

Friday, September 15, 1967
4:00 p. m.

12

MR. PRESIDENT:

Herewith press contacts for the week.

Pres file

Tuesday, September 12

Jim Lucas (Scripps-Howard Newspaper Alliance) came in at George Christian's request. He asked about escalation. I explained that there was no escalation: we were systematically pursuing an attack on transport as well as electric power. The success of the transport attacks in recent months made it rational to extend the targeting to the buffer zone which was used as safe haven in daylight hours; to the Doumer and Pont des Rapides bridges; and to certain marshaling yards and bridges not hitherto attacked.

The three critical criteria setting a limit on bombing were:

- that bombing not risk the enlargement of the war which bore particularly on attacks which risked hitting ships;
- that the military targets be worthy of the loss of our men and planes; and
- that civilian casualties not be excessive.

The key sentence in his article was, simply, never spoken. He extracted from the three criteria set out above the criterion about loss of American lives, which distorted the interview.

Boyd France (BUSINESS WEEK) came in for a review of where things were in Viet Nam and the Middle East after his vacation. I briefed him in general terms.

At your instruction, I invited in David K. Willis of the Christian Science Monitor. I told him that we had read his article about public confusion on Viet Nam. I thought he might be interested in seeing why we were confident that the war was on a winning track although we could predict no end date. I took him through the statistics. With respect to population control, I told him that we were studying the figures; that we were not prepared to release the whole series; but that he could use the rounded figures showing an increase in GVN population control or influence from roundly 8 million in June 1965 to 12 million in June 1967. I made available to him other information which supported that impression of improvement.

Wednesday, September 13

Hugh Sidey (TIME magazine) came in to see me on two points: our bombing policy and the situation in Viet Nam. I explained the bombing policy in much the same terms as I did to Lucas, but, under his questioning, I explained why it is simply not true that major differences exist between the JCS and Sect. McNamara. With respect to Viet Nam, I gave him much the same material I had given David Willis. I gather from colleagues to whom he later spoke that he found the interview useful.

Thursday, September 14

I had Cyrus Sulzberger (New York Times) in to lunch before his talk with you. I reviewed progress and problems in Latin America and Africa. In particular I put him on to the developments on the inner frontiers of South America and commended this theme to him as one he might pursue on his trip.

Robert Moskin, writing a story about me for LOOK magazine, came in for interviews on September 13, 14, and 15. He appears to be building his story around three characterizations of me to which he asked me to respond: a bureaucrat; a hawk; and an optimist. I talked to him at some length about my respect for the bureaucracy as a medium through which, under the leadership of responsible politicians, ideas are translated into action. As for being a hawk, I explained that, while I recognize that this is a world in which there are occasions when the only possible reply to the use of force is the use of counterforce, I regarded this as a sad and tragic fact (quoting a passage from your Baltimore speech), and that I spent more time on ways to end the way in Viet Nam by diplomacy than I did on bombing targets. As for being an optimist, I told him that any damn fool could see that we were living in perhaps one of the most dangerous passages in history; that the duty of man was to struggle against the dangers on behalf of order and progress; and that the record of our common achievements since 1945 is not unhopeful if we stay with the job for the next generation.

W. W. R.

Pres file

Friday, September 15, 1967 -- 1:40 p.m.

Mr. President:

I am informed that Sec. Rusk is a bit concerned about our suggesting to Sato via Amb. Johnson that we would look favorably on Sato's accepting Bob Anderson's dinner invitation in New York. Bob Anderson asked that I arrange for such a suggestion.

There is some feeling that this would link excessively the government to a private business matter.

Your judgment is requested.

W. W. Rostow

Let Amb. Johnson make suggestion _____

Let Anderson invitation to New York
dinner float on its own merits _____

See me  _____

WWRostow:rlh

Friday, Sept. 15, 1967

~~CONFIDENTIAL~~ 1:25 p.m.

MR. PRESIDENT:

Herewith, for your consideration, a summary of the PL 480 package including, as you requested:

- a note on budgetary effects;
- a possible bargain with Pakistan.

The two packages, which are attached, set out the matter in greater detail.

W. W. R.

~~CONFIDENTIAL~~ attachment

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By 19, NARA, Date 10-1-91

94a

~~CONFIDENTIAL~~

Friday, September 15, 1967 -- 1:00 PM

MEMORANDUM FOR THE PRESIDENT

SUBJECT: PL 480 Summary

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 94-362
By cb, NARA, Date 4-18-95

The following is a wrap-up of PL 480 proposals now before you:

Number of Agreements: Ten (including the Pakistan deal described below)

Countries: Chile, Ceylon, Paraguay, Guinea, Morocco, Tunisia, Bolivia, Indonesia, Ghana and Pakistan

Value: \$128 million (with the possibility of an additional \$5 million in Tunisia)

Commodities:

Wheat and Wheat Flour	-- 1,315,000 tons *
Corn	-- 70,000 tons
Cotton	-- 76,870 bales
Tallow	-- 15,400 tons
Oil	-- 65,000 tons
Tobacco	-- 550 tons
Milk	-- 3,000 tons

Budgetary Effects: No additional expenditures. In the present shape of the U.S. wheat market, any wheat we do not ship abroad the CCC will have to buy and store anyway. Thus, our best guess is that these actions would add nothing to the present spending outlook.

A possible bargain on Pakistan: The Pakistanis have requested 750,000 tons of wheat. Agriculture will probably object to anything more than 500,000 tons. But they will probably accept the following offer to the Pakistanis:

- 500,000 tons under PL 480
- an additional ton of PL 480 wheat for every additional tons of Pakistan's commercial wheat purchases above what they now plan to buy here.

Gaud would also agree to this offer, although he would prefer to do a flat 500,000 tons and hold back the rest until the Paks do more to reform their management of foreign exchange. In either case,-- although you may want to approve the wheat now -- we should not broach this to the Paks until their negotiator arrives here in two weeks. If we look too anxious, we will take all the power out of our self-help push.

W. W. ROSTOW

*plus whatever we move under the matching bargain with Pakistan.

~~CONFIDENTIAL/SENSITIVE~~

Friday, September 15, 1967
10:30 a. m.

95

Pres file

MR. PRESIDENT:

Herewith Bill Leonhart proposes that the time has come to liquidate his shop.

He has quietly -- with the greatest discretion -- discussed this with Sect. Rusk, Sect. McNamara, and myself.

We all concur in his thoroughly objective analysis of the situation.

If you concur, the timing of the announcement deserves some thought, on which you will undoubtedly have a judgment.

My only recommendation with respect to timing is that it be accompanied by the announcement of a first-class appointment for Bill Leonhart.

Those of us who have worked with him -- including, I believe, Sect. McNamara -- have the highest regard for his effectiveness, experience, and judgment. He contributed vastly more to the Komer operation than is widely understood.

I knew him over a period of years at the State Department. I am sure he is one of the two or three best Foreign Service Officers of his generation. His preference would be to become Ambassador. He believes he could handle Australia, the Philippines, or Indonesia -- should Marshall Green's medical condition require that he return soon.

You may wish to discuss the matter of Leonhart's future assignment with Sect. Rusk.

W. W. R.

Attachment

DETERMINED TO BE AN ADMINISTRATIVE
MARKING CANCELLED PER E.O. 12352
SEC 1.3 AND ARCHIVIST'S MEMO OF
MAR 13, 1982

BY 18 ON 10-3-91

95a

September 14, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Future of This Office

1. Eighteen months ago this office was established to help carry out your determination that Revolutionary Development/Pacification programs in Vietnam must be speeded up, given priority with military operations, and conducted with wartime urgency.

2. Under your direction, we moved on four fronts:

- To energize pacification activities of the major departments and agencies.
- To exert highest authority concern upon the Saigon Mission for integrated effort and maximum results.
- To increase the resource and manpower flow into pacification programs.
- To coordinate the Washington management of pacification programs in Vietnam.

3. I believe that the expediting functions of this office have contributed to the better grip Washington and Saigon now have on pacification management and have speeded up the increasing effectiveness of this crucial effort in the field. We now have the Vietnamese elections behind us. Their results reinforce the main directions of our pacification programs. For the period ahead, I feel that the question of how you may best be served requires a new look.

TODAY'S MANAGEMENT FRAMEWORK

4. The major departments and agencies are now deeply involved in pacification activities. Senior staff sections working exclusively on Vietnam and targetted on pacification are now operational where none existed eighteen months ago:

- AID has organized a special Vietnam Bureau; is better focused in its Revolutionary Development programs and CORDS-related activities; has new and vigorous leadership under Jim Grant.
 - DOD has developed a new pacification back-up in its Office of Systems Analysis under Alain Enthoven and Vic Heyman. Its staff is organized to examine special Vietnam pacification problem areas. It publishes a monthly report which is a first-rate monitoring and analytic document. It is developing a computerized processing system, using data banks here, at CINCPAC and at MACV, to keep track of pacification progress.
 - JCS have expanded their SACSA office under Major General Bill DePuy to provide a Vietnam section as a focal point for back-stopping CORDS field operations. DePuy's weekly reports on the military aspects of pacification are competently covering this earlier aspect of our work.
 - CIA has established a new Situation Room for pacification operations. Its special Vietnam staff under George Carver monitors Revolutionary Development team activities and the anti-infrastructure effort. It is beginning a new monthly report which will measure and analyze progress in carrying out combined provincial Revolutionary Development plans.
5. In the Saigon Mission -- a new team, a new civil-military structure and an integrated pacification program. The Bunker-Locke-Westmoreland-Komer team has added strength and vigor to field operations. The CORDS organization enforces unified direction and single management. Three of the original members of our office now are in key jobs in Saigon -- Bob Komer, Charles Cooper, and Bob Montague. Eighteen months ago, separate US agencies operated separate field organizations, individual pacification programs, and independent management controls. There was then a need for detailed Washington direction of Saigon's non-military programs and for pressure to achieve integrated direction of pacification resources. Today, these requirements are much reduced.
6. In resource and manpower flow: -- pacification programs have risen from about \$130 million at the end of 1965 to an annual rate of \$360 million in mid-1967, and from five billion piasters in 1965 to 20 billions in 1967. Vietnamese nationals engaged in pacification work have gone up from 95,000 in 1965 to 315,000 in 1967. We are not yet at full capacity but further increases will be limited by Vietnamese manpower and resource scarcities. Recent economic negotiations, in which we were deeply involved,

have established the aid framework for Vietnam through 1968 and accomplished a piaster exchange rate unification which will save the US, on balance of payments account over the next 15 months, about \$120 million. Ahead, the main task is effective management of resources in being or now agreed. This is an operational job which can only be done in the field.

7. In inter-agency coordination -- State has moved effectively to integrate pacification backstopping with our total Vietnam program support. The main instruments are Under Secretary Katzenbach's informal group and a working level Committee chaired by Phil Habib which draws its membership from departments and agencies having pacification responsibilities. White House touch is maintained in both groups regularly by Walt Rostow and his staff and on an ad hoc basis by this office. This structure parallels, in the necessarily more sensitive Vietnam context, the Senior Interdepartmental Group pattern, and reflects the unified direction of pacification, political development, and security operations achieved in the field. In pacification matters, the present work projects of the Habib committee -- PsyOps, anti-infrastructure, AID-CORDS relationships and US leverage -- carry forward recommendations earlier pressed by this office, relate to staff sections of Komer's field organization, and are moving ahead well.

THE PERIOD AHEAD

8. These new arrangements -- in Washington and at Saigon -- necessarily affect White House staff roles. Clearly there remain important functions. At minimum, these seem to me:

- To protect your interest and the national interest when these diverge from the parochial interests of individual agencies. These differences of interest will arise if agencies try: to husband their funds, personnel, or information at the expense of other agencies or of the over-all effort in Vietnam -- or to separate out independent spheres of activity from an integrated Vietnam effort -- or to set for themselves attainable objectives, which may be easier to defend, as opposed to war-supporting objectives which may be harder to achieve.
- To maintain senior-level pressures on the Washington bureaucracy for sustained effort and maximum results.
- To keep you informed about what is actually happening in Vietnam, and about matters useful to you in dealing with the Congress, the press, and the public.

9. These tasks are accustomed White House functions and involve the whole range of our Vietnam policies. The first two at least require Presidential leverage. In major part, the three are performed by Walt Rostow and his staff.

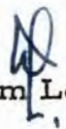
10. With the major departments and agencies now tooled up on pacification, with the team at Saigon carrying out the pacification mission we have long urged, and with State discharging the Washington coordination role, I have real doubt whether there is sufficient need for the separate functions of this office to warrant maintaining a staff of 17 (plus three part-time consultants).

11. I believe that you would find advantages in establishing a single direction for White House staff tasks on pacification matters. A single focal point would, in my view, result in more precise monitoring, more effective pressure on the bureaucracy, and a better coordinated flow of information to you.

12. Accordingly, it is my recommendation that this office -- as a separate White House staff -- be abolished and that its pacification functions be integrated with Walt's Vietnam staff section.

13. If you approve, this streamlining operation could be timed as you think appropriate, taking into account post-election pacification arrangements which the new GVN will make. For public relations purposes, the change should be managed in low key and could be accomplished by routinely returning most of our staff -- including two RAND experts -- to their agencies. It might be useful for Walt to retain one of our economists and an AID liaison officer for his staff, and I would have no hesitation in strongly endorsing their qualifications to him.

14. In making this recommendation, Mr. President, I wish you to know my great sense of pride and satisfaction in serving as a member of your White House staff and in helping to carry forward your policies and our commitments for the defense of Vietnam and the security of freedom in Asia. Whatever your decision on this office, I have no desire but to serve and support your leadership and your policies.


William Leonhart

WmLeonhart:sc

96

Friday, September 15, 1967
10:10 a.m.

Pres. file

Mr. President:

You wished to see this draft
again before it is dispatched.
Sec. Rusk and Sec. McNamara have
cleared it.

W. W. Rostow

Letter to Congressman Joseph E. Karth, 9/12/67, from the President

*Rec'd 9/16/67
with OK to send*

THE WHITE HOUSE
WASHINGTON

966

Tuesday, September 12, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Letter to Congressman Karth

You asked for a personal reply to Congressman Karth's letter.

A proposed reply is attached.

Walt
Clear this with
Rush Mc Namara

again with me
N.

I worry about next
to last line

Walt Rostow

Attachment

P.S. You may wish me to
shorten this vigorous Bell Jodel draft
W

Walt Rostow:

Do not send this letter.

LBJ:mary s
9-13-67
7:45p

9/14/67
sent LDX to Sec Rusk &
Sec Mc Namara

96a

97

Friday, September 15, 1967
10:10 a.m.

Mr. President:

You wished to see this draft
again before it is dispatched.
Sec. Rusk and Sec. McNamara have
cleared it.

W. W. Rostow

Letter to Congressman Joseph E. Karth, 9/12/67, from the President

972

~~K. S. P.~~
2. Pres file

Tuesday, September 12, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Letter to Congressman Karth

You asked for a personal reply to Congressman Karth's letter.

A proposed reply is attached.

W. W. Rostow

Attachment

P.S. You may wish me to
shorten this vigorous Bill Jordan draft.
W

September ¹⁵~~12~~, 1967

Dear Congressman Karth:

Your thoughtful letter suggests that recent events in Viet-Nam may have affected the climate for a negotiated political settlement and brought us closer to the end of the war. I wish this were the case. We have no evidence that it is. The climate you speak of unfortunately is very different in the North and in the South.

The people of the Republic of South Viet-Nam have been under attack for many years now, and they have suffered most grievously. Two years ago they were on the brink of disaster, and without our help they would surely have succumbed. They have come a long way since then -- towards governmental stability, towards law and order in the countryside, towards justice and a better life for their people. Now they are eager, as we are, to end this war. They have no designs on the North, nor have we. All of their candidates in the recent elections were, in a very real sense, "peace candidates," and President-elect Thieu has made it clear that he will do all that is in his power to enter into useful negotiations with the other side.

Unhappily, we have no reason to believe that the Hanoi regime is ready to make peace, or even to engage in any sort of meaningful talks about the conditions for peace. From time to time they have acknowledged that our bombing of their logistics and communications systems hurts them and impedes their efforts to supply their troops in the South. If we stop this bombing "definitively and unconditionally," they say, they might be willing to talk to us, and then again they might not. In any event, as Mr. Pham Van Dong told a reporter the other day, there will be no reciprocity, no give-and-take. The only thing there is to talk about, he said, is when and how the Americans will withdraw and leave the South Vietnamese to the tender mercies of Hanoi.

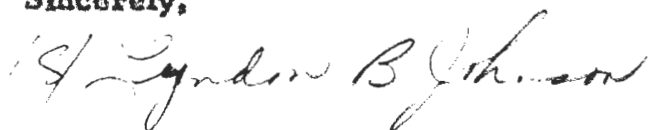
As for the various possibilities you mention -- all-Vietnamese negotiations or talks which would proceed initially without a complete halt in the fighting -- I assure you they are quite acceptable to us. We have made it clear that we are ready and

willing to talk about the conditions of a cease fire, or to talk without a cease fire. What we cannot and will not do, while I am responsible for the safety of our troops, is to accept a one-sided ceasefire, one that would be binding upon us and not upon them. This would not only place our troops under a disadvantage, but would also -- by encouraging and favoring the military operations of the enemy -- bring us further than ever from peace.

I cannot agree that "any starting point," as you put it, is better than none at all. If we are pointed in the wrong direction, we can hardly hope to reach our goal. Nor should we need to speculate endlessly about whether or not there has been a shift in the policy of the North Vietnamese government and the National Liberation Front. They have made their policy clear to us, both privately and publicly, in their actions and in their words. If ever we misinterpret them, there is no lack of channels through which they can set us right.

We believe that the strengthening of a constitutional order in South Viet-Nam can give a powerful impetus to our efforts towards an honorable peace. You can be sure, not only that our own determined search for a peaceful settlement will continue, but that we will fully support President Thieu in his efforts to make contact with the other side and bring the fighting to an end.

Sincerely,

A handwritten signature in dark ink, reading "Lyndon B. Johnson". The signature is written in a cursive, flowing style with a large, prominent "L" and "J".

The Honorable Joseph E. Karth
House of Representatives
Washington, D. C. 20515

JOSEPH E. KARTH
4TH DISTRICT, MINNESOTA

2432 RAYBURN HOUSE OFFICE BUILDING
CAPITOL S-6631

ROBERT E. HESS
ADMINISTRATIVE ASSISTANT

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON
SCIENCE AND ASTRONAUTICS
CHAIRMAN, SUBCOMMITTEE ON
SPACE SCIENCES AND
APPLICATIONS
SUBCOMMITTEE ON
NASA OVERSIGHT

COMMITTEE ON
MERCHANT MARINE AND
FISHERIES

SUBCOMMITTEE ON
FISHERIES AND WILDLIFE
CONSERVATION

SUBCOMMITTEE ON
OCEANOGRAPHY

SUBCOMMITTEE ON
PANAMA CANAL

September 6, 1967

The Honorable Lyndon B. Johnson
President of the United States
Washington, D. C.

My dear Mr. President:

5
The outcome of the Vietnamese presidential elections, coupled with the policy shifts indicated by the National Liberation Front and the North Vietnamese government the day before the elections, would seem to provide us with an appropriate new climate for a negotiated political settlement of the war.

While President Nguyen Van Thieu and Vice President Ky may privately press the United States to continue the war at its present level, or with even greater intensity, still the strong showing of the Vietnamese "peace candidate," Mr. Truong Dinh Dzu, would seem to indicate the desire of great numbers of the South Vietnamese people to bring an end to the fighting. In fact, during the campaign, all candidates voiced publicly their support for a peace offensive.

The North Vietnamese government, as indicated in a speech by Prime Minister Pham Van Dong, has again reaffirmed its willingness to enter into peace negotiations if the United States halts bombing of the North. While his word should not be accepted at face value, certainly this opportunity should not go unchallenged.

The National Liberation Front has issued a new revised 10-point program, which, while not very different, reasserts the willingness of the Front to negotiate with all parties, including members of the South Vietnamese administration and army.

September 6, 1967

This could foreseeably result in an "all Vietnamese" negotiation with the U.S. acting only as advisor to the South. It could well be that negotiations would proceed initially without a complete cessation of the fighting. I think the principal effort at this point should be to commence negotiations. I hasten to point out that any starting point is better than none at all. At least it would provide an opportunity to ascertain if there are any common grounds at all upon which a political settlement may be reached.

In view of these events, and in view of the growing threat to world peace that the war imposes, I respectfully urge our government to take whatever bold new steps that may be necessary in order to bring about meaningful negotiations that will hopefully result in cessation of the conflict.

Sincerely yours,


Joseph E. Karth

Limited Official Use

Friday - 10:00 a.m.
September 15, 1967

78

Press file

Mr. President:

We have finally obtained some backhanded public recognition of our efforts to help in the Nicaraguan polio epidemic.

It came in response to criticism by the opposition newspaper that the government had not done enough.

To counter this, the government-controlled paper Novedades cited the help received from the U.S. It made specific reference to your generosity and the nature of the assistance received from U.S. and public and private donors. Ambassador Crockett's report is attached.

W. W. Rostow

Attachment

Encl 425

Ambassador Crockett's
report from Managua, 9/12/67.



Department of State

98a
TELEGRAM

LIMITED OFFICIAL USE

PAGE 01. MANAGU 00425 130042Z

43

ACTION ARA 19

INFO AID 30, GPM 03, SC 01, RSC 01, USI 12, H 02, NSC 10, NSAE 00, L 03,

INR 07, P 04, CIA 04, DOD 01, SP 02, SS 35, IO 21, HEW 07, SCI 05, RSR 01,

/168 W

R 122115Z SEP 67
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 1554

LIMITED OFFICIAL USE MANAGUA 0425

SUBJ: RECOGNITION FOR US EFFORT IN RECENT POLIO EPIDEMIC

REF : MANAGUA 0416

1. OPPOSITION-CONTROLLED LA PRENSA TODAY FEATURED EXCERPTS FROM ARTICLE IN SEPTEMBER 11 ISSUE OF LIFE EN ESPANOL ON NICARAGUAN POLIO EPIDEMIC, INCLUDING MENTION OF ARTICLE SUBTITLE OF "UNNECESSARY SUFFERING IN NICARAGUA." LA PRENSA ARTICLE IS ENTITLED "TERRIBLE ACCUSATION REGARDING POLIO" IN OBVIOUS EFFORT TO CRITICISE GON CAMPAIGN TO COUNTER MAY-JULY POLIO

PAGE 2 RUESMG 072A ~~CONFIDENTIAL~~ LIMITED OFFICIAL USE
EPIDEMIC.

2. GOVERNMENT-CONTROLLED NOVEDADES REPLIED WITH LENGTHY EDITORIAL TODAY DEFENDING GON EFFORTS TO COMBAT POLIO EPIDEMIC. EDITORIAL CONTRASTS CRITICISMS CONTAINED IN LIFE ARTICLE AND U.S. PUBLIC AND PRIVATE

LIMITED OFFICIAL USE



Department of State

TELEGRAM

LIMITED OFFICIAL USE

PAGE 02 MANAGU 00425 130042Z

EFFORTS TO HELP NICARAGUA HANDLE EPIDEMIC. EDITORIAL
SPECIFICALLY COMPLIMENTS GENEROSITY OF PRESIDENT
JOHNSON AND U.S. PRIVATE AND PUBLIC DONORS OF VACCINE,
IRON LUNGS AND OTHER MEDICAL EQUIPMENT. KEY SENTENCE
READS "NICARAGUA IS GRATEFUL TO THE UNITED STATES
FOR ITS GENEROUS HELP PROVIDED IN NICARAGUA'S MOMENT
OF NEED AND APPRECIATES ACTIVITY ON ITS BEHALF BY U.S.
DIPLOMATS HERE." BURDEN OF EDITORIAL, HOWEVER, IS
CLEARLY TO REPLY TO EXPRESS AND IMPLIED CRITICISMS
IN LIFE ARTICLE AND TO DEFEND GON EFFORTS IN RECENT
POLIO CAMPAIGN. CROCKETT

LIMITED OFFICIAL USE

99

Pres file

Friday, September 15, 1967
10:00 a.m.

Mr. President:

Herewith Buzz Wheeler responds
to your suggestion concerning the
addresses of Gen. McConnell and
Harold Brown to the Air Force Association.

W. W. Rostow

WWRostow:rlh



CHAIRMAN OF THE JOINT CHIEFS OF STAFF
WASHINGTON

99a

14 September 1967

Dear Mr. President:

I have reflected upon our conversation of last evening, and I have read with great care the addresses made by General McConnell and Secretary Brown to the Air Force Association. I concluded that supporting action on my part would be desirable. I attach a copy of a memorandum which I have addressed to the officers of the Joint Staff.

With great respect and best wishes,

Sincerely,

Buzz Wheeler

EARLE G. WHEELER

Chairman
Joint Chiefs of Staff

The President
The White House
Washington, D. C.

THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20301

CM-2649-67
13 Sep 1967

99b

MEMORANDUM FOR THE DIRECTOR, JOINT STAFF

SUBJECT: Addresses by General J. P. McConnell and
Secretary Harold Brown to the Air Force Association

1. I commend for your reading and that of all officers on the Joint Staff the addresses made by General J. P. McConnell, Chief of Staff, U.S. Air Force, and Secretary of the Air Force Harold Brown to the Air Force Association at its anniversary dinner. I consider that General McConnell's remarks, in particular, express the proper attitude that military men should take when called upon to respond to questions regarding differences of view between statutory civilian officials of our Government and the the Joint Chiefs of Staff. General McConnell's views are legally correct, logical, militarily sound, and dignified.

2. Secretary Brown addressed a somewhat different facet of the problem. He is correct in saying that the allegations made from several sources regarding divergencies between military and civilian authorities cast the military in the role of irresponsible militarists. If any visual proof of this is needed, I call your attention to several recent cartoons by Herb Block in the Washington Post. We know that these allegations of jingoism and irresponsible militarism are false; but, in my opinion, they are doing the military irreparable harm.

3. I wish you to know and to transmit to all officers on the Joint Staff that I associate myself firmly with the views expressed by General McConnell and Secretary Brown.


EARLE G. WHEELER

Chairman
Joint Chiefs of Staff

Copy to:
CSA
CSAF
CNO
CMC

100

Friday, September 15, 1967
9:45 a.m.

MR. PRESIDENT:

Herewith a good statistical thumbnail sketch of how the war has gone. I am a little skeptical of the bracketed figures; but nevertheless they also indicate a broad trend.

W. W. R.

Attachment

Index of Figures: War in Vietnam

100a

First six months of:

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Weapons Losses			
GVN	10,441	5,226	4,161
VC/NVA	4,626	9,482	15,459
Enemy Casualties	11,881	24,932	46,145
Ratio Enemy/Friendly	2.2	3.3	4.2
Chieu Hoi	3,954	9,794	18,076
VC-Initiated Incidents	10,884	15,351	11,021
Enemy-Initiated Attacks (bn-size or larger)	28	35	23
Population Control (millions) as of June			
GVN-Aligned	8.3	9.6	12.1
VC-Aligned	6.3	5.4	4.7

Limited Official Use

Friday - 9:30 a.m.
September 15, 1967

151

Pres file

Mr. President:

The IDB \$900 million authorization bill has cleared conference and there is a good chance that it will be ready for signature by next Friday when you have the Latin American Foreign Ministers to lunch.

Would you like to include a brief signing ceremony with the Foreign Ministers present before or after the lunch?

I see these advantages:

- You could restate your firm intention to support Latin American self-help under the Summit program.-- our Latin friends are confused regarding your ability to deliver on increased support for the Alliance.
- Contact between the Foreign Ministers and Congressional leaders in this context might help in the AID appropriation process.
- It would take the visit of the Foreign Ministers to the White House out of the Cuban context of the OAS meeting and give it an Alliance for Progress flavor.

W. W. Rostow

Bill signing ceremony OK

☒ 9/16/67

Prefer not to have ceremony

☐

See me

☐

Limited Official Use

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 94-362
By CL, NARA, Date 4-18-95

THE WHITE HOUSE
WASHINGTON

September 15, 1967

~~Handwritten signature~~
2. Pres file

Mr. President:

The attached letter to Tito, for your signature, answers the long message Nikezic delivered two weeks ago (Tab A). It is intended to close out the present exchange between Tito and you.

The draft letter was sent over here by Secretary Rusk. It will explain to Tito -- in complete and clear fashion -- where we disagree with him and why we cannot support his diplomatic initiative. It will be useful to do this before the corridor diplomacy in the General Assembly gets into high gear.

Walt Rostow

102a

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 94-362
By cb, NARA, Date 4-18-95

September 15, 1967

Dear Mr. President:

I was glad to receive your letter of August 24 reporting on your visit to Arab capitals. I particularly appreciated your thoughtfulness in sending Foreign Secretary Nikezic to deliver the letter personally. This gave us a welcome opportunity to talk with him about this most serious problem, to the solution of which you have devoted such tireless effort. Our representatives will be continuing to exchange views, particularly in New York, during the coming period, and Foreign Secretary Nikezic and Secretary Rusk will themselves have further opportunity to meet during the General Assembly session. However, I would like to make some observations myself concerning your report and the problem with which it is concerned.

It appears to us that the key to the situation is that both sides agree on principles and conduct which provide conditions for a durable peace. It is in this light that we have studied your proposals. The relationship of withdrawal and the cessation of the state of belligerency is obviously fundamental. Withdrawal without accompanying actions by those concerned which ended the state of belligerency and acknowledged Israel's right to exist in peace and security would only reestablish the situation which existed prior to the recent war. What is now needed is acceptance by the parties that each nation in the area is entitled to live within accepted, recognized and secure state boundaries-- a principle to which we all subscribed in signing the UN Charter.

We believe a useful expression of this principle is embodied in the US-USSR draft resolution, and that the Yugoslav proposal falls considerably short of it. Here there is both equivalence and a simultaneity of action. We do not claim that withdrawal should come last any more than we believe it can come first. It must come together with an actual end to belligerency. There must be real and effective progress in both respects at the same time so that fulfillment of the objectives of both sides may be guaranteed.

You note that the Arabs feel the US interprets the draft resolution to imply a change of frontiers to their detriment. We have no preconceptions on frontiers as such. What we believe to be important is that the frontiers be secure. For this the single most vital condition is that they be acceptable to both sides.

It is a source of regret to us that the Arabs appear to misunderstand our proposal and misread our motives. It would be a real contribution to the cause of ultimate peace in the area if you, with your close contacts in the Arab capitals, could help dispel such misunderstandings.

The second point of your approach is a guarantee by the Security Council of the four great powers. We have given careful study to this proposal. We inevitably come back to the central point which is that the essential element is agreement by the parties themselves. The device of having the Security Council declare no belligerency has been tried before and has not been effective. Guarantees could serve as auxiliary insurance as necessary. In themselves they cannot meet the need for an acknowledgment of Israel's right to exist, and for renunciation by the Arab States and by Israel of any claims of belligerent rights. We do agree with you, however, that the Arabs would not need for this purpose to recognize Israel formally.

In your third and fourth points you deal with the waterways. As you propose, the Strait of Tiran should be open to all shipping. So, in our judgment, should the Suez Canal, as required by the 1888 Convention and the Security Council resolution of 1951. We see no point in remitting either of

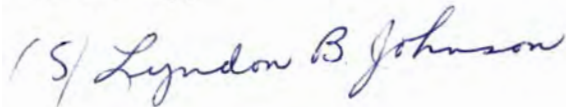
these questions to litigation instead of permanently resolving the issues involved by international agreement. To postpone dealing with them and with the refugees until after other aspects of the problem have been settled risks permitting these two critical problems to be perpetuated indefinitely.

You report in your letter that as a result of your trip you are further convinced that the Arab countries must have adequate defense capabilities. We believe both the Arabs and the Israelis should have the capacity to defend themselves but that arms should not be maintained at such a level as to be a source of tension and danger. It is our firm conviction that it would be in the interests of all countries in the area and would advance the cause of lasting peace if the flow of arms to all those countries involved in the recent hostilities were to be restricted; we hope that the suppliers of arms to the region will exercise due restraint in this regard.

In the weeks and months ahead, which will be so critical for the future of the Middle East, the United States will continue to work for solutions designed to advance the long-run interests of all people of the area, Arabs and Israelis alike. I would again recall to you the statement I made on June 19 which reflects the policy of my government and which I am firmly convinced is in the interests of peace.

In conclusion, let me again express my appreciation for this frank contact with you concerning your discussions with Arab leaders.

Sincerely,

A handwritten signature in blue ink that reads "Lyndon B. Johnson". The signature is written in a cursive, flowing style with a large initial "L".

His Excellency
Marshal Josip Broz Tito
President of the Socialist Federal
Republic of Yugoslavia
Belgrade

LBJ:ND:gg:9/15/67

C O P Y

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 94-362
By cl, NARA, Date 4-18-95

1026
Brioni, August 24, 1967

Dear Mr. President,

I wish to acknowledge the receipt of your messages of July 23 and August 9, 1967, in which you have set forth your views and the positions of the United States Government concerning the situation in the Near East, for which I am sincerely grateful.

Noting that you also share the concern over the present situation in the Near East, we appreciate your desire to find possibilities for "a more firm and lasting peace" in that region. Particularly encouraging is the interest that you personally, Mr. President, and the United States Government have shown in our thoughts concerning the possibilities to overcome the present crisis and to find a peaceful solution and in the fact that you consider them to be "worthy of most serious consideration."

I have already had an opportunity to explain our views to the President of the Supreme Court of the United States, Mr. Warren, and to your Ambassador, Mr. Elbrick. I wish to point out, on this occasion also, that the Socialist Federal Republic of Yugoslavia has not in the region concerned any other interest but to preserve the peace and secure the integrity and independence of the countries with whom, as you are probably well aware, my country has been maintaining friendly relations and developing fruitful cooperation over a number of years. Our positions and actions in this crisis have been therefore motivated first of all by our opposition to the policy of force and pressure as well as by our deep concern at the serious perturbation of relations and infringement of the security and integrity of Arab countries and of peace in the Near East.

This is the reason why Yugoslavia sponsored at the special emergency session of the General Assembly of the United Nations, together with friendly non-aligned countries, the known resolution whose basic aim was to eliminate the consequences of the aggression and to prevent the creation of a dangerous precedent of international relations whereby the assailant would be allowed to enjoy the fruits of his undertaking. We sincerely regret that our stands did not meet with the understanding of the United States Government, even more so as the

His Excellency
Mr. Lyndon B. Johnson
President of the United States of America
Washington, D.C.

latter had stated officially on several occasions that in the case of a war in the Near East its sympathies and support would be on the side of the victim of the aggression.

Mr. President, I hope that you share my opinion that the present situation in the Near East is untenable and extremely dangerous to peace in that region and in the world and that it is necessary that all the countries should exert efforts, within the limits of their possibilities, for surmounting the crisis as soon as possible. This is why I have visited, in the course of this month, the United Arab Republic, the Syrian Arab Republic and the Republic of Iraq at the invitation of the Heads of these States, in order to familiarize myself on the spot with the situation and with the views of the leaders of these countries.

I can assure you, Mr. President, that the leaders of the Arab countries I have visited view the situation with sufficient realism with respect to the necessity of a political solution of the crisis also, but not at the cost of humiliation and capitulation. They are, however, ready to defend their independence, territorial integrity and national interests with all the means at their disposal. In this they are unanimous and firm.

In all the three Arab countries we found great indignation with regard to the actions of Israel, which has been enabled to continue the occupation of Arab territories, to voice openly its annexionist territorial pretensions and to take intransigent attitudes. In this state of affairs as well as in the fact, emphasized by the leaders of these countries, that the United States is not dissociating itself from such a policy of Israel, I find an explanation for what you say in your message in stating that the attitude of the United States of America has been wrongly understood by some of the members of the United Nations.

We availed ourselves of the opportunity to acquaint the leaders of the Arab countries with the most important elements of the messages you had sent to us. I must inform you that the Arab countries consider the attitudes of the United States of America as one-sided and favourable to Israel, because they do not offer the necessary guarantees for the settlement of the legitimate demands of the Arabs.

You are aware that the Arab countries-victims of the aggression accord priority to the withdrawal of Israeli troops from the occupied territories to the positions held by them before June 4 and we are profoundly convinced that this question should be the starting point of any plan for the peaceful overcoming of the current crisis. The leaders of the Arab countries are particularly disturbed by some stands of the

United States of America which imply a change of present frontiers to the detriment of the Arab countries. We hope that the position mentioned in your message referring to 'the withdrawal of Israeli forces to agreed and secure national boundaries' is not in contradiction with the stands set forth in the Aide Memoire of your Government of July 14 where there is open mention of the withdrawal of Israeli forces as an element of vital importance to the search for a settlement in the Near East, which we construe as a return to the positions held prior to June 4.

As regards navigation in the Suez Canal, we are convinced that a return to the situation prevailing before June 5 constitutes the only realistic approach for the time being. The passage through the Suez Canal of ships flying the Israeli flag is absolutely unacceptable to the UAR and Arab countries as long as the problem of Palestinian refugees remains unsolved. There are several decisions of the United Nations concerning this problem, in favour of which the United States has cast its vote, while Israel has failed to comply with them so far.

We have also been informed that the statesmen of Arab countries cannot accept the Soviet-American resolution, as they feel that it does not provide sufficient guarantees for the solving of their legitimate demands, primarily for the withdrawal of Israeli forces. Their reservations in this respect are strengthened by the interpretations of this resolution by the United States of America, which imply a change of frontiers to the detriment of the Arabs and give the last place to the withdrawal of Israeli forces.

In your message, Mr. President, you did not agree with my opinion concerning the necessity of strengthening the defence capacity of the Arab countries. After my recent visit and talks with the statesmen of Arab countries I have again convinced myself that it is not possible to dispute the right of these countries to do everything possible in their power to strengthen their capacity for defence, especially in conditions where they are directly confronted with a superior opponent, when parts of their territories are under foreign occupation and when the Arab countries live in a state of uncertainty owing to a possible renewal of the aggression.

Dear Mr. President, we are now, after the visit to the Arab countries, even more convinced as regards the untenability of the present situation, the danger inherent in the continuation of the occupation and we are confident that a way out of the present crisis can be provided only by a settlement -- as you have also stressed in your message -- which 'should not humiliate the Arab States or require them to give up any rights or interests they may legitimately claim. "

I am also convinced, Mr. President, that insistence on conditions that are unacceptable to the Arab countries would be fraught with the danger of a new conflict, as it would amount to encouraging all those forces which are opposed, on both sides, to a political solution of the crisis. All our efforts in the friendly countries were directed towards the finding of a peaceful and honourable solution and I sincerely hope that you, Mr. President, as well as the United States Government will act in the same sense, making use of your possibilities and of the great prestige and influence of the United States of America.

On the basis of all the talks and contacts I have had recently, as well as bearing in mind the feelings manifested at the session of the General Assembly of the United Nations, the draft Soviet-American resolution, your positions about which you have informed me and the proposals made so far, I am of the opinion that a realistic approach to a political solution of this crisis could be found on the following bases:

1. Withdrawal of all troops from the territories they have occupied since June 4, under the control of United Nations observers.
2. Guarantee of the security and borders of June 4 of all the States in the region by the Security Council or the four great Powers, pending the definitive solution of questions under dispute. Possible stationing, for this purpose, of United Nations forces on both sides of the border.
3. Free passage for all ships through the Strait of Tiran until the decision of the International Court of Justice.
4. Navigation in the Suez Canal as before June 5.
5. After the implementation of the above measures, the Security Council would take steps, with the direct participation of the parties concerned, for the solving of the other questions under dispute, primarily of the problem of Palestinian refugees as well as the question of the passage of Israeli ships through the Suez Canal.

I should like to draw your attention to the idea contained in paragraph 2, namely, to the question of guarantees. We feel that this would actually meet the demands which link the withdrawal of Israeli forces to the recognition of the existence of Israeli and the demand for the cessation of the state of belligerency. I believe that these guarantees would constitute a satisfactory solution, as the inviolability of the borders and integrity of all the States in the region would be thereby actually confirmed, which would amount to a de facto recognition of the existence of Israel and a de facto cessation of

belligerency, without demanding also a formal recognition of Israel by the Arab States which, as we note, you also consider to be unrealistic at the present moment. In this sense, in our estimation, these guarantees embody the basic ideas of the Soviet-American draft in a form acceptable to the Arab countries. As for the question whether the guarantees would be given by the four great Powers or by the Security Council, it is, we feel, of a secondary importance, as the preliminary consensus of the four great Powers is necessary in any case. We emphasize that we are profoundly convinced that, as far as navigation in the Suez Canal is concerned, a return to the situation of before June 5 is the only realistic step. It goes without saying that, after the implementation of the initial measure mentioned above, the Security Council or the United Nations should undertake the consideration of the other questions under dispute as well, in the first place of the problem of refugees and the question of the passage of Israeli ships through the Suez Canal.

As regards the suggestion that the Secretary-General of the United Nations should appoint his representative for purposes of mediation, we feel that this could be taken into account at a later stage.

I hope, Mr. President, that you will realize that the Arab countries cannot make public statements about these proposals until they receive the guarantee that the other side, too, accepts them as a basis for a settlement.

I wish to inform you that I intend to acquaint with the above ideas and proposals, in the next few days, by means of personal messages, also the Heads of State or Government of the USSR, France and Great Britain -- permanent members of the Security Council -- as well as a certain number of friendly countries and the Secretary-General of the United Nations.

Expressing our sincere gratification at the opportunity to exchange views, I wish to express the hope that our proposals submitted with the aim of finding a peaceful and just solution of the present dangerous crisis in the Near East will meet with the understanding and support of the United States Government and of you personally.

Yours sincerely,

Josip Broz Tito (signed)

103

Lamp
2. Pres. file

Friday, September 15, 1967

MEMORANDUM FOR THE PRESIDENT

Mr. President:

Attached is today's situation
report on political developments in
Viet-Nam.

W. W. Rostow

Att.

MWright:hg

SECRET-EXDIS ATTACHMENT

103a

~~SECRET EXDIS~~

Viet-Nam Political Situation Report

September 15, 1967

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 94-363

By 40, NARA, Date 1-13-95

Election Complaints

The Assembly has been meeting to verify the provisional tallies of the presidential election. Assembly members are going over minor discrepancies with a fine-tooth comb and seem to be in no mood to validate the provisional count without a careful scrutiny.

Several defeated presidential candidates, including Suu and Dzu, held a press conference yesterday. They again denounced the election and issued a statement announcing the formation of a new organization called "Front Struggling to Carry Out Democracy" or "Democratic Front" for short. A joint protest was read charging rigged elections, declaring that they do not accept the results, and asking the Assembly to throw out the election and organize another.

Formation of a Government

We continue to get reports of difficulties between Thieu and Ky, and indicating little progress in the selection of a Prime Minister or other Cabinet members. The inner circle of Generals is reportedly meeting tomorrow to try to resolve some of these problems.

Dzu Conviction

News reports this morning state that a Saigon court has convicted presidential runner-up Dzu of passing a bad check and illegally exporting foreign exchange. Dzu immediately claimed that the conviction was a political reprisal. We understand that charges against Dzu have been pending for some time and that they seem to be well substantiated. Nevertheless, the Vietnamese Government's timing in pursuing its case against Dzu seems most ill-advised. We have telephoned the Embassy and are expecting momentarily its detailed report.

~~SECRET EXDIS~~

WWR
Pres file
104

CONFIDENTIAL

Friday, September 15, 1967 -- 1:00 PM

MEMORANDUM FOR THE PRESIDENT

SUBJECT: PL 480 Summary

DECLASSIFIED

E.O. 12356, Sec. 3.4(b)

White House Guidelines, Feb. 24, 1983

By *h*, NARA, Date *10-3-91*

The following is a wrap-up of PL 480 proposals now before you:

Number of Agreements: Ten (including the Pakistan deal described below)

Countries: Chile, Ceylon, Paraguay, Guinea, Morocco, Tunisia, Bolivia, Indonesia, Ghana and Pakistan

Value: \$128 million (with the possibility of an additional \$5 million in Tunisia)

<u>Commodities:</u>	Wheat and Wheat Flour	-- 1,315,000 tons *
	Corn	-- 70,000 tons
	Cotton	-- 76,870 bales
	Tallow	-- 15,400 tons
	Oil	-- 65,000 tons
	Tobacco	-- 550 tons
	Milk	-- 3,000 tons

Real wheat deal
WWR

Budgetary Effects: No additional expenditures. In the present shape of the U.S. wheat market, any wheat we do not ship abroad the CCC will have to buy and store anyway. Thus, our best guess is that these actions would add nothing to the present spending outlook.

total - around 500,000 tons - you buy 250,000, WWR 250,000

A possible bargain on Pakistan: The Pakistanis have requested 750,000 tons of wheat. Agriculture will probably object to anything more than 500,000 tons. But they will probably accept the following offer to the Pakistanis:

- 500,000 tons under PL 480
- an additional ton of PL 480 wheat for every additional tons of Pakistan's commercial wheat purchases above what they now plan to buy here.

Gaud would also agree to this offer, although he would prefer to do a flat 500,000 tons and hold back the rest until the Paks do more to reform their management of foreign exchange. In either case, -- although you may want to approve the wheat now -- we should not broach this to the Paks until their negotiator arrives here in two weeks. If we look too anxious, we will take all the power out of our self-help push.

W. W. ROSTOW

*plus whatever we move under the matching bargain with Pakistan.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

Thursday, September 14, 1967 -- 5:45 PM

MEMORANDUM FOR THE PRESIDENT

SUBJECT: PL 480 Package II -- five agreements totalling \$61 million

Herewith the second PL 480 package: five agreements totalling \$61 million. (We may be able to negotiate an additional \$5 million worth of wheat for the Tunisians, which would push the value to \$66 million.)

The additional wheat agreement for Pakistan has not been processed by the bureaucracy, but we can get it done very quickly if you decide to take the risk described below. This would add a further \$32 million, raising the total value of this package to \$93 million. With the package I sent you on Tuesday, you have a total of \$128 million in PL 480 decisions now before you.

Budgetary Effects Charlie Schultze will give you a memo on the budget implications of PL 480, and from now on he will include a budget estimate in his memoranda to you proposing new agreements.

The truth is that we can't predict with precision the budgetary effect of any particular agreement or group of agreements. It depends on the U.S. price situation, the sensitivity of the price to PL 480 buying, and the volume of CCC price support operations. If our price is soft and relatively insensitive and the CCC is taking in a lot of wheat, PL 480 costs next to nothing. This is essentially what is happening now. Schultze agrees with the following propositions:

1. As long as the price is soft, the CCC will have to buy any wheat ^{shortfall} below current PL 480 planning figures.
2. All of the agreements thus far proposed to you are within those planning figures -- and even below the reduced figures you now have under consideration.
3. Therefore, our best guess is that there is no additional budgetary cost to these actions -- if the expenditures don't come through PL 480, they will probably, although not certainly, come through CCC.

As the wheat price falls and the CCC is forced to take in more wheat to support prices, it becomes more and more helpful to the budget to ship wheat abroad -- both because it saves storage and because it has some small supportive effect on the domestic price. (As you know, Freeman thinks the price effect is very small because the grain trade knows and takes into account all the possible PL 480 deals we could make.) Charlie won't hazard a precise estimate of the budgetary effect of any particular agreement, but he does suspect that in the present climate PL 480 is a slight plus rather than a minus.

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DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 00-238
By cb, NARA Date 10-27-00

~~CONFIDENTIAL~~

- 2 -

MOROCCO (Tab A)

Value: \$23.4 million

Commodities: wheat -- 300,000 tons
cotton -- 30,400 bales

Terms: One-half of the total to be repaid in local currency, 20% of which will be used to pay U.S. bills in Morocco and 80% loaned and granted back to the Moroccans for economic development projects.

One-half of the total to be repaid in dollars; 2-year grace period; 20-year maturity at 2 1/2% interest.

This is an add-on to the agreement you authorized last April. It does not have a new set of self-help conditions attached to it. The Moroccans seem to be performing pretty well on the conditions set in the Spring and AID does not have further steps worked out which it wants to enforce ~~for~~ this agreement. As Charlie Schultze points out, we would normally hold this agreement until later so as to combine it with next year's AID lending to produce the strongest possible negotiating package. But there is a strong political case for moving now. We have been trying without success to find something to do for the moderate Arabs. This agreement and the following one for Tunisia represent about all we can manage. Schultze recognizes these facts and has no objection to your going ahead now.

There is one special problem with this agreement. It requires a renewal of your April finding that it is in the national interest to carry out PL 480 programs in Morocco despite the fact that she has some trade with Cuba and has in the past exported a few items to North Vietnam. Nick Katzenbach's formal recommendation that you make this determination is at the special colored tab marked X. Nick argues persuasively that Hassan has effectively followed up his assurance to stop all strategic trade with Cuba and to stop all trade with North Vietnam. If you approve, we need your mark on Nick's memo at Tab X.

Approve _____ Disapprove _____ Speak to me _____

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 3 -

TUNISIA (Tab B)

Value: At least \$21.9 million, and perhaps as much as \$26.6 million
(if we can get them to take more wheat)

Commodities: wheat -- 150,000 - 210,000 tons
corn -- 40,000 tons
oil -- 35,000 tons
cotton -- 9,500 bales

Terms: One-half of the amount to be paid ~~for~~ in local currency; 80%
would be loaned back to the Tunisians for economic develop-
ment projects.

One-half the total to be repaid in dollars; 2-year grace period;
20-year maturity at 2 1/2% interest.

Bourguiba is doing a good self-help job. There is no need for new con-
ditions. Again, standard procedure would be to hold this agreement until
the AID dollar side was ready -- which won't be until after the AID appropri-
ation bill is through the middle of December. The political case for helping
the moderate Arabs now is just as strong in this case as in Morocco. Again,
Charlie Schultze has no objection to the Gaud/Freeman recommendation.

Approve _____ Disapprove _____ Speak to me _____

BOLIVIA (Tab C)

Value: \$9 million

Commodities: wheat & wheat flour -- 114,000 tons
cotton -- 4,770 bales

Terms: To be repaid in dollars; 2-year grace period; 5% down
payment; 18-year maturity at 2 1/2% interest.

This proposal is in two parts. The bulk of the commodities would go to
the Government of Bolivia in the standard way. But 10,000 tons of wheat
would go to the government-owned mining corporation called COMIBOL.
The Government's self-help record is probably as good as a weak, back-
ward regime can manage -- and far better than could be expected if
Barrientos were overthrown. On the political side, Barrientos is just

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 4 -

BOLIVIA (continued)

holding his own against the various communist-led rebels and needs all the help he can get. On the other hand, COMIBOL is a huge, inefficient concern which could stand a lot of improvement. But AID hasn't yet got the specific program of reform worked out. Therefore, Schultze recommends -- and I agree -- that you:

- authorize the government portion of this agreement for immediate negotiation, and
- approve the COMIBOL portion now but instruct Freeman and Gaud not to begin negotiations until self-help conditions are ready.

Approve _____ Disapprove _____ Speak to me _____

INDONESIA (Tab D)

Value: \$4.3 million

Commodities: bulgar (wheat) -- 5,000 tons
oil --10,000 tons
tallow -- 5,000 tons

Terms: To be repaid in dollars; 10-year grace period; 40-year maturity at 2 1/2% interest.

This small agreement is one of our best hopes for finding a way to meet Indonesia's requirements in the future when AID money is likely to be even more scarce. The problem today is quite simple: the Indonesians have an excellent market for rice, but we have very little rice to give them through PL 480. We have a lot of wheat, but they have no market for wheat at all. The wheat provided for here is in a form (bulgar) which is very much like rice. It is designed to begin the difficult task of building demand for wheat. We need to push this as hard as possible if we are to have much of a chance of meeting our share of the Indonesian donor club's commitments in future years.

Approve _____ Disapprove _____ Speak to me _____

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 5 -

GHANA (Tab E)

Value: \$2.3 million

Commodities: cotton -- 6,000 bales
tallow -- 7,400 tons
tobacco -- 350 tons

Terms: To be paid back in local currency, 65% of which would be loaned back to the Ghanians for economic development projects.

This is the second part of an agreement you signed last Spring. It is part of our general support of the post-Nkrumah crowd's attempts to put Ghana's economic house in order. (We pay only one-third of the contributions to an informal consortium led by the IMF.) The self-help case is excellent. And the political case is even stronger.

Approve _____ Disapprove _____ Speak to me _____

PAKISTAN

You approved one million tons of wheat for Pakistan in July. There is a request outstanding for 750,000 tons more. Agriculture will maintain that 750,000 tons would cut into commercial sales -- ours and other people's. But we could get quick agreement on 500,000 tons.

The present plan is for the Deputy Planning Minister of Pakistan to come here the first week in October to negotiate for this additional wheat. We know he's coming and they know we know. Your options are two:

-- You can approve the wheat now, but wait three weeks to tell the Paks in the normal course.

-- You can instruct us to get the Paks to ask for the wheat right away. (We could sign the agreement in a matter of one day if we wanted to.)

The second course demonstrates how anxious we are to move wheat, cutting down our ability to enforce self-help conditions. I would recommend that you take the first.

500,000 tons OK, but hold off telling Paks _____ Get the Paks to request it now _____ Speak to me _____

W. W. ROSTOW

105a

Tab
A

~~CONFIDENTIAL~~

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

1056
SEP 14 1967

MEMORANDUM FOR THE PRESIDENT

Subject: P. L. 480 Programs for Morocco, Tunisia, and Ghana

Attached are three memoranda from Orville Freeman and Bill Gaud requesting your authorization to negotiate three amendments to P. L. 480 programs signed earlier this year.

- Morocco -- \$23.4 million worth of wheat (300,000 tons) and cotton.
- Tunisia -- \$21.9 - \$26.6 million worth of wheat (150-210,000 tons), corn, vegetable oil, and cotton.
- Ghana -- \$2.3 million worth of cotton, tallow, and tobacco.

These agreements would include a total of up to 510,000 tons of wheat, 45,900 bales of cotton, and 35,000 tons of vegetable oil. In every case, the credit terms would be the same as those in the earlier agreements. Similarly, since these agreements were all signed within the last six months, no new self-help conditions are proposed for these amendments.

Morocco

An agreement providing \$11.5 million worth of wheat to Morocco for the second half of FY 1967 was signed last April, bringing the total for the year to about \$25 million. At that time, you made a finding required by the "Findley-Belcher" amendment to P. L. 480 because Morocco had some trade with Cuba. Since the finding was limited to sales agreements signed in FY 1967, you must sign another such waiver if you approve this proposed 1968 program. A new waiver will also enable us to sign an agreement for about \$2 million worth of tallow, which you approved in May, but which was not ready for signature by the end of FY 1967.

AID is considering an agricultural sector loan of \$10-\$15 million to Morocco.

Tunisia

In March, we signed a P. L. 480 agreement providing \$13.8 million worth of wheat, barley, and vegetable oil to Tunisia for the second half of FY 1967, bringing the total for the year to \$27 million. The amount of

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 93-351

By cb, NARA, Date 5-25-95

~~CONFIDENTIAL~~

food grains to be included in this amendment have not been determined precisely, but it is likely to include about 180,000 tons of wheat, putting the total value of this amendment at about \$25 million. This proposed agreement is designed to cover Tunisia's needs for FY 1968.

AID is now planning to present for your approval later in the year a program loan of \$10-\$15 million for Tunisia.

Ghana

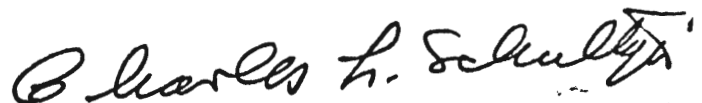
In the case of Ghana, we signed agreements in March and April to provide \$7 million worth of wheat flour, rice, cotton, tallow, and tobacco. Since then, small additional requirements for cotton, tallow, and tobacco during the rest of this calendar year have emerged and are proposed for negotiation now. The 1968 P. L. 480 program for Ghana should be forthcoming for your consideration within the next few months. This will be closely related to our program assistance, now estimated by AID at \$15-\$20 million in 1968.

Recommendation

I recommend you authorize the Ghana proposal which is the tag end of our calendar year 1967 program.

The P. L. 480 agreements for Morocco and Tunisia represent the lion's share of our total economic aid to those countries. They are therefore central to our development strategy, our dollar aid levels, and our leverage in bargaining for self-help measures. Under normal circumstances, I would prefer to delay negotiation of these 1968 P. L. 480 programs until we are ready to move ahead on 1968 dollar aid. This would be consistent with your desire to obtain the maximum leverage for self-help conditions and to treat P. L. 480 like regular dollar aid.

However, this might well mean a delay of several months in negotiation and shipments, and USDA is anxious to move all of the commodities involved. In the light of the domestic agriculture situation, I have no objection to going ahead with these agreements now.



Charles L. Schultz
Director

Attachments

Approve package _____

Approve only: Morocco _____

Tunisia _____

Ghana _____

Disapprove _____

1050

SEP 12 1967

To: The President


Subject: Public Law 480 Sales Program with Morocco

We recommend that you authorize us to negotiate with the Government of the Kingdom of Morocco a \$23.4 million increase in the \$11.3 million PL 480 dollar credit and local currency sale approved by you early in February and a \$2.1 million increase approved by you in mid-April. The proposed increase would add 300,000 tons of wheat and 30,400 bales of cotton to the 167,000 tons of wheat and 12,000 tons of tallow already approved. The same credit terms will apply; that is, under the dollar credit terms, 20 years credit, two-year grace, interest at one percent during the grace period and two and one-half percent thereafter; and under the local currency terms, 70 percent of local currency proceeds are intended for development loans, 20 percent for U.S. uses and 10 percent for Cooley loans. The Department of State has endorsed this proposal.


In our memoranda of February 2, 1967 and April 18, 1967 (attached), in which we recommended the current PL 480 sale, we outlined Morocco's requirements for agricultural commodities, the U.S. interest in Morocco, and self-help efforts to improve that country's agriculture.

It is necessary that you consider with this memorandum, a new Findley-Belcher finding which will be forthcoming from the Secretary of State.

Recommendation: That you authorize us to negotiate with Morocco the sale of 300,000 tons of wheat and 30,400 bales of cotton of which the current market value is \$23.4 million.



Administrator
Agency for International Development



Secretary
Department of Agriculture

SEP 11 1967

Approve: _____

Disapprove: _____

PR 18 1967

To : The President

Subject: P. L. 480 sales Program with Morocco

We recommend that you authorize us to negotiate with the Government of the Kingdom of Morocco a \$2.1 million increase in the \$11.3 million P.L. 480 dollar credit and local currency sale approved by you early in February. The proposed increase would add 12,000 metric tons of inedible tallow to the 167,000 metric tons of wheat already approved. The same credit terms will apply, that is; under the dollar credit terms, 20 years credit, two-year grace, interest at 1 percent during the grace period and 2½ percent thereafter; and under the local currency terms, 70 percent of local currency proceeds are intended for development loans, 20 percent for U.S. uses and 10 percent for Cooley loans. The Department of State has endorsed this proposal.

In our memorandum of February 2, 1967 (attached), in which we recommended the current P.L. 480 sale, we outlined Morocco's requirements for agricultural commodities, the U.S. interest in Morocco, and self-help efforts to improve that country's agriculture.

Recommendation: That you authorize us to negotiate with Morocco the sale of 12,000 metric tons of tallow of which the current market value is \$2.1 million.

William L. Bond

Administrator

Agency for International Development

Quill of Truman

Secretary

Department of Agriculture

JUL 19 1967

Approve: _____

Disapprove: _____

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105e

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 93-352
By JW, NARA, Date 9-19-93

FEB 2 1967

The President

Public Law 480 Wheat for Morocco

We recommend that you authorize us to negotiate with Morocco a PL 480 sale of 167,000 tons of wheat for \$11.3 million split 50-50 between local currency and dollar credit financing. The local currency would be earmarked for US uses (20%), Cooley loans (10%) and economic development loans (70%). The credit would be payable over 20 years with interest at 1% during the two-year grace period and 2½% thereafter. The new provision of PL 480 requiring payment in hard currency of 5% of the commodity value upon delivery whenever practicable would apply. The State Department concurs in this recommendation.

Negotiation of the agreement cannot begin until you determine it in the US interest under the "Findley amendment" to PL 480. The Secretary of State is sending you a separate memorandum on that question.

US Interest in Morocco. The US wants Morocco to continue to support US positions in the UN and OAU, to moderate Middle East issues and work toward Maghrebian cooperation, and to permit US use of the Kenitra Naval Base and communications facilities, full access and transit rights for US civil aviation, and use of the Voice of America broadcasting facility at Tangier.

Morocco's Grain Situation. As a result of the serious drought last winter, Morocco's wheat production was 38% below the previous year. Corn production was down by 45% and barley by 57%. Yields of oats, rye, sorghum, other cereals and pulses were severely reduced. The 1966-67 cereal deficit will reach about 1.4 million tons compared to last year's imports of 390,000 tons. The 1967 wheat deficit is estimated to exceed 900,000 tons. About two-thirds of the deficit or some 640,000 tons have been met by commercial purchase from the US and other countries and earlier PL 480 sales and donations.

Self-Help. An unfavorable trend in the balance of payments was reversed for the first time since 1960 by an austerity program of credit and import restrictions which reduced imports by \$63 million in 1965. Reserves continued to increase until recent months when foreign exchange has been used to buy grains. Following IMF and IBRD

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- 2 -

advice, Morocco has controlled inflationary financing and held down prices. The original Five Year Plan was replaced by a more realistic Three Year Plan incorporating IBRD recommendations. Confronted by a 3.2% population growth rate which outstrips GNP growth, the Moroccans have started a birth control program. A High Commission of Population and local commissions coordinate and implement assistance to 20,000 families.

Morocco allocates approximately 30% of the national budget to agriculture. Despite this substantial investment, food production has not kept pace with the population increase. Barley and wheat are Morocco's basic food crops. Barley production has not increased during the past decade and wheat production has increased only slightly. As things now stand, the prospects of Morocco becoming self-sufficient in food production in the short run are not good. However, with political stability and appropriate self-help measures, long-run prospects are favorable. Some specific self-help measures in agriculture are discussed below.

King Hassan recently launched a program to increase cereal yields on 500,000 acres by 30% by providing farmers with fertilizer and improved seed on easy credit and with training in their use. The program could produce 150,000 more tons of wheat yearly, nearly half of Morocco's normal wheat deficit.

Considerable progress has been made in reforestation and control of grazing in the reforested areas. Using US food-for-work assistance this program employs 14 million man-days yearly.

An artificial insemination program has begun and with US cooperation will be expanded in succeeding years. Farmers are being trained to upgrade foundation herds.

Progress has been made in establishing land reform policies and programs. This work is just beginning, however, compared to total country needs.

The sales agreement will state the following self-help measures which Morocco will undertake:

1. Continue efforts to increase grain and livestock production and to improve range management and other land improvement activities;
2. Increase and improve crop and livestock research emphasizing major grain crops in both dryland and irrigated areas;

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- 3 -

3. Improve erosion control measures in upper watersheds adjoining irrigation development projects;
4. Increase agricultural training at the secondary school level;
5. Streamline and stabilize Government institutions responsible for those activities.

Recommendation: That, contingent upon a finding under the Findley amendment, you authorize us to proceed with the PL 480 agreement as described above.

Approve: _____

Disapprove: _____

/s/ William S. Gaud
Administrator
Agency for International Development

/s/ John A. Schnitzler
Acting Secretary
Department of Agriculture

Drafter: LDeMiller: AFR/NA
2/1/67

Clearances: FCorrell: AFR/DP(draft)
WDavis: AA/PC(draft)
APost: STATE: AFN(draft)
TArnold: STATE: E/OR(draft)
MWichser: MR/FFP(draft)

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

1059
SEP 14 1967

MEMORANDUM FOR THE PRESIDENT

Subject: P. L. 480 Programs for Morocco, Tunisia, and Ghana

Attached are three memoranda from Orville Freeman and Bill Gaud requesting your authorization to negotiate three amendments to P. L. 480 programs signed earlier this year.

- Morocco -- \$23.4 million worth of wheat (300,000 tons) and cotton.
- Tunisia -- \$21.9 - \$26.6 million worth of wheat (150-210,000 tons), corn, vegetable oil, and cotton.
- Ghana -- \$2.3 million worth of cotton, tallow, and tobacco.

These agreements would include a total of up to 510,000 tons of wheat, 45,900 bales of cotton, and 35,000 tons of vegetable oil. In every case, the credit terms would be the same as those in the earlier agreements. Similarly, since these agreements were all signed within the last six months, no new self-help conditions are proposed for these amendments.

Morocco

An agreement providing \$11.5 million worth of wheat to Morocco for the second half of FY 1967 was signed last April, bringing the total for the year to about \$25 million. At that time, you made a finding required by the "Findley-Belcher" amendment to P. L. 480 because Morocco had some trade with Cuba. Since the finding was limited to sales agreements signed in FY 1967, you must sign another such waiver if you approve this proposed 1968 program. A new waiver will also enable us to sign an agreement for about \$2 million worth of tallow, which you approved in May, but which was not ready for signature by the end of FY 1967.

AID is considering an agricultural sector loan of \$10-\$15 million to Morocco.

Tunisia

In March, we signed a P. L. 480 agreement providing \$13.8 million worth of wheat, barley, and vegetable oil to Tunisia for the second half of FY 1967, bringing the total for the year to \$27 million. The amount of

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E.O. 12958, Sec. 3.6

NLJ 93-351

By cb, NARA Date 6-30-99

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food grains to be included in this amendment have not been determined precisely, but it is likely to include about 180,000 tons of wheat, putting the total value of this amendment at about \$25 million. This proposed agreement is designed to cover Tunisia's needs for FY 1968.

AID is now planning to present for your approval later in the year a program loan of \$10-\$15 million for Tunisia.

Ghana

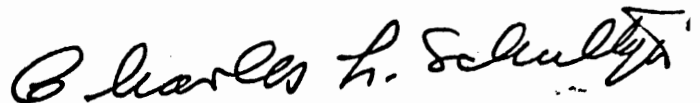
In the case of Ghana, we signed agreements in March and April to provide \$7 million worth of wheat flour, rice, cotton, tallow, and tobacco. Since then, small additional requirements for cotton, tallow, and tobacco during the rest of this calendar year have emerged and are proposed for negotiation now. The 1968 P. L. 480 program for Ghana should be forthcoming for your consideration within the next few months. This will be closely related to our program assistance, now estimated by AID at \$15-\$20 million in 1968.

Recommendation

I recommend you authorize the Ghana proposal which is the tag end of our calendar year 1967 program.

The P. L. 480 agreements for Morocco and Tunisia represent the lion's share of our total economic aid to those countries. They are therefore central to our development strategy, our dollar aid levels, and our leverage in bargaining for self-help measures. Under normal circumstances, I would prefer to delay negotiation of these 1968 P. L. 480 programs until we are ready to move ahead on 1968 dollar aid. This would be consistent with your desire to obtain the maximum leverage for self-help conditions and to treat P. L. 480 like regular dollar aid.

However, this might well mean a delay of several months in negotiation and shipments, and USDA is anxious to move all of the commodities involved. In the light of the domestic agriculture situation, I have no objection to going ahead with these agreements now.



Charles L. Schultz
Director

Attachments

Approve package _____

Approve only: Morocco _____

Tunisia _____

Ghana _____

Disapprove _____


105h

September 12 1967

We recommend that you authorize us to negotiate with the Government of Tunisia a \$21.9 to \$26.6 million increase in the \$8.5 million PL 480 dollar credit and local currency sale approved by you early in January and the \$5.0 million increase approved by you early in March. The proposed \$21.9 to \$26.6 million increase would add 35,000 tons of soybean/cottonseed oil, 9,500 bales of cotton, 150,000 tons of wheat and 40,000 tons of corn to the soybean/cottonseed oil, wheat and barley already approved. (This 190,000 MT of grains may be increased up to 260,000. We are not certain at this time how much grain the Government of Tunisia can actually absorb and we are working toward determining this level.) Under this proposal the dollar credit portion of the program has been increased to 50 percent. The dollar credit terms remain the same; that is, 20 years credit, two-year grace, interest at one percent during the grace period and two and one-half percent thereafter. The local currency terms are 80 percent for development loans, 8 percent for U.S. uses, 10 percent for Cooley loans and 2 percent for maternal and child welfare and family planning. The Departments of State and Treasury have endorsed this proposal.

In our memoranda of December 23, 1966 and March 2, 1967 (attached), in which we recommended the PL 480 sale, we outlined the Tunisia requirements for agricultural commodities, the U.S. interest in Tunisia and self-help efforts to improve that country's agriculture.

Recommendation: That you authorize us to negotiate with Tunisia the sale of up to 260,000 tons of wheat and corn, 9,500 bales of cotton and 35,000 tons of soybean/cottonseed oil of which the current export market value is \$26.6 million.


Secretary
Department of Agriculture

Approve: _____

Disapprove: _____

By ju, NARA, Date 9-19-93

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105

To: The President

MAR 2 1967

Subject: P.L. 480 Sales Program with Tunisia

We recommend that you authorize us to negotiate with the Government of Tunisia, a \$5.0 million increase in the \$8.5 million P.L. 480 dollar credit and local currency sale approved by you early in January. The proposed increase would add 20,000 metric tons of soybean/cottonseed oil to the soybean/cottonseed oil, wheat and barley already approved. The same payment terms will apply, that is: under the dollar credit terms, 20 years credit, two-year grace, interest at 1 percent during the grace period and 2½ percent thereafter; and under the local currency terms, 70 percent of local currency proceeds are intended for development loans, 20 percent for U.S. uses and 10 percent for Cooley loans. The Department of State has endorsed this proposal.

Although Tunisia had asked for 30,000 tons of edible oil for the current fiscal year, it was not thought possible when the current approved program was developed to offer more than 10,000 tons. Subsequently, additional quantities have become available for programing under P.L. 480 to several countries including Tunisia. This addition will fulfill the amount requested.

In our memorandum of December 23, 1966 (attached), in which we recommended the current P.L. 480 sale, we outlined the Tunisia requirements for agricultural commodities, the U.S. interest in Tunisia and self-help efforts to improve that country's agriculture.

Recommendation: That you authorize us to negotiate with Tunisia the sale of 20,000 metric tons of soybean/cottonseed oil valued at \$5.0 million.

Orville L. Freeman

/s/ William S. Gaud

Administrator
Agency for International Development

Secretary
Department of Agriculture

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 93-352

By fw, NARA, Date 9-19-93

Approve: _____

Disapprove: _____

~~CONFIDENTIAL~~

UNITED STATES GOVERNMENT

~~CONFIDENTIAL~~

Memorandum

TO : The President

DATE:

FROM :

SUBJECT: PL 480 Program with Tunisia

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 93-352

By ju, NARA, Date 9-19-93

We recommend that you authorize us to proceed with negotiations with the Government of Tunisia for PL 480 sales agreements as outlined below.

Title I Commodity Composition (75% of the commodity value)

U.S. Fiscal Year 1967

<u>Commodity</u>	<u>Approximate Maximum Quantity (metric tons)</u>	<u>Estimated Market Value ------(1,000)-----</u>	<u>Estimated CCC Cost ------(1,000)-----</u>
Foodgrains (wheat and barley)	90,000	\$5,770	\$6,610
Soybean oil/cottonseed oil	2,000	530	530
Total		\$6,300	\$7,140

Local Currency Uses

U.S. uses.....	20%
Cooley Loan (Sec. 104(e)).....	10%
Loans for economic development (Sec. 104(g)).....	70%

Title IV Commodity Composition (25% of the commodity value)

U.S. Fiscal Year 1967

<u>Commodity</u>	<u>Approximate Maximum Quantity (metric tons)</u>	<u>Estimated Market Value ------(1,000)-----</u>	<u>Estimated CCC Cost ------(1,000)-----</u>
Cottonseed and/or soybean oil	8,000	\$2,086	\$2,086
Ocean transportation (estimated)		70	95
Total		\$2,156	\$2,181

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Credit Terms

The credit terms will provide that payment for shipments in each calendar year will be made in 19 approximately equal annual installments, the first of which shall become due two years after the date of last delivery of commodities under the agreement in any calendar year. Subsequent payments of principal for commodities delivered in each calendar year will be due and payable annually thereafter. Interest during the period between the date of last delivery in each calendar year and the date of first payment of principal shall be at the rate of 1 percent per annum. Applicable interest shall be at the rate of 2½ percent per annum thereafter.

The State Department concurs in this recommendation.

Tunisia's Food Situation

Tunisia is faced with a serious food shortage due to a severe drought which has reduced agricultural production in the 1965-1966 season by 50% for bread wheat and barley and 45% for edible oil and is expected to result in a 1966-67 edible oil crop of less than half of the poor 1965-66 crop. Tunisia's severe balance of payments problems and inability to obtain assistance from other donors have made the situation very critical.

The drought has resulted in the production of only 350,000 metric tons of wheat in the 1966-67 growing season which is 170,000 MT less than was produced in the preceding season. Above and beyond usual commercial purchases and PL 480 assistance provided earlier this fiscal year, there still remains a gap of 100,000 metric tons. The proposed sale of 60,000 metric tons would not eliminate the diversion of scarce Tunisian foreign exchange from crucial imports needed for development, but it would considerably reduce the disruptive effect of this diversion on the development effort.

The Tunisian barley situation is similar to that of wheat. The deficit in 1966-67 production due to the drought is 100,000 metric tons. With barley provided under PL 480 earlier this fiscal year and through extensive substitution, the requirement has been reduced to 52,000 metric tons. We propose to provide 30,000 metric tons leaving 22,000 metric tons which Tunisia will have to purchase commercially. Barley was a foreign exchange earning export for Tunisia in FY 1966, whereas in FY 1967 the situation is reversed. Any further increase in commercial purchases beyond the 22,000 MT contemplated would divert scarce foreign exchange needed for Tunisia's development.

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The edible oil situation is extremely serious. This year's crop is 45% less than last year's crop and next year's crop (ie., 1966-67) is expected to be less than one-half the size of this year's crop. During the 1966-67 growing seasons, 51,000 metric tons of oil imports will be required. After taking into account PL 480 assistance provided earlier in this fiscal year and normal commercial purchases, the gap is a staggering 39,000 metric tons. Tunisia has requested CCC credit sales of 1,200 tons and use of the FY 1966 program loan to finance 4,000 metric tons. Tunisia has requested 30,000 metric tons under PL 480, but due to limited U.S. availabilities, we are prepared to provide only 10,000 metric tons at this time, leaving an unfilled gap of 23,800 metric tons. Later in the fiscal year we will examine whether we can provide additional edible oil to ease the strain on Tunisian foreign exchange.

Tunisia's Self-Help Efforts

We believe Tunisia is making good progress in undertaking self-help measures. Tunisia has improved its planning and budgeting, undertaken a stabilization program including strict credit ceilings and limitations on gross investment, placed controls on government operating budget expenditures, and sharply curtailed the use of short-term, high interest-rate suppliers' credits. Wages and prices have remained virtually frozen. A nation-wide population control program has begun. In 1967 the Government has pledged to drastically curtail investment and further restrict credit in order to significantly increase the effectiveness of the stabilization effort.

In the period 1960-65, the growth of agricultural production has been approximately 3% per annum or half the 6% rate of growth for the economy as a whole. While the Government fell short of overly optimistic agriculture investment goal in the previous four-year plan, it has made a major effort to increase the growth of agricultural production, including a major agricultural reorganization and heavy investments in irrigation, tree planting, livestock, and research. The returns are now beginning to be felt and by 1969 annual growth in agriculture is expected to reach 4.6%. The following self-help measures set forth in the current three-year plan have begun and will accelerate during the period 1967-72:

- 1) A broad land reform and a national program to establish agricultural production cooperatives. 146 such cooperatives had begun operation through last year. 68 have been started this year and the Government plans to establish 100 annually for the next several years.

- 2) A comprehensive nation-wide water development program to increase irrigated land from 150,000 acres in 1961 to 450,000 acres by 1972. 50,000 acres have been completed and projects are now underway to irrigate an additional 135,000 acres. With U.S.

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assistance, the Government has adopted American well-drilling technique and expanded its capability to the point where it expects to complete 395 new wells over the next four years.

3) A national public works program which has more and more been channeled to support and extend the agricultural development effort. Drainage ditches, access roads, farm ponds, waterways, soil saving dams, fences, and farm buildings are being built, land is being leveled for irrigation and hillsides terraced, wells and cisterns are being dug; and grass, forage, and great numbers of fruit, nut, and forest trees are being planted.

4) A program to grow vegetable stock and tree seedlings and distribute them to farmers throughout the country and, through the public works program, a major tree planting program which will result in a million new fruit trees coming into production in each of the next five years and a large increase in olive oil production and export by 1975.

5) A major emphasis on increasing yields per acre through modern land classification, new cropping patterns, increased forage production to facilitate a major expansion in livestock production, introducing new export crops (e.g. pistachios, early and late ripening vegetables for the growing European markets), and applied crop research. Experimental trials have begun to identify improved wheat varieties and to introduce sunflower seeds and other crops for edible oil production. These programs reflect the Tunisian Government's intention to reduce Tunisia's dependence on cereal and oil imports.

Our Aid Understanding with Tunisia

The Tunisian Government understands that the major assistance provided by the U.S. is dependent upon continued self-help efforts to improve economic performance and must be in conjunction with efforts to maximize other donor contributions.

Improved Tunisian performance and increased assistance from other donors should make it possible to reduce Tunisia's dependence upon the U.S. as the major donor. In part through U.S. influence, the Tunisian Government has requested IMF standby credits, agreed to undertake a major stabilization program, and devalued its currency. We have encouraged the IBRD and Tunisia into greater cooperative efforts to achieve better development planning and increased IBRD assistance. Success to date is reflected in the heavy degree to which both the IMF and the IBRD have participated in the preparation of the Tunisian 1967 economic budget and the establishment in 1966 of an improved budgeting process as a specific condition of U.S. assistance.

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Recommendation: That you authorize us to begin negotiations with the Tunisian Government to sell 10,000 metric tons of edible oil, 30,000 metric tons of barley, and 60,000 metric tons of wheat under PL 480, Titles I and IV.

We will use the negotiations to encourage the Government of Tunisia to continue its numerous self-help measures to increase food production, particularly emphasizing improved agricultural planning and policies, expanded services for the farmer, improved farm practices, and essential investment for water development and agricultural equipment.

Approve: _____

Disapprove: _____

Administrator
Agency for International
Development

Secretary
Department of Agriculture

USDA-FAS/AID PBirnbaum:AFR/WA (typed IADS:LBrown:FAS:GSM:FHJack/kw 12-21-66)

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

1252
SEP 14 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed P. L. 480 Program for Bolivia

In the attached memorandum Bill Gaud and Orville Freeman request your approval to negotiate two P. L. 480 dollar credit sales with Bolivia for a total value of \$9 million. Together they would provide 114,000 tons of wheat flour and 9,000 bales of cotton. Five percent will be paid on delivery and the balance in twenty years, including a two-year grace period.

The bulk of commodities - 104,000 tons of wheat and all the cotton would go to the Government of Bolivia. The primary purpose of this agreement is to provide budgetary support for agricultural development at a time when a budget deficit brought on by increased guerrilla activity will force a general cut-back in 1967 and 1968 expenditures. The local currency generated from this agreement will be earmarked for specific agricultural projects outlined in the Gaud/Freeman memorandum.

The self-help commitments we will require are very general and are aimed at encouraging the government to strengthen its institutional capability in the agricultural sector;

- complete the reorganization of the Ministry of Agriculture
- identify additional priority commodities through an agricultural sector survey
- increase support of rural community development

The central government in Bolivia lacks the administrative capacity to develop and carry out viable programs and the financial ability to mobilize and control resources in support of these programs. Central government revenues were estimated at 7.4 percent of GNP in 1966, one of the lowest ratios in Latin America.

In view of this primitive state of the public sector, the self-help conditions we seek are not very meaningful and the effective use of these P. L. 480 resources not promising.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 93-351
By CB, NARA, Date 5-25-95

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However, the continued stability of the constitutional Barrientos' Government, to which we are committed, may depend on its ability to sustain its military efforts and at least a minimal level of development activities. This agreement would assist President Barrientos to meet these politically significant needs.

Ten thousand tons of the wheat flour is for the Government Mining Corporation (COMIBOL) and will be negotiated separately with COMIBOL. COMIBOL has serious problems which require administrative and policy changes. I think the separate agreement should be used for leverage to get those changes, but Gaud and Freeman are not ready to specify the self-help conditions we would seek from COMIBOL at this time.

Therefore, I recommend

- (1) that you authorize negotiation of the proposed P. L. 480 agreement with the Government of Bolivia and,
- (2) that you approve the separate agreement with COMIBOL now but instruct AID and Agriculture not to begin negotiations until self-help conditions are ready.

Charles L. Schultz

Charles L. Schultz
Director

Attachment

Government Agreement: Approve _____

Disapprove _____

COMIBOL Agreement: Approve for negotiation now _____

Approve now but negotiate only when self-help
conditions are specified _____

Disapprove _____

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To: The President

SEP 12 1967

Subject: Public Law 480 Program with Bolivia

We recommend that you authorize us to negotiate a PL 480 sales agreement with Bolivia to provide approximately 114,000 tons of wheat/wheat flour and 4,770 bales of cotton, of which the current export market value is \$8.6 million (including certain ocean transportation costs). The 114,000 ton figure includes 10,000 tons for the Government Mining Corporation (COMIBOL). A separate agreement will be negotiated with COMIBOL for this amount. The proposed terms are payment in dollars of five percent on delivery and the balance over eighteen years, with one percent interest during the two-year grace period and two and one-half percent thereafter. The Departments of State and Treasury concur in this recommendation.

Need for Program

The United States supports the present constitutional government of President Barrientos, which has undertaken measures to encourage mobilization of private sector resources and reduce losses in the public sector. These measures have resulted in modest but steady economic growth. During CY 1967, however, the emergence of guerrilla activity and declining foreign exchange reserves have raised major problems for the Bolivian Government. Domestic wheat production supplies only about 30% of consumption needs and only about 12% of domestic commercial milling requirements. The self-help measures which we will ask Bolivia to undertake will be fully integrated with other U.S. economic assistance programs in Bolivia.

Usual Marketing Requirement

A usual marketing requirement of 40,000 tons of wheat/wheat flour is currently in effect for CY 1967. To cover the last six months of the proposed program (January-June 1968) a usual marketing requirement of 25,000 tons has been set. These requirements are based upon averages of the past five years.

Self-Help Measures

Bolivia is giving agriculture and rural development a high priority. Significant progress has been made in land reform, agricultural credit, and in the reorganization of scattered agricultural activities into a more effective Ministry of Agriculture. Major food crops, with the exception of wheat, have continuously increased since 1958, but no faster than population. Once an importer of rice, Bolivia is now virtually self-sufficient. Sugar is being exported.

In the negotiation of this agreement we will seek commitments that the Government of Bolivia agree to:

- (1) Complete the reorganization of the Ministry of Agriculture;
- (2) Maintain the budget for regular agricultural activities next year at least at the level of this year, even though an overall decrease is likely in the consolidated GOB budget for developmental activities;

(3) Allocate U.S. dollar equivalents in local currency proceeds from this agreement as follows:

(a) \$1.5 million equivalent to the Agricultural Bank and the Credit Union to expand resources available for loans to farmers and cooperatives for producing, marketing and storing priority crops;

(b) \$1 million equivalent to strengthen priority food and commodity production and marketing programs for cereals, rice, wools, fruit, potatoes and quinoa, a uniquely high protein high altitude grain;

(c) \$1 million equivalent to implement procedures as recommended by CIDA-University of Wisconsin Land Tenure Center and recently incorporated into law to complete the distribution by 1971 of clear land titles to campesinos still without title under the Agrarian Reform Program of 1952;

(d) \$1 million equivalent for Rural and Urban School Development including teacher training, curriculum development and school construction on the basis of a study by Ohio State University to upgrade education in Bolivia;

(e) \$1.5 million for the GOB contribution to the financing of major penetration roads in accordance with AID commitments to support the IBD-financed colonization program;

(f) \$1 million equivalent to the Central Savings and Loan System to assist in meeting the critical housing deficit in urban and rural areas;

(4) Develop substantive programs to encourage improved breeds and veterinary services;

(5) Identify additional priority commodities through an agricultural sector survey soon to be undertaken;

(6) Increase its support of rural community development program initiated in 1965 to promote democratic participation and self-help by campesinos to improve the social environmental and political effectiveness of the rural areas.

Self-help measures for the COMIBOL agreement will be developed to meet the special nature of that agreement.

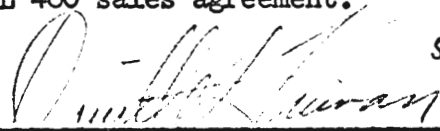
Recommendation

That you authorize us to proceed with the PL 480 sales agreement.



Administrator

Agency for International Development

 SEP 11 1967

Secretary

Department of Agriculture

Approve: _____

Disapprove: _____

10572



~~CONFIDENTIAL~~

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

1058

SEP 13 1967

MEMORANDUM FOR THE PRESIDENT

Subject: P. L. 480 Agreement with Indonesia

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 93-351
By cl, NARA, Date 5-23-95

Orville Freeman and Bill Gaud request your approval to add a \$4.31 million supplement to the P. L. 480 agreement now being negotiated with Indonesia which you approved in August.

Including this supplement, the current package would total \$25.9 million (including ocean transportation costs of \$3.1 million) and consists of:

	<u>metric tons</u>	<u>value (millions)</u>
<u>Basic Agreement</u>		
Rice.....	100,000	\$17.0
Tobacco.....	1,000	2.0
<u>Supplement</u>		
Bulgur.....	5,000	.6
Inedible tallow.....	5,000	.7
Edible vegetable oil.....	10,000	2.5

The financial terms of this supplement are the same as the basic agreement - 40-year dollar-repayable loans with interest at one percent during a 10-year grace period and 2 1/2 percent thereafter. The self-help conditions are also the same - development of several programs designed to improve agricultural production, particularly rice.

Excluding this supplement, our economic assistance to Indonesia in CY 1967 totals \$59.6 million. This is about \$5 million short of the commitment which you approved in February to provide one-third of Indonesia's estimated CY 1967 foreign exchange requirements, provided the other two-thirds is put up by other donors.

It is questionable whether this supplement will count against our CY 1967 total. We had hoped to include a higher cotton component in earlier P. L. 480 packages, but Indonesia has been unable to absorb further cotton imports than the \$8 million that arrived earlier this year. Bulgur, tallow, and vegetable oil have not been requested by the Indonesians, and consumer acceptance is unknown. We therefore face

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a difficult negotiating job and may not be able to reach agreement in time to allow this supplement to be counted against our CY 1967 pledge. Nevertheless, this supplement would improve our posture with the Indonesians and other donors - who have already pledged the required two-thirds - by signalling our readiness to provide further assistance. As a hedge against falling short, AID is considering the possibility of a further supporting assistance loan later this fall, once FY 1968 appropriations are known.

I recommend that you approve this supplement to the P. L. 480 agreement now being negotiated.

Charles L. Schultze

Charles L. Schultze
Director

Attachments

Approve _____

Disapprove _____

~~CONFIDENTIAL~~

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MEMORANDUM FOR THE PRESIDENT

SEP 12 1967

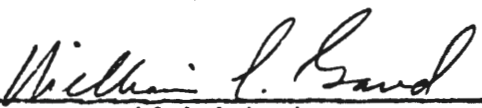
Subject: Supplement to P.L. 480 Sales Agreement with Indonesia

We recommend that you authorize us to negotiate with the Government of the Republic of Indonesia a supplement to the P.L. 480 convertible local currency credit agreement now in negotiation. The proposed supplement would add to your previous authorization 5,000 metric tons of bulgur, 5,000 metric tons of inedible tallow, and 10,000 metric tons of edible vegetable oil, having a total value at current prices of \$4.31 million including applicable ocean transportation. The terms would be the same as the agreement under negotiation - dollar-repayable loans, 40-year maturity, 1 percent interest during 10-year grace period, and 2-1/2 percent thereafter. The Departments of State and Treasury concur in this proposal.

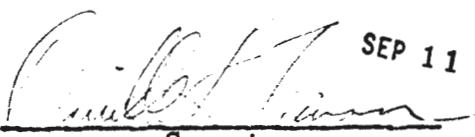
The inedible tallow and edible vegetable oil would be for consumption on the Island of Java. The bulgur will be used partly in Government rations for civil servants and military personnel, and in rice-deficit areas. If these commodities prove acceptable, consideration may be given later to increasing the quantities.

In our memorandum of August 8, 1967 (attached), in which we recommended the current sales agreement in negotiation, we outlined the U. S. interest in Indonesia, the AID program there, and Indonesia's self help efforts to improve that country's agriculture. That background information is still applicable.

Recommendation: That you authorize us to begin negotiations with Indonesia to supplement the sales agreement now in negotiation to supply \$4.31 million worth of bulgur, inedible tallow, and edible vegetable oil.



Administrator
Agency for International Development




Secretary
Department of Agriculture

SEP 11 1967

Approve: _____

Disapprove: _____

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 93-352
By , NARA, Date 9-19-93

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

August 8, 1967

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Economic Assistance to Indonesia

Helping the Suharto Government get its economic house in order involves two separable problems:

- (1) How to fulfill the U.S. share of the Inter-Governmental Group support of the Indonesia stabilization program for Calendar Year 1967, on which we are still \$27 million short of the \$65 million U.S. commitment; and
- (2) How to help stimulate rapid enough developmental progress in Indonesia to sustain public and army support of the promising new trend in Indonesian political orientation and leadership without loosening the economic stabilization discipline which is essential to long run solution of Indonesia's problems.

The second of these two matters will be the subject of studies being undertaken by the World Bank and Asian Development Bank, which will not be available even in preliminary outline until about the end of this year.

This memorandum deals with the first item. A.I.D., with the concurrence of State, proposes to meet the U.S. commitment this year in the following way:

Actions already taken:

A.I.D. loans \$30 million
P.L. 480 cotton credit \$8 million

Actions proposed:

P.L. 480 rice credit \$20 million
P.L. 480 tobacco credit up to \$2 million
(P.L. 480 terms to be dollar-repayable loans - 40-year maturity, 1% interest during 10-year grace period, 2-1/2% thereafter).

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 93-352
By JW/JW, NARA, Date 3/24/95

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-2-

The balance of \$5 - \$7 million, to be covered in November by either P.L. 480 cotton credit (if demand for raw cotton has by then revived) or by an A.I.D. loan.

Agriculture concurs in the rice component of this package if it is decided as a matter of policy that Indonesia is of sufficiently high priority to risk diversion of rice from cash exports. Whether such diversion will actually be necessary depends on the size of this Fall's U.S. rice harvest, the trend in Vietnam rice requirements and the behavior of the world rice market. With a bumper U.S. crop, we might get by without any visible diversion at all. But if we didn't - and if the diversion were fairly obvious - we could expect criticism on the Hill. Secretary Freeman is prepared to take the risk if you concur with the State/AID proposition that Indonesia is important enough to be worth it.

Specifically, this package requires your approval to commit 100,000 tons of P.L. 480 rice to Indonesia, as a priority claim on a supply which otherwise could be fully absorbed in Vietnam, Africa, and in commercial exports. This would not mean a rice shortage in Vietnam. It would still permit providing Vietnam 550,000 tons under P.L. 480 from the current U.S. crop. In addition, we would still be able in the Spring to provide an additional 100,000 to 200,000 tons to Vietnam from the current crop (to be divided between P.L. 480 and cash sales, depending on the Vietnamese foreign exchange situation), plus small amounts to fulfill outstanding commitments to the Congo, Ghana and Liberia.

However, the above allocation totals more than the minimum of 670,000 tons Agriculture now expects to be available for P.L. 480 from this year's crop. Although our crop may turn out to be large enough to cover it, we won't know until October. But it makes very good foreign policy sense to let the Indonesians know now. The price of telling them now is that if our crop is not any larger than the low end of Agriculture's range, we will have to choose between lowering P.L. 480 rice shipments to Vietnam and cutting into U.S. commercial rice exports.

Even with a very large U.S. crop, this rice commitment to Indonesia would probably foreclose the possibility of meeting 100,000 tons of Vietnam rice requirements from the United States, and cause Vietnam to turn to Thailand or Taiwan for purchases with Vietnamese-owned foreign exchange for that amount. We believe this will cause minimum domestic political difficulty here if the commitment to Indonesia is made at the beginning of the U.S. crop, i.e., this month, and any further Vietnamese purchases are made from Thailand/Taiwan next spring when the U.S. exportable surplus of rice is fully committed elsewhere.

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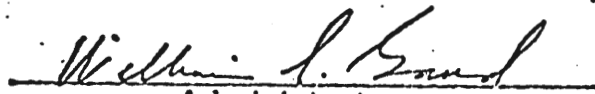
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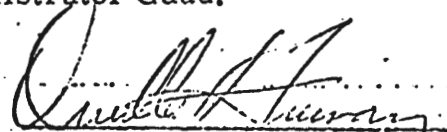
The extreme tightness of U. S. rice availabilities, despite a record crop, and the growing shortage of rice in Southeast Asia to meet the world demand indicate need for reconsideration of existing restraints on U. S. rice acreage allocations for the future. This question will be addressed by the Department of Agriculture, State, Budget Bureau and A.I.D. in the near future looking toward budget decisions affecting the 1968-69 crop year.

We may need to return to you later concerning the \$7 million of our 1967 commitment which will remain to be met beyond this 100,000 tons of rice. This will have to be put together through some combination of non-grain PL 480 and A.I.D. loans. But you need not make that decision now.

RECOMMENDATION

That you approve a priority claim of Indonesia for 100,000 tons of the PL 480 rice program, on the terms proposed above, subject to the development of an agricultural self-help commitment by the Indonesians satisfactory to Secretary Freeman and Administrator Gaud.


Administrator
Agency for International Development


Secretary
Department of Agriculture

Approve: _____

Disapprove: _____

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~~CONFIDENTIAL~~

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

1155

SEP 14 1967

MEMORANDUM FOR THE PRESIDENT

Subject: P. L. 480 Programs for Morocco, Tunisia, and Ghana

Attached are three memoranda from Orville Freeman and Bill Gaud requesting your authorization to negotiate three amendments to P. L. 480 programs signed earlier this year.

- Morocco -- \$23.4 million worth of wheat (300,000 tons) and cotton.
- Tunisia -- \$21.9 - \$26.6 million worth of wheat (150-210,000 tons), corn, vegetable oil, and cotton.
- Ghana -- \$2.3 million worth of cotton, tallow, and tobacco.

These agreements would include a total of up to 510,000 tons of wheat, 45,900 bales of cotton, and 35,000 tons of vegetable oil. In every case, the credit terms would be the same as those in the earlier agreements. Similarly, since these agreements were all signed within the last six months, no new self-help conditions are proposed for these amendments.

Morocco

An agreement providing \$11.5 million worth of wheat to Morocco for the second half of FY 1967 was signed last April, bringing the total for the year to about \$25 million. At that time, you made a finding required by the "Findley-Belcher" amendment to P. L. 480 because Morocco had some trade with Cuba. Since the finding was limited to sales agreements signed in FY 1967, you must sign another such waiver if you approve this proposed 1968 program. A new waiver will also enable us to sign an agreement for about \$2 million worth of tallow, which you approved in May, but which was not ready for signature by the end of FY 1967.

AID is considering an agricultural sector loan of \$10-\$15 million to Morocco.

Tunisia

In March, we signed a P. L. 480 agreement providing \$13.8 million worth of wheat, barley, and vegetable oil to Tunisia for the second half of FY 1967, bringing the total for the year to \$27 million. The amount of

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DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 94-362
By CLB, NARA, Date 4-18-95

food grains to be included in this amendment have not been determined precisely, but it is likely to include about 180,000 tons of wheat, putting the total value of this amendment at about \$25 million. This proposed agreement is designed to cover Tunisia's needs for FY 1968.

AID is now planning to present for your approval later in the year a program loan of \$10-\$15 million for Tunisia.

Ghana

In the case of Ghana, we signed agreements in March and April to provide \$7 million worth of wheat flour, rice, cotton, tallow, and tobacco. Since then, small additional requirements for cotton, tallow, and tobacco during the rest of this calendar year have emerged and are proposed for negotiation now. The 1968 P. L. 480 program for Ghana should be forthcoming for your consideration within the next few months. This will be closely related to our program assistance, now estimated by AID at \$15-\$20 million in 1968.

Recommendation

I recommend you authorize the Ghana proposal which is the tag end of our calendar year 1967 program.

The P. L. 480 agreements for Morocco and Tunisia represent the lion's share of our total economic aid to those countries. They are therefore central to our development strategy, our dollar aid levels, and our leverage in bargaining for self-help measures. Under normal circumstances, I would prefer to delay negotiation of these 1968 P. L. 480 programs until we are ready to move ahead on 1968 dollar aid. This would be consistent with your desire to obtain the maximum leverage for self-help conditions and to treat P. L. 480 like regular dollar aid.

However, this might well mean a delay of several months in negotiation and shipments, and USDA is anxious to move all of the commodities involved. In the light of the domestic agriculture situation, I have no objection to going ahead with these agreements now.



Charles L. Schultze
Director

Attachments

Approve package _____

Approve only: Morocco _____

Tunisia _____

Ghana _____

Disapprove _____

LIMITED OFFICIAL USE

1254
SEP 12 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Supplement to PL 480 sales agreement with Ghana

We recommend that you authorize us to negotiate with the Government of Ghana a supplement to a PL 480 local currency sales agreement dated March 3, 1967 and to an amendment dated April 6, 1967. The proposed supplement would add 6,000 bales of cotton, 7,400 MT of inedible tallow and 350 MT of tobacco having a total value of \$2.3 million, to be financed under local currency terms. Currency uses for the latter would be the same as for the agreements signed earlier this year, namely sixty-five percent for economic development loans, fifteen percent for Cooley loans and 20 percent for U. S. uses. The Department of State has endorsed this proposal.

The cotton, tallow and tobacco proposed above will cover Ghana's requirements for these commodities for the balance of 1967 when added to commercial purchases. The March sales agreement provided minimum quantities of the proposed quantities to be imported commercially during calendar 1967 and no change in these requirements will be necessary for purposes of the proposed supplement.

In our memoranda of December 22, 1966 and March 2, 1967 (attached), in which we recommended the current sales agreement and amendment thereto, we outlined the U. S. interest in Ghana, the AID program there and Ghana's self-help efforts to improve that country's agriculture. That background information is still applicable.

Recommendation: That you authorize us to begin negotiations with Ghana to supplement the sales agreement of March 3, 1967, as amended April 6, 1967, to supply \$2.3 million worth of inedible tallow, tobacco and cotton.

William P. Board

Administrator

Agency for International Development

Quill T. Swan

Secretary

Department of Agriculture

SEP 11 1967

Approve: _____

Disapprove: _____

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The President

December 22, 1966

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 93-352

P.L. 480 Commodities for Ghana

By ju, NARA, Date 9-19-93

We recommend that you authorize us to proceed with negotiations with the Government of Ghana to amend the P.L. 480 sales agreement for the remainder of FY 1967. The proposed amendment provides 500 M.T. of tobacco, 4,550 tons of tallow, 2,000 tons of cotton, 10,000 tons of wheat flour and 10,000 tons of rice with a total value of \$5.9 million for delivery during the period January to June, 1967. Sixty-five percent of the local currency proceeds are intended for development loans, 15 percent for Cooley loans, and 20 percent for USG use. The proposal has the endorsement of the Department of State.

Ghana's Requirements for Agricultural Commodities. The Ghana economy is in a critical condition due to the general disruption of the economy during the Nkrumah regime which has resulted in a severe deficit in its balance of payments, near exhaustion of its foreign exchange reserves, and the necessity to cut back heavily in public expenditures with the concomitant effect of increased unemployment. General Ankrah described these current economic difficulties in his letter to you of August 24. Recently the IMF and IBRD made recommendations to the Government of Ghana with respect to measures that must be taken to get the country back on its feet as rapidly as possible. The Ghana Government is following the recommendations closely. Assistance in meeting essential import requirements is a key part of IMF/IBRD recommendations. This program is designed to provide essential food and agricultural raw materials until such time as Ghana can restore and expand its own production and finance its import needs on a commercial basis. The provision of tallow, cotton and tobacco will enable several manufacturing enterprises to re-establish production and absorb many of the unemployed.

Ghana has been traditionally an importer of foodstuffs, despite the large proportion of its population engaged in agriculture. Imports of food rose steadily in the 1950's and reached a peak in 1961. Owing to a shortage of foreign exchange and increased deficits in the balance of payments, rigorous restrictions were applied to the importation of food and other agricultural commodities. As a consequence, the level of imports of such commodities has fallen in 1966 to about half that in 1961. These restrictions have contributed to serious food shortages and to sharp increases in food prices.

To help alleviate this need for food and provide essential raw materials for local manufacturing, the Ghana Government requested for CY 1967 about \$20 million in agricultural commodities. It is proposed to limit the

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authorization to a six months' requirement with a review of Ghana's needs for the balance of 1967 to be initiated next spring. It is expected that the Canadian Government will again provide 16,000-18,000 tons wheat flour. Other potential donors have been approached. The Ghana Government has requested that shipments under the authorization begin in January to maintain the flow of essential foods and permit the government to allocate its foreign exchange to other priority imports in support of its stabilization program. An amendment to the present agreement must be made very soon to permit shipments within the needed delivery periods.

Ghana's Self-Help Efforts. The new Government has dropped the 1964-70 plan prepared under Nkrumah and is in the process of preparing a new development program. In his 1966-67 Budget Speech, General Ankrah states "The shortages of local foodstuffs . . . can only be removed if we succeed in implementing a sound agricultural policy. The National Liberation Council would like to divert more resources into the agricultural industry. But this will be done only if there are worthwhile agricultural projects and programmes. We rely on the Agricultural Committee as well as our experts in the Ministry of Agriculture and the Research organizations to help us formulate and implement realistic policies which will lead to rapid increases in the supply of food and other types of agricultural produce." The Government has asked the assistance of the IBRD, FAO and AID in developing a new program. This work is now underway. In general, it calls for a shift in emphasis from state farms to private farms and greater emphasis on fertilization, use of insecticides, seed multiplication, farm-to-market roads, produce transport, agricultural training and credit. The re-organization of agricultural extension services is proceeding and special measures are being taken to transfer unemployed workers now in urban areas back to farming. The Ministry of Agriculture is giving priority consideration to the promotion of four or five food crops in each region as appropriate to environmental conditions.

U. S. Interest and AID Program. U.S. assistance to Ghana is given in support of the re-establishment of a viable economy and a democratic political system in that country. A.I.D. has given first priority to its agricultural program in Ghana and is supporting projects in agricultural extension, credit, education and water resource development. It is assisting the Ghana Government in planning its feeder road program. Of the local currency generated from the agreement, it is planned that the equivalent of \$585,000 will be loaned to investors through the National Investment Bank for various manufacturing enterprises including the processing of agricultural produce.

Recommendation: That you authorize us to begin negotiations with Ghana for a P.L. 480 sales agreement for the remainder of FY 1967.

In negotiations, we plan to seek assurances that the Government of Ghana will 1). give first priority to agricultural development in its development planning through the increased allocation of funds and rigorous direction of new programs, 2). press ahead as rapidly as possible with

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its feeder road program giving first attention to those areas showing best prospects for increasing the flow of food products into urban markets, 3). apply a substantial portion of the local currencies generated by this amendment to self-help food production projects, and 4). provide at the time of the next budget presentation information on the Government's policy and program for increasing food production.

Approved: _____

Disapproved: _____

Orville L. Freeman

Administrator
Agency for International Development

Secretary
Department of Agriculture

USDA/AID:AMatthews:csj:AFR/CA (types FAS-PDD:COWinberg:hp)

cc: J. A. Schnittker, D. Jacobson, C. R. Eskildsen, SEC
T. E. Street, FAS Export Programs, Room 5074-S
R. Gibb, C. O. Winberg, FAS-PDD, Room 5609-S

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MAR 2 1967

To: The President

Subject: Amendment to P. L. 480 sales agreement with Ghana

We recommend that you authorize us to negotiate with the Government of Ghana, an amendment to a P. L. 480 local currency sale approved by you early in January. The proposed amendment would add 10,000 metric tons of rice to the sales agreement which now provides for 10,000 tons of rice in addition to wheat flour, tallow, cotton and tobacco. These commodities, together with the proposed additional rice, valued at \$1.5 million, amount to \$7.4 million in value. The same terms will apply to the amendment as to the original agreement. Sixty-five percent of the local currency proceeds are intended for development loans. Another 15 percent is designated for Cooley loans and 20 percent for U. S. uses. The Department of State has endorsed this proposal.

Although Ghana had sought 20,000 tons of rice, it was not thought possible when the current approved program was developed to offer more than 10,000 tons for the period ending next June 30. Subsequently, it was determined that the U. S. Government could program under P. L. 480 relatively small additional quantities to several countries including Ghana.

In our memorandum of December 22, 1966 (attached), in which we recommended the current P. L. 480 sales agreement, we outlined the Ghana requirements for agricultural commodities, the U. S. interest in Ghana and the AID program there; and Ghana's self-help efforts to improve that country's agriculture. The background information supplied in our memorandum is still applicable.

Recommendation: That you authorize us to begin negotiations with Ghana to amend the FY 1967 sales agreement to add 10,000 metric tons of rice valued at \$1.5 million.

/s/ William S. Gaud

Administrator
Agency for International Development

John A. Schnittker

Acting Secretary
Department of Agriculture

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 93-352

By JPW, NARA, Date 9-19-93

Approve: _____

Disapprove: _____

USDA-FAS:PDD:SWPhillips:hc -2-13-67

cc: J. A. Schnittker, Sec.
D. Jacobson, Sec.
C. R. Edkildson, Sec.
T. E. Street, FAS Export Programs
L. R. Brown, IADS John R. Beasley, IADS

R. Gibb, FAS-PDD
S. W. Phillips, FAS-PDD
F. Jack, FAS-GSM

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DEPARTMENT OF STATE

Washington, D.C. 20520

155X

September 13, 1967

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

Subject: New Presidential Finding that Morocco is
a Friendly Country for Concessional Sales
Under Public Law 480, As Amended

Recommendation:

I recommend that you again make the finding that it is in the national interest to make concessional sales to Morocco under Section 103(d)(3) of Public Law 480, as amended by Public Law 89-808. Under Section 103(d)(3) you must inform the Senate and the House of Representatives of your finding and the reasons therefor which also must be published in the Federal Register. On February 27, 1967, you originally made a finding that Morocco was a friendly country under this section, the text of which was published in the Federal Register, Volume 32, Number 50, March 15, 1967. The present finding must also be published in the Federal Register and will cover Public Law 480 sales agreements in the future unless there is a change in the performance of Morocco under the terms of Section 103(d)(3).

Approve _____ Disapprove _____

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Group 3

Downgraded at 12 year
intervals; not auto-
matically declassified

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 93-353

By ju, NARA, Date 5-4-94

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Discussion:

During Fiscal Year 1967, Morocco suffered a substantial shortfall in grain production as a result of a drought, which was partially met by a Public Law 480 sales program. You will recall that at the time of King Hassan's visit to you last February, there was still unresolved the question of Moroccan commitments to eliminate the exports to Cuba which were prohibited under Section 103(d)(3) of Public Law 480, as amended (Findley-Belcher Amendment). King Hassan gave satisfactory assurances during his visit that these exports would be stopped and that other exports to Cuba would be reduced. As a result of these assurances, a sales agreement for 168,000 Metric Tons of wheat was signed with Morocco on April 20, 1967, making a total of 335,000 Metric Tons of wheat supplied during Fiscal Year 1967.

The Moroccan grain crop this year is an improvement over last year's. However, there is still a substantial shortfall which will have to be partially filled by Public Law 480 sales. It is estimated that Morocco will require wheat imports of 700,000 Metric Tons to meet its basic needs. We are programming 300,000 Metric Tons under Public Law 480 sales for this Fiscal Year and have also made available a Commercial Credit Corporation credit of \$14.7 million with three year payment terms (payable in three equal twelve monthly installments) for the remaining urgent wheat and barley requirements. In addition, we are including in this sales agreement 30,400 bales of cotton, and 12,000 Metric Tons of tallow which meet part of Morocco's import needs.

In 1965, Morocco's non-strategic agricultural type exports to Cuba were valued at about \$7 million and in 1966 at about \$6 million. For 1967, it is estimated that such exports will fall to \$5 million. For the first time in recent years following discussion with us, the Moroccan Government has taken action to reduce its reliance on Cuban sugar. A contract for the purchase of 160,000 tons of sugar was signed with the United States suppliers who were expected to procure most of the sugar from Brazilian sources. It may be anticipated that there will be a gradual reduction in Moroccan exports to Cuba over the immediate future.

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-3-

As for the items exported to Cuba for which no Presidential exception is possible under the legislation, this trade amounted to \$941,000 in 1965 and about the same amount in 1966. For the first five months of 1967, these exports were about \$340,000 of which \$103,000 took place after the Moroccan Government had given assurances on the termination of this trade. The items exported were cardboard paper, refractory brick, and asbestos cement pipe. There was no trade with North Vietnam except for \$3,700 of automobile radiators in the first quarter of 1967. Since both the \$103,000 of Cuban trade and the \$3,700 North Vietnam trade were private, not governmental, the statutory prohibitions on negotiating Public Law 480 agreements with nations that sell to North Vietnam or Cuba would not apply. Although the General Accounting Office takes the position that the statute does not make this distinction between private and government trading in the case of Yugoslavia, the Justice Department has ruled otherwise.

In addition, these items escaped the control system set up by the Moroccan Government. Minister of Foreign Affairs Laraki has informed our Ambassador that King Hassan on August 21 issued a letter of instruction to all pertinent ministries ordering a cessation of all exports to North Vietnam as well as the prohibited items to Cuba. Minister Laraki said that any violation in the future would, therefore, be deemed to be a violation of the King's own order. Prime Minister Benhima has confirmed these statements of the Foreign Minister. Our Ambassador in Morocco believes that the Moroccan Government is fully committed to terminating this trade and that this should prove adequate to meet our objectives.

Richard L. K. [Signature]
Under Secretary

Enclosures:

1. New Presidential Finding Under Section 103(d)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended.
2. Draft Statement of Reasons that Public Law 480 Sales to Morocco are in National Interest.

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PRESIDENTIAL FINDING

MOROCCO--Finding that Sales Agreements are in the
National Interest

In accordance with Section 103(d)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended, I have again reviewed the status of Morocco for purposes of sales of agricultural commodities under Title I of that Act.

As a result of that review, and as required by Section 103(d)(3) of the Act, I hereby find that the making of sales agreements with Morocco under Title I of the Act is in the national interest of the United States. This finding applies to such agreements with Morocco which may be entered into the future as long as the existing conditions prevail. The reasons for this finding are set forth in the accompanying statement, which shall be made available to the Senate and House of Representatives and published in the Federal Register together with this finding. The previous finding for Morocco was published in the Federal Register, Volume 32, Number 50 of March 15, 1967 and a sales program was signed with Morocco on April 20, 1967.

~~CONFIDENTIAL~~

DECLASSIFIED

Authority 32 FR 14885 10/27/67
By JOW, NARA, Date 10/28/91

~~CONFIDENTIAL~~STATEMENT OF REASONS THAT PUBLIC LAW 480 SALES TO MOROCCO ARE
IN NATIONAL INTEREST

The United States and Morocco have enjoyed cordial relations since the United States obtained its independence. The strategic importance of these cordial relations is evident from Morocco's geographical position at the entrance to the Mediterranean and its proximity to the United States along the Atlantic. Since Moroccan independence its government has been stable and moderate, exercising a positive influence with other non-aligned African nations and in the Arab world, the Organization of African Unity and the United Nations. It is our policy to support this government which is developing Moroccan economic resources. These resources will be devoted to attaining higher standards of living, broader educational opportunities and improved health facilities in order for the Moroccan people to achieve a fuller participation in the benefits of modernization.

In both 1966 and 1967, Morocco experienced severe droughts with serious effects on foodgrain production and with consequent effects on the whole Moroccan economy and on the level of national income. In Fiscal Year 1968, estimated Moroccan wheat import requirements will amount to at least 700,000 Metric Tons and this the second successive year of high import needs will place a heavy burden on foreign exchange reserves. Despite Morocco's increasing and strenuous efforts to augment foodgrain production, the country faces the need for large commercial purchases from abroad, including the United States.

To alleviate the burden created by this exceptional situation, the United States is programming 300,000 Metric Tons of wheat for delivery during Fiscal Year 1968 under the sales provisions of Public Law 480, as amended. In an effort to assist Morocco to meet her needs for other agricultural products, the United States is also programming 30,400 bales of cotton, and 12,000 Metric Tons of tallow under Title I of Public Law 480, as amended.

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-2-

In 1965, Morocco exported to Cuba non-strategic foodstuffs, agricultural products and raw materials for agriculture valued at about \$7 million. In 1966, these exports amounted to about \$6 million. Morocco has been heavily dependent on Cuban sugar and has paid for this sugar under barter terms. Morocco has, however, been making efforts to reduce its dependence on Cuban sugar and to seek other markets for exports which have been sent to Cuba in payment for the sugar. In 1967, the Moroccan Government entered into a contract with American firms to purchase 160,000 tons of Western Hemisphere (free world) sugar. Exports of the non-strategic items in question, for which the President may make an exception if he finds it in the national interest, declined appreciably during the first part of 1967 and available statistics indicate that during the first five months of the year such exports took place at an annual rate of less than \$5 million.

In 1965, private Moroccan exports to Cuba were \$941,000 including footwear, leather, leather manufactures, refractory brick, asbestos cement pipe, buttons and plastic containers. The amount and type of such exports was approximately the same in 1966. For the first five months of 1967, about \$340,000 of the above type of items were exported to Cuba. About \$103,000 of this amount was exported after the Moroccan Government had indicated it was terminating such trade. In addition, early in 1967, private exporters sent about \$3,700 of automobile radiators to North Vietnam. These exports escaped the Moroccan controls. Moroccan officials have been firmly instructed by their highest authorities to make sure that such transactions do not occur in the future.

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