

*Pres. file*

December 6, 1967

Mr. President:

Herewith are condolence messages to the widow of President Gestido (Tab A) and to the new President of Uruguay (Tab B).

If these meet with your approval, we shall have them transmitted immediately through our Embassy.

The funeral is at 8:00 a.m. tomorrow Washington time (10:00 a.m. Montevideo time).

W. W. Rostow

Approve \_\_\_\_\_

See me \_\_\_\_\_

41a

Proposed Presidential Message of Condolence  
to Mrs. Elisa de los Campos de Gestido - Widow of former President  
of Uruguay

Mrs. Elisa de los Campos de Gestido

(c/o American Embassy Montevideo - for delivery)

"I have been deeply saddened by the sudden death of your husband. In the short time we were together at Punta del Este last April, we became good friends, and I learned to admire the quiet courtesy and skill with which he directed that historic conference. He was also a calm leader at a difficult moment in Uruguay's history. He had the courage and decisiveness which are the mark of the true statesman. His death is a loss not only to his family and his countrymen, but to the peoples of all the Americas. Mrs. Johnson and I share your grief at his passing.

Lyndon B. Johnson"

Proposed Presidential Message of Condolence  
to President Jorge Pacheco Areco - New President of Uruguay -  
on the Death of President Gestido

To President Jorge Pacheco Areco

(For delivery by American Embassy Montevideo)

"On the sudden death of President Oscar D. Gestido, I wish to express to you and your countrymen my deepest personal sympathy and that of the people of the United States. His absence from the highest office of your country and from the councils of the hemisphere will be keenly felt. I look forward to completing with you the plans to further cooperation between our countries on which we have been engaged with President Gestido.

Lyndon B. Johnson"

42

*wed.*  
Tuesday, December 5, 1967

*Per file*

**MEMORANDUM FOR THE PRESIDENT**

**SUBJECT: Proposed Message from You to the America-Japan Society**

The America-Japan Society, principal private organization in Japan attempting to promote Japanese-American relations, holds its 50th anniversary banquet December 13th. Prime Minister Sato, Foreign Minister Miki, and Ambassador Johnson are to speak. Prime Minister Yoshida was President of the Society until his death October 20 of this year.

Ambassador Johnson has been asked by the Society to request a message from you, which he would read at the banquet. State recommends the attached text, furnished by Ambassador Johnson.

I recommend you approve the message.

W. W. Reston

Attachment

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

See me \_\_\_\_\_

cc: Mr. Jordan

AJ:mm

## SUGGESTED PRESIDENTIAL MESSAGE

To the Officers and Members of the America-Japan Society: When the America-Japan Society was inaugurated in Tokyo 50 years ago, in 1917, President Woodrow Wilson spoke for all Americans when he cabled to the founders of your Society his hopes for success in their important task of promoting true understanding and lasting friendship between the United States and Japan. I, too, speak for all my countrymen in offering warmest congratulations on the occasion of your Golden Anniversary for a half century of distinguished service and achievement in this worthy cause. As I extend also my sincerest best wishes for the continued prosperity of the America-Japan Society, I share your grief that your distinguished past President, Shigeru Yoshida, is not with you to participate in this happy celebration. No one contributed more to the cause of Japanese-American friendship. He will be fondly remembered and deeply missed on this significant occasion.

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

43  
Tuesday, December 5, 1967 -- 7:00 p.m.  
Rusplee

Mr. President:

News Media Contacts.

Last week was McNamara week; and, with the exceptions stated below, contacts were taken up with explaining how it came about that Bob was nominated by you to the World Bank post. I cannot, of course, trace the impact precisely of my talks; but I think I could detect some effect, particularly in Roscoe Drummond's column and one of Dick Wilson's.

With Hugh Sidey I spent a lot of time on an evaluation of Bob McNamara's achievements in the Pentagon. We shall see shortly what LIFE does with the story.

Here are those with whom I talked about McNamara:

Tuesday, November 28: Hugh Sidey; Tom Lambert; Chuck Roberts.

Wednesday, November 29: Jack Sutherland; Roscoe and Geoffrey Drummond; John Hightower.

Thursday, November 30: Edward P. Morgan; Dick Wilson; also telephone calls from Steve Clark, WIL News, St. Louis, Mo.; and, again, John Hightower.

Friday, December 1: Jack Leacacos, The Plain Dealer, Cleveland.

Other contacts. Monday, November 27: Kay Graham on the telephone trying to straighten her out on the NEWSWEEK story concerning an alleged desire for a meeting with Brezhnev, followed by a visit by Chalmers Roberts to my office on the same subject.

Frank Reynolds dropped in for a general chat which included some discussion of the NEWSWEEK story.

I recorded for Italian TV (Dr. Paulo Glorioso) a long, mainly historical, interview on the evolution of postwar U. S. foreign policy.

Tuesday, November 28, Tom Lambert telephoned to ask what Averell Harriman was getting from Premier Maurer of Rumania. I told him it was mainly a courtesy call to touch base after Maurer's trip to Hanoi, from which nothing had emerged.

Thursday, November 30, Rick Smith, of the New York Times, brought in Gene Roberts and Tom Johnson, new men going out to Vietnam. I discussed where we think we are in the war and the critical issues on which they might wish to focus: improvement in the ARVN; the progress in pacification; Vietnamese efforts to operate a constitutional system; the build up of responsibility in local government; the anti-corruption campaign, etc.

W. ~~W.~~ Rostow

44  
Pres file

Tuesday, Dec. 5, 1967  
4:00 p. m.

Mr. President:

Herewith Dick Helms contributes some  
imaginative suggestions for Ambassadorial  
posts -- which is more than I've done!

W. W. R.

~~SECRET~~ attachment



CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

5 December 1967

MEMORANDUM FOR: The President

1. On Friday last, you asked for five names of individuals who might be considered for ambassadorial posts. In addition to those five, I am listing below some other individuals who might be considered. In suggesting certain ones for particular posts, I am not in any sense being gratuitous, simply trying to be helpful.

2. Short biographical sketches for identification purposes are attached.

BEIRNE, Joseph Arthur

EATON, Frederick M.

GRACE, J. Peter

LODGE, George Cabot

PYE, Lucian Wilmot

3. You know infinitely better than I what Joe Beirne represents in American labor. Nevertheless, he might do a good job as Ambassador to the Philippines.

4. Frederick Eaton is now heading a Study Group which you asked me to set up in connection with an examination of Signals Intelligence.

DECLASSIFIED  
Authority NW 019-026-2-12  
By SP NARA, Date 2/9/02

He is well known to Dean Rusk, Bob McNamara, Paul Nitze, and Dean Acheson.

5. Peter Grace is a top business executive, a Roman Catholic of considerable standing, has great energy, and intellectual capacity.

6. George Lodge is young but has impressed many of us in the Agency with his intelligence, good sense, and effectiveness.

7. Lucian Pye is one of the recognized authorities on Asia. Walt Rostow can be specific about him.

8. Other individuals who might be considered:

BINGHAM, Barry

CUTLER, Lloyd

ENGLISH, James F.

McCONE, John A.

9. With regard to Barry Bingham, I recognize that he has been against us on Vietnam with his various publications and TV stations. It is conceivable, however, that his ambition would lead him to be susceptible to an ambassadorial post. Getting him involved might ameliorate the attitudes expressed in his newspapers.

10. I believe that Lloyd Cutler is well known to you.

~~SECRET~~

11. James English is young but considered brilliant, urbane, and quietly effective in getting things done. He has risen very rapidly in the banking field.

12. John McCone's plusses and minuses are well known to you. I mention him only because I have the distinct impression that he is very anxious to get back into Government service. In certain of the European ambassadorial posts, independent means help the incumbent considerably.

13. I have attempted to get something of a mix here as to ages, backgrounds, and interests. I will be glad to make additional suggestions if you desire them.

*Rich*

Richard Helms  
Director

Attachments

~~SECRET~~

BEIRNE, Joseph Arthur

Age: 56

New Jersey

LABOR UNION OFFICIAL

Studied at St. Peter's College in Jersey City and New York Univ.

Married with 3 children

Roman Catholic

Utilities, instrument repairman, Western Electric of  
New Jersey and New York

President, Western Electric Employees, New York

Organized National Association of Telephone Equipment  
Workers

Vice President, AFL-CIO

Councilman, Fairview, New Jersey

Member, Board of Visitors, United States Military Academy

Named one of ten outstanding men of the year, Junior

Chamber of Commerce, 1946

President, Communications Workers of America

44c

EATON, Frederick M.

Age: 62

New York

LAWYER

AB and LLB - Harvard

Director, Monsanto Co.

Director, New York Life Insurance Co.

Director, Consolidated Edison, New York

Trustee, Carnegie Corporation of New York

Member, Board of Trustees, First National City

Bank, New York

General Counsel, War Production Board

Chairman of American Delegation to Disarmament

Conference (1960)

Partner, Shearman and Sterling, New York

44a

GRACE, J. Peter

Age: 54

New York

BUSINESS EXECUTIVE

BA - Yale University - other honorary degrees

Married with 10 children

Roman Catholic

Director, Miller Brewing Company

Director, Brazilian Traction, Light & Power Co.

Director, Kennecott Copper Corp.

Chairman, Trustee, American Institute for Free Labor  
Development

National Board of Trustees, National Committee on  
Christians and Jews

Chairman, Board of Lay Trustees, Notre Dame

Member, Council Yale Institute of International Studies

National Advisory Council, Peace Corps

Decorated by Governments of Colombia, Chile, Ecuador,  
Panama and Peru

President, W. R. Grace & Co. since 1945

44e

LODGE, George Cabot

Age: 40

Massachusetts

UNIVERSITY OFFICIAL

Graduate - Harvard

Married with 6 children

Lynn Daily Evening Item, 1948

Boston Herald, 1950-54

Assistant Director, Information, U.S. Department of  
Labor

Assistant Secretary of Labor for International Affairs

Labor Management Arbitrator

U.S. Representative to ILO Governing Body

Chairman, ILO Governing Body

Served with USNR, World War II

Member, American Federal Government Employees

Council on Foreign Relations, New York

Lecturer, Harvard Business School, Division of  
International Activities.

PYE, Lucian Wilmot

Age: 46

Massachusetts

POLITICAL SCIENTIST

Born in China of U. S. parents

MA and PhD - Yale

Married with 3 children

Unitarian

Assistant Professor of Political Science, Washington  
University (St. Louis)

Research Associate, Yale and Princeton

Member, Advisory Commission, AID

Counselor, Department of State

Trustee of Asia Foundation

Member, Association of Asian Studies

Member, American Political Science Association

Author of various books

Member of the Faculty, MIT, 1956 to present

44g

BINGHAM, Barry

Age: 61

Kentucky

EDITOR

AB, magna cum laude, Harvard - other honorary degrees  
Married with 4 children  
Chairman, International Press Institute  
Overseer, Louisville University  
Director, Asia Foundation  
Member, Advisory Board, Pulitzer Prizes  
Chief of Mission, ECA (France) 1949-1950  
National Chairman, Volunteers for Stevenson-Kefauver  
Active Duty, USNR, 1941-1945, European Theater of  
Operations and Pacific Fleet  
Editor, Publisher, Louisville (Kentucky) Courier Journal

442

CUTLER, Lloyd N.

Age: 50

District of Columbia

LAWYER

BA and LLB - Yale

Chairman, Executive Committee, Yale Law School  
Association, 1964 to present

Member, Bar Association of District of Columbia

Member, American Bar Association

Member, American Law Institute

Member, American Society of International Law

Member, Wilmer, Cutler & Pickering

ENGLISH, James Fairfield, Jr.

Age: 40

Connecticut

BANKER

BA - Yale

MA - Cambridge University, England

LLB - University of Connecticut

Married with 4 children

With Connecticut Bank & Trust Co. 1951

Executive Vice President Connecticut Bank & Trust Co. 1963

Director, Connecticut General Life Insurance Co.

Commissioner, West Hartford Pension Board

Board of Directors, YMCA

Trustee, Hartford Seminary Foundation, Loomis Institute

Served with AUS, 1944-1946

Member, Connecticut Bankers Association

President, Connecticut Bank & Trust Co.

McCONE, John A.

Age: 65

California

BUSINESS EXECUTIVE

Student of Engineering, University of California  
Began as Construction Engineer  
Executive Vice President and Director, Consolidated  
Steel Corp.  
President and organizer, Bechtel-McCone Corp.  
President and Director, California Shipbuilding Corp.  
President and Director, Joshua Hendy Corp.  
Director, California Bank of Los Angeles  
Director, Pacific Mutual Life Insurance Co.  
Director, Standard Oil of California  
Member, President's Air Policy Commission (1947 - 1948)  
Deputy to Secretary of Defense - 1948  
Under Secretary, USAF, 1950-1951  
Chairman, United States Atomic Energy Commission  
1958-1960  
Director of Central Intelligence, 1961-1965  
Chairman, Joshua Hendy Corporation

~~SECRET~~

45

Lunch Meeting With the President  
Tuesday, December 5, 1967 -- 1:15 pm

*Russ file*

REVISED AGENDA

1. Cyprus Crisis. (Mr. Vance; Sec. Rusk and Sec. McNamara)
  - Vance Report.
  - Present situation and prospects.
  - How to achieve a stable Cyprus settlement.
2. A UN Initiative on Vietnam. (Sec. Rusk)

Paper at Tab A.
3. Recognizing South Yemen. (Sec. Rusk)

Tab B.
4. Non-Proliferation Treaty. (Sec. Rusk)

Paper at Tab C.
5. Australian Attitude on Asian Summit. (Sec. Rusk)

Paper at Tab D.
6. Personnel. (Sec. Rusk)

Sec. Rusk will wish to raise privately with you some personnel problems.
7. Other.

W. W. Rostow

~~SECRET~~

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By *18*, NARA, Date 12-18-88

45a

**CONFIDENTIAL**

**Tuesday, December 5, 1967 -- 9:45 a.m.**

**Mr. President:**

**Keith Waller, the Australian Ambassador, called yesterday to ask if we had any clear idea as to when we would like a Far Eastern Summit conference.**

**I told him that I would bring the matter to the attention of you and Sec. Rusk; that I did not think at the moment we had a clear idea as to when a Summit conference would be profitable. I asked him if Prime Minister Holt was interested in a Summit conference. He said: definitely yes; he believes a Summit conference would be constructive.**

**You may wish to chat about this issue at lunch today.**

**W. W. Rostow**

**WWRostow:rla**

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
NSC Memo, 1/30/95, State Dept. Guidelines  
By jc, NARA, Date 7-21-03

~~SECRET~~

46

Luncheon with the President  
Tuesday, December 8, 1967, 1 P. M.

AGENDA

1. Cyprus Crisis (Mr. Vance; Sects. Rusk and McNamara)

- Vance Report.
- Present situation and prospects.
- How to achieve a stable Cyprus settlement.

2. A UN Initiative on Viet Nam (Sect. Rusk)

Paper at Tab A.

3. Personnel (Sect. Rusk)

Sect. Rusk will wish to raise privately with you some personnel problems.

4. Other.

W. W. Rostow

DECLASSIFIED  
E.O. 12356, Sec. 3.4(b)  
White House Guidelines, Feb. 24, 1983  
By h8, NARA, Date 12-18-81

*Pres Lee*

*47*

Tuesday, Dec. 5, 1967  
12:40 p. m.

Mr. President:

Herewith a warm and interesting letter from Harold Holt. You will note (page 2) that he raises the question of another Manila-type conference, and suggests that we consider mid-March.

W. W. R.

~~CONFIDENTIAL~~ attachment

~~CONFIDENTIAL~~ 47a



AUSTRALIAN EMBASSY  
WASHINGTON, D. C.

5th December, 1967

Dear Mr President,

I have been asked to pass to you the enclosed text of a letter from the Prime Minister which I have just received by cable.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'J.K. Waller'.

(J.K. Waller)  
Ambassador

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

DETERMINED TO BE AN  
ADMINISTRATIVE MATTER  
NOT NAT'L SECURITY  
INFORMATION, E. O. 12333  
SEC. 1.1(a)

BY 178 ON 12-18-71

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

47b

5th December, 1967

Dear Lyndon,

I feel a letter from me is long overdue, particularly to tell you how much I appreciate your warm comradely comments in your letter to me of October 25th following my Government's decision to add to its force strength in Viet Nam.

Our mutual friend, Ed Clark, has kept me informed of the interest you have shown in various developments since then, including our decision not to devalue the Australian dollar and the outcome from the Elections for our Senate.

Our decision on the dollar was, of course, taken in the light of our own best national interest, but I am glad to feel that decision was welcome, and even helpful, to the United States' interest. The decision produces many problems for us. Difficulties will intensify for our primary industries, some of them such as wool, dairy products, sugar and fruits already in critical plight. Our exporters of manufactures, mostly operating on small profit margins, will feel the squeeze, and British manufactures will become more competitive on our domestic market - and perhaps those of other manufacturing countries trying to blunt any competitive edge devaluation will have given Britain. But we took our decision with an awareness of these consequences. It becomes all the more necessary for us to sustain the export industries in a state of health and to retain existing markets for them. Here the United States situation holds importance for us. We have been heartened by your own staunch resistance to efforts to increase protection in the U.S.A. against products which comprise so large a proportion of our export trade with you.

The Senate Election result cannot be clearly seen even yet, because our system of proportional representation voting for the Senate does not permit of distribution of preferences until all votes are in and counted and the quota for election determined. However, there is a good prospect of us ending up with 28 Government supporters out of a Senate of 60. There are likely to be 27 Senators from Whitlam's Labor Party, 4 Democratic Labor Party Senators, and 1 Independent. The 4 D.L.P. Senators can be expected to support us on most matters of consequence, and certainly on our defence and foreign policies. The Independent is likely to support Whitlam's party on most matters.

While, naturally, I would have preferred a majority in the Senate from the Government parties, we are accustomed to a fairly even division of Senators and, if the Election results work out as I have predicted, we shall be in a more comfortable position in the Senate than we were in the period of the Parliament leading up to the Election campaign. Even then we were able to get our legislative programme through - 133 Bills in all - without any being finally rejected by the Senate. Whitlam acknowledged publicly that, had the occasion been a General Election for the House of Representatives, my Government would have won. I believe we would have done so quite comfortably.

DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 48-308

By CG, NARA Date 8-26-99

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

No one, except Arthur Calwell the former Labor leader, has tried to read into the overall result a weakening of support on Viet Nam. On the contrary, most commentators have pointed to the big increase in the D.L.P. vote as evidence that the support is well sustained. My own assessment is that the people still want my Government and its basic economic, foreign and defence policies. In a situation where their vote was not going to threaten the existence of the Government, they took the opportunity to show their displeasure about various relatively minor matters in which we had come under a good deal of press and public criticism.

Has your thinking progressed any further on the holding of another Manila-type conference? While no one seems to have a very clear view of what such a meeting could produce at this stage, there could be some value in reporting publicly together on the useful progress now being made in Viet Nam in the military, political, social and economic fields. My inclination now is for a date after mid-March, but I would, of course, try to fit in with the convenience of yourself and other Heads of Government.

My colleagues and I have greatly admired the unwavering strength of your resolution on Viet Nam and the robust way you have asserted your judgment and policy. While we have all been helped by your example to maintain our own resolution, we have not wavered either in our conviction that this struggle marks an historic crossroad in the future of Asia and the Pacific - as it does, indeed, for free people everywhere.

I must not close without saying how sorry we shall all be here to lose Ed and Anne Clark. The longer he has remained with us, the more his friendly, outgoing personality and fine qualities have become appreciated. Anne has endeared herself to all who have come to know her. I am attaching some comment I made informally when opening a press conference in the course of the Senate campaign the day following the news of Ed's impending retirement. We are grateful for what he has done for both our countries, and my colleagues and I will be wishing him well in whatever he does in the future. We hope he holds to his promise to visit us from time to time.

You will shortly be sharing with Lynda the happiness of her marriage ceremony. Zara and I will be sending her a message at that time, but we would like you all to know that this joyful event will be much in our thoughts.

Warm personal regards,

Yours,

Harold

P.S. I have just received your generously worded message of congratulations about our satellite launching. It will give me pleasure to pass this on to those concerned.

~~CONFIDENTIAL~~

47c

Extract from a Press Conference given by the  
Prime Minister, Mr Harold Holt, in Perth, Western Australia,  
on 15th November, 1967.

#### TRIBUTE TO AMBASSADOR CLARK

".....There is one matter I would like to raise before I get on to anything else - that is the report which has reached us of the resignation of Ambassador Clark. I have received this information with considerable regret because I think he has been a valuable friend of Australia and a very able representative of the United States.

There can be few diplomatic representatives in my experience who have gone to more trouble personally to acquaint themselves with the country to which they have been accredited. He has travelled very extensively through Australia, and his warm, friendly, generous personality has, I think, attracted many Australians to him. We were fortunate in having in Australia at a time when our own relations with America were drawing closer, when the issues which affected us in common were becoming so important, a man who, apart from his inherent ability, was a close personal friend of the President and quickly made himself a warm friend of members of the Government and, I believe, showed his friendship to members of all Parties in the Parliament.

I would like to pay a tribute to him and to the work he has carried out in Australia. He was an effective spokesman for his own country in his dealings with us, and we know from many sources that he was a very good friend of Australia - almost an Ambassador for Australia - when he went abroad. He was impressed by the potentialities of the country and did what he could to make them known to his fellow countrymen. His period of office coincided with a great growth of American interest and, indeed, of American visitation to Australia, and I have no doubt this imposed considerable burdens on him and on his wife, who also endeared herself to us.

We shall miss them both and will remember Ambassador Clark with affectionate appreciation for the contribution he made to a closer American/Australian relationship."

INFORMATION

48

*Pres file*

**Tuesday, December 5, 1967  
12:20 p.m.**

**Mr. President:**

**This article from THE ECONOMIST  
on the meaning of the battles at Loc Ninh  
and Dak To is better than anything I have  
seen in the American press.**

**W. W. Rostow**

**WWRostow:rla**



THE ECONOMIST, December 2, 1967

## The Message from Dak To

48a

If it's pitched battles, the Americans are glad to oblige

In the biggest battle in Vietnam for two years, the North Vietnamese and the Americans have been slogging it out for more than three weeks on the thickly jungled hills around Dak To, in the central highlands, close to the border with Laos and Cambodia. The battle began just as a similar but smaller battle around Loc Ninh, farther south but also near the border, was dying away. In both it was the North Vietnamese who chose to come and fight. The battles began not long after the publication of a long article by General Giap that hinted at changes in North Vietnam's strategy. What has pushed Hanoi into this escalation of the war?

Both Loc Ninh and Dak To have been, beyond much doubt, tactical victories for the Americans. At Loc Ninh the North Vietnamese put in about 6,000 troops; they lost possibly between 35 and 40 per cent of them in killed and wounded at a relatively small cost to the Americans. At Dak To they appear to have put in between 10,000 and 12,000 men; at the height of the battle the Americans having flown in reinforcements, may have deployed slightly more. At Dak To the North Vietnamese may again have suffered a casualty rate approaching 40 per cent. The Americans, some of whose units got badly caught below Hill 875, suffered proportionately more casualties at Dak To than at Loc Ninh; but their loss in killed and wounded of something like a tenth of their troops was nothing like North Vietnam's. The grisly rate of exchange in death at Dak To works out close to six to one in the Americans' favour.

Yet, knowing the weight of firepower the Americans can bring down in a pounding battle, the North Vietnamese by their own choice courted the danger of this sort of debit balance in the butcher's bill. Why? There are two rival theories. Both start from the same point. This is that the Vietcong's irregular units, numbering perhaps between 100,000 and 150,000 men, have lately been growing less effective as the Americans and their allies have pushed ahead with their "pacification" programme in the populated areas near the coast. Both theories recognise that the war imposes a severe strain on the manpower resources of North Vietnam. Its regular army numbers just over 400,000 and its part-time militia about 500,000; both are called upon to contribute to the 175,000 men engaged in air defence against American bombing in the north. In addition, Hanoi has to use something around 500,000 men to keep its war transport and supply system functioning. About 60,000 of the North Vietnamese regulars are inside South Vietnam: about 54,000 of them organised in their own units, while another 6,000 or so have gone to stiffen the Vietcong's 58,000-strong regular units. The recent variation in these numbers has been only marginal. But there is evidence of strain: the number of youths recruited into the North Vietnamese army has gone up—and so has the number of defections.

Where the two theories diverge is on how acute the strain is on an economy that is nourished by a steady flow of Russian and Chinese supplies. One hypothesis is that the strain is so

severe that North Vietnam will soon be forced to pull its regular troops out of South Vietnam, leaving the war to simmer down to the level of small-scale guerrilla actions. This is the optimists' thesis; but there is not very much evidence to support it. A sanctuary camp has been found abandoned in Cambodia just across the border from Loc Ninh; but it is more likely that this base camp was abandoned as a tactical prelude to the Loc Ninh battle than as part of a concerted withdrawal. Nor is it easy to fit the battles of Loc Ninh and Dak To into this theory. The argument has been advanced that these were operations designed to conceal the run-down of North Vietnamese units in the south—"campfires left burning in the night" to hide a retreat. But if General Giap had wanted to pull his regular units back to the north he could have got them out through Laos without much danger of being intercepted by the Americans.

The other theory, based partly on an interpretation of General Giap's recent writings, is more plausible. It is that a decision has been taken in Hanoi to use the regular units to nourish and, if possible, to intensify the war in the south, at least until next November's American presidential election is over. The assumption is that such units will not be split up and fed as reinforcements to guerrilla bands in the south. It is that they will sit threateningly along the border, drawing American forces towards these areas and away from the more densely populated regions where "pacification" is making headway. That, in turn, would enable the guerrilla forces to recuperate and to intensify their own operations. But there are snags. Units left inactive along the border would lose men through sickness and morale through idleness, without any compensating gain. Moreover, the Americans have so many aircraft to fly troops in and out of an area that the mere threat of a concentration of North Vietnamese troops may not produce the required response. To force the Americans to fly reinforcements into the central highlands, the North Vietnamese may well have to offer battle—as they did at Loc Ninh and Dak To. Even then, there is no

guarantee that the Americans' hold on the pacification areas would be seriously weakened.

If this is Hanoi's new strategy, it is one it has been forced into—by the intensification of the bombing in the north, and by the allies' slow but steady progress against the Vietcong's small guerrilla units in the areas where most Vietnamese live. But it has a positive side as well. Such a policy would keep the graph of American casualties on a rising curve. It would produce yet more television pictures of killed and wounded American soldiers to make American voters ask themselves whether such a price is worth paying. Loc Ninh and Dak To and the recent intensification of guerrilla activity could be signs that this policy has been put into effect in an election-year attempt to weaken the Americans' resolve.

But it is a risky strategy. It could lead to heavy casualties for the North Vietnamese, as these two battles have shown. It would certainly impose a considerable logistical strain on them; the primitive nature of their supply system may explain why Loc Ninh and Dak To were not properly articulated into a concerted double blow. And it would court the danger of morale-shaking defeats. It could give President Johnson the opportunity to say to the voters: Look, here is incontestable proof that we are winning this war. Moreover, as memories are short, the North Vietnamese would have to keep the war on the boil throughout the present dry season in the central highlands right up to early May. To shake the Americans' will decisively there would have to be more Dak Tos. Hanoi would have to send more troops south and accept heavy casualties that would weaken its ability to keep the war going after next November.

It is for General Giap, the victor of Dien Bien Phu, to decide whether the war should be left to simmer or whether to bring it to a boil—and, if so, for how long. Having taken one beating at Dak To, he may not risk another. The Americans are not the French. They can be encouraged by their performance at Loc Ninh and Dak To. It is clear that the attritional balance has tilted in their favour. Hanoi is still trying to find the answer.

49

~~CONFIDENTIAL~~

Tuesday, December 5, 1967  
11:30 a.m.

Mr. President:

*Pres file*

With respect to Charles Frankel's successor.

I have looked carefully at the file of Ed Re.

I find him an impressive candidate on paper:

- political experience;
- a reputable law professor;
- papers published in the field of international law on important subjects;
- a Brooklyn boy who could get on well with Rooney;
- a lawyer-wife with ten children.

The missing link is that I don't know him: how he talks, looks, deals with people.

The best other candidate is George Tayler of Washington -- an experienced and well known academic administrator and scholar.

W. W. R.

DETERMINED TO BE AN ADMINISTRATIVE  
MARKING, CANCELLED PER EO. 12350  
SEC. 1.3 AND ARCHIVIST'S MEMO OF  
MAR. 16, 1983

BY 18 ON 12-18-91

~~SECRET~~

50

Pres file

Tuesday, December 5, 1967 -- 11:10 a.m.

Mr. President:

25X1A

25X1A Herewith Dick Helms suggests a period on the NSC Staff for [REDACTED] before he goes to Vietnam.

25X1A

25X1A

Also attached is a cable from Amb. Bunker and Gen. Westmoreland thanking Dick for surrendering [REDACTED] agreeing with a period of assignment here for [REDACTED] before he goes to Saigon; but pointing out that the "job here not normally very visible to press and need not become more so." In short, we have to decide whether a period on the NSC Staff is necessary and useful before sending [REDACTED] out some time after February 1, 1968.

25X1A

You may wish to discuss this with Dick Helms, Sec. Rusk, and Sec. McNamara.

25X1A

I would only add that both Helms and [REDACTED] have behaved like good soldiers in this matter.

W. W. Rostow

SANITIZED  
Authority NLT 019-026-2-13  
By Q, NARA, Date 1/8/02

WWRostow:rlm



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

4 December 1967

50a

OK  
H

MEMORANDUM FOR: Mr. Walt W. Rostow  
Special Assistant to the President 25X1A

SUBJECT: Assignment of [REDACTED]

25X1A

1. In order to cover to the degree possible [REDACTED] CIA identification, the best alternative appears to be to assign him to the NSC Staff for a time. In order that there be no apparent overlap or conflict with Ambassador Leonhart's position, I suggest that he be assigned the duty of reviewing political problems in Vietnam and elsewhere in Southeast Asia with a view to drawing up programs for multi-agency consideration and execution which will accelerate political development in these threatened countries. This is a follow-on to the attached paper which I was independently suggesting for your consideration, and it will provide you with an officer who can prosecute these ideas and develop some options in detail for your consideration.

25X1A

2. May I suggest that this shift be made on 1 February 1968, the earliest we can release [REDACTED] due to the problem of scheduling the necessary replacements here.

*Dick*  
Richard Helms  
Director

SANITIZED  
Authority NLT 019-026-2-14  
By op, NARA, Date 1/8/02

50 b

\*\*\*\*\*RESTRICTED HANDLING SUPERVISOR ONLY 5 12 15 87

WASHINGTON 95

~~SECRET~~ 051142Z CITE SAIGON 258

HEADQUARTERS

PLS PASS FOLLOWING MESSAGE TO MR. HELMS FROM AMBASSADOR  
BUNKER AND WESTMORELAND

1. WE ARE MOST GRATEFUL TO YOU FOR MAKING BILL COLBY  
AVAILABLE, AND FULLY APPRECIATE THE SACRIFICE. GEN.  
WESTMORELAND PARTICULARLY WISHES TO SAY THAT HE REGARDS  
COLBY AS IDEAL MAN FOR JOB.

2. WE WILL ABIDE BY ALL TERMS, AND NOT COUNT ON  
COLBY'S ARRIVAL TILL 1 APRIL. MEANWHILE WE AND KOMER WILL  
KEEP MATTER STRICTLY TO OURSELVES. [REDACTED]

25X1

25X1

[REDACTED] THOUGH MIGHT POINT OUT  
THAT JOB HERE NOT NORMALLY VERY VISIBLE TO PRESS AND NEED  
NOT BECOME MORE SO. WARM REGARDS.

~~SECRET~~

BT

SANITIZED

Authority NLJ-019-026-002/15

By jc NARA, Date 12-16-09

*Pres. file*

*51*

**SECRET**

**Tuesday, Dec. 5, 1967  
9:45 a. m.**

**Mr. President:**

**Herewith our man Nat Davis' evaluation of what  
may happen if we move the Viet Nam issue into  
the Security Council.**

**W. W. R.**

**~~SECRET~~ Attachment**

**DECLASSIFIED**

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

**White House Guidelines, Feb. 24, 1983**

**By hy, NARA, Date 12-18-93**

December 5, 1967

*For file*

Mr. President:

SUBJECT: Your meeting with Ambassador Ray Thurston (Somalia)  
5:30 p.m., Wednesday, December 6

This is a brief handshaking-photograph meeting. Thurston wants the Somalis to know he saw you personally to report on the very encouraging progress being made in the East African detente between Somalia, Ethiopia and Kenya.

The detente is the first real break in a long-standing quarrel between these three countries over common border areas. The dispute heated up to an undeclared border war several times, but the situation has cooled off considerably in the last few months.

The real push for the detente has come from Somalia. They've pulled back the guerrillas who were raiding disputed areas in Kenya and Ethiopia, and they've stopped hostile propaganda. The Somali Prime Minister had a good meeting with Haile Selassie and Jomo Kenyatta a few months ago. All three countries have resumed diplomatic relations. And only a couple of days ago, the Somali Parliament gave the Government a solid vote of confidence on the policy of detente.

All this is very good news for us. We've been trying to encourage a reconciliation for a long time, and Thurston has done an able job. If you take a moment to chat, you might tell him:

1. We're very pleased with the progress of the detente, and especially the show of statesmanship by Somalia.

2. There are bound to be ups and downs in this problem. We know the border dispute is old and deep.

3. But the Somalis have made a very good start toward reconciliation. Thurston and his Mission should keep up the good work of quiet encouragement.

W. W. Rostow

WWR:EH:RM:lw

Monday, December 5, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Letter from George Reedy

Attached (Tab A) is a letter from George Reedy suggesting that the United States Government take a more active and direct role in encouraging legitimate private investors in Indonesia and discouraging the get-rich-quick operators. There is certainly a need for somebody to perform the function. There are certainly, also, strong arguments against the United States Government trying to do it. I would like to get the views of Bill Bundy, Bill Gaud, and Marshall Green on the Reedy idea before making any recommendations to you.

In the meantime attached for your signature (Tab B) is an interim reply to George's letter.

W. W. Rostow

Atts.

53a

December 4, 1967

Dear George:

I have read your thoughtful letter describing your trip to Indonesia.

I have asked Walt Rostow to look into the suggestion you make in the final paragraph. It is evidently important that private enterprise get off on the right foot because of the growing importance of Indonesia to reaching our goals in the Pacific.

It was good to hear from you, George, and to know you are carrying forward constructive work in private life.

Sincerely,



Mr. George Reedy  
President  
Struthers Research and  
Development Corporation  
1700 K Street, N. W.  
Washington, D. C.

State:BKS:WWR:mz

STRUTHERS RESEARCH AND DEVELOPMENT CORPORATION

SUITE 1106 - 1700 K STREET, NORTHWEST

WASHINGTON, D. C. 20006

53 b

GEORGE E. REEDY  
PRESIDENT

TELEPHONE  
223-2240

Personal

November 28, 1967

The President  
The White House  
Washington, D.C.

Dear Mr. President:

For the past two weeks I have been in Djakarta where I have been negotiating a Letter of Intent with the Indonesian government for economic development of the country. In this enterprise, our corporation is associated with Daniel, Mann, Johnson, and Mendenhall, one of the world's largest architectural-engineering firms, and with the Stanford Research Institute.

At this point, I do not know whether the Indonesian government will or will not accept our proposal. But the two weeks created in me a great interest in the country and I have an intuitive feeling that it is the real key to the future history of Asia. The Indonesians have the resources that the Japanese lack; the vitality that the Indians lack and the strategic geographical position that the Viet Nameese lack. They need only political leadership (which they are beginning to get) and capital.

I am not going to repeat all of the things that you already know. I assume that your information is accurate because it begins with one of the finest ambassadors -- Marshall Green -- that I have encountered anywhere. He has a sure grasp of the country's problems; he is well respected by the officials that count; and he is very helpful to the legitimate members of the American business community in that country. My opinion is shared by everyone who has had dealings with him including Alvin Schuster, President of the Goodyear Rubber Company in Indonesia, who heads the largest American operation in the nation.

There is one problem to which I would like to call your attention. The current state of the Indonesian economy has drawn fast-buck-artists and con-game men like honey draws flies. The stakes are high because of the vast resources. Suharto has inherited a government largely demoralized and staffed in many instances by high ranking people whose morals are, to say the least, suspect. The core of sophisticated government servants upon whom he can draw is extremely small and its members are heavily overburdened. The history of the past few

The President  
Page Two  
November 28, 1967

months has been one of unfortunate contracts and commercial arrangements which have left the officials of the Indonesian government suspicious of any American businessman -- and this is highly understandable.

The unfortunate part of it is that it is going to be extremely difficult to attract investment to Indonesia. The nation is in desperate need of capital. It has resources that are absolutely fantastic but it was bled white by the Sukarno regime and it will take many years to recover. It is impossible under the present circumstances to supply the nation with adequate aid on a government-to-government basis. AID funds are not available on the necessary scale and therefore private industry must supply the capital. But the waters have been so muddied by get-rich-quick types that legitimate investors encounter an atmosphere of suspicion that is discouraging.

I am enclosing for you a copy of the Letter of Intent which we are proposing to the Indonesian government. What it really amounts to is that we would act to advise the Indonesians in how to conduct themselves in attracting specific private investment to the country. This is quite different, incidentally, than the projects of the World Bank or the IBRD.

It seems to me that there ought to be some way in which this service could be performed by our government in cooperation with the Indonesian government. This would help clear the air of the suspicions which have been engendered and make progress possible. Even though this would mean a loss of some business to me, I am sufficiently enthusiastic about the future of Indonesia that I would like to see something go along these lines. The best that our combination can do (and we can't do anything if we don't secure the cooperation of the Indonesian government) is only a drop in the bucket compared to what must and could be done. If you think there is any merit to this concept, I would like to discuss it with you as I really want to do something constructive in this field.

Best regards,

STRUTHERS RESEARCH AND  
DEVELOPMENT CORPORATION

  
George E. Reedy

GER/jf  
enclosure



BADAN PERENCANAAN DAN PEMBANGUNAN NASIONAL  
(BAPPENAS)

DJALAN TAMAN SOROPATI 2, JAKARTA  
TELEPON: OG. 49321, OG. 49322, OG. 49323

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DJAKARTA

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LETTER OF INTENT  
BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
AND

DANIEL, MANN, JOHNSON, & MENDENHALL

This Letter of Intent, entered into this \_\_\_\_\_ day of \_\_\_\_\_ 1967, by and between the Government of the Republic of Indonesia, as represented by \_\_\_\_\_, hereinafter referred to as "Government", and Daniel, Mann, Johnson, & Mendenhall, a Corporation duly organized and existing under the laws of California with principal office located at 3325 Wilshire Boulevard, Los Angeles, California, hereinafter referred to as "Sponsor".

WHEREAS, the Sponsor since April 1960 has continually served the Government in providing various professional and technical services, including planning, economic, architectural and engineering programs throughout Indonesia; and

WHEREAS, the Sponsor has cause to be formed an association comprised of Daniel, Mann, Johnson, & Mendenhall, acting as Sponsor; Strathmore Research and Development Corporation, a wholly owned subsidiary of Strathmore Wells Corporation who will join with the Sponsor in support of the undertaking contemplated by this Letter of Intent; and Stanford Research Corporation, who will serve as an Associated Subcontractor; and

WHEREAS, the Government would derive benefits from engaging the services of the Sponsor and Associates to render engineering and industrial economic services for development and rehabilitation of essential facilities with regard to resources, man power, physical infra structures, transportation/communications, products marketing and investment return.

WHEREAS, the Sponsor and Associates, based on a mutually Agreeable Contract, are prepared to undertake the rendition of required services.

NOW THEREFORE BE IT AGREED:

1. General Scope of Contractual Services Anticipated to be Rendered by the Sponsor and Associates.

At such time as financing is secured or a commitment has been obtained pursuant to paragraph five of this Letter of Intent, mutually agreeable contractual agreement will be entered into between the Government and the Sponsor and Associates.



**BADAN PERENCANAAN PEMBANGUNAN NASIONAL**

**(B. A P P E N A S)**

DJALAN TAMAN SOERGIATI 2, DJAKARTA  
TELEPON: (OG. 48321, OG. 49327 OG. 48328

No

DJAKARTA

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- 2 -

The General scope of service anticipated as related to engineering and industrial economies which will include the problem of resources, man power, physical infra structures, transportation/communication, products marketing and investment return.

Daniel, Mann, Johnson and Mendenhall will act as sponsor for the undertaking and have responsibility for general contract management. In addition, Sponsor will perform all engineering type of work in such areas as set forth in this article.

Stanford Research Institute, serving in the role of Associated Subcontractor, will perform research and feasibility studies of the industrial economy in such areas as set forth in this article.

Stanford Research and Development Corporation will be responsible for industrial financing and industrial management. In addition, the firm shall be provided the opportunity to classify and select and recommend industrial enterprises best suited for investment and development.

**2. Subcontracts**

Contracts arising out of this Letter of Intent will provide that the Sponsor and Associates, with the written approval of the Government, may enter into subcontract relationships primarily with Indonesian firms or agencies, third country firms, or other U.S. firms wherein specialized capabilities are required in the development of specific task orders.

**3. Personnel to Be Provided by the Government**

Contracts arising out of this Letter of Intent will provide that the Government will assign as mutually agreed the necessary local professional, technical and support personnel to work with and be trained by the Sponsor and Associates in on-the-job training program.

**4. Estimated Funding and Period of Service**

It is anticipated that the contract arising out of this Letter of Intent will be for a term of three (3) years. It shall be the Sponsor's and Associates' responsibility to develop the total funding.



**BADAN PERENCANAAN PEMBANGUNAN NASIONAL  
(BAPPENAS)**

JALAN TAMAN SOEROPATI 2, JAKARTA  
TELEPON: OG. 49321, OG. 49322, OG. 49323

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JAKARTA

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- 3 -

The Government at no cost to the sponsors shall use its best effort, privileges and priorities and shall be responsible in obtaining the necessary local facilities and services on behalf of the Sponsor and Associates.

**5. Financial Commitment**

The Sponsor and Associates have one-hundred and twenty days from the date hereof to arrange private financing for an approximate amount of two million U.S. dollars and to present a formal proposal to the Government for undertaking this work. It is explicitly understood that the Sponsor will bear all costs and will not be reimbursed by the Government for preparatory services as will be required during the period that this Letter of Intent remains valid.

The Government shall, however, consult with the Sponsor and provide it with the necessary information.

**6. Subsequent Contract**

The Sponsor and Associates and the Government do hereby agree on a best efforts basis to enter into an equitable agreement covering services, provided that the Sponsor and Associates can arrange the necessary financing by means of external funds at such terms and conditions as to be agreeable to the Government.

**7. Term**

This Letter of Intent shall remain valid until one-hundred and twenty days from the date hereof. It may however be extended upon mutual agreement of both parties.

**8. Other Consultants**

It is understood that this Letter of Intent does in no way prevent the Government from obtaining the services of other consultants.

**9. This Letter of Intent shall not be construed as a financial commitment, direct or indirect on the part of the Indonesian Government.**

**10. It is understood by both parties that the Government may implement contracts arising from this instrument through other parties when it deems such action in the National Interest.**



**BADAN PERENCANAAN PEMBANGUNAN NASIONAL**  
(BAPPENAS)

DIJALAN TAMAN SOROPATI 2, DJAKARTA  
TELEPON: OG. 4921, OG. 4922, OG. 4923

No.

DJAKARTA, -

LAMPIRAN

PERHAL

THE GOVERNMENT OF THE REPUBLIC  
OF INDONESIA

By

WISNINGS

Title

Date

DANIEL, HARR, JOHNSON, & KENNEDY

By

WISNINGS

Title

Date

DJAKARTA, November 24, 1967.

Text read and certified accurate

*[Signature]*  
*[Signature]*

~~CONFIDENTIAL~~

December 5, 1967

54

*1. [unclear]  
2. Pres file*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Program Loan Assistance for Brazil

Herewith are memos from Bill Gaud and Charlie Schultze (Tab A) recommending action on further disbursements of the \$100 million FY 1967 program loan signed with Brazil last March. The Brazilian Finance Minister will be in town for talks tomorrow and Thursday.

In my memo to you of November 22 (Tab B), I explained the poor self-help performance of Brazil which led to postponement of further disbursements after the initial \$25 million tranche in July. Since then Brazil has not taken adequate fiscal and monetary corrective measures. As a result it has suffered a serious loss in reserves (some \$250 million in five months) and faces a renewed inflationary surge early next year.

The issue is whether we should make another disbursement now in anticipation of promised corrective action by next January or February or make it contingent on performance.

Ambassador Tuthill favors immediate release of \$25 million to create a favorable political impact and because he is convinced that Costa e Silva is committed to stabilization.

Bill Gaud and Covey Oliver recommend tying the disbursement to prior satisfactory devaluation, credit tightening and budget trimming, leaving the timing up to the Brazilians. They would be willing to increase the tranche to \$50 million if this would help the Minister take action now.

Charlie Schultze sides with Gaud and Oliver, except he questions increasing the release to \$50 million in order to advance corrective action one month earlier. Secretary Fowler shares this view.

Given the importance of Brazil and your good relations with President Costa e Silva, I favor being as forthcoming as we can consistent with our overriding objectives of:

- keeping Brazil's momentum toward stabilization.
- maintaining a record on Brazil which will win continued Congressional support.

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DECLASSIFIED  
E.O. 12958, Sec. 3.5  
NSC Memo, 1/30/95, State Dept. Guidelines  
By *jc*, NARA, Date 7-21-03

CONFIDENTIAL

-2-

The Gaud-Oliver formula comes closest to satisfying all points. I recommend you approve it.

Gaud and Oliver also ask authorization to tell the Finance Minister that we are prepared to negotiate a Program Loan agreement for 1968. The exact amount and self-help conditions would be submitted to you for approval, probably in January. I support this request.

W. W. Rostow

Approve Gaud-Oliver recommendation for \$25 million after performance, with possible increase to \$50 million for early action, and agree to negotiate 1968 program loan . \_\_\_\_\_

Approve BOB-Treasury variant of \$25 million after performance, and agree to negotiate 1968 program loan. \_\_\_\_\_

Approve Tuthill recommendation for \$25 million now. \_\_\_\_\_

Speak to me. \_\_\_\_\_ 12/7/67

CONFIDENTIAL

~~CONFIDENTIAL~~

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON 25, D.C.

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DEC 4 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Program Loan Assistance for Brazil

Bill Gaud and Covey Oliver request your authorization to negotiate disbursement of a second \$25 million from the \$100 million FY 1967 program loan which we signed with Brazil last March. Brazilian Finance Minister Delfim Neto will be in Washington December 6 and 7.

Thus far only \$25 million of the \$100 million has been disbursed. We stopped disbursements in July, when Brazilian fiscal and monetary performance deviated widely from the targets set in the program loan agreement. A revised program was accepted by AID in August, but Brazilian performance again went off the track almost immediately.

In recent months there has been a serious loss of foreign exchange reserves. A renewed inflationary surge is likely unless the government devalues and imposes greater credit and fiscal restraint. Delfim Neto is willing to take these corrective measures, but not before January. Ambassador Rutili recommends immediate release of \$25 million on the grounds that

- it would have a favorable political impact on other current U.S.-Brazil problems
- Costa e Silva has made substantial efforts on stabilization and import liberalization despite heavy domestic pressures, and is committed to continued stabilization efforts.

Gaud and Oliver recommend that we agree to release the \$25 million, but only after devaluation and credit tightening have occurred. They believe that release of the \$25 million without these self-help conditions would undermine the credibility of our self-help requirements, hurt our posture in Congress, and be dissipated in capital flight.

If the Finance Minister indicates that a larger incentive would make it possible to take the necessary actions now, Gaud and Oliver would recommend release of \$50 million, still contingent upon actual performance.

The procedures to be used to minimize any adverse impact on the U. S. balance of payments are the same as those agreed to by Secretary Fowler under the original program loan.

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Authority OMB Lett 11/10/80

By sg/llw, NARA, Date 1-10-92

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Recommendation. It seems clear to me from an economic point of view that releasing \$25 million without devaluation and credit restraint would be a waste of our resources. I recommend approval of Gaud's request to authorize disbursement of \$25 million after corrective actions have been taken. However, since we, the IMF, and IDB plan to negotiate an overall 1968 stabilization program with Brazil in January, I question the value of increasing the release to \$50 million in order to get devaluation one month earlier. Devaluation now without agreement on continuing sound fiscal, monetary and exchange policies throughout the next year would provide no assurance of satisfactory performance.

A way to meet Ambassador Tuthill's desire for a politically useful demonstration of support might be early authorization of a \$16 million Health Sector Loan, which Gaud plans to submit to you this month.

Gaud and Oliver would also like your authorization to tell the Finance Minister that we are prepared to negotiate a Program Loan agreement for 1968. The exact amount and proposed self-help conditions in the negotiating instructions would be submitted to you for approval, probably in January. I recommend approval.

(signed) Charles L. Schultze  
Charles L. Schultze  
Director

Approve Gaud/Oliver recommendation for \$25 million  
after performance, and agree to negotiate 1968  
program loan \_\_\_\_\_

Approve Gaud/Oliver recommendation, with possible  
increase to \$50 million for early action, and  
agree to negotiate 1968 program loan \_\_\_\_\_

Approve Tuthill recommendation for \$25 million  
now \_\_\_\_\_

Disapprove \_\_\_\_\_

~~CONFIDENTIAL~~

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

~~CONFIDENTIAL~~

NOV 30 1967

OFFICE OF  
THE ADMINISTRATOR

DECLASSIFIED

Authority AID Ltr 1/15/80 NL38020  
By rg/kie NARA, Date 1-10-92

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Program Loan Assistance for Brazil

The Brazilian Minister of Finance will be in Washington on December 6 and 7 to discuss conditions under which we can disburse a second \$25 million from the \$100 million program loan to Brazil for FY 1967. These talks will have a critical effect on the Brazilian stabilization program we have been supporting since 1964. Before seeing him, I want to acquaint you with the issues and to request authority to respond positively, but in a way which will safeguard the heavy investment we have made in Brazil's stabilization effort.

I understand that you already have been given the background of this problem. (A memorandum summarizing the course of this year's negotiations is also enclosed.) As you know, the original Brazilian economic program to which our loan was tied was not successfully carried out. We need your approval to make any further release of the \$75 million still undisbursed.

Let me just stress what Covey Oliver and I see as the main issue: How can we use this program loan to maintain Brazil's momentum toward stabilization, while reassuring President Costa e Silva that we intend to continue strong support for his development policies? An important, closely related problem is how we can continue to obtain from the Congress sizeable Alliance for Progress funds for program lending to Brazil and other Alliance countries.

Since July, we have made strenuous efforts to reach agreement with the Brazilian Government on a new set of self-help commitments which would provide solid assurance of continued

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Group 3  
Downgraded at 12 year intervals  
Not automatically declassified.

~~CONFIDENTIAL~~

- 2 -

stabilization progress. The key commitments we sought involve exchange rate policy, credit policy, and the size of the federal budget deficit. On all three, the Brazilian Finance Minister has repeatedly stated his intention to take timely action. Actions taken, however, have thus far been either inadequate, or too long delayed, or both.

While the surface indications still point to some success for his economic policies, these indications are deceiving. A renewed inflationary surge is likely early next year unless Brazil acts promptly to devalue and impose greater credit and fiscal restraint.

Throughout our talks, the Brazilian Finance Minister has repeatedly said that he will take whatever actions are required to protect his exchange reserves, although he clearly intends to do everything possible to avoid devaluing before January at the earliest. We have not insisted on an earlier devaluation, and we agree with Ambassador Tuthill's strong conviction that we should not pressure the Brazilian Government on timing. Nonetheless, I believe actual release of the \$25 million while exchange reserve losses are continuing and before devaluation actually occurs, would serve little real purpose, would negate the impact of our past negotiations for effective self-help commitments, and would jeopardize our chances of obtaining funds from Congress for future program loans to Brazil. After providing three program loans to Brazil since 1964 to help bring a rampaging inflation under control and to rebuild a reasonably secure level of foreign reserves, we should not undermine our credibility for any future negotiations about self-help commitments by the way in which we handle this problem.

We agree with Ambassador Tuthill that the Brazilian Government should receive some assurance of our continued support for its economic policies. What is open to debate is the form of that assurance, and the exact timing for our release.

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- 3 -

Ambassador Tuthill, although recognizing that the issue is debatable, recommends we make a \$25 million release now, basing his judgment on the favorable impact we would have on other U.S.-Brazil problems such as the possible purchase of Mirage aircraft. I strongly believe, however, that we must also protect our capacity to assist Brazil effectively in the future. This depends so heavily on corrective actions that Brazil must now take that I would be prepared to release as much as \$50 million if this were the incentive needed.

Thus, there are three alternative ways to try to reassure the Brazilian Government that we intend to continue supporting its economic programs:

(1) We could inform the Finance Minister and the President within the next week that we will make an immediate release of \$25 million. This message should preferably be conveyed to President Costa e Silva in Brazil by our Ambassador, rather than in Washington during the talks with the Finance Minister or

(2) We could respond to the Finance Minister as follows:

a) We are happy to have his assurances that he intends to take necessary devaluation and credit actions early next year, and that we want to assure him of our firm intention to release the \$25 million as a demonstration of our confidence in his economic policies.

b) However, our own chances of obtaining Congressional support for future program lending in Brazil would be gravely jeopardized were we to disburse \$25 million while reserves are disappearing and devaluation and accompanying credit measures had not occurred.

CONFIDENTIAL

CONFIDENTIAL

- 4 -

c) Therefore, we will not actually make the release until the necessary actions have occurred. We will then be in a position to release immediately thereafter.

(3) If Alternative 2 is presented and the Finance Minister indicates that he personally wants to take corrective actions now but could use a larger United States release to advantage in obtaining agreement from other members of the Brazilian Government, we could agree to release \$50 million of the remaining funds. (This alternative presents a more positive incentive for action to the Finance Minister while retaining the important advantage of deferring release until actions have been taken).

Recommendation:

I recommend that you authorize the conveying of an assurance to the Brazilian Finance Minister along the lines of Alternative 2, without insisting in any way on the precise timing for devaluation. However, if the Finance Minister indicates a personal willingness to move sooner if he can have additional United States backing, then I recommend that you authorize us to proceed along the lines of Alternative 3.

I also recommend that you authorize us to say we are prepared promptly to negotiate a 1968 Program Loan Agreement for use of the funds remaining from 1967, plus an additional, substantial amount from FY 1968 funds. The exact amount of FY 1968 funds could be determined only after A.I.D. receives appropriation authority from the Congress, and would be proposed for your decision under the normal commitments procedure, probably in January.

*William S. Gaud*

William S. Gaud

Enclosure:

"Brazil Program Loan" - Background Paper

CONFIDENTIAL

~~CONFIDENTIAL~~

BACKGROUND

BRAZIL PROGRAM LOAN

We signed this Program Loan Agreement for \$100 million on March 11, 1967, just before the Costa e Silva Government took office, with the advance concurrence of the President-elect and his Finance and Planning Ministers-designate. The Agreement was keyed to the Brazilian economic and financial program for 1967 as set forth in a letter the Brazilian Government addressed to the CIAP. We agreed to release funds in four installments after detailed reviews of Brazil's performance in meeting agreed targets.

Although we had earlier determined that Brazil qualified for the first of the quarterly releases, wide deviations from fiscal and monetary targets began to appear in May and June. We then concluded that there was no chance for Brazil to meet the second quarter tests. We warned the new Brazilian Government we could not continue disbursements under those circumstances, and began discussing with the Finance Minister and his staff ways they might reformulate the program which would ensure continued progress toward price stabilization and renewed economic growth.

A major part of the problem stemmed from a suddenly ballooning federal deficit. This deficit resulted partly from actions taken by the previous Castello Branco administration, which had left larger unliquidated expenditure obligations than projected and had recently installed a major change in the tax system which did not immediately yield the projected level of revenues. In addition, however, the new administration proved very slow in mastering its responsibilities. Problems of government transition greatly compounded the problem. Moreover, in an understandable effort to deal promptly with symptoms of deepening business recession, the Costa e Silva administration immediately took some deliberately expansionary moves such as postponing certain business taxes and making credit more readily available to

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- 2 -

the private sector. While favorably affecting economic activity, these actions further worsened the federal deficit and endangered progress toward price stability. The new government also gave in to pressures from the powerful coffee interests and announced an internal support price for coffee which was both costly for the stabilization program and inconsistent with the agricultural diversification program pursued by the previous government.

We have attempted since July to reach agreement on a revised set of economic targets and policy actions which would provide a solid basis for renewed program loan assistance. A revised program was presented to us in July and August which we found satisfactory. Unfortunately, before we could seek authority to renew disbursements, performance against key fiscal, credit, and foreign exchange targets slipped so badly that they could not be sustained.

In recent weeks, the Brazilian Government has taken some effective steps to restrict federal spending, has limited the rate of monetary expansion, and has shown more evidence of a renewed commitment to the goals of stabilization, development and reform on which our Program Loan was predicated. President Costa e Silva seems to be supporting his Finance and Planning Ministers in their stabilization efforts, most notably by keeping a tight ceiling on wage adjustments. Economic activity has picked up, helped by ample agricultural crops and various new business incentive devices. The Government is able to point to continued progress in reducing the rate of inflation, now down to 22.6 percent for the first ten months of 1967, compared with 37.4 percent in 1966. This record on reducing inflation, however, largely reflects the lagging effects of sound credit and monetary policies followed many months ago by the previous Castello Branco administration. Although the Government projects further success on reducing inflation in 1968, current trends in credit and monetary policy suggest that a reversal of this progress is more likely.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 3 -

There are a number of other surface indicators to which President Costa e Silva can point as demonstrating economic success. Unfortunately, they are to some extent deceiving. Since mid-August, the Government has faced serious foreign exchange speculation, and has not acted effectively to protect Brazil's reserve position, either by imposing adequate credit restrictions or by devaluation. The result has been a loss in reserves since the end of June of approximately \$250 million. Various palliative control measures taken to try to discourage exchange speculation have only further stimulated it. The Government has not wished to devalue again until early 1968 for a variety of political reasons, and we do not believe they are likely to change that view under any pressures from either the U.S. Government or the International Monetary Fund. The Finance Minister has indicated that he does plan to devalue early in 1968 and to revise the foreign exchange control system at that time. If he takes these actions, and pursues better credit and fiscal policies in 1968, Brazil may be able to recapture a sizeable portion of its lost reserves. Until the actions occur, however, there is little prospect of any improvement in the reserve picture.

The Brazilian Government has recently described to the CIAP its 1968 economic program of commitment and intentions. Missions from both the IBRD and the International Monetary Fund, which recently visited Brazil, share our assessment that Brazilian intentions for 1968 are good. However, there is also general agreement that the detailed planning in the area of monetary and fiscal management necessary for the Government to achieve its goals has not yet been done. It is likely that a number of unanticipated economic effects will occur early in the new year, including a renewed inflationary surge, unless prompt action is taken on devaluation and credit restraint.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 4 -

Both the Brazilian Planning and Finance Ministers have now asked us to disburse an additional \$25 million immediately, while at the same time informally reiterating their determination not to devalue until January at the earliest.

~~CONFIDENTIAL~~

55

THE WHITE HOUSE

WASHINGTON

December 5, 1967

Dear Mr. Prime Minister:

*Pres file*

The warmth of your farewell letter is a gift of heart such as few visitors leave behind.

I place great personal value on the closeness we enjoyed during your visit. It was clearly a natural bond of belief and hope that we shared. Our peoples, the silent partners to our talks, can only be gladdened and strengthened by the candor of our discussions and the harmony of our views.

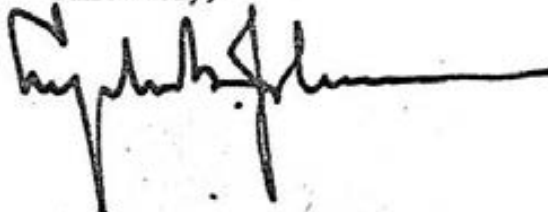
Your letter is an eloquent and encouraging statement of the common purpose we are pledged to carry on.

My sentiments are happily and hopefully united to yours. Our two nations are as one in their approach to bilateral, regional and global issues. If we face the same challenges, our partnership can better turn them into joint opportunities and rewards.

Fortunately, our countries are each blessed with the richness of talent and wisdom of institutions to inspire bright dreams, and bring them true. History must surely testify that our vision led a host of men away from fear and toward fulfillment. It will be written that two great nations spanned one vast ocean, making of the Pacific a new sphere of peace, prosperity and fraternity. We ask all nations to embrace that promise with us.

I am thankful for all the inspiration of your visit. Mrs. Johnson shares my wish that we shall meet soon again with you and Mrs. Sato.

Sincerely,



His Excellency  
Eisaku Sato  
Prime Minister of Japan

Friday, December 1, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Sato Letter

*susp*

Prime Minister Sato sent a warm letter of thanks for your many kindnesses during his recent visit (Tab A).

A suggested reply is attached for your signature (Tab B).

W. W. Rostow

Att.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

December 1 1967

556

Dear Mr. Prime Minister:

I deeply appreciate the thoughtful letter which you sent me on your departure from the United States.

It made us happy indeed to welcome you again to Washington. I was especially glad to have the opportunity personally to discuss with you the many important issues facing us in the world today. And I took great satisfaction in the fact that we were able to discuss these issues with such candor and with such ease of mutual understanding.

Your letter, in fact, expressed so well my own feelings about our meeting and its accomplishments that I need only thank you warmly for your sentiments and say how fully I share your confidence in our approach to bilateral regional and global problems.

Our two nations share a vision of an emerging world which may be sufficiently prosperous, peaceful and fraternal so that promise instead of fear may be found in its rich diversity. Fortunately our two peoples' endowments are great and their institutions are strong. Working together with many of like mind throughout the world, we can hope that our efforts may prove equal to the greatness of the vision our people share.

Thank you for coming to see us. Mrs. Johnson and I greatly enjoyed meeting with you and Mrs. Sato and we look forward to the day when we shall meet again.

Sincerely

His Excellency  
Eisaku Sato  
Prime Minister of Japan

*rewritten  
by Charles Maguire*

7

57

INFORMATION

**CONFIDENTIAL**

Monday, December 4, 1967  
5:05 p.m.

*Pres file*

Mr. President:

I am sure you will want to read  
this evidently sincere evaluation of  
Cy's performance, by Phil Talbot.

W. W. Rostow

Athens 2595

~~CONFIDENTIAL~~

WWRostow:rla

DECLASSIFIED  
E.O. 12356, Sec. 3.4(b)  
White House Guidelines, Feb. 24, 1983  
By lg, NARA, Date 12-18-91

~~CONFIDENTIAL~~

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*Securities*

LIMITED OFFICIAL USE

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ACTION

1967 DEC 4 19 06

INFO SS 80,SSO 00,NSCE 00,/030 W

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R 040955Z DEC 67 ZFG  
FM AMEMBASSY ATHENS  
TO SECSTATE WASHDC 4003

*Rostow*

LIMITED OFFICIAL USE ATHENS 2595  
FOR THE SECRETARY FROM AMBASSADOR

1. CY VANCE HAS JUST LEFT HERE AFTER ONE OF THE MOST EXTRAORDINARY DIPLOMATIC PERFORMANCES I HAVE EVER SEEN. AS I DON'T NEED TO TELL YOU, HIS PHYSICAL DRIVE AND ENDURANCE ARE ALREADY FABLED. EQUALLY IMPRESSIVE WAS HIS COMBINATION OF INTELLECTUAL CLARITY, TOUGHNESS, PERSISTENCE AND FORCE ALONG WITH HIS DISARMINGLY GENTLE PERSONALITY. HIS CONSTANT CONSIDERATION OF OTHERS' VIEWS AND HIS EVIDENT SINCERITY OF PURPOSE HELPED GREATLY, I AM SURE, TO PERSUADE MINISTERS WITH WHOM HE DEALT TO

PAGE 2 RUQMAT 2595A ~~CONFIDENTIAL~~ LIMITED OFFICIAL USE  
KEEP SEARCHING FOR NEW FORMULAE. IT HAS BEEN AN INSPIRATION TO WORK WITH SUCH A MAN.

2. I MUST ADD THAT HE AND ALL OF US WERE WELL SERVED BY HIS SMALL STAFF. JOHN WALSH IN PARTICULAR WAS A TOWER OF STRENGTH AND A FOUNT OF GOOD HUMOR THROUGHOUT THEIR INEXPRESSABLY GRUELING SCHEDULE.  
TALBOT

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ATHENS 02595 041202Z

NOTE:HANDLED AS LIMDIS PER SS/O.

Monday, Dec. 4, 1967  
4:30 p. m.

58  
/

Mr. President:

Herewith:

-- a redrafted speech on "the domino theory in reverse" which I now think is pretty good;

-- cards containing the supplementary theme.

Harry McPherson has read and approves this draft.

W. W. R.

INFORMATION

59

~~SECRET~~

Monday, December 4, 1967  
1:20 p. m.

*Pres file*

Mr. President:

I let a junior member of my staff --  
Roger Morris -- accept an invitation to  
travel with Averell Harriman to  
Pakistan, because he had never seen  
the area on which he works.

The attached lively report may  
interest you.

I have marked key passages.

W. W. Rostow

~~SECRET~~

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By ag, NARA, Date 12-18-91

WWRostow:rla

## THE WHITE HOUSE

WASHINGTON

59a

~~SECRET/SENSITIVE~~

December 1, 1967

MEMORANDUM FOR WWR:

SUBJECT: My Trip with the Harriman Delegation to the Mangla Dam Dedication (November 21-27, 1967)

You may wish to glance through the following notes when you have a moment. The pace was too brisk and the compass too wide for more than random reflection on most matters. We had 2 1/2 days in Rawalpindi, 24 hours each in Kabul and Belgrade, and a whirlwind half-day in Tehran -- with a lot of time everywhere absorbed in ceremony. But it was a good chance to get some new sights and smells, and very much worth doing.

GENERAL

It was a smooth trip. There were no hitches in logistics. The Paks carried off the Mangla ceremony with what I'm told was unusual flair and precision. The President's letter was by far the most notable and best received of the congratulatory messages. Ayub's speech at Mangla hit just the right notes on self-help, multilateral aid, and even Indo-Pak cooperation. On the latter, he talked about "deep differences", but added that even old enemies could find some areas of cooperation for mutual benefit. (Warm, only slightly hesitant applause.)

All this seemed to make a very favorable impression on our Delegates. Most of the group were already converts to foreign aid and the importance of South Asia. Governors Rampton (D. Utah) and Curtis (D. Maine), and Jack Martin (Texas AFL/CIO) were duly pleased with what they saw. And we made a net gain with the one doubter, Rep. Clawson (R. California) who usually takes his economics lessons from Tom Curtis. I think Clawson got off the plane at Andrews much more concerned about poverty and hunger, and much more persuaded that we can do something meaningful. Clawson, Rampton and Martin had never been to South Asia before. Curtis had seen Karachi about ten years ago.

The Delegates were also quite impressed and a little surprised to discover what a close relationship the President has with Ayub.

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~~SECRET/SENSITIVE~~

Authority RAC-NLS-001-153-2, 32  
By ix NARA, Date 11-16-01

That came through in the special warmth of the Mangla letter, but they heard it too from the Paks. A couple of them went out of their way to tell me they thought this was personal diplomacy at its best.

This general glow covered Tehran and Kabul as well. We stopped in Iran on the way both to and from Pindi, and I think the boom town atmosphere in Tehran gave them some sense of the before-and-after of foreign aid. They got an equally apt contrast in Kabul: a briefing on our AID and Peace Corps projects as against the shoddy Russian-built runway we bumped along when we landed.

Through it all, of course, Governor Harriman was in usual form -- deft in his attentiveness to the other delegates, tireless and cheerful in spite of a bad cold. You've seen the reports of his conversations with Ayub and the Afghans. I'd add only one summary comment: judging by the public and private reactions of the host governments, Harriman gave the mission a stature and effectiveness more than sufficient for its purpose.

Below are my own impressions country by country.

#### PAKISTAN

The dominant fact is by now a cliché in Pindi: The Paks are indeed making a go of the development business. Those new seeds are in the ground, the peasants are going to learn to eat maize, Mangla is a big step forward, and Tarbela will make Mangla look like a minor irrigation project. The AID people wax pretty eloquent about the ideal mix of private profit and public expenditures (or as Gus Papanek calls it in his new book -- the "social utility of greed.") What is less certain is where we go from here on specific problems.

-- Wheat. The Embassy and AID think the Paks will eventually buy the 117,000 tons of wheat (\$9 million) we went out to sell in October. But they warn that we'll have to make some downward adjustment -- say 100,000 tons in next year's UMR. There's a good argument that the Paks were very forthcoming this year in buying wheat; to press them again would jeopardize their import reform program and simply add another penalty to cooperation and success. I tried to balance this by explaining the nature and complexity of the President's wheat problem here at home.

-- Peshawar. The consensus in Pindi is that we now stand a good chance of renewing Peshawar. There are real pressures on Ayub.

Bhutto's opposition is still small, but the growing frequency of government denunciations may be a sign that it's picking up. My own guess, however, is that we'll get a new agreement for Peshawar not so much in spite of Bhutto as because of him. His vitriol is already pushing Ayub to extol Pak-U.S. relations: witness his speech in Pindi Nov. 25. If we play our cards right with wheat, aid, etc., Ayub will have little reason to threaten us with Peshawar.

-- Military Supply. This one is under review, as you know, following the President's instruction on the Bowles cable two weeks ago. I'm attaching Pindi's initial reply in the dialogue. My only observation here is that Oehlert and Co. seem to be approaching the issue in a very prudent and thoughtful way. They don't want to fall into a slugging match with Delhi -- and sensibly so.

Finally, just a word on the differing perceptions in Pindi and Washington. To jet from a capital to a distant Embassy always has something of the quality of going through the looking glass. And I did experience this. We in Washington tend to see Pak-U.S. relations as the President-Ayub, and on the larger scale things look pretty good. If you live in a compound in Islamabad, read an anti-American press, see pro-Chinese slogans painted on public buildings, and are snubbed by Pakistani friends, you begin to think we're losing South Asia. I must say, though, that this seems to be of a lesser order in Rawalpindi. More striking is that Ben Oehlert enjoys a first-rate relationship with Ayub; he has good, highly professional team; and the morale of the Embassy under his leadership is higher than it's been in a long time.

#### AFGHANISTAN

I had a good talk with Tim McClure (AID) who sends you his best. McClure tells me that our people have made the Afghans quite aware that this will be a slim year for aid. But the Embassy still argues hotly that any real cut in Afghanistan will tip the balance (sic.) toward the Soviets. My own judgment, albeit a very quick one, is that the Embassy is peddling the usual doomsday talk. The Afghan Government doesn't have to read between the lines here to know that they have some belt tightening in store. The new regime is still markedly conservative (read nationalist, anti-Soviet). Our policy and influence will not be in danger with some discriminating cuts.

*\*at least privately*

IRAN

Only a note here which I have passed on to Hal Saunders in greater detail. Some junior and middle grade officers bent my ear in Tehran to the effect that the top levels of our Embassy, like the Shah's Government, are following a "see-no-evil" policy of reporting. This, I understand, is not an unusual complaint about Embassy Tehran. Nor has it always proved credible. If you are interested further, Hal Saunders will be happy to give you a rundown of current assessments.

YUGOSLAVIA

By comparison with my last glance at Yugoslavia in the summer of 1964, things are really booming. The Embassy seems to feel that political life is visibly easier, if only because Djilas is sitting quietly in a suburban cottage, rather than a suburban jail. Incidentally, the Delegates seemed quite taken with Belgrade. They came, I think, expecting "Communist drabness" a la Moscow. They went away with a live understanding that this is communism with a difference.

\* \* \*

These were the points I thought worth noting. Again, I found the trip personally rewarding in a number of ways. Thanks for giving your okay that I tag along.

RM

Roger Morris

60

Monday, December 4, 1967 -- 12:30 PM

*Pres file*

Mr. President:

Secretary Rusk recommends that you agree to a handshake-and-picture session with Ray Thurston, our Ambassador to Somalia. (Thurston will be here through Friday, December 15.)

I share Rusk's view that it makes sense for you to do this if your schedule permits.

W. W. Rostow

O.K. to schedule Thurston \_\_\_\_\_

No \_\_\_\_\_

Speak to me \_\_\_\_\_

EKHamilton/vmr

60b

## BIOGRAPHIC SKETCH

### AMBASSADOR RAYMOND L. THURSTON

Ambassador Thurston (age 53) received his B.A. and M.A. degrees from the University of Texas and his Ph.D. in 1937 from the University of Wisconsin. That same year he entered the Foreign Service. He worked intensively during his early career on South Asian and Eastern European affairs. (He was a Counselor of Embassy at Moscow, 1949-51.)

In 1961 President Kennedy selected Mr. Thurston to be his Ambassador to Haiti. As a result of vigorously following our policy towards President Duvalier, the Ambassador was declared persona non grata in 1963. After his tour in Haiti, Ambassador Thurston served for two years as a faculty advisor at the Air War College. In 1965, you appointed him as your Ambassador to the Somali Republic.

Ambassador Thurston is of medium height, has a ruddy complexion and is white haired. He speaks several languages (French, Italian, Russian) and he is, in sum, one of our professional diplomats.

61  
7  
Monday, December 4, 1967 -- 11:55 a.m.

Mr. President:

*Pres file*  
In connection with my talk to the Bullock Forum in New York, 4:00 p.m., Thursday, December 14, I have accepted lunch with The New York Times editorial board.

Therefore, I shall be away from about 11:00 a.m.

W. W. Rostow

cc: Marvin Watson  
George Christian

WWRostow:rla

INFORMATION

Monday, December 4, 1967  
11:50 a.m.

Mr. President:

via: Joe Califano

*Pres file*

Herewith Henry Owen puts forward  
a proposal in the field of the containment  
of civil disorders.

W. W. Rostow

WWRostow:rla

62a

~~CONFIDENTIAL~~

MEMORANDUM

December 1, 1967

SUBJECT: Proposed Appointment

Here is a way-out suggestion, based on only such superficial knowledge of the problem as can be gained from reading the press:

1. Problem: Ethnic communities in such cities as Chicago and Milwaukee are particularly concerned over the problem of "order in the streets."

2. Proposal: The President should announce that he is appointing someone with roots in these communities (e.g., John Gronouski) to the new post of Special Coordinator, to see that those recommendations of the Presidential Commission on Civil Disorders which relate specifically to averting disorders next summer get effective follow-up in the Government, even if they cut across the jurisdiction of different agencies.

3. Rationale: The appointment of such a person would:

-- be taken by these communities as a sign that the Government views the problem seriously and means to do something about it;

-- provide a basis for dialogue between them and the Government about the problem: The appointee could go about these communities and talk with people there - trying to get them to see both the problem and Washington's response to it in perspective, during the troubled year of domestic politicking that lies ahead.

4. Timing: The sooner that this is done, the greater the likelihood of:

-- this appointment helping to meet these communities' felt concerns, instead of being dismissed as an election year gimmick.

-- the appointee's work, if it has any effect, reducing the likelihood of riots next summer.

W<sup>o</sup>  
Henry Owen

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING  
NOT NAT'L SECURITY  
INFORMATION, E. O. 12356,  
SEC. 1.1(a)

BY RA ON 1-30-92

INFORMATION

63

Monday, December 4, 1967  
11:45 a. m.

*Pres file*

Mr. President:

This is quite a catalogue of  
trouble for the enemy in one province --  
from a captured document.

W. W. Rostow

WWRostow:rla

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

December 1, 1967

MEMORANDUM FOR MR. ROSTOW:

SUBJECT: Difficulties in Vietnam - Viet Cong Difficulties in Binh Dinh Province

A resolution of a district coordination and operations committee of Binh Dinh Province dated September 11, 1967, after a very detailed description of the victories against US - South Vietnamese units during the first six months of 1967, completely contradicts itself by listing a great number of difficulties and shortcomings within the Viet Cong camp during this same period.

Among the problems was a 30 percent reduction in the strength of village and hamlet guerrillas, the almost total disappearance of secret guerrillas, and mass desertions of soldiers and guerrillas to the Chieu Hoi program.

The following extracts show the extent of the problems noted in the resolution.

"Our activities were not continuous or strong, chiefly during the first months of the year and the recent months. Sometimes, we did not dare fight and consequently we suffered heavy losses.

"Our plan of counter-attacking the enemy pacification plan was not effective."

"Many units lost more weapons than they could seize from the enemy."

"Guerrilla warfare was not yet largely spread among the masses. Worse still, the strength of the guerrilla force, chiefly the hamlet guerrillas, secret guerrillas, and female guerrillas, decreased considerably in many places."

"Under the influence of the enemy psywar and Chieu Hoi (open Arms) program, the (friendly) soldiers, chiefly the guerrillas, deserted and surrendered to the enemy."

"The food supply did not meet the combat requirements of the (friendly) Army and guerrilla force." Some units had to search for rice for each meal after provisions ran out."

#### Our disadvantages

"Rightism, conservatism, and pessimism still exist among our cadre and soldiers. Because of the psy-war activities and the 'deceitful peace negotiation' of the enemy, peace illusions appear in the minds of our cadre and soldiers."

"In some areas, our people were driven into the enemy controlled areas and our liberated areas have been restricted. Our rice fields have been abandoned and our production has slowed down. Our food reserve is running out."

The document then states that "The mission of the Military Region from June 67 to March 68 is to: 'Mobilize all efforts to help our main force units launch attacks on the enemy and push forward guerrilla warfare continuously and regularly.'"

"Prepare all necessary conditions for gaining a decisive victory in the coming phase. Simultaneously, create favorable conditions for fighting the enemy until final victory, in case the war is protracted and expanded."

#### Specific missions of our District

"The most important task in the present armed struggle is to concentrate all our forces in order to conduct fierce and continuous attacks against the enemy and destroy or wear down an important part of the US and puppet forces."

"Place special emphasis on destroying as many enemy soldiers as possible. At the same time, protect the people and try to control them in order to protect and develop the political foundation. Preserve the source of material and manpower necessary for a protracted war."

Development of strength

"Concerning this matter, villages and social groups must indoctrinate their members and prepare them to join the army or guerrilla force.

"(According to our common policy) hamlet guerrillas must be used to bolster the strength of village guerrillas, and local forces must be supplemented with village guerrillas."

"We must develop the hamlet and village guerrilla force so that they are 6% of the total population of the liberated areas."

"The guerrilla force is to be composed of village, hamlet and secret guerrillas, half of which must be women and old people."

Development of rear service installations

"We must endure hardships and overcome difficulties. Cadre and soldiers must volunteer to eat rations of mixed rice and sweet potatoes in order to save rice for developing new units.

"We must direct our efforts toward the lowlands in the South to increase the growth of secondary crops, especially vegetables, to provide adequate food (for the troops)."



Art Mc Cafferty

CDEC # 11-1463-67

INFORMATION

64

~~CONFIDENTIAL~~

Monday, December 4, 1967  
9:55 a.m.

*Pres file*

Mr. President:

Herewith Ed Clark's wrap-up on  
the outcome and meaning of the  
recent Australian elections.

W. W. Rostow

Canberra 2427

~~CONFIDENTIAL~~

WWRostow:rla

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By Ag, NARA, Date 12-18-91

~~CONFIDENTIAL~~

642  
Monday, December 4, 1967

TEXT OF CABLE FROM AMBASSADOR CLARK (Canberra, 2427)

With the final number of seats from the November 25 Senate elections still undetermined, it appears the Government loss will be no more than one or two and the Senate composition will probably remain almost unchanged. The Government should have 27 or 28 seats; the Labor Party 27 or 28 seats; the Democratic Labor Party 4 seats; and 1 independent. Prime Minister Holt told me that although the Democratic Labor Party will clearly hold the balance of power, he expects it will support the Government in all matters of defense and foreign policy, specifically including Vietnam. Democratic Labor Party spokesmen are making the same point. In fact, the Democratic Labor Party is likely to be more "hawkish" than Government parties. At the same time, the Democratic Labor Party will have to play a more responsible role than previously since its actions will be under closer public scrutiny. The lone independent Senator Turnbull (foremost apologist for Chicoms in Parliament) will now play a minimal role.

In terms of popular vote, the Government loss was more significant. Compared with the general elections in November 1966, the vote for Government parties was down 8 percent to 42.4 percent. The Labor Party picked up almost 6 percent to reach 45.5 percent. The Democratic Labor Party picked up 2.6 percent to reach 9.9 percent. It should be kept in mind, however, that the 1966 victory was the largest in Australian history and the Government had to expect erosion in an off-year election when the life of the Government itself was not at stake. This qualification aside, the Government still took a significant loss which is largely attributable to the Government's handling of relatively minor domestic issues. The Government will face no necessity to make changes in defense or foreign policies or even in major domestic policies. It must, however, coordinate its efforts better and bring to the fore younger, more qualified men if this erosion of popular support is not to become a major threat to its survival in 1969.

The Labor Party gain was partially attributable to the new leadership of Gough Whitlam who was able to blur the Party's unacceptable Vietnam policy. I do not believe Whitlam is free from that issue, however, since

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E.O. 12958, Sec. 3.5  
State Dept. Guidelines  
By JW, NARA, Date 5-14-98

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-2-

former leader Arthur Calwell announced from London that he is returning to Australia to fight against what he sees as a "sinister conspiracy" to bring Labor Party foreign policy into line with that of the Government.

~~CONFIDENTIAL~~

65  
ACTION

~~Monday~~  
~~Friday~~

December 4, 1967

~~1. [unclear]~~  
2. Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Report from Ray Telles

Herewith a report from Ray Telles on the status of the work of the Border Development Commission.

It shows some progress on the organizational side:

- The United States section is functioning reasonably well.
- Mexican interest has been stimulated and the level of its participation raised.
- The US and Mexican sections have agreed on the areas where they will concentrate.
- The first joint working sessions to discuss what specific projects should be undertaken in these areas begin next week in Ciudad Juarez.

The areas they will be considering are:

Parallel national parks  
Community centers  
Technical and vocational training schools  
Joint health programs  
Tourism  
Sports  
Beautification  
City planning  
Transportation  
Industrial development  
Libraries.

Ray Telles believes that following the Ciudad Juarez Working Group discussions he will have a clearer picture of what kind of action

program the Mexicans will accept for 1968. He and his fellow US Commissioners request an appointment with you around December 15 to report on the Ciudad Juarez meeting.

Will meet with them ✓. 12/5/67  
Prefer not to meet    .  
See me    .

He also asks authorization to add Transportation and Agriculture to his group.

Approve ✓.  
Disapprove    .  
See me    .

W. W. Rostow

**Attachment**

Status Report to President  
of work of US-Mexico  
Border Development  
Commission

*Pres file*

**Limited Official Use**  
**Monday -**  
**December 4, 1967**

**Mr. President:**

**You will be interested in this report  
from Ambassador Tuthill on state-  
ments made about you by President  
Costa e Silva.**

**W. W. Rostow**

**Attachment**

660  
**LIMITED OFFICIAL USE**

**From Embassy Brasilia's Message No. 1539, November 30, 1967**

**Subject: Costa E Silva Comments on President Johnson**

1. President Costa e Silva lunched on November 29 with 19 Congressmen, members of the International Christian Leadership group. Although the informal prayer luncheon ostensibly was non-political, President Costa e Silva made a number of comments of interest.
2. A reliable Congressman, Esequias Costa, present at the luncheon, told an Embassy officer that in discussing the need for patience and humility in governing a large nation, President Costa e Silva expressed his admiration for President Johnson and recounted for the group their meeting at Punta del Este.

67

Monday  
December 4, 1967

*Pres file*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message of Congratulations to the Newly Elected President of  
Singapore

Singapore President Yusof bin Ishak has just been elected to his third four year term by the Singapore Parliament. His two previous terms were served as an appointed official rather than one elected by the people's representatives. The circumstances seem to merit a message from you, and I recommend you approve the following cable of congratulations:

"I wish to extend my congratulations and best wishes to you on your election to your third term as President of the Republic. Your election marks another milestone along the road of democracy which Singapore has steadily followed since achieving independence. May continued success go with you and the people of Singapore as you journey further down that road."

W: W. Rostow

State:MW right:wpt

*Pres file*CONFIDENTIAL

Monday, December 4, 1967

## MEMORANDUM FOR THE PRESIDENT

SUBJECT: Public Statement and Messages on Cyprus

State recommends you approve the attached to wrap up this phase of the Cyprus crisis.

The most important (attached on top) is a statement to be issued in connection with Cy Vance's report to you tomorrow. The purpose of this would be to call further attention to a successful peace-keeping effort and, in the process, to make clear that you realize there's a lot of hard work to be done before the overall Cyprus problem is solved. It gives due credit to UN and NATO participation to keep as many players in the game as possible now that we're moving into another tough haggle in the UN.

The other four documents attached are messages to U Thant, Brosio, Harold Wilson and Mike Pearson. The purpose of these is to make sure no one thinks you're trying to steal the show. We'll need all the help they can give in the coming UN phase. We would send these messages as soon as you approve.

W. W. Rostow

Statement

Approve statement but hold until  
after I see Vance \_\_\_\_\_

I want to wait till I've seen Vance ✓ *then call me at once*

Messages

Approve ✓

See me \_\_\_\_\_

*12/5/67*

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By reg, NARA, Date 12-18-91CONFIDENTIAL

# SUGGESTED PUBLIC STATEMENT BY THE PRESIDENT

Today we gratefully mark an occasion when the exercise of good will and the skill of diplomacy have averted a major crisis.

In recent weeks, the danger of a terrible human tragedy has hung over the Eastern Mediterranean. Now the Governments of Greece, Turkey and Cyprus have in cooperation with the United Nations taken necessary steps to remove this threat.

In this undertaking, so momentous for the preservation of peace, they have had the assistance of my special emissary, Mr. Cyrus Vance, whom I welcome here today, and of Mr. Manlio Brosio, Secretary General of NATO, and Mr. Jose Rols-Bennett, Special Representative of the Secretary General of the United Nations. These three envoys helped the nations concerned explore ways out of a dangerous dilemma.

But peace could not have been preserved without the good will of the governments concerned and their desire for peace or without the prompt and energetic action of the United Nations Secretary General and Security Council.

I congratulate all three governments and all three emissaries. My special gratitude goes to Mr. Vance, who undertook this highly important mission at a moment's notice and carried it out with the greatest skill and total dedication.

As the result of all these efforts, peace has emerged the victor in this crisis. Men of good will everywhere can be deeply grateful.

But the basic problems of Cyprus remain unsolved. The world must, with a sense of new urgency, work for their resolution to prevent a new threat to peace.

**SUGGESTED TEXT OF MESSAGE TO SECRETARY GENERAL  
U THANT FROM PRESIDENT JOHNSON**

Dear Mr. Secretary General:

I want to send you my sincere congratulations on your vital contribution to easing the dangerous situation which arose over Cyprus.

Your decisive action in the face of imminent threat of war, and the able diplomacy of your Special Representative, Dr. Jose Rols-Bennett, deserve the fullest recognition from all concerned.

Once again the United Nations has served the cause of peace and has demonstrated its indispensable role in forestalling conflict and safeguarding the interests of mankind.

Sincerely,

Lyndon B. Johnson

68c

**SUGGESTED MESSAGE TO SECRETARY GENERAL BROSIO  
FROM PRESIDENT JOHNSON**

**My dear Mr. Secretary General:**

Peace has been saved in the Eastern Mediterranean, and you have played an important role in preserving it. The respect in which you are held in Ankara and Athens, your skill in negotiations, and your deep concern for peace and for the integrity of NATO have combined to bring success to your mission. Mr. Vance has told me how deeply he valued the key role you played. You have the deep appreciation of the United States for your help in preserving peace. You have earned our admiration and heart-felt congratulations.

**Sincerely,**

**Lyndon B. Johnson**

68d

**SUGGESTED TEXT OF MESSAGE TO PRIME MINISTER WILSON**

**Dear Harold:**

I know you share my deep satisfaction that we have avoided war over Cyprus. There is no doubt that the strong cooperation so generously given by you and your government was a major factor in the ultimate success of Cyrus Vance's mission. I know that in particular he valued, as did I, the active efforts of your Ambassadors in the respective capitals. Your letter to President Makarios at the time of the final negotiations in Nicosia was particularly helpful. [I thank you for your help.]

With best regards,

Sincerely,

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
NSC Memo, 1/30/95, State Dept. Guidelines  
By ju, NARA, Date 5-14-98

68c

**SUGGESTED TEXT OF MESSAGE TO PRIME MINISTER PEARSON**

**Dear Mike:**

**I know you share my deep satisfaction that it has been possible to resolve the Cyprus crisis by peaceful means.**

**The close cooperation between our Governments during these recent days has been an important factor in averting war. Your own letter to President Makarios in support of the final negotiations in Nicosia was particularly timely.**

**I would not wish the occasion to pass without expressing my great appreciation for Canada's help.**

**Sincerely,**

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
NSC Memo, 1/30/95, State Dept. Guidelines  
By ju, NARA, Date 5-14-98

INFORMATION

70

~~SECRET~~

Sunday, December 3, 1967

1:30 p.m.

Mr. President:

This report of a talk between  
Bunker and Lec indicates why Bunker  
thinks well of his initial behavior.

*Pres file*

W. W. Rostow

Salmon 12242

~~SECRET~~

WWRostow:rla

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By rg, NARA, Date 12-18-91

INFORMATION

71

*Pres file*

Sunday, December 3, 1967  
1:30 p.m.

Mr. President:

It was Endicott Peabody's piece  
of paper (attached) on John McCloy's  
view, which I recalled.

W. W. Rostow

WWRostow:rla

11-7  
E  
Post Paid  
7/10

November 6, 1967

MEMORANDUM TO THE PRESIDENT:

FROM:

*Endicott Peabody*  
Endicott Peabody

SUBJECT: John McCloy on Vietnam and the Presidency

I rode with John McCloy on the shuttle from New York to Boston last Friday. He had two comments which should be of interest to you:

1. In comparing John F. Kennedy with Lyndon B. Johnson, he said: "You have to be much better prepared when you are summoned by President Johnson. He has a breadth of information which far exceeds President Kennedy's and he is very demanding as well."

2. Re Vietnam. When President Kennedy was considering committing American troops in Vietnam he asked John McCloy for his advice. Mr. McCloy told him that he should consider this very carefully because once committed, there would be no turning back. He felt that it was an extremely serious and important decision. President Kennedy stated that he had very few, if any, options. Mr. McCloy said he understood this but it did not lessen the importance of the decision he was making. McCloy thought President Kennedy felt he could do this without making an irretrievable commitment. In McCloy's mind, the die was cast at that point.

Note: Interestingly enough, in the summer of 1965, in a conversation with Walter Lippmann at Mt. Desert Island, Maine, he blamed President Kennedy for the big decision in committing U.S. troops. While he was opposed to the Johnson decision to commit additional troops after the Johns Hopkins speech in April 1965, he felt the major decision was Kennedy's.

THE WHITE HOUSE  
WASHINGTON

13  
1-  
2 P.m. file  
Saturday, Dec. 2, 1967  
12:15 P.M.

Mr. President:

Attached, for your approval, is  
a message of condolence to  
President Tito for the losses  
suffered in the Debar earthquake.  
Some 10,000 have been made  
homeless in the area of this  
south Yugoslav town.

Bromley Smith

☒ Approve

☐ Disapprove

73a

**SUGGESTED MESSAGE TO PRESIDENT TITO**

**On behalf of the American people and myself I extend to you and the people of your country sincere condolences and deepest sympathy for those who lost their lives in the earthquake which tragically struck the area of Debar.**

**Sincerely,**

**Lyndon B. Johnson**

~~SECRET~~

74  
Pres file  
Saturday, December 2, 1967, 12:00 noon

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Governor Harriman's Appointment, Saturday, 5:00 P.M.,  
December 2

Governor Harriman will want to report to you on his discussions with several heads of state whom he saw on his recent trip. We know of no substantive proposals which he wishes to discuss with you.

Following the inauguration of a dam in Pakistan, Harriman met with President Ayub. On route he had lunch with the Shah in Tehran and on his return he talked to the King and Prime Minister of Afghanistan. He saw Tito in Yugoslavia and the Prime Minister and the Communist Party Secretary in Rumania.

Governor Harriman was accompanied by Governor Curtis of Maine and Governor Rampton of Utah, Congressman Clawson of California and Mr. Martin of the AFL-CIO.

Attached is a brief summary prepared by the State Department of his talks in the five countries he visited.

15/  
Bromley Smith

Attachment

BKS:amc

~~SECRET~~

DECLASSIFIED  
E.O. 12356, Sec. 3.4(b)  
White House Guidelines, Feb. 24, 1983  
By RS, NARA, Date 12-18-91



DEPARTMENT OF STATE

Washington, D.C. 20520

4534  
75a

~~SECRET-NODIS~~

MEMORANDUM FOR THE PRESIDENT

Subject: Security Council Initiative on Vietnam

The Mansfield Resolution expressing the sense of the Senate that we should proceed with a renewed Vietnam initiative in the Security Council was adopted today, 82-0. Both Ambassador Goldberg and I recommend that a move next week is preferable to one after January 1, at which time a new Council is constituted with a less favorable membership.

Ambassador Goldberg has developed a brief resolution, with some slight modifications of our own, (copy attached), based on a personal suggestion made to him by Paul Martin. The resolution calls for discussions within the Geneva Conference machinery. This draft has the merit of being brief, non-prejudicial, and is no different substantively from the resolution we submitted to the Security Council in 1966. This formulation, with its stress on the Geneva framework, should make the expected opposition of the Soviets and the French more embarrassing to them.

Ambassador Goldberg would like to begin discussions promptly with the members of the Security Council, including the Soviets, and we would also concert closely in New York and in Saigon with the South Vietnamese. Ambassador Bunker has already had a preliminary discussion with Thieu regarding the UN approach, and we do not anticipate any major difficulties with him.

~~SECRET-NODIS~~

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E.O. 12958, Sec. 3.5  
State Dept. Guidelines  
By ju, NARA, Date 5-14-98

~~SECRET-NODIS~~

-2-

We will not request the Security Council to inscribe a new item. Rather, we will seek a renewal of discussion based on the item submitted to the Council and inscribed in 1966. Nevertheless, nine votes are required for "adoption of the agenda" and for a substantive discussion to take place. Ambassador Goldberg estimates, and we concur, that the nine necessary votes will probably be there. There are two principal reasons: some members who hold serious reservations about involving the Security Council may be equally concerned not to embarrass the United States; moreover, we expect the reasonableness of the resolution may influence some doubters to support discussion (adoption of the agenda). Special efforts may be necessary with Ethiopia to provide the ninth vote.

There could be a resolution or an amendment submitted calling for unilateral U. S. cessation of the bombing without reciprocity from the other side. We have some very confidential information that the Indians are thinking along these lines, and we will wish to make it abundantly clear to Prime Minister Gandhi at the appropriate time that we would consider such a move inimical to our interests. We believe this could be countered effectively by a proposal based on the formulation you used in your San Antonio statement. Under such circumstances, a bald appeal for a bombing cessation probably would not pass. The likely vote is: Yes (7) - France, India, Mali, Ethiopia, Nigeria, USSR, Bulgaria; No or Abstention (8) - Argentina, Brazil, Canada, China, Japan, U.S., U.K., Denmark. By an appeal from you to the Emperor, Ethiopia might be persuaded to abstain. Finally, even though we do not expect it will be necessary, there is always the veto.

We have also weighed whether the attached resolution should be sponsored by the United States, by

~~SECRET-NODIS~~

~~SECRET~~ NODIS

-3-

Canada, or by some others. Our judgment is that U. S. sponsorship of the resolution is desirable both domestically and internationally and assures greater control over the results.

Ambassador Goldberg concurs.

*Dean Rusk*

Dean Rusk

Attachment:

Resolution

~~SECRET~~ NODIS

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

8 file  
77

~~CONFIDENTIAL~~

Friday, December 1, 1967  
7:00 p.m.

MR. PRESIDENT:

You should know that, in addition to confirming the support of Senator Pastore and Congressman Holifield for the IAEA proposal, we tried to run down Senator Hickenlooper and Senator Gore for a final check. Both are out of town and could not be reached. The record shows that when the matter was raised with them in April of this year (Tab A, page 3), Senator Gore "indicated general agreement" -- Senator Hickenlooper expressed interest but did not commit himself, to which Bill Foster then added the judgment, "He will support the idea because of his past support for IAEA safeguards."

With Pastore and Holifield aboard, as well as U.S. industry (see Tab B), Nick Katzenback is informing the Italians, British, and Germans of this passage in your talk tomorrow.

Wae.R.

Attachments

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NIJ 94-344  
By CL, NARA, Date 6-7-95

~~CONFIDENTIAL~~  
THE SECRETARY OF STATE  
WASHINGTON

1146

77a

April 6, 1967

A

MEMORANDUM FOR THE PRESIDENT

Subject: Offer to Put U.S. Peaceful Nuclear  
Facilities under IAEA Safeguards (C)

I concur in the attached recommendation from  
Bill Foster.

*Dean Rusk*

Dean Rusk

Attachment:

Memo fm. Wm.C.Foster

DECLASSIFIED  
State Dept. Guidelines, 7/21/97  
By *fn*, NARA, Date *5-14-98*

~~CONFIDENTIAL~~

Group 3

~~CONFIDENTIAL~~

- 2 -

This concept has been discussed by the Atomic Energy Commission with representatives of the major U.S. industrial and utility concerns involved in the peaceful uses of nuclear energy. Many of these representatives think it is quite a good thing to do in order to achieve an effective worldwide safeguards system, although some of them point out that there will be problems in implementation of the offer which will have to be worked out in the course of negotiating the necessary arrangements with the International Atomic Energy Agency. These arrangements will not only advance our national interest in achieving safeguards, but will promote industrial interests by establishing conditions which favor the widest possible export of nuclear materials and equipment under safeguards.

It is our intention in making this offer to rely upon the voluntary cooperation of the U.S. nuclear industry in implementing it, and our consultations have given us confidence that this cooperation will be forthcoming. However, if it becomes necessary in a few instances to rely on the Commission's regulatory powers to require the participation in the inspection system by specific companies, the Attorney General would have to determine whether the Commission's current authority extends to requiring a licensee to open his facilities to inspection by an organization other than the Commission or other U.S. agencies. If not, some clarifying legislation might be necessary to ensure enforcement in the unlikely event that the Commission's authority in this field were challenged.

The British have indicated privately to us that if the United States were to make such an offer, the United Kingdom would do likewise.

The proposed offer has been discussed with Senator Pastore and Representative Holifield of the Joint Committee

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Authority ERVS-64-68, vol. 81, item 193

By JW, NARA, Date 5-14-98

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 3 -

on Atomic Energy, who concur. Senator Gore, Chairman of the Disarmament Subcommittee of the Senate Committee on Foreign Relations, indicated general agreement. Senator Hickenlooper expressed interest but did not commit himself; in my judgment, he will support the idea because of his past support for IAEA safeguards, because what we are planning appears reasonable under the circumstances, and because it would not adversely affect industrial uses of atomic energy. Senators Mansfield and Dirksen were both noncommittal, but I think they will rely on the views of Senators Pastore and Hickenlooper, respectively.

*William C. Foster*

William C. Foster

~~CONFIDENTIAL~~



~~CONFIDENTIAL~~  
UNITED STATES  
ATOMIC ENERGY COMMISSION  
WASHINGTON, D.C. 20545

77b

**DECLASSIFIED**  
**E.O. 12356, Sec. 3.4**  
**NUJ 93-347**  
By cb, NARA, Date 9-1-95

December 1, 1967

(B)

The Honorable Walt Rostow  
Special Assistant to the President

Dear Mr. Rostow:

I have been requested by Secretary Katzenbach to advise you of the procedures followed in clearing the proposed announcement by the President tomorrow that the United States is prepared to place a broad range of its civilian nuclear activities under IAEA safeguards if an effective NPT is achieved. Glenn Seaborg is enroute to Chicago at present.

The original decision to make this offer was reached after extensive consultation with U.S. industry and, following this, with Congressional leaders. For example, on March 23, 1967, the Commission and members of the staff, as well as representatives of ACDA, and the Department of State met with a representative group from the American nuclear industry to discuss the proposed offer in extensive detail. The industrial representatives that participated were from the American Public Power Association, the Atomic Industrial Forum, the Edison Electric Institute, General Electric, Westinghouse, Babcock and Wilcox, Combustion Engineering, Nuclear Fuel Services Incorporated, the Allied Chemical Corporation, and the Yankee Atomic Electric Corporation. In addition, the Commission consulted with the Board of Directors of the Atomic Industrial Forum. The decision to make the offer was approved by the President on April 9 pursuant to a recommendation made by Mr. Foster of ACDA in a memorandum dated April 6. Mr. Foster's memorandum, which is appended,\* indicates which Congressional leaders were consulted at the time.

The offer has already been communicated to the NATO Council, to Japan and perhaps other principal potential signatories of the NPT. The offer has not, however, been publicly disclosed. It had been the thinking of ACDA that formal public announcement should take place at a propitious time during the NPT negotiations when it

\* For ready reference. gvr

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

The Honorable Walt Rostow

- 2 -

might have the maximum effect in contributing to the momentum of the negotiations. ACDA (Mr. Fisher) has specifically concurred in the proposed announcement by the President tomorrow.

I have spoken to Senator Pastore today, who confirmed that Glenn informed him of the proposed announcement on November 27, and that he gave Glenn his approval. Glenn's notes also indicate that he reached Congressman Holifield and informed him of the proposal on the same day.

U.S. industry is also generally aware of the U.S. decision to make this offer since it was made clear during our consultations with industry that this would be our decision in the absence of any unforeseen difficulties. U.S. industry is not of course informed of the proposed announcement by the President tomorrow in view of the restrictions on the disclosure of this information.

Sincerely yours,

*Jim Ramey*

James T. Ramey  
Commissioner

Enclosure:

Memorandum from William Foster  
to the President

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

77c  
Enclosure A

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY  
WASHINGTON

OFFICE OF  
THE DIRECTOR

April 6, 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Offer to Put U.S. Peaceful Nuclear  
Facilities under IAEA Safeguards (C)

In the course of our intensive consultations during the last few weeks, many of the non-nuclear-weapon countries, including many of our important NATO allies, have expressed concern that the proposed safeguards requirements in our draft non-proliferation treaty might hinder their peaceful nuclear programs and leave them vulnerable to industrial espionage. It might help to overcome these objections if the United States were to invite the International Atomic Energy Agency to apply its safeguards on a broad scale to U.S. peaceful nuclear facilities. The justification for the exclusion of any U.S. facilities from the IAEA safeguards offer would be only on military or security grounds and not for any commercial reasons. Such an offer would be made to apply at such a time as mandatory safeguards as specified in the non-proliferation treaty are applied to non-nuclear-weapon states.

I recommend that you approve a statement to this effect to be made at such time as would best help to achieve a satisfactory safeguards article in the treaty. The Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission concur in this recommendation.

DECLASSIFIED

E.O. 12356, Sec. 3.4

NEJ 94-343

By KS, NARA, Date 9-21-94

GROUP 3

Downgraded at 12 year  
intervals; not automatically  
declassified.

PRESENTATION COPY

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- 2 -

This concept has been discussed by the Atomic Energy Commission with representatives of the major U.S. industrial and utility concerns involved in the peaceful uses of nuclear energy. Many of these representatives think it is quite a good thing to do in order to achieve an effective worldwide safeguards system, although some of them point out that there will be problems in implementation of the offer which will have to be worked out in the course of negotiating the necessary arrangements with the International Atomic Energy Agency. These arrangements will not only advance our national interest in achieving safeguards, but will promote industrial interests by establishing conditions which favor the widest possible export of nuclear materials and equipment under safeguards.

It is our intention in making this offer to rely upon the voluntary cooperation of the U.S. nuclear industry in implementing it, and our consultations have given us confidence that this cooperation will be forthcoming. However, if it becomes necessary in a few instances to rely on the Commission's regulatory powers to require the participation in the inspection system by specific companies, the Attorney General would have to determine whether the Commission's current authority extends to requiring a licensee to open his facilities to inspection by an organization other than the Commission or other U.S. agencies. If not, some clarifying legislation might be necessary to ensure enforcement in the unlikely event that the Commission's authority in this field were challenged.

The British have indicated privately to us that if the United States were to make such an offer, the United Kingdom would do likewise.

The proposed offer has been discussed with Senator Pastore and Representative Holifield of the Joint Committee

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PRESENTATION COPY

~~CONFIDENTIAL~~

- 3 -

on Atomic Energy, who concur. Senator Gore, Chairman of the Disarmament Subcommittee of the Senate Committee on Foreign Relations, indicated general agreement. Senator Hickenlooper expressed interest but did not commit himself; in my judgment, he will support the idea because of his past support for IAEA safeguards, because what we are planning appears reasonable under the circumstances, and because it would not adversely affect industrial uses of atomic energy. Senators Mansfield and Dirksen were both noncommittal, but I think they will rely on the views of Senators Pastore and Hickenlooper, respectively.

William C. Foster

PRESERVATION COPY

work 78  
Pres file  
Friday, December 1, 1967 -- 4:30 PM

Mr. President:

Ambassador McBride is coming home from the Congo for consultations beginning Monday, December 11. State suggests that it would be helpful to him to have seen you -- and that, after our six-month ride on the Congolese roller coaster, you may want to see him.

I know the Congo is not one of your favorite subjects; I think we could all survive very nicely if we were never forced to deal with it again. And a session with McBride is not a must. He will be entirely peaceful if your schedule is too crowded.

However, I think it might be worthwhile for you to get a personal feel for the man at the other end of the line when we get the next distress cable from Kinshasa. If you can spare a half-hour during the week of December 11, I would second the State request that you see McBride.

W. W. Rostow

OK to set up brief session with McBride \_\_\_\_\_

No \_\_\_\_\_

See me \_\_\_\_\_

Hamilton/wrr



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DEPARTMENT OF STATE

Washington, D.C. 20520

1 - Hamilton  
2 - put.  
78a

December 1, 1967

S/S 20478

MEMORANDUM FOR MR. WALT W. ROSTOW  
THE WHITE HOUSE

Subject: Robert H. McBride, American Ambassador  
to Kinshasa, to be in Washington for  
Consultation

Robert H. McBride, American Ambassador to the Democratic Republic of the Congo, will be in the Department for routine consultation from December 11-16. It would be most helpful if Ambassador McBride could tell Congolese President Mobutu that he had met with the President and that the President expressed his continuing interest in the Congo.

Mobutu, having defeated the mercenary rebels, is once again turning to pressing domestic problems of stability and economic development. In view of our continuing contribution to these goals, recently demonstrated by our action in responding to Mobutu's request for C-130 assistance, and of the strategic importance of the Congo on the African continent, we believe it is in our interest to continue our efforts to support the Congolese Government so that it can maintain its policy of close friendship and collaboration with the United States.

Therefore it is requested that an appointment with the President be arranged for Ambassador McBride.

BAR

Benjamin H. Read  
Executive Secretary

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ACTION

79

~~SECRET~~

Friday, December 1, 1967 -- 5:20 pm

*Pres. file*

Mr. President:

As you know, we envisage a letter from you to President Park as part of Locke's visit to Korea.

Sec. Rusk has cleared the draft letter, marked on pages 2-3.

You may be interested in the scenario proposed in the attached cable, as a whole.

W. W. Rostow

Cable cleared \_\_\_\_\_

No \_\_\_\_\_

See me \_\_\_\_\_

~~SECRET~~

WWRostow:rla

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By rf, NARA, Date 12-18-91

7904543  
FOR CLEARANCE  
FOR OC/T USE ONLY

# OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT  
☐ CHARGE TO

~~SECRET~~

Classification

Origin: ACTION: Amembassy TOKYO IMMEDIATE  
SEoul  
SAIGON

STATE

NODIS

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-367  
By mg, NARA, Date 8-8-94

Ref: State 77501, Seoul 2674, Saigon 12307, Tokyo 3704

1. Reftels indicate that proposed trip is feasible, subject to our sending Presidential letter to Park in accordance with text below.

2. As to schedule, noting scarcity of direct Saigon/Tokyo connections, except for Sunday night Air France flight 190, we suggest alternative of mission aircraft taking Lockes to Hong Kong Monday to connect with several afternoon flights from there to Tokyo. Air France flight Saigon/Tokyo would bring Locke to Tokyo Sunday night, while Hong Kong connection would mean arrival Monday evening. Thereafter, we agree with Tokyo suggestion of luncheon Tuesday in any event. We see no commercial connection Tuesday afternoon from Tokyo to Seoul, and request Tokyo's advice whether USAFJ aircraft available. Arrival

Dated by: EA: WPBundy:bmm 12/1/67 4235  
Classification: DoD - Secretary McNamara  
White House - Mr. Rostow  
Telegraphic transmission and classification approved by: The Secretary  
S/S-

~~SECRET~~

Classification

CORR DNS MADE ON THIS ORIGINAL MUST BE MA IN ALL COPIES  
 BEFORE THE TELEGRAM IS DELIVERED TO OC/TIA, ROOM 6243

Page 2 of telegram to Tokyo, Seoul, Saigon

~~SECRET~~  
 Classification

Seoul Tuesday evening appears to us desirable if Locke arrives Tokyo Sunday night, but if Tokyo arrival is Monday night then Tokyo stay might be too short to meet purpose of balanced visits in both capitals, thus diminishing Seoul's visibility problem. Alternative would be Wednesday morning departure from Tokyo (JAL 951 leaving at 0920). Regular Northwest flight from Seoul leaves Thursday afternoon the 7th at 1530 and arrives Washington 2200 on the same day. All this is complex, and we suggest Locke indicate his desires to Seoul and Tokyo and inform us final schedule. Only policy implication is desirability evenly balanced stops and adequate time for appointments in Tokyo.

3. Seoul should deliver following personal message from President to Park earliest:

QUOTE Dear Mr. President:

As you may know, Mrs. Johnson and I have been arranging for the marriage of our elder daughter on December 9. Since Ambassador and Mrs. Locke, in Saigon, are among our oldest and dearest friends, we have asked them to come to Washington for the wedding.

It occurs to me that Ambassador and Mrs. Locke might stop briefly in Seoul on their way to Washington, to give you an up-to-date review of the current situation and to discuss with you some of the

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BEFORE THE TELEGRAM IS DELIVERED TO OC/TIA), Room 6243

Page 3 of telegram to Tokyo, Seoul, Saigon

~~SECRET~~  
Classification

[problems we face together.

Our Ambassador in Tokyo is seeking to arrange for a similar stop there, which might take place on Monday and Tuesday, with Ambassador Locke coming to Seoul on Tuesday afternoon & or Wednesday morning. He might leave Seoul on Thursday afternoon.

I hope you can let me know as soon as possible whether this is agreeable to you. Ambassador Locke would be delighted to have the chance to talk personally with you, and you might wish to arrange other appointments with officials in your government as you see fit.

I am happy to have the recent news that you have been able to resolve some of your political problems, and I continue to have a profound admiration for all that you are doing and for the great contribution your forces are making to the common cause in South Vietnam.

With warm regards,

Sincerely, Signed LBJ UNQUOTE

4. As to press handling, once we have Park's concurrence and schedule in hand, we would propose that Saigon put out routine announcement of Locke return for wedding and say that he is stopping in Tokyo and Seoul on his return trip for brief informal visits. Saigon and all of us would stress on background that there were no specific action decisions expected, and that this was simply taking advantage of the

Page 4 of telegram to Tokyo, Sec., Saigon~~SECRET~~  
Classification

[opportunity ~~xxxxxx~~ to give both governments a rundown of the current situation. Porter should tell Park of this anticipated press line in delivering Presidential letter and seeking concurrence, and Tokyo may do likewise if desired:

5. We will have substantive instructions for Locke handling of Seoul visit not later than Tuesday morning in Tokyo, and hopefully before. Believe no special instructions necessary for Tokyo visit.

6. Tokyo and Seoul should request waiver on any visa requirements in timely fashion.

GP-3

END

80

~~CONFIDENTIAL~~

Friday, December 1, 1967 -- 4:30 PM

MEMORANDUM FOR THE PRESIDENT

*Pres file*

SUBJECT: AID Loan to Korea

In the attached, Messrs. Gaud (Tab B), Schultze (Tab A), and Fowler recommend that you approve a \$10 million program loan to Korea, the last loan required to fulfill our May 1965 commitment to President Park. This loan was ready in October when you put a freeze on AID commitments. It has become urgent now because (1) the Koreans have more than met all the self-help conditions attached to the original commitment and (2) having completed the 1967 program will help us in our negotiations on the 1968 program which will begin soon. If we want to do this loan fast, we must authorize it by midnight tomorrow (Saturday, December 2).

The case for this loan is very compelling. Korea's economic performance has been superb; it's been so good that this loan has been cut by \$5 million to reflect the improvement in the Korean balance of payments. Korea's political behavior has been just as good from our point of view. If we don't come through promptly on our commitment, we will tarnish somewhat our image in Seoul -- though this loan certainly isn't critical to Korea's over-all posture on Vietnam or any other major issue.

The only argument I see against the loan is that it would break the freeze on commitments and weaken your posture vis-a-vis Wilbur Mills and the economists on the Hill. I can't offer an informed judgment on that problem, but my vote is with Charlie Schultze that this is not so serious a problem as to make it worth disapproving this loan.

Outlook on AID Commitments in December

At Tab C, Charlie Schultze gives you a one-page summary of the prospect for AID proposed commitments in December. Applying very strict criteria of urgency, he and Gaud expect to recommend a total of five loans, including the Korean loan discussed herein. The dollar total will be under \$100 million. Besides the Korean loan, there will be one for Laos, one for the Dominican Republic and two for Brasil.

Approve Korean loan \_\_\_\_\_  
Disapprove \_\_\_\_\_  
Speak to me \_\_\_\_\_

W. W. Rostow  
**DECLASSIFIED**  
**E.O. 12356, Sec. 3.4**  
**NUJ 93-351**  
By cb, NARA, Date 5-25-95

Hanilton/vmr

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80a

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

NOV 30 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Third Program Loan for Korea

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

AID requests your approval to make a loan of \$10 million to Korea as part of the CY 1967 stabilization package that you approved last February. You approved this package, which also included \$42.5 million in supporting assistance grants, subject to further consideration of the program loan based on an analysis of Korean self-help performance during the first half of CY 1967.

The situation in the first half of CY 1967 has been encouraging:

- The Koreans have met all the targets established under our stabilization program -- including those which they previously missed, causing us to hold back assistance funds last year.
- Improvement in Korea's balance of payments position will permit a reduction in the program loan from a planned \$15 million to \$10 million.
- In 1967, real GNP growth is expected to hit 10.5 percent.

The proceeds from this loan would be used to finance imports of machinery, equipment, and spare parts by small and medium-sized Korean industrial firms. This rapidly growing element of Korean private industry is a key in Korea's drive to accelerate economic growth.

This loan would be disbursed in two \$5 million tranches -- the first when the loan agreement is signed, the second in the first quarter of CY 1968 if performance continues to be satisfactory.

This loan would bring to \$153 million the total of development loans under your \$150 million commitment to President Park in May 1965. It would thus fulfill the commitment. As agreed during the May 1965 discussions and reiterated when the Koreans sent additional troops to Vietnam in 1966, we plan to make additional development loans over and

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2

above the \$150 million commitment as sound projects are developed in line with Korea's economic development needs.

Balance of Payments

Funds released under this loan would be tied to procurement in the United States. Because of the high follow-on potential in machinery and equipment imports, this tying would help U. S. suppliers establish themselves in a market in which there are traditionally close ties with Japan. Secretary Fowler agrees that this loan would have a minimum adverse effect on the U. S. balance of payments.

Recommendation

Bill Gaud is anxious to move this loan because it is a part of our CY 1967 stabilization program and because it will strengthen his hand when AID begins negotiations early next year on a CY 1968 stabilization agreement that will involve a reduced level of U. S. assistance. I recommend your approval.

*Charles R. Schultz*

Charles R. Schultz  
Director

Attachment

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

806

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

NOV 30 1967

MEMORANDUM FOR THE PRESIDENT

Subject: AID new commitments

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

At your request, Bill Gaud has been holding down the flow of new AID commitments. You may remember that early in October he and I reviewed up coming commitments and recommended to you four urgent items -- two commitments for Indonesia and two loans for Chile.

Gaud and I have now reviewed the situation through December 31, and see five more items which should be brought to your attention during December.

First in urgency is a \$10 million program loan to Korea which we have held since our last review. The loan has been thoroughly discussed with the Koreans, and they have already fulfilled the self-help conditions warranting the release of the first \$5 million portion. Gaud would like to authorize the loan before expiration of the current Continuing Resolution on Saturday, December 2. I am attaching a more detailed memo recommending this loan.

Additional urgent items which we plan to send you in December when fully staffed are:

- A further \$25 million release from the FY 1967 Brazilian Program Loan of \$75 million, which should be before you early next week in view of the December 6 arrival here of the Brazilian Finance Minister
- A grant to replenish the very important Foreign Exchange Operations Fund in Laos, which runs out of resources around the end of the year
- A \$20 million Supporting Assistance Loan to Dominican Republic, along with a P. L. 480 agreement, so that we can best affect the up coming Dominican budget.
- A \$16 million Health Sector Loan to Brazil.

*Charles L. Schultz*

Charles L. Schultz  
Director

Attachment

~~CONFIDENTIAL~~

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

OFFICE OF  
THE ADMINISTRATOR

SEP 25 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Third Program Loan for Korea

I am requesting your authorization to proceed with approval of a loan of \$10 million to Korea for imports of machinery, equipment, and spare parts to be purchased only in the United States. The Development Loan Committee approved this loan on September 15, 1967.

Tentative agreement to a third program loan for Korea, subject to adequate stabilization performance, was indicated in your approval of my CY 1967 Commodity Assistance Commitment request, dated February 15, 1967.

The two previous Program Loans were used primarily to finance imports of industrial commodities and raw materials. This Third Program Loan will finance only imports of machinery, equipment, and spare parts. These necessary capital imports will support rapid economic growth, aid in the achievement of Korea's Second Five-Year Plan targets, and assist U.S. suppliers of machinery and equipment to establish themselves in a market that has high follow-on potential.

The United States is seeking to induce improved performance by the Korean Government and the Korean economy. A planned annual decrease in Supporting Assistance is part of our policy to induce Korean self-help efforts such as increasing export earnings and substituting domestic production for imports. This loan is consistent with the above policy.

There will be two planned fund releases, conditioned on Korean achievement of performance targets set forth in an agreed upon stabilization program. The first tranche will be made available and can be released when the Loan Agreement is signed since ROKG performance during the Second Quarter of CY 1967 satisfactorily met the targets. The targets and performance were: (a) As of the end of June, total money supply shall not exceed \$288.9 million (actual \$288.1 million), and fiscal sector credit shall not exceed \$57.4 million (actual \$44.1 million); and (b) On a Second Quarter average end-of-month basis, the total money supply shall not exceed \$290.7 million (actual \$288.9 million) and fiscal sector credit shall

DECLASSIFIED

Authority Group 4  
By rs, NARA, Date 12-18-91

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

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

- 2 -

not exceed \$63.7 million (actual \$62.2 million). These targets were met despite heavy pressures during the election period to expand credit. A further indication of Korean self-help efforts is a 40 percent increase in private savings through savings deposits during the first half of 1967. The second tranche of this loan will be made available in the First Quarter of CY 1968 in accordance with stabilization performance during the Fourth Quarter of CY 1967.

The Korean Government's recent performance in maintaining economic stability and in adhering to policies which have enabled high rates of economic growth, justifies a continuation of our current A.I.D. strategy. In addition to adopting and adhering to U.S.-supported economic policies, the Korean Government has continued to support the United States in its efforts to defend Southeast Asia against Communist aggression.

This loan will bring the total of Development Loans under your May, 1965, \$150 million commitment to President Park of the Republic of Korea, to \$153 million, and complete the United States performance of this commitment. At that time you also agreed to continue development lending after the \$150 million was exhausted, and we are so planning.

The proceeds of the loan are tied entirely to procurement of U.S. goods so as to minimize the adverse effects on the U.S. balance of payments. Spare parts requirements will provide additional exports for U.S. firms in later years.

I recommend that you authorize me to approve this loan.

*William S. Gaud*

William S. Gaud

~~CONFIDENTIAL~~

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

81

INFORMATION

~~CONFIDENTIAL~~

Friday, December 1, 1967  
8:55 a.m.

*Pres file*

Mr. President:

Depending precisely on what Bob would say, this Henry Owen idea could be good -- or bad.

Properly told, the defense evolution since 1961 is a great, proud tale; what he could say about Vietnam, could be unifying in the country, not divisive.

But you'd have to be sure.

W. W. Rostow

~~CONFIDENTIAL~~

WWRostow:rla

DECLASSIFIED

Authority Dec 83-28

By slip, NARA, Date 1-15-92

81a

CONFIDENTIAL

MEMORANDUM

November 30, 1967

SUBJECT: DOD Report

1. Proposal: Secretary McNamara should give a farewell TV report to the American people on what's been accomplished in national defense to date during this administration.

2. Advantages: This would provide an opportunity for:

(a) making better known the value of the defense innovations which have been pioneered during this period;

(b) reviewing what has been achieved and where we stand now in Vietnam.

3. NOTE: The farewell remarks of people who leave their jobs, like those who are quitting this life, tend to get taken especially seriously - because listeners know that the speaker (i) has no ulterior motive, (ii) won't soon be heard again.

140  
Henry Owen

CONFIDENTIAL

DECLASSIFIED

Authority 76283-29  
By rg/lsp, NARA, Date 1-15-92

SANITIZED

E.O. 12958, Sec. 3.6

NLJ 98-292

By CB, NARA Date 9-15-99

82

~~SECRET/SENSITIVE~~

Friday, December 1, 1967 -- 8:45 a.m.

Mr. President:

*Pres file*

[REDACTED] the attached indicate [REDACTED] bad trouble.

The Vietnamese security services, combined with Loan's reaction to the release of prisoners, led the whole matter to surface.

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

How the next moves are made may be quite important; and I am sure you will wish to have your senior advisers focus hard on the matter today. The issues appear to be these:

-- What we in Washington, our people in Saigon, and especially the South Vietnamese government, say about [REDACTED] the stories which will follow;

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

-- Whether we insist that the South Vietnamese regard the three U. S. prisoners released as sufficiently face-saving for our side for them to release [REDACTED] a few others to continue a contact;

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

-- How Thieu should move to unite his government on this policy and deal with Loan. (Here the critical man to get to is Ky, to whom Loan appears to have a deep personal loyalty. This may be a good time for Loan to get some training at the Leavenworth Command and General Staff School.)

Behind all this is a truly great unresolved issue: What should be the GVN's attitude towards the future political role of the NLF; and how can a South Vietnamese governmental consensus be achieved without splitting the non-Communists.

As you know, my own view has been that we should work to persuade them to take the view that those now fighting with the VC have the right to engage in organized politics under two conditions:

- they stop the fighting;
- they recognize the legitimacy of the Constitution.

The underlying problem for the South Vietnamese is that they have not yet achieved enough organized political unity -- and a big national political party -- to face the Communists in an election. (This came out quite clearly in the Clifford-Taylor discussions with the Foreign Minister, Do.)

~~SECRET~~

~~SECRET~~

-2-

It is most unlikely that Hanoi, via the NLF agents, is now prepared to accept a southern solution on the basis of the two principles set out above. As the talk of the NLF program, coalition government, etc., develops, it is essential that we and the South Vietnamese develop soon a clear, firm and common position on which to stand before the world (and the U. S. public) as well as in such private contacts as may generate.

Again, let me underline, I do not believe that the [REDACTED] contact reflected a firm determination in Hanoi and the NLF to negotiate a solution in the South now, which would be acceptable to us and the South Vietnamese. One of their probable objectives, in fact, was ~~this~~ to produce the kind of division among the South Vietnamese and between us and them which appears to be surfacing. But that fact does not relieve us from formulating a position that is lucid; and using all our skill to persuade Thieu and the political leadership in the Vietnamese executive and legislative branches to line up with us. We shall only be able to do this if we make it clear that by backing the constitutional process firmly, we are backing them; and we are not looking for some face-saving way to turn political power in the South over to the Communists.

EO 12958 3.4(b)(1)>25Yrs  
(C)

W. W. Rostow

[REDACTED] Dec. 1, 1967  
Saigon 005, Dec. 1, 1967

EO 12958 3.4(b)(1)>25Yrs  
(C)

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WWRostow:rlh

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HA VE A BUTTERCUP MESSAGE

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TO WHITE HOUSE

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EO 12958 1.5(c)<10Yrs

EO 12958 3.4(b)(1)>25Yrs

(C)

FM AMB BUNKER SAIGON 005

TO THE WHITE HOUSE, EXCLUSIVE FOR MR ROSTOV

SECSTATE, EXCLUSIVE FOR SECRETARY RUSK

SECDEF, EXCLUSIVE FOR SECRETARY McNAMARA

DIRECTOR CIA, EXCLUSIVE FOR MR HELMS

EO 12958 1.5(c)<10Yrs

EO 12958 3.4(b)(1)>25Yrs

(C)

THE BARRY KRAMER AP STORY IS THE RESULT OF RUMORS WHICH HAVE BEEN CIRCULATING THIS WEEK IN SAIGON WHICH CAN BE TRACED BACK TO POOR SECURITY WITHIN THE DGMP AND WHICH FINALLY SURFACED IN THE NOVEMBER 30 ISSUE OF THE NEWSPAPER "SONG".

CAS HAS RECEIVED REPORTS

TO THE EFFECT THAT LOAN'S RESIGNATION WAS BROUGHT ABOUT NOT ONLY BY HIS DISSATISFACTION WITH THE LOC CABINET AND THE HUONG APPOINTMENT BUT ALSO BY HIS UNHAPPINESS WITH THE PROSPECTIVE CONTINUING AMERICAN PRESSURE TO RELEASE ADDITIONAL PRISONERS.

EO 12958 1.5(c)<10Yrs

EO 12958 3.4(b)(1)>25Yrs

(C)

MEETINGS THIS WEEK WITH LOAN AND VIEN AND, PRESIDENT THIEU TODAY. WERWILL BE REPORTING THE RESULTS OF THESE MEETINGS TOMORROW. PRESIDENT THIEU HAS GONE TO DALAT FOR THE WEEKEND AND I EXPECT TO SEE HIM AS QUICKLY AS POSSIBLE ON HIS RETURN. WE ARE URGING PROMPT RESOLUTION OF OUR DIFFERENCES IN ORDER TO AVOID FURTHER SPECULATION AND LEAKS.

UNFORTUNATELY CAUGHT UP IN WHAT THIEU CONSIDERS TO BE A POLITICAL CHALLENGE TO HIMSELF BY GENERAL LOAN AND HIS SYMPATHIZERS IN THE POLICE AND MILITARY, WE ARE NOW CONFRONTED WITH THE TASK OF SALVAGING

PRESIDENT THIEU'S POLITICAL POSITION.

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~~SECRET~~

NOV 30 1967  
EX FROM QUICK COPY

SANITIZED

E.O. 12958, Sec. 3.6

NLI 98-298

By 10, NARA Date 1-20-00

AP 27  
WITH VIET (240)

(SAIGON)--INFORMED SAIGON SOURCES SAY A MEETING BETWEEN U-S AMBASSADOR ELLSWORTH BUNKER AND A HIGH-RANKING REPRESENTATIVE OF THE VIET CONG'S NATIONAL LIBERATION FRONT WAS THWARTED RECENTLY WHEN SOUTH VIETNAMESE POLICE ARRESTED THE VIET CONG EMISSARY.

THE U-S EMBASSY HAS NO COMMENT ON THE REPORTS.

BUT THE SOURCES SAY THE MEETING HAD BEEN ARRANGED FOR EARLIER THIS MONTH.

THE VIET CONG MAN WAS ARRESTED IN SAIGON BEFORE HE REACHED THE EMBASSY.

THE SOURCES SAY IT IS BELIEVED THE SOUTH VIETNAMESE ARRESTING OFFICERS DID NOT KNOW THE PURPOSE OF THE VIET CONG AGENT'S VISIT TO SAIGON, BUT THE AGENT "SPILLED THE BEANS" AFTER HE WAS QUESTIONED.

THIS SUGGESTS THAT THE SAIGON GOVERNMENT WAS NOT INFORMED OF THE MEETING.

OTHER SOURCES SAY VIET CONG REPRESENTATIVES DID MEET IN A "NEUTRAL EMBASSY" IN SAIGON WITHIN THE LAST TEN DAYS WITH GENERAL CREIGHTON ABRAMS, THE DEPUTY U-S MILITARY COMMANDER IN VIETNAM; DEPUTY U-S AMBASSADOR EUGENE LOCKE AND CAPTAIN ROBERT O'BRIEN, IN CHARGE OF THE EMBASSY SECURITY GUARD.

THE LIBERATION FRONT REPRESENTATIVES WERE LE VAN HUAN AND HUONG VAN LE.

THE MEETING TOOK PLACE WHILE AMBASSADOR BUNKER AND THE U-S MILITARY COMMANDER IN VIETNAM, GENERAL WILLIAM WESTMORELAND, WERE IN WASHINGTON.

THE PRESENCE OF ABRAMS INDICATES THE MEETING HAD SOMETHING TO DO WITH MILITARY MATTERS, POSSIBLY WITH THE COMING CHRISTMAS AND NEW YEAR'S CEASE-FIRES, OR PERHAPS IN CONNECTION WITH A PRISONER EXCHANGE.

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AP32  
(190)

MORE AP27 SAIGON BUNKER X X X EXCHANGE.

THE REPORTS OF THE CONTACTS BETWEEN THE EMBASSY AND THE VIET CONG CAME ON THE HEELS OF INDICATIONS FROM CAPTURED DOCUMENTS THAT THE VIET CONG MAY BE TRYING TO SET UP TALKS WITH THE UNITED STATES TO SEEK A COALITION GOVERNMENT FOR SOUTH VIETNAM.

THE LEADERS OF THE SOUTH VIETNAMESE GOVERNMENT ARE ADAMANTLY OPPOSED TO A COALITION GOVERNMENT AND WOULD BE HIGHLY ANNOYED IF THE UNITED STATES TRIED TO MEET SEPARATELY WITH THE VIET CONG.

ONE SOURCE SAYS THE MEETING WITH BUNKER THAT DIDN'T COME OFF HAD BEEN ARRANGED BY THE U-S CENTRAL INTELLIGENCE AGENCY, PERHAPS WITHOUT BUNKER'S KNOWLEDGE.

THE SOURCES WHO REPORTED THE CAPTURE OF THE VIET CONG REPRESENTATIVE SAY HE WAS QUESTIONED BY BRIGADIER GENERAL NGUYEN (NWN) LOAN, THE DIRECTOR OF NATIONAL POLICE.

BUT LOAN WAITED THREE OR FOUR DAYS BEFORE RELAYING THE INFORMATION TO VICE PRESIDENT KY (KEE) HIS MENTOR.

KY RELAYED THE INFORMATION TO PRESIDENT THIEU (TOO), WHO REPORTEDLY WAS ANGERED THAT HE HAD NOT BEEN INFORMED SOONER.

THIEU REPORTEDLY CALLED IN LOAN AND SEVERAL OTHER TOP SECURITY OFFICIALS AND DRESSED THEM DOWN FOR NOT BEING AWARE OF THE MEETING PLANNED FOR BUNKER AND THE VIET CONG MAN.

SOME SOURCES SAY THIS WAS THE REASON LOAN PUT IN HIS RESIGNATION LAST WEEK.

THE RESIGNATION WAS REJECTED.

JK444AES DEC. 1

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December 1, 1967

CABLE

Right Honorable Harold Edward Holt  
Prime Minister of Australia  
Canberra, Australia

I was delighted to learn that you have added a  
satellite launching to the growing list of Australia's  
firsts. Its promise shines as brightly as the  
Southern Cross.

The nations that have known such a triumph welcome  
you to their brave company. The peoples of the earth  
celebrate your achievement as another milestone in  
man's great journey to the limits of the cosmos.  
We are proud to go with you in peace and hope.

LYNDON B. JOHNSON

LBJ:CM:pcs

84

Friday, December 1, 1967

*Profile*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Sato Letter

Prime Minister Sato sent a warm letter of thanks for your many kindnesses during his recent visit (Tab A).

A suggested reply is attached for your signature (Tab B).

W. W. Rostow

Att.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

WWR:WJJ:pas:12/1/67

December 1 1967

Dear Mr. Prime Minister:

I deeply appreciate the thoughtful letter which you sent me on your departure from the United States.

It made us happy indeed to welcome you again to Washington. I was especially glad to have the opportunity personally to discuss with you the many important issues facing us in the world today. And I took great satisfaction in the fact that we were able to discuss these issues with such candor and with such ease of mutual understanding.

Your letter, in fact, expressed so well my own feelings about our meeting and its accomplishments that I need only thank you warmly for your sentiments and say how fully I share your confidence in our approach to bilateral regional and global problems.

Our two nations share a vision of an emerging world which may be sufficiently prosperous, peaceful and fraternal so that promise instead of fear may be found in its rich diversity. Fortunately our two peoples' endowments are great and their institutions are strong. Working together with many of like mind throughout the world, we can hope that our efforts may prove equal to the greatness of the vision our people share.

Thank you for coming to see us. Mrs. Johnson and I greatly enjoyed meeting with you and Mrs. Sato and we look forward to the day when we shall meet again.

Sincerely

His Excellency  
Eisaku Sato  
Prime Minister of Japan

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Friday, December 1, 1967

*Pres file*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: U. S. - Italian Civil Aviation

When President Saragat visited you he raised the issue of U. S. - Italian civil aviation relations. He said that the former U. S. - Italian Civil Aviation Agreement, which Italy renounced, gave Italy less generous terms than the agreements we had with Germany, France and the UK and suggested its terms were related to the World War II armistice settlement. He said that this issue was of considerable psychological importance to Italy and you assured him that you would have the problem carefully reviewed.

At Tab A is a letter from Secretary Rusk to Foreign Minister Fanfani transmitting on your behalf our comments on President Saragat's remarks. Secretary Rusk has approved the letter.

The Rusk letter makes the following points:

- the former agreement was not related to the armistice settlement;
- it provided U. S. and Italian carriers approximately equal revenue opportunities. On this criterion, which is fundamental to all our aviation negotiations, it was equal to our agreements with other countries, including Germany, France and the UK;
- the U. S. is prepared to grant Italy new commercial air rights as valuable as those it would obtain from Italy in exchange. We made a valuable new offer in our most recent negotiations because we very much wanted to settle this issue. We continue to be willing to consider other alternatives consistent with the principle of obtaining overall economic balance;
- we want to get an exchange of views going again so that we can settle this issue.

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The letter closes the door on any further review by yourself. State believes, and I think it is probably right, that unless we do this we will not be able to get the Italians back to the table to negotiate a fair commercial bargain.

W. W. Rostow

Approve State letter \_\_\_\_\_

Disapprove \_\_\_\_\_

See me \_\_\_\_\_

ERF:em

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LIMITED OFFICIAL USE

85a

LETTER FROM SECRETARY RUSK TO  
FOREIGN MINISTER FANFANI

Dear Mr. Minister:

You will recall that, on September 19, President Saragat expressed to President Johnson the Italian Government's concern over the present civil aviation relations between our two countries. President Saragat stressed the belief that the former Air Transport Agreement of 1948 between Italy and the United States contained what he regarded as less generous terms than appear in the United States agreements with the Federal Republic of Germany, France, and the United Kingdom. His remarks suggested that the 1948 Agreement, which was renounced by Italy last year, had been in the nature of an armistice settlement, flowing from the conditions prevailing after World War II. As President Johnson assured him, this matter has again been carefully considered, and he has now asked me to convey the following comments.

First, let me give you the sincerest assurances that the Agreement renounced by Italy last year has never been considered by the United States to be an armistice arrangement with respect to its operating principles, nor an armistice settlement with reference to the air routes it authorized. The 1948 Air Transport Agreement was not related to the Treaty of Peace, but was instead a bilateral arrangement complementary to the multilateral Convention on International Civil Aviation, (Chicago Convention) of December 1944, which Italy signed on October 31, 1947.

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The text of the Agreement was in all substantive respects patterned upon the Agreement concluded between the United States and the United Kingdom at Bermuda in February, 1946, although the route schedules annexed to the two agreements reflected the differences in the geographic circumstances and air transport requirements of the United Kingdom and of Italy, respectively. Agreements containing the same Bermuda provisions were concluded by the United States with some 20 other countries in 1946 and 1947, including France and the other wartime allies. The 25 additional bilateral agreements entered into by the United States since 1948, including our most recent new agreements, have all been based on the Bermuda pattern. In fact, as a result of Italy's denunciation, Italy is the only major aviation country with which the United States does not today have such an air agreement. The operating principles in United States bilateral agreements were recently examined in the course of a review of our aviation policy. This review confirmed the desirability of adhering to these principles in all future agreements.

With respect to routes, it should be noted that Italy was not in a position in 1948 to provide extensive international services. However, the route schedule was amended on two occasions -- first in 1950 and then in 1960 -- to give Italy significant new route opportunities as its civil aviation capacity and needs increased. The routes that were being operated by Italy under the former Agreement at the time of its termination were of major importance, and permitted Alitalia to become one of

LIMITED OFFICIAL USE

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the major airlines of the world. It is of particular relevance in this respect that more than one-fourth of Alitalia's total revenues are derived from its services to the United States. Thus, both the substance and the route exchange of the former civil aviation agreement were fully comparable with the air agreements in force between the U. S. and other countries.

Second, let me offer some observations on the suggestion made that the United States has been less generous to Italy in the matter of routes than it has been to certain third countries. The United States does not believe that such suggestion is confirmed by careful analysis. It should be noted as a basic proposition that an exchange of routes is necessarily different for each pair of contracting countries because of varying geographic and population factors, as well as international traffic flows. After World War II, the United States advocated a much more liberal system for granting international air rights, a system that would have been more akin to the principle of freedom of the seas that underlies maritime services. This proposal was in keeping with the post-war policy of the United States of encouraging the economic revival of its trading partners -- in aviation as in other fields. However, the overwhelming majority of nations, including Italy, chose to leave the granting of commercial air rights for bilateral determination. This is the system that now prevails throughout the world.

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Since air routes are by nature a franchise to provide commercial air services it is necessary in these bilateral exchanges to strive for a balance in the route opportunities accorded to each side. In recognition of the commercial nature of air services, the United States and other countries use potential revenues as the basis for determining whether an agreement is equitable. One important advantage of this method is that it uses a measurable standard in arriving at the equity of the exchange. Substantial balance in revenue exists in the air transport relations of the United States with most of the major civil aviation powers, including the United Kingdom, France, and the Federal Republic of Germany. If the United States-Italian route exchange is to be consistent with other bilateral agreements, it must also meet this test of equivalent values.

As noted above, the specific routes exchanged in each bilateral agreement will vary depending on the geophysical and demographic characteristics of the parties to each. France and the United Kingdom, because of a large number of associated territories around the world, are able to offer the United States air routes in many diverse markets and are entitled to obtain commensurate routes from the United States in return. The Federal Republic of Germany does not have associated overseas territories and its route exchange with the United States is consequently not as extensive as our route exchange with the United Kingdom or France. The rights that Germany enjoys in the United States are, however, reciprocated by rights enjoyed by the United States in a large number of

LIMITED OFFICIAL USE

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important air traffic centers in Germany and by unlimited rights beyond Germany. Moreover, Germany does not impose capacity restrictions on the use of these routes. The constant element that appears in all these route exchanges is the criterion of approximately equal revenue opportunities.

The President and I share the concern expressed by President Saragat and you regarding the absence of a civil air agreement between our two countries, which otherwise maintain the closest and most cordial of relations. We recognize that Italy occupies a position of substantial importance in international air transport, and are prepared to grant Italy commercial air rights as valuable as those the United States will obtain from Italy. With the object of reaching an agreement, the President in May authorized the United States negotiators to offer Italy a valuable new point on the West Coast of the United States and a round-the-world route beyond the West Coast to Tokyo and beyond, as the United States Government understood that such a route was Italy's most urgent requirement. This offer required a fundamental political decision. It was made in the face of strong opposition from elements of United States industry which considered it overly generous and unnecessary inasmuch as Italy has no historical or other interests in the Pacific and would contribute less than one percent to the traffic beyond the West Coast of the United States. Moreover, we estimate that the offer would have put the Italian carrier in a position to earn \$75 million annually on passenger revenues alone, as

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compared with \$65 million for the United States carriers. We were consequently disappointed and perplexed when the Italian negotiators refused the offer. Nevertheless, we continue to be willing to consider other solutions to Alitalia's route needs, consistent with the concept of overall economic balance which underlies our bilateral relations with other civil aviation partners.

I am sending these views to you in the hope that these clarifications will lead to the reestablishment of mutually beneficial and satisfactory air transport relations. The United States Government would be pleased to receive the views of the Italian Government on how this objective might be attained. Since air transport is essentially a technical commercial and economic problem, I would expect that discussions on a new agreement would in due course be undertaken between appropriate officials of our two governments. It may, however, be useful for an initial exchange of views to be conducted through diplomatic channels before entering into formal negotiations.

Sincerely yours,

Dean Rusk

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