bureau of the Budget a legislative amendment extending the investigation to December 1, 1969.

We now must prepare for our Congressional hearings for the coming year.

We are aware that there are pending before the government major decisions in the nuclear and budgeting fields which must be determined upon the basis of the total considerations important to our government. All the members of the Commission understand fully that whatever decisions are made must take into consideration problems of all areas.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

We feel, however, that we should advise you that depending upon these decisions we must advise the Congressional Committees that (a) it is unlikely that the proposed reporting date of December 1, 1969 can now be met and (b) any ultimate reporting date must take into consideration the decisions which will be made in the nuclear field.

Since we are already engaged in the investigation of two possible routes outside the Canal Zone and certain funds have been spent or committed for this purpose, it is the judgment of the Commission that this field work should be continued as planned. Executive agreements for these surveys were obtained with some difficulty and failure to execute them would be harmful to our interests. Most of the data to be obtained will be valid for future use. From an engineering point of view, the longer the period devoted to some aspects of the investigations, such as meteorology, the more reliable the findings.

This Commission intends this note to inform you of the inter-relationship between its legislative program and pending decisions in other programs related to its investigation.

We are with great respect:

The Atlantic-Pacific Interoceanic
Canal Study Commission


Robert B. Anderson
Chairman

~~CONFIDENTIAL~~

Saturday
December 10, 1966
10:50 a.m.

Mr. President:

In response to your
request, here is what I sent out
to Cabot and here is what I got
back.

W. W. Rostow

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By Dut NARS, Date 8-26-86

WWRostow:rlm

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SANITIZED
E.O. 12958, Sec. 3.6
NLJ 98-583
By CG, NARA Date 10-5-00

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FROM WALT ROSTOW
TO AMBASSADOR LODGE, SAIGON

I WANT TO CONVEY TO YOU, CABOT, THE FLAVOR AS WELL AS THE
SUBSTANCE OF A LONG TELEPHONE CONVERSATION THIS AFTERNOON FROM
THE RANCH.

OUT OF HIS LEGISLATIVE EXPERIENCE THE PRESIDENT HAS SEEN
OVER THE YEARS WHAT OFTEN HAPPENS WHEN MEMBERS OF CONGRESS
VISIT ABROAD. THEY TALK TO A MAN IN A BAR. THEY TALK TO A
COLONEL HERE AND THERE. THESE MEN INSTINCTIVELY REACT BY
TELLING WHAT IS WRONG. IN THE BACK OF THEIR MINDS IS THE
IDEA THAT MAYBE THE CONGRESSMAN OR SENATOR CAN PUT PRESSURE
ON THOSE DOPES IN WASHINGTON AND FIX IT FOR THEM. THE CONGRESSMAN
THEN COMES HOME AND TO PROVE HE HAS BEEN ABROAD, MAKES A
SPEECH ECHOING SOME DISSATISFACTION. HE GETS HIS HEADLINE.
THE WHOLE GOVERNMENT, FIELD AND HEADQUARTERS, IS THEREBY
DAMAGED. THE NET EFFECT, IN THE CONTEXT OF VIET NAM, COULD
BE VERY SERIOUS, IT IS GOING TO BE HARD WORK IN THE MONTHS
AHEAD TO HOLD THE CONGRESS AND COUNTRY TOGETHER.

THEREFORE, THE PRESIDENT IS COUNTING ON YOU, BEFORE YOU
HEAD HOME IN A WEEK, TO DO A MAXIMUM JOB IN PREPARING TO
RECEIVE JACKSON, SYMINGTON, AND THE OTHERS WHO WILL BE COMING
THROUGH. THE PRESIDENT REMEMBERS THAT IN MANILA YOU ENCOURAGED
HIM TO SEND MEN OUT TO SEE FOR THEMSELVES, HE COULDN'T GET
FULBRIGHT OR LEPPMANN, BUT HE DID GET OTHERS, HE WANTS THEM
LOOKED AFTER WITH THE GREATEST CARE. HE WANTS EVERY MAN
THERE TO SHOW THEM THE FACTS; TO SHOW THEM WHAT WE ARE
DOING OUT HERE; TO LET THEM SEE THE GOOD SIDE OF THINGS.

THESE MEN ARE SOPHISTICATED AND NOT VULNERABLE TO A
HARD OBVIOUS SELL; BUT THEY ARE ALSO GOOD AMERICANS AND
LIKE TO SEE A SERIOUS JOB DONE WELL AND WITH CONVICTION. IT
IS IMPORTANT THAT THEY COME HOME WITH THAT CONVICTION AND
WITH A SENSE THAT WE ARE A UNITED GOVERNMENT HERE AND IN THE
FIELD, DEDICATED TO A GREAT MISSION AND ON THE WAY TO ACCOMPLISHING
IT.

SO THE PRESIDENT IS COUNTING ON YOU, CABOT, AND HE IS
COUNTING ON WESTY ALSO. FEEL FREE TO SHARE THIS WITH WESTY.
I LOOK FORWARD TO SEEING YOU IN A LITTLE WHILE.

430

NNNN

~~CONFIDENTIAL~~

66 DEC 8 PM 8:38

THURSDAY

RECEIVED
WHCA

1966 DEC 9 12 38

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TO THE WHITE HOUSE
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~~CONFIDENTIAL~~

1966 DEC 9 17:48
FRIDAY

FOLLOWING MSG RECEIVED VIA CIA COMMUNICATION FACILITIES.
~~CONFIDENTIAL~~ 091111Z

FM AMB LODGE 0405

TO THE WHITE HOUSE FOR ROSTOW

REPLYING TO YOUR CAP 661221, YOU CAN BE ABSOLUTELY SURE OF MY VERY BEST EFFORTS TO BE OF SERVICE TO VISITING SENATORS AND CONGRESSMEN, AND TO SEE TO IT THAT THEY ARE THOROUGHLY INFORMED. THIS HAS ALWAYS BEEN A TOP PRIORITY WITH ME AND SINCE TAKING OFFICE, I HAVE RECEIVED LITERALLY SCORES OF MEMBERS. SPECIFICALLY, SENATOR JACKSON DINED WITH ME LAST NIGHT AND U.S. AGENCIES WERE REPRESENTED AT DINNER, NOTABLY USAID DIRECTOR MACDONALD, WHO APPEARED TO IMPRESS SENATOR JACKSON VERY FAVORABLE AS HE ELUCIDATED THE PROBLEM OF LOSS AND DIVERSION. SENATOR SYMINGTON STAYED AS MY HOUSE GUEST FOR ALMOST TWO WEEKS LAST YEAR AND PORTER WILL LOOK AFTER HIM THIS TIME. I HAVE INVITED FULBRIGHT AND LIPPMAN, BUT BOTH HAVE DECLINED. IT IS VERY RARE THAT VISITING SENATORS OR CONGRESSMEN DO NOT HAVE LUNCH OR DINNER AT MY HOUSE. WE PROVIDE COMPLETE BRIEFINGS--OVERALL SITUATION; REVOLUTIONARY DEVELOPMENT; MILITARY; POLITICAL; ECONOMIC. I AM SHARING THIS WITH WESTY AND BILL, AND I AM CERTAIN THEY WILL LEAVE NO STONE UNTURNED UNTIL AFTER MY RETURN. WARM REGARDS.

~~CONFIDENTIAL~~

BT

DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 98-500

By us, NARA Date 8-31-99

~~CONFIDENTIAL~~

NNNN

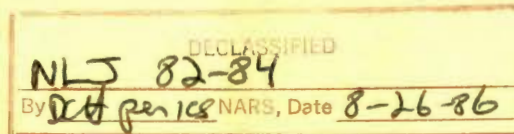
~~SECRET~~

For the President's diary.

Meeting with the President, Friday, December 9, 1966, 4:30 p.m.

The President considered the problem of next steps in hitting targets in North Viet Nam, with the following: the Vice President, Sec. McNamara, Under Secretary Katzenbach, Deputy Secretary Vance, General Wheeler, Bill Moyers, Robert Kintner, Walt Rostow.

Broadly speaking, the decision was made to carry forward with what was necessary but at this particular moment not to expand our targeting.



WWROSTOW:rlh

~~SECRET~~

42

~~CONFIDENTIAL~~

Friday - December 9, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Joint Statement on Progress of Canal Negotiations

As I reported to you in my daily summary yesterday, the Panamanians want to issue a joint statement at the negotiator level on the status of the treaty negotiations. They think this will help domestically. The statement you issued with President Robles on September 24, 1965 is the last time a public report was made.

Jack Irwin and the Panamanian negotiators have worked out the attached draft ad referendum. Irwin checked the text with Bob Anderson. He likes the idea of a progress report and approves the text. The Panamanian negotiators are returning to Panama this weekend where they will consult with President Robles.

I see no problem with the statement. If the Panamanians think a bland report of this nature helps them domestically, we should be obliging.

The Panamanians have suggested Monday, December 19, as a target date for release of the statement.

W. W. Rostow

Attachment

12/10/66 5:40 PM
He said:
"alright with me"
(initials)

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 91-124

By *ing*, NARA, Date 11-3-92

PRESS RELEASE

The Special Missions of the Republic of Panama and the United States of America have continued their work in accordance with the guidelines of the Joint Declaration of Presidents Robles and Johnson issued on September 24, 1965.

In the course of the months following that joint declaration, the respective Missions have presented preliminary drafts of agreements in the three fields of the negotiation, and these drafts have been, and continue to be, studied and discussed by the two delegations with the utmost care during numerous working sessions. As understandings are reached in those sessions they are being incorporated in treaty drafts which will then be presented to the respective Governments for consideration and approval.

The Missions are convinced that the atmosphere of frankness and reciprocal respect in which the negotiations have been taking place is propitious for a satisfactory final solution for the parties and they are prepared to complete their work in the shortest time compatible with the complexity of the subjects under consideration and with the objective of adopting fair bases of understanding which will provide a basis for a future of harmony and cooperation between the countries that they represent.

44

~~CONFIDENTIAL~~

Friday - December 9, 1966

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sup

LIMITED OFFICIAL USE

Friday
December 9, 1966 -- 10:20 a.m.

Mr. President:

At Tab A, for your approval, is a courteous reply to Kenyatta turning down his appeal for support of Kenya as the headquarters of the United Nations Industrial Development Organization (UNIDO). Kenyatta's message to you is at Tab B.

A number of countries in Latin America, Europe and Asia also want the headquarters. We believe it should be in New York, where there can be close liaison with Paul Hoffman and other knowledgeable UN people. We also oppose the scattering of UN organs, for budgetary reasons and reasons of operational effectiveness, and we hope that American industry will play an active role in the new organization.

W. W. Rostow

Approve _____

Disapprove _____

Speak to me _____

LIMITED OFFICIAL USE

PRESIDENTIAL MESSAGE

His Excellency
Mzee Jomo Kenyatta
President of the Republic of Kenya

Dear Mr. President:

Thank you for your good message about my recent operation.
I am grateful for the good wishes of your government and the people
of Kenya.

We have carefully studied your offer of facilities for the United
Nations Industrial Development Organization. We appreciate your
generosity and your willingness to have this headquarters in your
country. As I am sure you know, the United Nations has similar offers
from other nations, and is faced with a difficult choice.

Our study has led us to believe that the best solution would be to
establish UNIDO at the UN headquarters in New York. There it would
be able to draw directly on the skills, knowledge, and experience of the
major UN organs.

We are informing all those who have asked for our support that
this is our conclusion. No matter where it is located, I believe UNIDO
can be of great assistance to the young and developing nations.

Sincerely,

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By 108, NARA, Date 11-3-92

Lyndon B. Johnson

~~SECRET~~

Friday, December 9, 1966
10:00 a. m.

pres file
46
via
Watson

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Eugene Black's Report on His Trip to Asia

You have agreed to see Eugene Black on Saturday, December 10, at 11:30 a. m. He wishes to report to you on his second trip to Asia as your representative to discuss social and economic development and regional cooperation.

He will also tell you of a long conversation with Nasser.

Black went to Laos, Thailand, Burma, Malaysia, Singapore, Indonesia, Vietnam, Hong Kong, Taiwan, Korea, Manila and Japan, where he participated with Henry Fowler in inaugurating the governors of the Asian Development Bank.

At each stop Black found continuing high interest in multilateral and regional cooperation, plus active exploration of projects that involve a flow of foreign capital in the area and the institutional framework for increasing their regional contacts. Black confirms the great expectations held for the Asian Development Bank.

He also encountered Asian views that our help is most effective when we

1. Assist in stabilizing their raw materials prices.
2. Help them gain easier and expanded access to foreign markets.
3. Help them cope with problems created by fluctuations in foreign exchange earning capacity.

Thailand, Indonesia, and Malaysia continue to be highly sensitive to our actions affecting rubber and tin. All resent arrangements which impede the expansion of their textile industries.

In reporting to you Black may stress the following:

1. The real possibility of misunderstanding and disappointment if we make too much of the \$1 billion offer for Asian economic development.

~~SECRET~~

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 86-214

By rig, NARA, Date 11-25-88

12/9/66

He may suggest instead that we think of the offer as an order of magnitude of our intentions, rather than a firm promise for which we will in future be held accountable.

2. That we seek from Congress in the spring an appropriation of \$200 million for special funds for the Asian Development Bank, to be matched equally by Japan and "all others," for grants and soft long-term lending. This "soft window" might establish special funds for agriculture, Mekong projects, and transportation and communications development.

3. The desirability of exercising restraint in GSA stockpile disposals and in applying various controls on imports of Southeast Asian exports.

During his trip Black participated in formalizing the Southeast Asia Ministers of Education Secretariat at Manila. Black followed your instructions in presenting our position on a contribution to regional educational projects, and found the education ministers generally satisfied.

Black also had hoped to commit our assistance to the Prek Thnot dam project in Cambodia. As you know, Congressional constraints made this impractical for now. Black then attempted to persuade the Japanese to take the lead in a multinational consortium, and we are still pursuing this. (The latest report from Sect. Rusk suggests the Japanese will take the lead in this matter; but movement is now held up because the Cambodians called off the meeting scheduled for last Saturday)

Black fully understands some of our Congressional problems -- which I discussed at lunch with him -- and has offered to lobby for your regional development objectives. I recommend that you encourage him to do so.

W. W. R.

December 9, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message to the King of Greece on Ship Disaster

The Greek Government has proclaimed a week of national mourning for 230 odd people drowned when a Greek ferry boat sank in the Aegean Thursday. Since they regard this as a national tragedy, it would be appropriate for you to send a message like the following:

"I have learned with the deepest sorrow of the loss of life in the sinking of the Greek vessel Iraklion. The American people join me in extending our sympathy to the Greek nation and especially to the families of the victims in this time of sorrow. I have placed our resources at your Government's disposal to assist in its rescue efforts."

We might even want to release this here after its delivery in Greece because of the large number of Greek Americans who will have heard about this accident and will be concerned. Ships and planes from our Sixth Fleet and Wheelus Base have joined the search and rescue effort. So far only 47 of the 280 persons aboard have been rescued. As far as we know, no Americans were involved.

Bromley Smith
for W. W. Rostow

Approve message ✓

Disapprove _____

Approve White House release _____

Disapprove _____

48
SENT
WHCA

1966 DEC 9 00 54

EEA524
OO WTE 10
DE WTE 2612

FROM: WALT ROSTOW
TO : THE PRESIDENT
CITE: CAP 661223

~~SECRET~~

DECEMBER 8, 1966

FOR THE PRESIDENT FROM WALT ROSTOW
INFORMATION

FOREWARNED IS FOREARMED AND YOU SHOULD BE AWARE THAT THE ISRAELIS ARE NOW ZEROING IN ON OUR PROPOSED SMALL MILITARY AID PACKAGE FOR JORDAN. AMBASSADOR HARMAN WAS IN TO SEE ME THIS AFTERNOON AND CONVEYED THE CLEAR MESSAGE THAT THE ISRAELI GOVERNMENT IS VERY MUCH CONCERNED THAT ANYTHING WE DO FOR JORDAN WILL UNSETTLE THE DELICATE MILITARY BALANCE IN THE AREA. WE WILL BE SENDING YOU MORE FORMALLY IN THE NEXT DAY OR TWO A SPECIFIC PROPOSAL ON JORDAN. DEFENSE STILL HAS NOT QUITE WRAPPED UP ALL THE DETAILS, BUT IT IS FAIR TO SAY THAT THE PACKAGE WILL BE MINIMAL AND WILL NOT SERIOUSLY AFFECT THE ISRAELI-JORDANIAN MILITARY BALANCE. HOWEVER, WE WILL HAVE TO RECKON WITH AN ISRAELI REACTION NO MATTER WHAT WE DO. WE ARE ON FIRM LOGICAL GROUND IN SAYING THAT WE WOULD BE DOING NOTHING MORE FOR JORDAN THAN ALREADY PLANNED IF THE ISRAELIS HAD NOT RAIDED ON 13 NOVEMBER. AFTER ALL, WE ARE ONLY PICKING UP THE PIECES IN A MESS THEY CREATED. BUT REGARDLESS OF HOW FIRMLY WE TAKE THAT LINE, THE ISRAELIS HAVE REGAINED THEIR COMPOSURE AND ARE GOING TO BE PRETTY TOUGH TO DEAL WITH.

WE WILL INCLUDE RECOMMENDATIONS FOR HANDLING THE ISRAELI SIDE OF THE PROBLEM WHEN WE SEND OUR FINAL PROPOSAL TO YOU. HOWEVER, I WANTED YOU TO BE FOREWARNED OF THIS ASPECT OF THE PROBLEM IN CASE SOMEONE SHOULD TRY TO REACH YOU AT THE RANCH.

DTG: 09/0013Z DECEMBER 1966

DECLASSIFIED

Authority: State Dept. Declass. Lists

By: CB, NARA, Date: 8-27-98

GP 290 IMI 290

XEROX FROM QUICK COPY

SECRET
THURSDAY
8 PM 8:00

~~SECRET~~

49

Free file

Friday
December 9, 1966 -- 9:45 am

Mr. President:

This first talk with Brandt as Foreign Minister will interest you.

The key to the existence of the new government -- and its success or failure -- is his phrase "The Germans need to be talked to as if they were grown up."

The general lines of his statement are wholesome. But we shall have to see if they can deliver as serious responsible partners.

W. W. Rostow

~~CONFIDENTIAL~~

Bonn 6906

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By sig, NARA, Date 11-3-92

WWRostow:rlh

Dec. 8, 1966

49a

Copy of Bonn 6906

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 91-125

By 28, NARA, Date 8-12-91

Subject: Meeting with Brandt

1. I called on Foreign Minister Brandt today at his request. This was his first official day at the Foreign Office and I was his first visitor. He had come into the office only briefly yesterday and had met with the Ambassadors at a reception this morning. Brandt received me cordially and warmly reciprocated my expression of pleasure, personally and on behalf of my government, in working with him in his new capacity. He appreciated Secretary Rusk's message and looked forward to seeing him in Paris on Wednesday and Thursday of next week -- also at the Quadripartite dinner. He was sorry that he could not meet him on Tuesday, as the Secretary had suggested; however, he was detained in Bonn by the Chancellor's statement of policy to the Bundestag.

2. Brandt then made a brief statement of the new government's foreign policy. He hoped that we would take it for granted that they reaffirm Germany's traditional friendship with and confidence in the U.S. They hope to add to what has been accomplished together in the past. There had been problems, particularly in the area now under discussion by the trilateral commission; however, he understands that progress is being made. There are a number of problems now facing the government which they look forward to discussing with U.S. frankly, both in seeking advice and soliciting our ideas. He mentioned three particular objectives to which he attached priority:

(a) He was anxious to speed up the progress of the Kennedy Round so that its success could be assured.

(b) He was anxious to take up the problem of Eastern Europe, and to discuss it at an early date with the French.

(c) He hoped that progress could be made concerning the problem of Britain (presumably Britain's entry into the Common Market). He did not expect sensational changes to occur as the result of the Government's efforts. However, he did hope to put more energy into the solution of key problems.

3. Brandt admitted that he was not too familiar with the detailed problems facing NATO. However, he hoped to inform himself prior to the forthcoming Paris meeting. In his statement to the Bundestag, Chancellor Kiesinger will express the hope to see President Johnson. He will not, however, make reference to statements the President has made in the past of his intention to come to Europe (presumably because it was related to Erhard's invitation). The new government will, of course, welcome the President if he does come.

4. I queried the Foreign Minister as to what new impulses the government might add to German foreign policy. Brandt replied that the discussions

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on foreign policy between the CDU/CSU and SPD, which had led to the formation of their coalition, revealed a high degree of common conviction on foreign policy, in particular, with respect to its presentation to the German people. The Germans need to be talked to as if they were grown up -- as indeed they are. The government should not just say all is going well. The problems which Germany faces with the U. S. and France must be explained to the people.

5. Brandt said that the new government will attempt to make a new start with France. He did not know how far this would get. In his view the German-French treaty had been more successful than de Gaulle has been willing to admit. This has been particularly true in the business field. Indeed, the treaty itself is only a skeleton -- which must be fleshed out. He was glad that Prime Minister Wilson was going to Paris first, in connection with his talks on U. K. entry into the Common Market. This will enable Germany to use the apparatus of the German-French treaty to precipitate long-range discussions with France on this subject -- perhaps not immediately but certainly during the latter part of next year. Brandt commented as an aside that he believed the U. S. and France had the same views with respect to East-West relations.

6. Brandt said that the new government was still considering how to approach the nuclear problem. It is clear that Germany does not want ownership of nuclear weapons. They hope that non-proliferation can be worked out so that the legitimate interests of non-nuclear powers can be taken care of. The new government will not take up the so-called "hardware solution."

7. In turning to all-German matters, Brandt said that both parties -- the CDU/CSU as well as the SPD -- were determined not to give up the legitimate aim of Germans to reunify themselves. They hope to develop technical instrumentalities to strengthen ties with the Eastern Zone in the humanitarian, cultural, scientific and economic fields. This would not, however, involve recognition.

8. It is not yet clear what the policy of the new government will be toward Eastern Europe. He and the Chancellor agree that they should express the hope that the progress already made can be extended. They were prepared to normalize diplomatic relations if a formula could be found in accordance with German interests. They are, however, not yet ready to name particular countries in this connection. The Chancellor will, in his statement to the Bundestag, say something special about Poland and Czechoslovakia -- something going beyond the German peace note of March 25. It will, for example, be more specific than the peace note with respect to the Munich

12/8/66

agreement. At the same time, the government would make a gesture to the expellees -- including a clear statement that the government does not approve of their expulsion. The Chancellor's statement will not mention the Oder-Neisse line, but will talk of Poland's future role in Europe. It will show sympathy and understanding for Poland's suffering as a result of its divisions and its desire for security. The Chancellor will say that, in connection with a peace settlement, Germany will be prepared for solutions that will not "be easy for them." No reference, however, will be made to the sacrificing of any specific vital interests -- an indication will only be given of the general direction of German policy.

9. At this point I gave orally to Brandt, almost verbatim, the statement of policy which had been approved by the Department. To this I added the U. S. policy towards emergency legislation, namely, that we, the British and French hope that legislation will be passed which would permit the lapse of allied reserve rights to act in an emergency. We would particularly welcome legislation covering the monitoring of post and telecommunications which would enable the allies to relinquish the rights and responsibilities they are now exercising in this field.

10. In response, Brandt expressed appreciation for the fact that we had prepared such a statement and for the specific statement with respect to German reunification and Berlin. Brandt thereupon raised the question of Berlin voting rights. He did not wish to revert to statements that he had made before assuming his present responsibilities. He did, however, think that the Embassy statement on this issue could have been expressed in a different way. He now wished to discuss this whole question with U.S. fully. As a result of my approach to State Secretary Carstens, he had "taken care of the parliamentary initiative (of the FDP)". "There would be no coup d'etat." He assured me that, although he has issues to raise with us, they would in no way be directed against the rights of the allies.

11. Brandt said that, as a matter of fact, he also wished to discuss with the three powers and the Senat a broader range of questions affecting Berlin, including its future economic situation. This was not with the objective of seeking new aid for Berlin, but rather advice as to how the city should proceed as had been sought after the building of the Wall.

12. I assured Brandt that we would be glad to discuss the voting rights issue or any other Berlin issue at any time. The Secretary hoped in particular to discuss this with him when he saw him in Paris. I did not wish to go into the details of the recent role of the allies in this connection. I felt sure that if there were time to explain the situation from our viewpoint, he would agree that we had no alternative than to take the course we did. I stressed that what we had done was a result of allied positions taken in capitals. We had not made

~~CONFIDENTIAL~~

(Bonn 6906)

-4-

12/8/66

a statement but had responded to questions after a situation had developed which we felt necessitated the affirmation of our position.

13. Brandt stated that the new government will, of course, fulfill its offset obligation. Also, it will in its discussions in the trilateral commission, seek to clarify its budget problems. (There was no time to clarify whether he meant this with respect to the present or only future offsets). He expressed appreciation for our interest in the problem of the "technological gap." This will be appreciated by the Economic Minister Prof. Schiller. In the German presentation in EURATOM with respect to the Polish proposal, they emphasized that the Federal Republic did not wish to break up the European cooperation which has been developed under EURATOM. However, they hoped an agreement could be worked out with IAEA. Brandt expressed the intention of the government to proceed with preparation of emergency legislation.

McGHEE

~~CONFIDENTIAL~~

EEA515/
CO WTE10
DE WTE2601

SENT
WHCA

FROM: WALT ROSTOW
TO : THE PRESIDENT
CITE: CAP661215

1966 DEC 8 17 38

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Sent
12.38 PM

DECEMBER 8, 1966

~~CONFIDENTIAL~~

HEREWITH LODGE'S REPLY TO MY PROD OF YESTERDAY ON THE CIVIL PORT.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 91-124
By *ing*, NARA, Date 11-3-92

QUOTE

1. AS YOUR ARE AWARE, I AM FOLLOWING TH PORT SITUATION ON PRACTICALLY A DAILY BASIS. GENERAL WESTMORELAND IS ALSO EXTREMELY CONCERNED AND HE HAS PUT HIS ENTIRE COMMAND TO WORK TO SOLVE THIS PROBLEM IN THE MOST EXPEDITIOUS WAY.

2. PORT PROBLEM BREAKS DOWN INTO THREE PARTS:

A. THERE IS A QUESTION OF THE IMPORTERS' ABILITY TO LOCATE THEIR CARGO IN THE PORT AND TO GET THE STEVEDORES TO TAKE IT OFF THE BARGES ONCE IT IS LOCATED. THE WORK OF THE U.S. MILITARY IN ESTABLISHING A CARGO ACCOUNT-ABILITY SYSTEM HAS BEEN VERY HELPFUL IN THIS REGARD, BUT WE ARE STILL NOT SATISFIED THAT IMPORTERS WHO WANT THEIR CARGO CAN ALWAYS FIND IT AND GET IT OFFLOADED. WE ARE DOING A WHOLE SERIES OF CHECKS TO SEE WHAT CAN BE DONE TO IMPROVE THE SITUATION.

B. SECOND, THERE ARE OTHER IMPORTERS WHO DO NOT WISH TO TAKE THEIR CARGO OUT OF THE PORT RAPIDLY, EITHER BECAUSE THEY HAVE NO WAREHOUSES OR BECAUSE THEY EXPECT PRICE INCREASES IN THE FUTURE. IT IS IN REGARD TO THESE IMPORTERS THAT WE FEEL THE GOVERNMENT MUST WIELD A CLUB, CONFISCATE THEIR GOODS AND BLACKLIST THEM FROM FURTHER IMPORT LICENSES. I INTEND TO SPEAK TO PRIME MINISTER ABOUT THESE MATTERS AGAIN LATE THIS AFTERNOON.

C. THE SHORTAGE OF ADEQUATE CREDIT OVER THE LAST TWO MONTHS HAS PREVENTED SOME IMPORTERS FROM GETTING FINANCING FOR THEIR GOODS AND THUS THEY COULD NOT REMOVE THEM FROM THE PORT. THE ECONOMIC COUNSELOR HAS DISCUSSED THIS MATTER AT CONSIDERABLE LENGTH WITH GOVERNOR HANH AND THIS LAST MONDAY, THE GOVERNOR ANNOUNCED A MAJOR RELAXATION OF CREDIT, WHICH WE THINK MAY REMOVE THIS PROBLEM, AND SOME TIMES THIS EXCUSE, FOR IMPORTERS TO REMOVE THEIR GOODS FROM THE PORT. ALL IN ALL, WE WOULD NOT SEEK TO MINIMIZE FACT THAT WE HAVE A LONG WAY TO GO YET IN GETTING THE PORT TO OPERATE EFFICIENTLY. NEVERTHELESS, WE HAVE THE INGREDIENTS NOW IN THE FORM OF THE U.S. MILITARY PARTICIPATION IN PORT OPERATIONS AND IN INCREASED CREDIT TO OBTAIN CONSIDERABLE IMPROVEMENT IN PORT OPERATIONS IN THE NEAR FUTURE.

3. I WILL REPORT FURTHER ON THIS MATTER AFTER SEEING THE PRIME MINISTER THIS AFTERNOON.

END QUOTE
GP-1

DTG: 08/1650Z DEC 1966

[Handwritten signature]
~~CONFIDENTIAL~~

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1966 DEC 8 18 56

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1:56 PM

EEA518
OO WTE10
DE WTE 2604

FROM: WALT ROSTOW
TO : THE PRESIDENT
CITE: CAP661217

CONFIDENTIAL

~~CONFIDENTIAL~~

DECEMBER 8, 1966

HEREWITH UNSOLICITED EYE-WITNESS REPORT OF BIHAR FROM
SENATOR MCGHEE.

CALCUTTA 666

QUOTE

1. HAVE JUST ARRIVED CALCUTTA FROM VISIT BY JEEP THROUGH
GAYA DISTRICT IN BIHAR. DISCUSSED EXTENT OF CROP FAILURE
AND STEPS BEING TAKEN TO AVERT GRAVE THREAT OF FAMINE WITH
DIVISION COMMISSIONER FROM PATNA, DISTRICT COMMISSIONER OF
GAYA, AND LOCAL CARE AND AID REPRESENTATIVES.

2. BARREN FIELDS PROVIDED MUTE COUNTERPOINT TO STATISTICS
REGARDING DROUGHT. I AM SATISFIED THAT IT WOULD BE DIFFICULT
TO EXAGGERATE MAGNITUDE OF CRISIS. FOR EXAMPLE, CARE ESTIMATES
MINIMUM EMERGENCY FEEDING REQUIREMENT THREE MILLION FIVE
HUNDRED THOUSAND MEALS A DAY FOR CHILDREN AND FOR PREGNANT
AND NURSING MOTHERS OVER EIGHT MONTH PERIOD. THIS WOULD COVER
ABOUT 10 PER CENT OF POPULATION IN MOST SEVERELY AFFECTED
AREAS OF STATE (I.E. SUBDIVISIONS WITH PADDY RICE YIELD OF
LESS THAN 25 PER CENT NORMAL).

DECLASSIFIED
State 1-12-78. NSC 8-15-78 (#35)
By OCA per/w NARS, Date 8-26-86

XEROX FROM QUICK COPY

3. I WAS FRANKLY SURPRISED BY EXTENT OF EFFORTS OF STATE AND LOCAL AUTHORITIES TO MEET THIS CRISIS. FAIR PRICE SHOPS SEEM WIDELY DISPERSED AND FUNCTIONING. AT ONE WE SAW INDIGENT WOMEN COLLECTING FREE RATIONS ON PRESENTATION OF SPECIAL RED RATION CARD, SIXTY THOUSAND OF WHICH HAVE ALREADY BEEN DISTRIBUTED THROUGHOUT STATE. WE ALSO VISITED TWO CHILD FEEDING PROGRAMS IN ACTION USING TITLE III COMMODITIES. FINALLY, WE SAW SEVERAL WORKS PROJECTS WHERE LANDLESS LABORERS EARNED MONEY TO BUY FOOD RATION. (THESE WORKS PROJECTS SEEM TO ME TO BE EFFECTIVE MEANS OF STABILIZING RURAL POPULATION IN PARTICULARLY HARD-HIT AREAS, AVERTING MASS OKIE-TYPE MIGRATIONS THAT COULD POSE MAJOR STRAINS ON SOCIAL AND POLITICAL FABRIC.)

4. I AM UNABLE TO ASSESS FULLY EXTENT TO WHICH STATE AND LOCAL POLITICS IN INHIBITING RESPONSE TO THIS GRAVE CRISIS. FROM WHAT I SAW, AND FROM COMMENTS OF LOCAL CARE AND AID REPS, I WOULD JUDGE THAT OFFICIALS AT LOCAL AND DISTRICT LEVEL ARE DOING AS WELL AS THEY CAN WITH LIMITED RESOURCES. IF FOOD PIPELINE HOLDS UP SO THAT BIHAR'S TWELVE THOUSAND FAIR PRICE SHOPS (WHICH DEPEND ALMOST EXCLUSIVELY ON TITLE I AND OTHER FOOD IMPORTS) CAN CONTINUE TO OPERATE EFFECTIVELY; AND IF ADEQUATE COMMODITIES ARE AVAILABLE UNDER TITLES II AND III FOR MASSIVE EMERGENCY FEEDING REQUIREMENTS, I BELIEVE A MAJOR DISASTER MAY BE AVERTED.

5. THEREFORE, I STRONGLY REAFFIRM MY EARLIER RECOMMENDATION OF IMMEDIATE SHORT TERM US ACTION TO HELP ASSURE THAT THESE MINIMUM REQUIREMENTS MET WHEN I RETURN TO US. I LOOK FORWARD TO DISCUSSING LONGER-TERM US FOOD POLICY IN CONTEXT OF WHAT INDIA IS AND OUGHT TO BE DOING TO ACHIEVE AGRICULTURAL SELF-SUFFICIENCY.

UNQUOTE

~~CONFIDENTIAL~~

DTG: 08/1817Z DEC 1966

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1966 DEC 8 18 02

Sent
1:02 PM

EEA516
OO VTE10
DE VTE 2602

~~SECRET~~

FROM: WALT ROSTOW
TO : THE PRESIDENT
CITE: CAP661216

~~SECRET~~

DECEMBER 8, 1966

FOR THE PRESIDENT FROM WALT ROSTOW

SUBJECT: INDIAN FOOD

IF WE ARE GOING TO HOLD OFF OUR INDIAN FOOD DECISION UNTIL YOUR CONGRESSIONAL MISSION REPORTS JUST BEFORE CHRISTMAS, THERE MAY BE SOME USE IN GIVING THE INDIANS SOME NOTION OF THAT TIMING, SO LONG AS WE DON'T FORECLOSE WHAT YOUR DECISION WILL BE. SUCH KNOWLEDGE COULD ACCELERATE THEIR OWN SELF-HELP MEASURES, SINCE THEY WOULD HAVE TO COVER MUCH OF FEBRUARY'S ARRIVALS ON THEIR OWN INITIATIVE.

RIGHT NOW, THEY EXPECT A DECISION ALMOST ANY DAY. WE'VE TOLD THEM NOT TO COUNT ON IT, BUT THEY CAN'T BELIEVE THAT RECENT PRESS STORIES ARE COMPLETELY UNFOUNDED. TELLING THEM THAT THEY'LL HAVE TO WAIT ANOTHER 2 TO 3 WEEKS WILL SPUR THEM TO PRESS FOR AUTHORIZATION TO MAKE ADDITIONAL PURCHASES HERE AND TO KEEP THE HEAT ON THE AUSTRALIANS AND CANADIANS, SINCE THESE WILL BE VIRTUALLY THEIR ONLY NEW SOURCES OF SUPPLY FOR FEBRUARY UNLESS SOME GRAIN NOW PROGRAMMED FOR JANUARY ARRIVAL SPILLS OVER.

WE COULD KEEP YOUR FLEXIBILITY BY ALSO TELLING THEM THAT WHATEVER DECISION YOU MAKE THEN WILL BE AN INTERIM ONE. THAT WILL KEEP THEM FROM EXPECTING TOO MUCH.

DECLASSIFIED
State 1-12-78; NSC 8-15-78 (#1046)
By *Deitgen lw* NARS, Date 8-26-86

I RECOMMEND THAT YOU AUTHORIZE ME TO SEE THAT THE INDIAN GOVERNMENT GETS THE FOLLOWING MESSAGE:

1. THEY SHOULD NOT EXPECT A DECISION ANY DAY AS THE PRESS HAS BEEN MISTREPORTING. YOU CANNOT MAKE A DECISION UNTIL YOU CONSULT WITH THE MEMBERS OF CONGRESS WHO HAVE BEEN LOOKING INTO THIS FOR YOU, AND THEY WON'T RETURN UNTIL JUST BEFORE CHRISTMAS.

2. WE CAN'T FORESEE WHAT YOUR DECISION WILL BE, SINCE IT WILL DEPEND HEAVILY ON THEIR ADVICE.

3. IN THE MEANTIME, THEY SHOULD BUY WHAT THEY CAN IN THE AMERICAN MARKET AND PRESS THE AUSTRALIANS AND CANADIANS FOR AS MUCH CONCESSIONAL HELP AS POSSIBLE. ALTHOUGH WE ASSUME JANUARY ARRIVALS ARE NOW PRETTY WELL COVERED, THE INDIANS THEMSELVES WILL HAVE TO HOUND UP ENOUGH TO COVER THE FIRST PART OF FEBRUARY TOO.

YES, TELL THE INDIANS-----

NO, KEEP THEM GUESSING-----

DTG : 081717Z DEC 66

53

SENT
WHCA

1966 DEC 8 00 58

EEA508
OO WTE10
DE WTE 2594

FROM: W. ROSTOW
TO : THE PRESIDENT
CITE: CAP661209

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DECEMBER 7, 1966

THE FOLLOWING WAS DELIVERED BY THE APOSTOLIC DELEGATE TO
THE STATE DEPARTMENT THIS AFTERNOON.

"THE APOSTOLIC DELEGATION HAS BEEN REQUESTED BY THE
SECRETARIAT OF STATE OF HIS HOLINESS, POPE PAUL VI, TO
INFORM IN ADVANCE THE DEPARTMENT OF STATE THAT, ON DECEMBER
8TH, 1966, HIS HOLINESS WILL MAKE REFERENCE TO THE ANNOUNCED
CHRISTMAS TRUCE IN VIETNAM. HE WILL EXPRESS THE WISH THAT
THIS TRUCE WILL BE TRANSFORMED INTO AN ARMISTICE, THEREBY
GIVING FURTHER HOPE FOR FRUITFUL NEGOTIATIONS FOR PEACE."

IT ARRIVED SHORTLY AFTER NICK, BOB MCNAMARA, AND I HAD
AGREED THAT JIM ROWE MIGHT TALK TO THE APOSTOLIC DELEGATE;
BUT IT TURNS OUT THAT TOMORROW IS THE DAY FOR THE ANNOUNCE-
MENT.

JIM WILL HAVE A LAST MINUTE TALK WITH THE APOSTOLIC
DELEGATE NOW; BUT WE ARE NOT HOPEFUL.

WE ARE WORKING ON HOW IT SHOULD BE HANDLED.

DTG: 08/0016Z DEC 1966

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By ing NARA, Date 11-3-92

PRESERVATION COPY

66 DEC 7 PM 8:06

WEDNESDAY

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ia wife

12/8/66

54

FOR THE PRESIDENT FROM WALT ROSTOW

SUBJECT: Indian Food

If we are going to hold off our Indian food decision until your Congressional mission reports just before Christmas, there may be some use in giving the Indians some notion of that timing, so long as we don't foreclose what your decision will be. Such knowledge could accelerate their own self-help measures, since they would have to cover much of February's arrivals on their own initiative.

Right now, they expect a decision almost any day. We've told them not to count on it, but they can't believe that recent press stories are completely unfounded. Telling them that they'll have to wait another 2 to 3 weeks will spur them to press for authorization to make additional purchases here and to keep the heat on the Australians and Canadians, since these will be virtually their only new sources of supply for February unless some grain now programmed for January arrival spills over.

We could keep your flexibility by also telling them that whatever decision you make then will be an interim one. That will keep them from expecting too much.

I recommend that you authorize me to see that the Indian government gets the following message:

1. They should not expect a decision any day as the press has been misreporting. You cannot make a decision until you consult with

DECLASSIFIED	
State 1-12-78	NSC 8-15-78 (#1046)
By <i>DA per lw</i>	NARS, Date 8-26-86

~~SECRET~~

12/8/66

the members of Congress who have been looking into this for you, and they won't return until just before Christmas.

2. We can't foresee what your decision will be, since it will depend heavily on their advice.

3. In the meantime, they should buy what they can in the American market and press the Australians and Canadians for as much concessional help as possible. Although we assume January arrivals are now pretty well covered, the Indians themselves will have to round up enough to cover the first part of February too.

Yes, tell the Indians _____

No, keep them guessing _____

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SECRET

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Rostow

~~CONFIDENTIAL~~

1966 DEC 7 21 47

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DE YEKADS 2585 3412130
O 072128Z ZYH
FM THE WHITE HOUSE WASHDC
TO AMEMB SAIGON
ZEM

3.3(b)(1)

~~CONFIDENTIAL~~

CITE CAP661200

DECEMBER 7, 1966
TO: AMBASSADOR LODGE, SAIGON
FROM: WALT ROSTOW

YOU SHOULD KNOW HIGHEST AUTHORITY GREATLY CONCERNED WITH
STATE OF CIVIL PORT, BARGES, ETC. AS YOU KNOW, HE DISCUSSED
THIS WITH KY WHO PROMISED PROMPT REMEDY. SITUATION AS
OBSERVED BY VISITING MEMBERS OF CONGRESS COULD COMPLICATE
OUR TASK HERE.

130

NNNN

~~CONFIDENTIAL~~

SANITIZED

E.O. 13292, Sec. 3.5

NLJ 04-15

By ebm, NARA, Date 6-14-04

56

~~CONFIDENTIAL~~

December 7, 1966

FROM WALT ROSTOW
TO THE PRESIDENT

The following was delivered by the Apostolic Delegate to the State Department this afternoon.

"The Apostolic Delegation has been requested by the Secretariat of State of His Holiness, Pope Paul VI, to inform in advance the Department of State that, on December 8th, 1966, His Holiness will make reference to the announced Christmas truce in Vietnam. He will express the wish that this truce will be transformed into an armistice, thereby giving further hope for fruitful negotiations for peace."

It arrived shortly after Nick, Bob McNamara, and I had agreed that Jim Rowe might talk to the Apostolic Delegate; but it turns out that tomorrow is the day for the announcement.

Jim will have a last minute talk with the Apostolic Delegate now; but we are not hopeful.

We are working on how it should be handled.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 91-124
By ing, NARA, Date 11-3-92

WWRostow:rln

~~CONFIDENTIAL~~

EO 12958 3.4(b)(1)-25Yrs
(C)~~CONFIDENTIAL~~ -- 

December 7, 1966

TO: Ambassador Lodge, Saigon

FROM: Walt Rostow

SANITIZED
E.O. 12958, Sec. 3.6
NLJ 98-503
By ab **, NARA Date** 10-5-00

You should know highest authority greatly concerned with state of civil port, barges, etc. As you know, he discussed this with Ky who promised prompt remedy. Situation as observed by visiting members of Congress could complicate our task here.

WWRostow:rln

~~CONFIDENTIAL~~

works

~~SECRET~~

Wednesday - December 7, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Latin America: Situation Reports

I forward the situation reports on the Dominican Republic, Guatemala and Panama which you asked that Linc Gordon prepare.

I would add the following personal postscripts to them:

Dominican Republic

Despite Col. Nivar Seijas' past loyalty to Balaguer, I am suspicious of a man -- particularly in the Dominican context -- who seeks control of the military, police and intelligence forces. [REDACTED]

Guatemala

While I am encouraged by President Mendez Montenegro's recent display of leadership, I think State's assessment is a little on the "rosy" side. Mendez is making headway on the economic front and in his anti-guerrilla campaign, but he has not yet consolidated his position.

Panama

The general picture has improved in the past 24 hours.

Specifically, the Rio Hato incident is deflating; and the restrictions on the loan authorizations for the urban impact program were readily deleted by the Assembly on the second go-round after Robles' veto. The restrictions appeared in the original bill because the Finance Minister failed to make his objections known in advance. It was not an Assembly effort to embarrass Robles or block our support.

I have arranged with Linc Gordon to have a meeting of the Panama Review Group (Anderson, Irwin, Resor, Gordon, Helms and myself) on Thursday, December 22, to review the entire Panama situation and make a report to you.

W. W. Rostow

cc -- Bill Moyers

~~SECRET~~

SANITIZED
E.O. 13292, Sec. 3.5
NLJ 04-15
By cbm, NARA, Date 6-14-04

DECLASSIFIED
E.O. 12958, Sec. 3.6

NLJ 98-500

~~CONFIDENTIAL~~

By ics, NARA Date 4-27-99

Dominican Republic Situation Report
December 6, 1966

Despite some recent negative developments, prospects for stability in the Dominican Republic for at least the next few months remain good. A new crop of rumors of an Imbert-led plot to assassinate President Balaguer appears to have no foundation in fact. Nevertheless, the President's closest associates seem to be giving these rumors more credence than they gave to similar ones in the past. The principal source of this new wave almost certainly is the President's military aide, Colonel Neit Nivar Seijas, who appears to be maneuvering to gain control of key elements in the Dominican military structure. One of his tactics has been to try to discredit in Balaguer's eyes those military commanders who are not responsive to him; this factor is evident in the present situation.

Nivar has been a perennial plotter in the past--usually in behalf of Balaguer-- and is regarded with considerable suspicion and uneasiness by many officers in the Armed Forces. President Balaguer has indicated an awareness that Nivar's machinations may create problems for his Government within the military, but so far has taken no corrective measures; his restraint results in part from his feeling of loyalty to Nivar for past services rendered. We have no evidence that Nivar is disloyal to Balaguer or is looking to the latter's replacement. If he were to achieve his ambition of becoming Secretary of the Armed Forces, the consequent dissatisfaction among some important military figures could impair the present basic loyalty of the Armed Forces to Balaguer. The Embassy through appropriate channels has made known to Balaguer that we have no information to corroborate the stories coming from the Palace of an assassination plot, thus indirectly challenging Nivar's bona fides.

In October and early November the radical wing of Juan Bosch's PRD won key positions in the party's governing councils and abandoned the party's role of "constructive opposition" (in fact passivity) to the Government in favor of "revolutionary nationalism." The PRD, however, has more recently moderated the tone of its opposition and has explained that it is not now advocating the overthrow of the Balaguer Government. The PRD's

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-2-

new Secretary General, Francisco Peña Gomez, assured Ambassador Crimmins that the party would not be taken over by or make common cause with the Communists. The effectiveness of these assurances remains to be seen.

With Bosch's departure from the Dominican Republic on November 26 for an extended vacation abroad, the leadership of the party and its future direction is left very much unsettled. Nevertheless, it seems clear that the radical wing would not be able to carry the party intact into total opposition to the Government and any attempt to do so would probably break the PRD into relatively ineffective splinter groups. Our main concern is to arrest the polarizing trends now evident in the political situation by, on the one hand, bringing President Balaguer and those around him to an appreciation of the need for some reasonable relationship with the opposition, and, on the other, trying to increase the influence of moderate elements within the opposition. Should Balaguer drift into authoritarianism under pressure either from some of his own advisers or from an intransigent opposition, definite polarization could result and leave Balaguer and the civilian and military right on one side and the rest of the country on the other.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~GUATEMALA SITUATION REPORT

Since taking office on July 1 of this year President Julio Cesar MENDEZ Montenegro has shown considerable skill in dealing with extremists of the Right and the Left and in maneuvering to win the support of the privileged classes for tax increases to finance development programs and social reforms. In response to Guatemalan requests we have increased our assistance to the security forces and have given priority to consideration of Guatemalan requests for development loans.

President Mendez moved cautiously at first in dealing with the communist-oriented insurgents in the belief he could induce them to lay down their arms now that a popularly elected government is in power. When the guerrillas rejected offers of reconciliation and amnesty and resumed terrorist activities in August, Right-wing extremists seized the opportunity to declare that the administration was soft on communism; they mounted a campaign to enlist the military in support of a coup. At this point, we instructed our Ambassadors in Central America to make clear to heads of state and key figures in the area, including Guatemalan Rightists, our support of constitutional government in Guatemala. The Rightists were not able to gain substantial backing in the Guatemalan army, and our approaches in the neighboring countries effectively undercut their efforts among the military in Honduras and El Salvador to obtain material and moral support.

The Guatemalan army in October finally took to the field in force against the insurgents and has kept the pressure on now for almost two months. Results have been dramatic - a number of guerrillas have been killed, others have been captured and several encampments have been destroyed. The inhabitants of insurgent infested regions seem no longer to fear the guerrillas and have been demonstrating recently against terrorism and in favor of the government. Acts of terrorism continue throughout the country, but the army has the initiative.

Our assessment at this time is that President Mendez is in control of the country; his actions to date indicate he has sufficient political skill to retain enough support to remain in office. Right-wing extremists have been discredited; the insurgents are able to carry out terrorist activities of a desperation nature, but their movement appears to be losing momentum. Work on developmental projects has begun and the tempo is expected to accelerate in the months ahead. The wealthy and the landed gentry support in principle a tax increase and have agreed to discuss the matter during 1967 with the administration. Meanwhile, a temporary tax measure will provide the additional revenues needed by the government during 1967.

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E.O. 12356, Sec. 3.4

NIJ 91-125

By 110, NARA, Date 8-12-91

~~SECRET~~PANAMA--SITUATION REPORT

The canal treaty negotiations have progressed well in recent weeks. On December 3, Ambassadors Anderson and Irwin reviewed in detail the status of each of the three agreements, and it is believed that discussions with the Panamanians can now proceed expeditiously on the remaining unresolved issues. The Panamanian negotiators are going to Panama on December 12 to report to the National Assembly on the status of the negotiations. They plan to return around December 20 and intensive negotiations can resume shortly after the first of the year. The Robles Government continues to press for the completion of the negotiations by mid-1967 in order that the new treaties can be submitted to the National Assembly before campaign activity begins for the 1968 Panamanian Presidential elections.

In the meantime, there have been some developments in Panama which could complicate United States-Panamanian relations and the treaty negotiations. The National Assembly recently approved a bill containing a provision requiring that the Panamanian flag be flown by all ships transiting the canal. Under international practice ships transiting the canal now fly the United States flag in recognition of our jurisdiction over the area. The question of whose flag will fly on ships in the canal will be dealt with in the negotiations and it is possible that under the new treaty the Panamanian flag will be flown on ships, either alone or together with the United States flag. However, we are not now prepared to agree to the flying of the Panamanian flag before the negotiations are completed. President Robles has vetoed the bill on another issue and returned it to the Assembly. He has told Ambassador Adair that if the bill is passed, the GOP will not enforce the troublesome sections. Nevertheless, the flying of flags is a highly nationalistic issue in Panama and the passage of the bill could cause problems.

Another disturbing development occurred in connection with the Government's request for the Assembly's authorization to borrow funds from the United States to finance an urban impact program. The authorization given by the Assembly provided that only Panamanian companies were eligible to bid on the work to be financed by the loans. This restriction is unacceptable and unless it is changed by the Assembly we will not be able to make

GROUP 3

Downgraded at 12-year intervals;
not automatically declassified

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E.O. 12356, Sec. 3.4
NLJ 91-125
By WJG, NARA, Date 8-12-91

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2

the loan. President Robles has vetoed the bill and returned it to the Assembly with a recommendation that the objectionable restriction be eliminated. The most recent and perhaps most disturbing incident grew out of the alleged detention of a Panamanian airplane by United States military authorities at the United States-leased Rio Hato training area. Widespread anti-United States criticism has been generated in the Panamanian news media and in the Assembly over the incident which is condemned as a violation of Panamanian sovereignty.

We have requested Ambassador Adair's assessment of these recent developments. Meanwhile, plans are being prepared within the United States Government for the possible contingencies which might arise should the treaty negotiations not be successful. We are also following closely the internal political situation in Panama and the effect which it might have on the negotiations and on the ability of the Robles Government to obtain approval of new treaties. A review of the situation and of our policies may be desirable prior to resumption of negotiations in January.

~~SECRET~~

Wed., December 7, 1966
1:00 p. m.

59
(in pouch)
(cy to Bill Moyers)

MR. PRESIDENT:

Herewith Nick Katzenbach forwards an interim draft of the State of the Union Message.

A further draft will be forthcoming.

This draft is structured around your speech at Lancaster, Ohio; the Alumni Council and East-West speeches on Asia; the Oct. 7 speech on Europe; and the OAU speech on Africa.

I have forwarded a copy to Bill Moyers.

W. W. R.

Attachment

5149
59a

DEPARTMENT OF STATE
WASHINGTON

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December 6, 1966

MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

Subject: State of the Union Message

Enclosed is a draft of the foreign affairs section of the State of the Union Message. We are continuing to work on it, however, both in terms of style and substance, and will send you a revised draft soon.


Acting Secretary

Enclosure:

As stated.

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December 3, 1966

DRAFT SECTION ON FOREIGN AFFAIRS

I. Introduction

Today, we stand at the beginning of the last third of the Twentieth Century.

The first two-thirds were dominated by two world wars and their aftermath. The final third can, if we and others will it, be a period of progress toward a peaceful world order.

Some problems left by two world wars remain; but they no longer dominate the world scene. We can now turn more confidently toward the future, and devote our energies to new tasks.

As I see it, these tasks fall under four main headings:

First, safeguarding a just peace by deterring or defeating aggression.

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Second, waging war on hunger, ignorance, and disease.

Third, strengthening regional partnerships in which we and others can pursue our common purposes more effectively, and which can - together with a stronger United Nations - serve as the framework of an emerging world order.

Fourth, seeking wider reconciliation with nations now under Communist rule so that they, too, can be drawn into that world order.

In the last third of the twentieth century, more than in any other age, the key to effective action will be joint action. No state, however powerful, can meet the needs of the day, alone.

That is why regional associations can be the key to success in achieving our other purposes: keeping peace, seeking progress, and reaching out for reconciliation.

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I shall speak of our effort to help build such communities, in each of the great regions which our policy touches.

II. The Pacific World

Many events in the last year testify to an emerging sense of community and cooperation among the nations which look out to each other across the Pacific basin. These largely Asian initiatives include:

-- The Southeast Asian Development Conference in Tokyo in April.

-- The meeting of the Asian and Pacific Council in Seoul in June.

-- The revival of the Association for Southeast Asia in August.

-- The Manila Conference in October.

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- 4 -

-- The inaugural meeting of the Asian Development Bank
in Tokyo in November.

-- The Asian Agricultural Conference in Tokyo in December.

Everywhere I went on my recent trip, I sensed this growing
feeling of partnership.

America is ready to play its full part. Our future lies
in forging cooperative ties with our neighbors across the
Pacific, as well as with those across the Atlantic and in our
own Hemisphere.

This emerging community of Pacific nations can only take
shape if it is shielded against aggression.

Our forces are joined with those of other countries that
met at Manila in resisting aggression in Vietnam.

That aggression is, in the most literal sense,

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reactionary. It rests on standards of conduct which belong to the past and will surely fail.

The evidence of that failure is already at hand:

-- In the defeats which North Vietnamese regular army units have suffered in South Vietnam.

-- In the growing allied efforts to counter guerrillas which these defeats have made possible.

-- In the increasingly effective "revolutionary development" program which South Vietnam is mounting to this same end.

-- In the South Vietnamese elections and the work of the Constituent Assembly -- which give hope of good progress on the political front.

When Hanoi will recognize that victory is beyond its grasp I cannot say. Until then we must persevere.

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Confident of ultimate success, we can begin to prepare for the work of construction which will follow.

Even now, the pace of economic development in the Pacific basin is quickening. My special emissary, Eugene Black, has just returned from the area and has given me an encouraging report. We will do all we can to help Asian countries take advantage of growing opportunities in the area.

In this emerging community of the Pacific nations, the people of mainland China can find a place of honor and profit, if their rulers will turn to peaceful tasks. To this end, we seek widening contacts with that great people.

III. South Asia

In the subcontinent of South Asia, regional cooperation is essential, if India and Pakistan are to build a better life for their peoples.

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The primary responsibility for resolving these two countries' differences must be borne by them. As a friend, we stand ready to help in the task of reconciliation.

For South Asia is the principal battleground in the war against hunger and poverty. If India and Pakistan do not win that battle, there can be no stability elsewhere in Asia.

That is why the United States has provided -- and will continue to provide -- food to help assure healthy and productive minds and bodies.

That is why the United States is playing -- and will continue to play -- a large role in the consortia that the World Bank has organized to help India and Pakistan.

Our assistance is predicated on continuing self-help by these countries.

This means effective economic policies.

It means a continuing effort to substitute cooperation for conflict as the basis for the relationship between these two countries. The obstacles are many. But a generation which has seen apparently intractable quarrels elsewhere solved by the building of wider communities will not despair of these two countries also finding ways of taking common action to meet common problems.

IV. Near East

In the Near East, too, the US stands ready to help in making cooperation succeed.

Prospects for that cooperation are clouded by the tension between Israel and its Arab neighbors. This tension can only be reduced on the basis of respect for the territorial integrity of all the countries involved. The US is pledged to oppose

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aggression in the Near East. We will fulfill our pledge.

V. Africa

Some months ago I said that "the accidents of national boundaries do not have to lead to hostility and conflict, or serve as impossible obstacles to progress" in Africa.

Since then, there has been some progress toward cooperation in this old continent of new nations:

- The African Development Bank has begun operations.
- The World Bank is exploring new cooperative development efforts.
- Sub-regional institutions have been strengthened.
- Progress on multi-national projects has been made.

I have directed that US aid to Africa give special emphasis to supporting this trend toward regional cooperation.

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Many difficulties remain.

But the goal is clear:

-- An Africa in which each nation can both shape its own destiny and cooperate with others to common ends.

-- An Africa in which aspirations, which we share, for majority rule and human rights can be fulfilled.

VI. Latin America

In Latin America, the Alliance for Progress has reversed the downward economic trend that was evident from 1953 to 1963.

Further heartening progress toward social progress and political democracy has been achieved.

But redoubled efforts will be needed if this progress is not to stall. Again, joint efforts will be the key to success.

To spur these efforts, the Presidents of Alliance member

countries will meet later this year. We hope that this meeting will lead to further break-throughs in economic integration, and to substantial advances in agriculture and education, in the Latin American countries.

VIII. Europe

In Western Europe, too, the tradition of national parochialism is steadily yielding to the concept of cooperative community. We welcome the growing strength and effectiveness of the Common Market. We look to growing partnership with a Western Europe which we hope will be increasingly unified, in the great tasks of peace, progress, and reconciliation:

Peace: The powerful allied forces of NATO stand guard in Western Europe. They have kept the peace for 20 years. We will play our full part in maintaining and modernizing this structure.

Progress: We are ready to join a grouping of interested European countries in studying ways to share the benefits of advanced science and technology. We look forward to expanded common efforts with our European friends in providing food aid and developmental assistance to the less developed nations of the world.

Reconciliation: The division of Europe and Germany can only be healed, on the basis of self-determination, by constructive change in East-West relations. To this end:

I announced on October 7 a number of new actions to enhance our ties with the nations of Eastern Europe and the Soviet Union.

I am asking the Congress to enact the East-West trade bill and to approve our consular convention with the USSR.

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We are negotiating with the USSR on matters of wide common interest: peaceful uses of outer space, halting the spread of national nuclear weapons, and avoiding a spiralling strategic arms race.

Change on the East-West front, like movement toward Western European unity, will be a continuing historic process. All the more reason to be clear as to the end we seek: a Europe in which Germany will no longer be divided, in which East and West can cooperate, and in which the emerging Western European community can play its rightful role--both in building a stable Europe and in wider arenas.

VIII. Conclusion

I have spoken of our four purposes abroad: peace, progress, partnership, and reconciliation.

I have tried to show how these purposes shape our

policies in key areas of the world.

To fulfill these purposes, we need effective instruments.

Defensive strength is needed to deter aggression. To this end, we must maintain our own armed forces and, where needed, provide military assistance to others.

An effective foreign economic policy is needed, to spur progress. This means:

First: Pressing ahead to complete the vitally important Kennedy Round trade negotiations. The major trading nations of the world have within their grasp an opportunity to reduce existing trade barriers significantly - with great benefits both to themselves and to the developing nations.

Second: Beginning, even as the Kennedy Round negotiations enter their final phase, to shape the course of our trade

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policy in the years ahead. I have asked my Special Representative for Trade Negotiations, Governor Herter, to undertake now a careful examination of that policy, in cooperation with the Departments concerned. I will shortly announce the appointment of a public advisory committee of distinguished citizens representing industry, agriculture and labor to assist in this examination.

Third: Assisting developing countries which seek our help, and which are undertaking national programs, to solve their pressing population problems.

Fourth: Providing development financing--in which I shall shortly propose to the Congress a modest, but essential increase. Along with this must go growing efforts to help education abroad and to expand our cultural exchanges.

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Fifth: Providing food to countries that need it and that are attacking their agricultural problems effectively. The Food for Freedom Act, in spite of some undesirable restrictions on our flexibility, makes this possible.

Sixth: Working to improve the international monetary system, in order to support the higher levels of world trade that will be needed in the last third of this century.

In these latter three respects, I hope that other countries will play their full part. I hope, particularly, that they will join us in supporting substantially increased resources for IDA, the soft loan window of the World Bank.

In the provision of increased resources for development, much more is at stake than the prospects for economic growth.

The movement toward new forms of cooperation among

developing countries hinges upon their commitment to a common and constructive goal.

That goal should be building a better life for all.

But such a goal will not grip these countries, unless they believe that it can be attained.

And it cannot be attained without our help.

It's as simple as that.

In this and other ways, we must accept our share of responsibility for determining:

-- whether giant new steps in building a peaceful world order can be taken;

-- whether the promise of the last third of the twentieth century can be fulfilled.

The American people have never shrunk from a great

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challenge and large opportunities yet.

They will not shrink now.

They will go forward with others in building a world
in which the concept of common action, based on common interests
and common institutions, can increasingly take hold.

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Tuesday, December 6, 1966

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MEMORANDUM FOR THE PRESIDENT

*Mr. Rostow
Carried through*

SUBJECT: Program Loan for Brazil

AID requests (tab A), under the new commitments procedure, your authorization to negotiate the following assistance package for Brazil for 1967:

- a \$100 million program loan
- up to \$90 million for project loans (fertilizer plant, power generating facilities, highway maintenance equipment, seed capital for a national savings and loan system, and agricultural diversification) without submitting each project for your approval.

AID also asks your approval to start discussions with the Brazilians on "sector" loans in agriculture, education and health for 1968 without making any specific dollar commitments. This lead time is necessary in order to influence the Brazilian 1968 budget preparations which begin in early 1967.

The \$190 million loan level is \$40 million less than you authorized for 1966.

BOB recommends approval of the AID request (Tab B). Treasury objects to only one aspect. Joe Fowler is against the use of dollars for a \$20 million savings and loan (home financing) project included in the \$90 million project loan level. He argues that cruzeiro counterpart funds generated by the program loan should be used instead (Tab C).

Joe Fowler consistently opposes the use of dollar loans for local cost financing because of their alleged adverse impact on our balance of payments position. To get at the facts, an inter-agency group under the direction of Charlie Schultze recently made a thorough study of this issue. State, CEA, AID and BOB — with only Treasury objecting — found that there was no inherent reason why project dollar loans for local costs should have any different effect on the balance of payments than other forms of aid.

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E.O. 12356, Sec. 3.4

NLJ 86-276

By *sig*, NARA, Date 4-5-88

- In Latin America in particular we find that our dollar assistance does not leak to any significant degree to other areas.
- The project loan in question is designed to stimulate institutional development in one area where Brazil is most deficient - home financing.
- The Brazilians agreed to our terms for the loan on the basis of dollar support and will probably scrap the project unless we carry through with it.
- Cruzeiro counterpart funds generated by the program loan are already largely earmarked for equally pressing local cost projects.

I recommend that you approve the package requested by AID.

1. Approve \$100 million program loan: Yes _____
No _____
Speak to me _____

Yes, but with \$20 million savings and loan project covered by counterpart funds

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Prefer project-by-project review _____

Speak to me _____

3. Approve AID's request to start
discussions on "sector" loans
without specific dollar commitments: Yes _____

No _____

Speak to me _____

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D. C.

OFFICE OF
THE ADMINISTRATOR

NOV 22 1966

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Economic Assistance Program for Brazil

On the recommendation of Assistant Secretary Gordon and Ambassador Tuthill, I am requesting your authorization to begin negotiations in late November with the Government of Brazil for a Fiscal Year 1967 economic assistance package of up to \$190 million, consisting of a program loan of up to \$100 million and project loans of up to \$90 million. While I am asking for your authority to negotiate these loans during FY 1967, if the Brazilian Government commits itself to a satisfactory program of self-help under the Alliance for Progress, the final loan agreements and amounts will be subjected to the normal interagency review and approval process. Signatures and public announcements of new loans would not occur until after January 1, 1967 and disbursements would not take place until later in 1967.

In addition, I propose the initiation of sector loan negotiations with Brazilian authorities on major reform programs in agriculture, education and public health. The results of these negotiations will be referred to you for review and authorization next summer, with funding to be provided out of the FY 1968 foreign assistance appropriation.

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Authority _____
By _____, NARA, Date _____

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DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By cb, NARA, Date 8-27-98

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PROGRAM LOAN

A.I.D. has made program loans of \$150 million to the Castello Branco administration in each of the last two years, supplemented by individual project loans totaling from \$70 to \$80 million in each year. As conditions, the Brazilian Government has agreed to a number of key stabilization, reform, and investment actions. These have included sound budget, credit, and foreign exchange policies, and reforms in agriculture, land tenure, housing, and public enterprise, which have since been adopted. In this manner order has been brought from economic chaos, and the climate for private investment has improved notably.

Among the more significant results of the Brazilian program during 1966 are the following:

- a. Fiscal effort. With increased tax collections, the cash deficit of the federal budget for 1966 will be reduced to seven percent of expenditures, as compared with 15 percent for 1965 and 35 percent for 1963, the last full year of the Goulart administration.
- b. Money and credit. During the first seven months of 1966, the increase in total money supply was held to seven percent, while bank credit to the private sector rose by only 12 percent. This represented a significant improvement over 1965 performance.
- c. Agriculture. Improved incentives and increased credit have been made available for the right kinds of agricultural production, while a courageous policy has reduced the real return to the politically powerful coffee sector by about 45 percent.

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- d. Land reform. A cadastral survey of all private lands covering over three million properties has been completed as an important initial step in carrying out the Government's program for the redistribution of unused or poorly used farm lands.

There have also been some failures and disappointments. Inflation has proved more stubborn than predicted. Price rises are slowing but are still around two percent per month. Administrative and educational reforms have not yet materialized. Low income groups have been hit by strict wage controls and rising prices.

Our agreements with Brazil have been carefully monitored, with disbursements under the program loans made quarterly following reviews of Brazil's performance. In general, this performance has been satisfactory; in specific instances where performance has been poor the United States has exerted the pressures necessary to improve results.

On balance, the Government deserves high marks for improved policies and honest administration. The worst part of the fight against inflation seems to be over, and the program is beginning to yield the fruit of two and one-half years of hard and courageous work.

As you know, on March 15, 1967, Castello Branco will be succeeded by Marshal Costa e Silva, the former Minister of War, who was recently indirectly elected by the Brazilian Congress. Costa e Silva has publicly pledged to continue the main lines of the stabilization, development and reform program of Castello Branco, and has displayed a serious intent of doing so.

The continuity of this program will depend, among other things, upon a further expansion of the level of imports to permit a transfer of resources essential for the attainment

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of Brazil's investment and growth objectives. The present Brazilian administration has stated its willingness to undertake a program of import liberalization, subject to assurances of program support from the United States, and an IMF standby agreement of \$30 million. Brazil's balance of payments prospects for calendar year 1967 indicate a requirement for a program loan in an amount up to \$100 million from A.I.D. in order to carry out an expanded development effort with a substantial program of import liberalization.

In addition to import liberalization, major conditions of the program loan will stress stabilization, administrative reform, and increased Brazilian priorities to agriculture and education. The first disbursement, \$25 million, will be scheduled for February, 1967, following a review of Brazil's performance for the quarter ending December 31, 1966. Three other disbursements, based on quarterly performance examinations, will be made during 1967. The greater part of the counterpart funds generated by the program loan will provide financing for private enterprise, with other amounts allocated for the support of programs in labor and technical assistance.

A review of Brazil's foreign reserve position will be made to reassess the need for disbursement of all or part of the last tranche in 1967, with any amount withheld to be deferred and taken into account in planning A.I.D. loan assistance for 1968. In this manner the United States will be assured against providing unneeded assistance, and the Brazilians will be encouraged to pursue their economic program.

PROJECT LOANS

Project loans of up to \$90 million will also be negotiated during the course of the current fiscal year. Of this amount, \$15 million to help finance the construction of a major nitrogen fertilizer complex was recently authorized. Additional loans will finance a coffee diversification program, will provide seed capital for a national savings and loan system, and will help finance major new Brazilian investments

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in power generating facilities, highway maintenance equipment, and loans to private industry. The proposed financing for the savings and loan system, which will necessarily entail a large element of local cost financing, is similar in character to a sector loan, and is an essential means to marshal domestic savings in order to attack Brazil's housing shortages. As in the case of sector loans, the level of project lending will depend on over-all Brazilian performance. A more complete description of the projects under consideration has been considered by interested United States departments.

SECTOR LOANS

We desire to use the full leverage of the program loan to initiate concurrent negotiations leading to basic reforms in the agriculture, education, and health sectors. We will seek from Brazil such objectives as an increased level of investment in agriculture and improved price incentives to farmers; a large expansion of secondary and higher education facilities; and greatly increased contributions for municipal water facilities and modernization of disease control and preventive medicine.

To assist in achieving these objectives, the United States negotiators should be prepared to initiate negotiations for eventual sector loans supporting major reform programs in agriculture, education and public health. Only a part of the sector loans would be used to import equipment from the United States directly required for the projects being financed. The balance would be used to finance a general category of essential imports from the United States and in this manner generate counterpart cruzeiros to help fund remaining project costs. Negotiations would directly involve the Ministers of Agriculture, Education and Health as well as a number of State and Municipal authorities.

Negotiations of the sector loans would be initiated with the Castello Branco administration, at the time of program

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loan negotiations in November 1966, in order to provide adequate time for planning and for reaching agreement. Final agreement would not be reached, however, until after Costa e Silva takes office. This timing would permit us to obtain maximum self-help measures from Brazil since the negotiations would coincide with the Brazilian budgetary cycle. Work on the Brazilian calendar year 1968 budget begins in January and the President's budgetary proposals are presented to their Congress in June, 1967. Thus, there would not only be assured the additional Brazilian resources required to the sector projects, but, perhaps of even greater importance, full agreement by the incoming administration would be obtained prior to the commitment of A.I.D. funds.

Requests for the obligation of sector loan funds out of the FY 1968 foreign assistance appropriations will be fully documented, reflecting the self-help and reform measures which the Brazilian Government is prepared to adopt in consideration of sector loans. Our best present estimate of the total United States funding requirements for the sector loans amounts to a total level of \$65 million, but the validity of this estimate will be carefully checked when the obligation requests are submitted next summer. Disbursements will be made for sector loans in accordance with the requirements of the activities being financed. The greater part of these disbursements will occur in calendar year 1968.

Political Considerations. On the political side, the Castello Branco Government has caused us some concern recently. In July, the political rights of several State Deputies were suspended with the obvious purpose of influencing indirect governorship elections. Then in October political rights of six Federal Deputies were also suspended, and when this action was challenged by members of Congress, President Castello Branco decreed a Congressional recess until November 22. A small number of lower ranking politicians, and one right-wing journalist, also had their political rights suspended.

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These actions have been somewhat of a setback to our hopes for an early return to constitutional and democratic normality in Brazil.

We do not know what trend events in Brazil will follow during the coming months, but the outlook is promising. Direct popular elections took place on November 15 for all Federal Deputies, one-third of the Senate, and for the State Assemblies. The pro-administration ARENA party easily retained its top heavy majorities in the Congress and in most states. The Congress is reopening on November 22. Although Castello Branco may yet suspend political rights of some additional Brazilians, it appears that such actions will be taken against individuals who are well known to have been corrupt or linked to subversive activities. Castello Branco seems determined to assume personally all of the criticism being levelled against the Brazilian Government for anti-democratic actions so as to permit Costa e Silva to assume the Presidency March 15, 1967, with a relatively cleansed Governmental structure and one free of authoritarian overtones. The exceptional arbitrary powers of Castello Branco are scheduled to expire on March 15 when he leaves office.

The assistance program proposed is designed to make the most of the opportunities in Brazil and to minimize the risks. Following the popular elections and the reopening of Congress, the United States would offer to initiate negotiations for up to \$190 million of assistance, plus a sector loan program, for Brazil for the coming year. This would make clear our willingness to support Brazil's development under the Alliance for Progress. However, if contrary to our expectations the political situation were to deteriorate, the negotiations could be suspended or, if they had been concluded, the signing of any new agreements could be held up. If, on the other hand, the trend continued favorable, we would nonetheless have disbursed only the first

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tranche of the program loan, \$25 million, by the time Costa e Silva assumed office on March 15. Agreement would still remain to be reached on a number of the project loans and on all of the sector loans. Thus, the entire program or any of its elements could be pursued or curtailed, depending upon political developments, our ability to reach agreement with Costa e Silva, and upon the ensuing performance of his administration.

Following this procedure would enable us to capitalize upon the opportunities presented for influencing Costa e Silva while his priorities and programs are still in a formative stage, for helping to ensure that his programs succeed, for broadening his political base, and for increasing his confidence that the goals of the Brazilian Revolution can be achieved without authoritarian measures.

It is of the highest importance that we make the most of these opportunities. Brazil is the most important country in Latin America and has approximately one-half of the population of South America. Bordering on eight other countries, its political stability and economic progress are crucial to the hemisphere. Without major accomplishments in Brazil, the Alliance for Progress could never be a success. Moreover, as you know, Brazil has supported the United States on all key international issues including Viet-Nam, the Dominican Republic and Cuba.

United States Balance of Payments. United States assistance dollars will continue to be used exclusively for the purchase of goods and equipment in the United States. During the past two years aid-tying techniques have been improved. Moreover, special financial incentives have been provided to Brazilian importers to use A.I.D. dollars to purchase capital goods from the United States. These measures, which were adopted in late 1965, have provided clear evidence of their effectiveness in increasing the United States share of the Brazilian import market in 1966.

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Recommendation

I recommend that, in accordance with the general framework outlined above, you authorize negotiations with Brazil for a program loan of up to \$100 million and project loans of up to \$90 million out of FY 1967 funds, and that you also approve the initiation of sector loan negotiations with the related obligation requests to be reviewed by you next summer.

*William O. Hall Acting
for.*

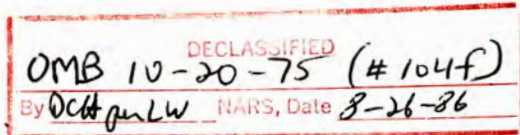
William S. Gaud

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503



NOV 29 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Loan to the Government of Brazil

AID requests your approval to negotiate and conclude a program loan of \$100 million and project loans up to \$90 million for Brazil during this fiscal year. Signature and public announcements of the new loans will not occur until after January and disbursements will not take place until later in 1967.

The Program Loan

We provided a program loan of \$150 million to Brazil for 1966. In view of Brazil's improved foreign exchange position, AID proposes a reduction of \$50 million for 1967.

While inflation is still a problem, performance under this year's loan has been very good:

- budgetary, credit and foreign exchange policies have been strong
- a bold new coffee policy has discouraged coffee surpluses
- agriculture policy has improved incentives for food production
- significant steps were taken towards land reform.

AID will continue its practice of releasing funds on a quarterly basis, after a careful review of performance. In addition to maintaining progress in the areas agreed upon under this year's loan, significant measures to further liberalize imports will be added as a condition of next year's loan.

Project Loans

Like last year, AID proposes to include in its negotiating package a substantial level of project loans which will be drawn from a list of specific projects included in the negotiating instructions. AID proposes that you approve a level of up to \$90 million of projects and waive the requirement for submitting each individual project for your approval.

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I believe the proposed procedure is an improvement for countries like Brazil, where the total level of projects is negotiated with the program loan. Under current procedures, detailed project negotiations have been completed and we are already fairly well committed by the time specific projects are ready for your approval. The proposed procedure provides you the opportunity to review the kinds of projects which are being considered, before the total level is announced and before negotiations begin on individual projects.

The list of projects to be discussed with Brazil includes: a fertilizer plant (recently approved by you), power generating facilities, highway maintenance equipment, seed capital for a national savings and loan system to expand home ownership, and an agricultural diversification program. Since the projects on this list are basically sound and each project will receive detailed review by the interagency Development Loan Committee, I support the requested change in procedure for Brazil.

Agriculture, Education and Health Programs

AID requests your approval to introduce a new procedure to carry out your health, education and agriculture initiatives.

A new type of loan would be introduced--the "sector" loan. These loans would be negotiated to support major reforms in agriculture, education, and health. They would be conditioned on Brazil (or any other country)

- . matching (or more than matching) our assistance with funds from its own budget
- . undertaking specific steps to improve education, health or agriculture.

Negotiations must begin now if we are to get the reforms into Brazil's 1968 budget, but AID will not make specific dollar commitments to the Government of Brazil. Linc Gordon has indicated these loans have first priority within next year's funds. We see no problem in approving negotiations for the sector loans at this time, with the understanding that the amounts will be reviewed next fiscal year when the detailed proposals are submitted for your approval.

Balance of Payments

The funds will be used to finance imports from the U. S. Under special incentives provided under the program loan, the U. S. share of Brazil's commercial imports has improved markedly. Secretary Fowler agrees that the procedures to be used for the proposed loans will minimize any adverse impact on the U. S. balance of payments.

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Recommendation

I recommend that you approve:

- the \$100 million program loan for 1967
- up to \$90 million in project loans for 1967
- AID's request to begin negotiations in the sector loans.

Charles L. Schultze

Charles L. Schultze
Director

Attachment

Approve package _____

Approve package but submit
specific projects for approval _____

Disapprove _____

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DEC 3 1966

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Note from the Secretary of the Treasury

Although recent experience indicates increasingly effective aid-tying procedures -- with the U. S. share of Brazil's commercial import market now higher than in 1960 -- it is still extremely important for the U. S. balance of payments to limit the size of program loans, and loans to finance local costs of projects, to minimum amounts consistent with need.

With Brazil's present foreign exchange reserves and large, readily available, drawing rights in the IMF, \$100 million of general balance-of-payments support appears quite generous. Nevertheless, I am prepared to support the proposed program loan of this size, on condition that none of the \$90 million of project loans be devoted to local cost financing (with the exception only of a small sum originally planned at the time of the disastrous rains in Rio early this year).

I have no doubt that the \$20 million savings and loan project proposed by AID is sound and worthy, but this project does not require dollars, and can be financed by drawing on the cruzeiro counterpart fund created by the program loan.

Henry H. Fowler
Henry H. Fowler

approved 12/5/66 61

Monday, December 5, 1966 - 11:30 am

FOR THE PRESIDENT FROM ROSTOW

Following, for your approval, is suggested message to be taped by our ambassador and broadcast over Kenyan radio on occasion of the third anniversary of the independence of Kenya (December 12). (There will also be messages from Wilson, DeGaulle, etc., but none from the Bloc.)

QUOTE

After three years of independence, the people of Kenya, can be justly proud of their accomplishments. Working together, they are making a rich land bear new fruits. Industry is growing. A whole new generation of boys and girls is going to school. The land is alive with promise and hope.

These achievements do not represent the efforts of one person, nor of one party, nor of one group. Rather, they represent the cooperative labors of one people, who, under the leadership of a wise and respected President, have risen to meet the great challenge of our time -- the challenge of individual freedom and national independence.

We honor freedom, as you do; we strive for equality, as you do; and we respect hard work, as you do. In the past three years, you have given the world ample proof of your determination to uphold these concepts. Kenya has showed that she is prepared to lead. She is willing to speak out honestly on matters that cause her concern and to listen to the ideas and opinions of others, not in a spirit of hostility, but with a receptive, open-minded attitude which gains the respect and confidence of her neighbors.

A great American, Thomas Jefferson, once said, "The God who gave us life gave us liberty at the same time." I know, Mr. President, that you strive to maintain this liberty just as we do. I also know that as long as there are people in the world who are dedicated to the liberty and freedom of all, no matter what the color of their skins, no matter where they come from or what group they represent, these precious beliefs will give us strength to move against those who seek to destroy and uproot them.

I am happy, Mr. President, to extend my best wishes on the third anniversary of the independence of the Republic of Kenya.

UNQUOTE

Ref: 5113

EKHamilton/uttr

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*see memo
to Ranch*
December 5, 1966

FROM WALT ROSTOW
TO THE PRESIDENT

Just before leaving for Asia Sec. Rusk asked me to call the following to your attention.

1. Dobrynin is being recalled Wednesday for consultations in Moscow. The occasion may be a meeting of the Supreme Soviet.
2. If you approve a Pen Pal letter, it would be helpful to let Dobrynin see it when transmitted, before his return.
3. If you prefer no letter, a Thompson-Dobrynin conversation along the lines of the letter would be helpful if Tommy could say the conversation was authorized by you. Tuesday is the last day for such a conversation.
4. Either method would offer a satisfactory response to Kohler's farewell conversation with Kosygin.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-124
By ing, NARA, Date 11-3-92

WWRostow:rlh

~~SECRET~~ ~~NODIS~~

December 5, 1966

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cc: Mr. Watson

sent by wire to Rand

FOR THE PRESIDENT
FROM WALT ROSTOW

Clark Clifford requests a meeting between you and your Intelligence Advisory Board on February 3, the second day of their February session.

The preferred time would be late morning or early afternoon, before West Coast members drift off for their planes.

Clark envisaged brief (3-minute) presentations of five or six key subjects, with you having an opportunity to question, probe, and comment.

We would arrange an agenda.

Meeting approved for February 3 _____

12/5/66 telephone call to Mr. Rostow

Disapproved _____

See me _____

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WHCA

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Pres file

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FM THE PRESIDENT
TO PRIME MINISTER
~~SECRET~~
CAP661176

5 DECEMBER 1966

MANY THANKS FOR YOUR THOUGHTFUL MESSAGE ABOUT MY OPERATION. IT WENT REMARKABLE WELL. MY DOCTORS ARE SATISFIED. MORE IMPORTANT, I FEEL FINE.

I WAS GLAD TO GET YOUR LAST MESSAGE ON THE TRIPARTITE SCHEDULE. I AM DELIGHTED THAT WE HAVE BEEN ABLE TO ARRIVE AT AN UNDERSTANDING THAT WILL ALLOW THE THREE OF US UNTIL THE END OF JUNE, IF NECESSARY, TO COMPLETE OUR REVIEW AND TO MAKE OUR DECISIONS.

BOB MCNAMARA WILL BE IN TOUCH WITH YOUR PEOPLE TO ARRANGE FOR \$35 MILLION OF ORDERS AND PAYMENTS. I ACCEPT YOUR POINT ABOUT OIL; WE WILL DO OUR BEST TO PLACE \$35 MILLION OF PURCHASES THAT WILL MEET YOUR NEEDS. THESE PURCHASES WILL DEFINITELY BE ADDITIONAL TO THOSE UNDER THE F-111 AGREEMENT AND WILL BE SUBJECT TO THE UNDERSTANDINGS GOVERNING THAT AGREEMENT. THEY WILL NOT BE EXPENDITURES WHICH ARE NOW IN PROSPECT FOR U.S. FORCES IN BRITAIN -- INCLUDING THE FORCES RECENTLY TRANSFERRED FROM THE CONTINENT.

ON THE TERMS AND TIMING OF THE PUBLIC ANNOUNCEMENT, WE WILL BE GLAD TO MEET YOUR CONVENIENCE. FROM OUR POINT OF VIEW -- UNLESS IT IS IMPORTANT TO YOU -- IT MIGHT BE BETTER NOT TO MENTION THE EXACT AMOUNT. IN ANY CASE, I THINK WE SHOULD MOVE FAIRLY QUICKLY TO AVOID LEAKS. YOUR PEOPLE CAN WORK OUT THE DETAILS WITH DAVID BRUCE IN LONDON.

I ASSUME YOU WILL INFORM THE GERMANS BEFORE ANY PUBLIC ANNOUNCEMENT.

END MESSAGE

~~SECRET~~

DECLASSIFIED
NLJ 84-21 (#42a)
By <i>OCB p-105</i> NANS, Date 8-26-86