

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#1 memo	Rostow to President <i>open 6-11-98</i> S 1 p	12/19/67	A
#1a ltr	President to Shah of Iran <i>open 6-11-98</i> PCI 3 p	12/19/67	A
#2 memo	Rostow to President, 8:00 a.m. <i>open 6-11-98</i> S 1 p	12/19/67	A
#2a cable	London 4897 <i>open 6-11-98</i> S 1 p	12/19/67	A
#5 memo	Rostow to President, 8:15 p.m. PCI 1 p <i>Sanitized 9-27-99 NLS 98-301</i>	12/18/67	A
#5a memo	Intelligence Memorandum TS 7 p <i>exempt 9-27-99 NLS 98-305</i> <i>exempt NLS 019-026-3</i>	12/18/67	A
#6 memo	Rostow to President, 6:00 p.m. S 1 p <i>open 8-30-95 NLS 91-448</i>	12/18/67	A
#7 memo	Rostow to President <i>open 6-11-98</i> C 1 p	12/18/67	A
#7c ltr	Pastore to President <i>open 6-11-98</i> PCI 2 p	11/20/67	A
#7d memo	Katzenbach to President C 2 p <i>open 6-21-94 NLS 93-293</i>	12/12/67	A
#7f rpt	"The Supply of Enriched..." <i>open 4-6-94 NLS 93-293</i> C 6 p	undated	A
#7g ltr	Seaborg to Rostow C 5 p	11/30/67	A
#7h ltr	Seaborg to Pastore (draft) still classified C 3 p <i>open 8-19-03 NLS 98-304</i>	undated	A
#7i memo	Hornig to Rostow <i>open 9-27-99 NLS 98-300</i> C 3 p	12/17/67	A

FILE LOCATION

NSF, Memos to the President, Walt Rostow, 12/11-19/67, Vol. 54

Box 26

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#7h rpt	Duplicate of #7f and #7j <i>open 6-11-98</i>		
#7j rpt	Duplicate of #7f and #7h <i>open 6-11-98</i>		
#11 memo	Rostow to President, 1:55 p.m. S 1 p <i>open 8-30-95 NLJ 91-448</i>	12/18/67	A
#14 memo	Rostow to President, 8:00 a.m. <i>open 6-11-98</i> S 1 p	12/18/67	A
#14b cable	Saigon 13655 <i>open 6-11-98</i> S 1 p	12/18/67	A
#14c cable	Seoul 2957 <i>open 6-11-98</i> S 1 p	12/18/67	A
#14d cable	Tokyo 4056 <i>open 6-11-98</i> S 1 p	12/18/67	A
#14e cable	Bangkok 7507 <i>open 6-11-98</i> S 1 p	12/18/67	A
#14f cable	Wellington 1005 <i>open 6-11-98</i> S 1 p	12/18/67	A
#14g cable	Canberra 2667 <i>Open NLJ 98-302 4-28-99</i> S 2 p	12/18/67	A
#19a cable	Deptel 85868 to Seoul <i>open 6-11-98</i> S 2 p	12/17/67	A
#23 memo	Rostow to President, 2:30 p.m. <i>open 6-11-98</i> E 1 p	12/17/67	A
#28c rpt	Intelligence Report S 8 p [Sanitized NLJ/CBS 10] <i>Sanitized 9-27-99 NLJ 98-305 sani NLJ 019-026-3 (1102)</i>	12/8/67	A
#28d rpt	Intelligence Report S 10 p [Sanitized NLJ/CBS 1] <i>Sanitized 9-27-99 NLJ 98-305</i>	12/8/67	A
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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#31 memo	Rostow to President, 3:45 p.m. <i>open 9-27-99 NLS 98-300</i> C 1 p	12/16/67	A
#31a memo	Rostow to President, 11:30 a.m. <i>open 9-27-99 NLS 98-300</i> C 1 p	12/6/67	A
#32a memo	Intelligence Memorandum <i>exempt 9-27-99 NLS 98-305</i> S 2 p <i>exempt 1-19-93 NLS 92-218</i> <i>same NLS 019-026 3 (1/02)</i>	12/13/67	A
#34 memo	Rostow to President, 3:40 p.m. <i>open 10-17-99 NLS 97-255</i> S 1 p	12/16/67	A
#34a memo	Rostow to President S 1 p <i>open 10-17-99 NLS 97-255</i>	12/15/67	A
#34b memo	Katzenbach to President S 3 p <i>open 4-8-98 NLS 97-237</i>	12/11/67	A
#34c memo	Katzenbach to Rostow S 1 p	12/14/67	A
#34d memo	E. Rostow to Acting Secretary S 2 p	12/13/67	A
#34e cable	Tel Aviv 1638 S 3 p	11/27/67	A
#34f cable	Tel Aviv 1796 <i>sanitized 4-8-98 NLS 97-237</i> S 6 p <i>open 2/16/09</i> [Duplicate of #34, NSF, Country File, Israel, Vol. 8]	12/12/67	A
#34g memo	Katzenbach to President S 7 p <i>open 4-8-98 NLS 97-237</i>	12/11/67	A
#37 memo	Rostow to President, 3:20 p.m. TS 1 p <i>sanitized 9-27-99 NLS 98-301; same sanit per RAC 8/05</i>	12/16/67	A
#40a ltr	President to Holt (draft) <i>open 12-17-99 NLS 98-308</i> PCI 1 p	12/16/67	A

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#40e-ltr	Holt to President <i>open 12-17-99 NLT 98-308</i> C 2 p [Duplicate of #47b, Vol. 53]	12/15/67	A
#41-memo	Rostow to President, 10:30 a.m. <i>open 10/30/95 NLT 94-467</i> TS 1 p <i>Superseded by NSR, Box 7, "Cambodia", P. 2</i>	12/16/67	A
#41a-memo	Harriman to President and Acting Secretary <i>Superseded by NSR</i> TS 3 p <i>Sanitized 3-28-95 NLT 94-470</i> <i>Confidential per NLT 94-470 OPEN NLT 98-302 4-28-99</i>	12/15/67	A
#44a-memo	McNamara to President 6-11-98 C 2 p	12/15/67	A
#45-memo	Rostow to President, 9:15 a.m. <i>open 9-27-99 NLT 98-301</i> S 1 p <i>(Camp # 1, NSF, Subject File, "Radio Free Europe")</i>	12/16/67	A
#45a-memo	Intelligence Memorandum S 3 p <i>Sanitized 9-27-99 NLT 98-301</i>	12/15/67	A
#47-memo	Rostow to President, 2:15 p.m. <i>open 6-11-98</i> C 1 p	12/15/67	A
#50-memo	Rostow to President, 10:10 a.m. S 1 p <i>Open 1-31-97 NLT 96-295</i> [Duplicate of #44, NSF, Country File, Italy, Vol. 5] [Duplicate of #55]	12/15/67	A
#50a-cable	Rome 3182 <i>open 4-8-98 NLT 97-237</i> S 3 p [Duplicate of #44a, NSF, Country File, Italy, Vol. 5] [Duplicate of #55a]	12/15/67	A
#54-memo	Rostow to President, 10:45 a.m. <i>open 9-27-99 NLT 98-301</i> C 1 p	12/15/67	A
#55-memo	Duplicate of #50 <i>open 1-31-97 NLT 96-295</i>		
#55a-cable	Duplicate of #50a <i>open 4-8-98 NLT 97-237</i>		

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#56 memo	Rostow to President, 9:15 a.m. <i>open 12-17-99 NLJ 98-308</i> S 1 p	12/15/67	A
#56a cable	Saigon 309- <i>Open NLJ 18-302 4-28-99</i> S 1 p	12/15/67	A
#57 memo	Rostow to President <i>open 6-11-98</i> S 2 p [Duplicate of #59] [Duplicate of #18a, NSF, NSC History, Gold Crisis Tabs 1-18; Sanitized NLJ 97-45]	12/15/67	A
#58a memo	Katzenbach to President <i>open 6-11-98</i> C 1 p	12/15/67	A
#59 memo	Duplicate of #57 <i>open 6-11-98</i>		
#60b memo	Fowler to President S 1 p	12/15/67	A
#60c memo	Fowler to President <i>Open NLJ 98-303 5-17-99</i> S 1 p	12/15/67	A
#61 memo	Rostow to President, 7:25 p.m. S 2 p <i>sanitized 9-27-99 NLJ 98-301</i>	12/14/67	A
#62 memo	Smith to President, 4:30 p.m. <i>open 6-11-98</i> C 1 p <i>sanitized 6-13-95 NLJ 93-409</i>	12/14/67	A
#63a cable	Saigon 13288 <i>open 6-11-98</i> S 11 p [Sanitized NLJ/CBS 10]	12/13/67	A
#66 memo	Rostow to President, 8:45 p.m. <i>open 6-11-98</i> S 1 p	12/13/67	A
#68 memo	Rostow to President, 7:30 p.m. <i>open 9-27-99 NLJ 98-300</i> S 1 p	12/13/67	A
#68a memo	Rostow to President S 2 p <i>open 9-27-99 NLJ 98-300</i>	12/8/67	A
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#70 memo	Rostow to President, 2:00 p.m. open 6-11-98 C 1 p (dup of #38, NSF, Name File, Rostow memos)	12/13/67	A
#74 memo	Smith to President, 12:30 p.m. open 9-27-99 NLS 98-300 S 1 p	12/13/67	A
#75 memo	Rostow to President, 10:15 a.m. open 6-11-98 G 1 p	12/13/67	A
#77 memo	Rostow to President open 6-11-98 E 1 p	12/13/67	A
#77a rpt	Attachment to #77 open NLS 98-302 4-28-99 G 1 p	undated	A
#79b rpt	Bto Sketch open 6-11-98 E 2 p [Duplicate of #27c, Office Files of Ernest Goldstein, "Memoranda re: Ambassadorial Luncheons," Box 12; Sanitized NLS 90-21]	undated	A
#83 memo	Rostow to President open 6-11-98 S 1 p	12/13/67	A
#85 memo	Rostow to President open 12-17-99 NLS 98-308 S 2 p	12/13/67	A
#85a memo	Rostow to President open 12-17-99 NLS 98-308 S 2 p	12/13/67	A
#85b memo	Katzenbach to President open NLS 98-302 4-29-99 S 3 p	12/11/67	A
#85e memo	Katzenbach to President " " " S 7 p	12/11/67	A
#90 memo	Rostow to President, 3:45 p.m. PCI 1 p sanitized 9-27-99 NLS 98-301	12/12/67	A

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#92 memo	Rostow to President <i>open 6-11-98</i> S 2 p [Duplicate of #33a, NSF, Country File, Haiti, Vol. 5]	12/12/67	A
#96 cable	Rostow to President (CAP671056) <i>open 6-11-98</i> S 1 p <i>sanitized 6-13-95 NLS 93-409</i>	12/12/67	A
#98a memo	Intelligence Memorandum PCI 1 p <i>open 9-11-96 NLS 96-227</i>	12/19/67	A
#98b memo	Intelligence Memorandum 11 S 6 p	12/8/67	A
#100b ltr	Cooper to Rusk <i>open 6-11-98</i> PCI 2 p	12/10/67	A
#103 cable	Rostow to President (CAP671047) <i>open 6-11-98</i> C 1 p <i>(Dup. of #9, NSF, Sub, File, Trade-Rest-Round, 1/67-6/68, Box 48)</i>	12/11/67	A
#104 cable	Rostow to President (CAP671044) <i>open 6-11-98</i> S 1 p	12/11/67	A
#105 cable	Rostow to President (CAP671049) <i>open 6-11-98</i> C 1 p	12/11/67	A
#106 cable	Rostow to President (CAP671048) <i>open 6-11-98</i> S 2 p	12/11/67	A
#107 cable	Maguire to Jones (CAP671039) <i>open 6-11-98</i> C 2 p	12/11/67	A
85d chart	Estimates of Soviet Resupply. S 1 p <i>open 6-11-98</i>	undated	A

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December 19, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reply to Shah's Letter

The Shah wrote you describing his military and economic development programs for the five years beginning next March.

In short, he ticks off his own economic plans and hopes for U. S. private investment much as he outlined them to you in August. He also urges you to lean on our oil companies to increase their liftings from Iran -- a perennial request.

The main surprise is the size of his military program -- \$800 million. We think that must be a bargaining figure.

He wants to know what he can count on from us. All we can say is that we are going ahead with the third and fourth slices (\$50 million each) under our amended 1964 agreement and beyond that will do all we can but have to see what Congress does.

We've consistently tried to keep the brakes on his military spending, but that's increasingly hard to do with his oil revenues rising as they are.

We've tried to strike a balance in the attached reply between the responsiveness I believe you would want and the limitations imposed by uncertainty over what Congress will allow. Our best leverage now is to ride along with him and inject a word of caution where we can.

Attached is a letter for your signature, if you approve.

W. W. Rostow

For Reference: In 1964, we signed a \$200 million agreement to cover 5 years, FY 1965 through FY 1969. It also provided that grant aid would end in FY 1969. In 1966, we amended that agreement to add another \$200 million in sales in four \$50 million slices through FY 1970 -- September 1966, June 1967, June 1968 and June 1969. The last two are those referred to in the attached reply. The Shah hasn't yet defined his new program precisely enough for us to know how it would be related to the present program.

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DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By jw, NARA, Date 5-18-98

OK'd from
Lane
ja

Dec. 19, 1967

Your Imperial Majesty:

I have now studied carefully your important letter of November 15 and want to give you the more detailed reply which I promised in my note of November 30.

First let me say that your visit here was one of the bright spots of the year for me. I warmly appreciate the privilege of talking to a leader who shares our views and approach to the problems of the world and who understands the heavy burdens which these problems place upon this country.

I also appreciate the cordial reception you gave on November 22 to Governor Harriman who has reported to me on his valuable talk with you. I am glad we can maintain our continuing exchange of thoughts through talks like that as well as by letter.

What you tell me of your new five-year development program is indeed good news. The pace of Iran's development arouses deep admiration everywhere.

I am especially heartened that economic development will continue Iran's major goal. We have worked closely with you in this field. Now with the closing of our aid mission in Iran we look forward to a different, but equally productive, kind of economic cooperation between our two countries. We hope this will include increased participation by private American firms in Iran's development, as you suggest, and we will do what we can to support American investment there.

I am also glad that planning is moving ahead on the water resources study on which we agreed in principle when you were here. I hope this will become another important aspect of our continuing economic cooperation. Our team can go to Iran as soon as we receive the preliminary data your authorities will provide and we can complete the Memorandum of Understanding now in Tehran for study.

In view of the importance of the revenues from Iran's petroleum resources to the development of your country, it is natural that you should seek the maximum in exports of oil from Iran. I know that the American oil companies, for their part, take their commitments to the Government of Iran seriously. While the policies of the oil companies are not without some limitations deriving from commercial factors, I have every reason to believe that they desire to assure that Iran will receive as favorable treatment as possible. I was pleased to note Iran's outstanding 20 percent increase in crude production in 1967 over 1966.

An added dividend of this healthy partnership is its encouragement of investment in other fields such as petrochemicals. I hope that this mutually beneficial relationship between Iran and the companies will continue to flourish.

I also want to continue our close relationship with Iran in the military field. We are ready to begin discussions on the third \$50 million credit tranche under the amended 1964 Memorandum of Understanding. We intend to seek at the appropriate time the necessary authority and funds from the Congress for the fourth \$50 million credit tranche. We cannot, of course, predict Congressional reaction to our worldwide credit sales request at this time.

With regard to the future, you may be sure that the United States continues to regard its military relationship with Iran as mutually important. As I told you when you were here, we will continue to do our best to be helpful. But it is still too early for me to say definitively what we can do beyond what is covered in our existing agreements.

We need, first, to know more specifically what your equipment and credit needs from us will be. I have heard from Ambassador Meyer of his and General Jablonsky's discussions with you and your military authorities, and I suggest that those discussions continue. I hope that we will be able to assist you in assessing your equipment needs and in reducing their costs. We have already begun exploring your credit needs in a preliminary way with Governor Samii of your Central Bank.

In the light of Congressional views, we will also have to consider carefully with you the implications of the substantial military expenditures you project. You are, of course, the best judge of what Iran's security requires, and I know your determination that every rial diverted from economic and social development to military expenditures be spent in Iran's national interests. However, my deep interest in the success of Your Majesty's development program prompts some concern about the contemplated size of your military program as mentioned in your letter and to Governor Harriman, and we will wish to discuss this concern with you.

It remains, Your Majesty, a source of great satisfaction to me to note the example which Iran is setting in the Middle East through its economic and social progress and its constructive position in international affairs. Your statesmanship in the Arab-Israeli crisis and your current efforts to strengthen your ties with the moderate Arab nations, as evidenced by your forthcoming trip to Saudi Arabia, provide rays of hope and encouragement in a troubled area. Americans everywhere are proud to have you and your country as our friends.

Mrs. Johnson and I would also like to take this opportunity to send you and the Empress our warm good wishes.

Sincerely,

15/ LBJ

His Imperial Majesty
Mohammad Reza Shah Pahlavi
Shahanshah of Iran
Tehran

LBJ:HS:feg

ACTION

2

~~SECRET~~
Tuesday, December 19, 1967 -- 8:00 a.m.

Mr. President:

Herewith Wilson raises the question of whether you would be prepared to budget for a short conversation with him after the service on Friday in Melbourne. *Pres file*

He will not be going to Canberra.

As you will note from Bunker's latest, Westy wants us in some time between 10:00 a.m. and 3:00 p.m. I don't have a schedule of times and distances in front of me, but that may require that we leave Australia late on Friday unless we go to the airfield in Thailand and spend the night and back track on Saturday to Vietnam.

In any case, we should get off a telegram to Wilson this morning; and, in the circumstances, I would be inclined to recommend that you find an occasion after the service in Melbourne for a short talk.

W. W. Rostow

Wilson talk in Melbourne Friday approved _____

Disapproved _____

See me _____

WWRostow:rlm

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By ju, NARA, Date 5-18-88

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DECLASSIFIED

State Dept. Guidelines, 7/21/97

By ju NARA Date 5-18-98

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NODIS

PASS WHITE HOUSE

SUBJECT: PRESIDENT'S TRIP TO AUSTRALIA

1. MPM ASKED I COMMUNICATE, HOPING FOR URGENT REPLY, ABOUT POSSIBILITY HIS SEEING PRESIDENT JOHNSON DURING LATTER'S VISIT AUSTRALIA.

2. PM WOULD FIND IT DIFFICULT TO GO UNLESS HE CAN MEET PRESIDENT PRIVATELY, NO MATTER HOW SHORT THE CONVERSATION. HE UNDERSTANDS ONLY PERIOD PRESIDENT MIGHT BE FREE WOULD BE AFTERNOON OF DECEMBER 22 AT MELBOURNE. PM WILL NOT BE GOING TO CANBERRA.

3. PLEASE ADVISE SOONEST, SINCE PM MUST MAKE HIS PLANS TODAY.

4. RECOMMEND, IF PRACTICABLE, PRESIDENT DO SO. BRUCE
BT

NNNN

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

① ~~SECRET~~/SENSITIVE

Monday, December 18, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Balance of Payments Program

DECLASSIFIED

Authority Pres. 7-1-78 NSC 8-27-80
By sg/lip, NARA, Date 1-3-92

At Tab A is Secretary Fowler's memo recommending an action program for the balance of payments. It was completed today and is now being staffed out. Our objective is to get the Cabinet Committee recommendations to you within a week.

The following elements of the program have been worked out and are not likely to be controversial:

1. Export expansion measures through:
 - improved financing facilities through the Ex-Im Bank. (This will require earmarking \$500 million of Ex-Im's new authorization for an export expansion fund (which probably would have strong support in Congress) and a more liberal Ex-Im policy on re-discounting export paper. (Linder will object) ✓
 - a bigger export promotion program (with a gradual increase in the Commerce budget from \$11 million this year to \$50 million a year by 1973). ✓
 - setting up Joint Export Associations to help U.S. companies get into the export business. (no legislation) ✓
2. Reducing the foreign exchange cost of government programs through:
 - squeezing more offsets on military expenditures; ✓
 - new techniques for tying aid and making sure that it does not replace commercial exports. ✓
3. Promoting foreign investment in the United States.

The controversial issues in Fowler's package are:

1. Border tax adjustments. This means calculating the amount of indirect taxes manufacturers pay and rebating it on exports and adding it as a levy on imports. The amount being discussed ranges

~~SECRET~~/SENSITIVE

from 2% to 4%. The ultimate trade effect would be significant if the other countries stood still for it. If they did not, we would be in a trade war. (Legislation required) - ?

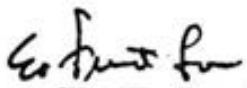
2. Measures to reduce capital exports through tightening the voluntary programs on direct investments and on bank credit. A lot can be done here even without legislation, but it will be rough going with Trowbridge's clients. ✓
3. Increase repatriation of earnings through a temporary tax on earnings retained abroad where they exceed 25% of the total earned abroad. (Legislation required) ✓
4. Reduce the travel deficit through a temporary tax on tourists to expire December 31, 1969. (Legislation required) ?

During the course of this week, we will set out for you how much we believe may be needed, how much each of these actions might bring in, the advantages and disadvantages of different mixes and what we may expect in the Congress.

Secretary Fowler is setting up small task forces for each of the major questions.

The Deming Group will look at the program as a whole and seek to put it in numbers. Fowler will ask you whether you have any objections to his showing his memo to you to the Deming Group. They will need it to do a proper job of assessment and will handle it with care.

In line with your talk with Joe Califano, we will outline for you separately what could be accomplished through a program that did not require new legislation.


W. W. Rostow


Joe Califano

Mr. President:

ED FREID and I will work on this while you are AWAY. We will also develop a package of the maximum program we can ~~SECRET/SENSITIVE~~ HAVE without legislative action.

Joe



THE SECRETARY OF THE TREASURY
WASHINGTON

34
ROUGH DRAFT
December 18, 1967

EYES ONLY FOR THE PRESIDENT AND MR. FRIED

Dear Mr. President:

As Chairman of the Cabinet Committee on the Balance of Payments, I enclose: AN ACTION PROGRAM FOR MAINTAINING THE STRENGTH OF THE UNITED STATES DOLLAR IN A STRONG FREE WORLD ECONOMY.

The paper describes in detail an American program -- what we have done to date and what we propose to do, both over the short and long term, to bring our balance of payments into equilibrium and keep it there -- as a matter of highest and most compelling national priority.

What we do must be compatible with the strength and stability of the U. S. economy because, in the final analysis, that is the strength of the dollar.

What we do in this American program must also be related to our international responsibilities because without a strong dollar, a healthy, stable international monetary system is not possible.

Moreover, this American program must involve cooperative actions by and with other nations. Without that cooperation, it is not possible to achieve U. S. payments equilibrium in a manner conducive in the long term to an increased flow of trade and capital and to viable and sturdy arrangements for the security and development of the Free World. Achievement of balance compatible with these objectives will require adjustments by America's trading partners and allies as well as the United States.

The steady and consistent practice of multilateral economic and financial cooperation is a basic element in a strong dollar and a strong and healthy international monetary system.

To secure the acceptance and execution of this program will require the understanding, support and participation of the entire Executive Branch, the Congress and the American people -- business, labor, financial and farm groups alike -- and also the governments and peoples of other nations with which this country is cooperating in a myriad of trading, financial, security and developmental relationships.

It is the purpose of this report to give some measure of vital understanding of the Action Program and its importance at this point of time to the people of the United States and peoples everywhere. Given understanding, support of and participation in its achievement are sure to follow.

The execution of the Balance of Payments Program announced in your Message to Congress on February 5, 1965, produced results. It resulted in 1965 and 1966 in the reduction in half of the pre-existing deficit from an average of \$2.8 billion on a liquidity basis for the years 1963 and 1964 to \$1.3 billion in the years 1965 and 1966.

Had it not been for the direct and indirect impact of the expanding scale of our efforts in Southeast Asia to resist aggression and preserve freedom and self-determination, the United States would have had balance or surplus in 1965 and 1966.

Indeed, our gold loss in the first three quarters of 1967 was an indication of confidence in the dollar. Net sales of gold for dollars to foreign monetary authorities through the government fiscal agent, the Federal Reserve Bank of New York, and the U. S. contribution to the London gold market from January 1, 1967 through September 30, 1967 amounted to approximately \$56 million -- by far the lowest level for any three quarters since 1958 except the first three quarters of 1964.

However, developments in recent months make it abundantly clear that a new Action Program including both general and selective measures designed to diminish the deficit and place our balance of payments into equilibrium is now a compelling national and international necessity.

First, an unfavorable development -- there has been a trend in recent quarters toward larger quarterly deficits than comparable periods in 1965 and 1966 which cannot be tolerated. We cannot accept a further deterioration in our balance of payments; we must reverse this trend and move back toward equilibrium. Indeed, for the reasons stated below, it is no longer acceptable to continue a program that results in a balance of payments deficit merely because there is a large net adverse balance due to the war in Southeast Asia, which will someday subside.

Second, a favorable development -- 106 member countries of the International Monetary Fund met in Rio de Janeiro, Brazil in late September and unanimously approved a resolution directing the submission to governments by March 31, 1968 of the first major amendment to the Articles of Agreement of the IMF since the original agreement at Bretton Woods. This amendment would provide a facility for the deliberate creation of additional monetary reserves supplementary to gold and reserve currencies in the form of "Special Drawing Rights." When operational, this new facility could supply additional liquidity to the world in the amounts needed without depending on newly mined gold and additions to the holdings of dollars in official reserves of other countries resulting from deficits in U. S. balance of payments. These rights would be distributed to the 106 member countries in accordance with their percentage quotas in the Fund.

It is our earnest hope and objective to see this new facility approved by the requisite action by governments at the earliest feasible time. By that action the world can be assured of regular additions to the worldwide supply of reserves that are adequate for a rapidly expanding trade and capital movements in a developing world.

The Rio plan contains no agreed conditions for the activation of Special Drawing Rights -- the actual operation of the facility to create and distribute the Rights. These operations will be a series of judgmental decisions made according to the determined needs of the world as a whole rather than the needs of a particular country.

The new facility should in no sense be regarded as a solution to the balance of payments problem of the United States or to the corresponding surplus problem of Continental Europe. This is a matter that falls under the heading of the continuing effort to improve the adjustment process. But many important nations concerned with the activation of the new facility have made clear that, in their view, one of the special considerations which might be considered a prerequisite for activation should include the attainment of a better balance of payments equilibrium between members. They specifically refer to the United States. While the true inquiry should be whether world reserves are expanding at a proper rate, it is highly important for the early and significant operation of this new and most important international monetary arrangement for the U. S. to move toward equilibrium in its balance of payments.

Moreover, the early availability of Special Drawing Rights removes one of the concerns of many observers about more intensive action on our balance of payments -- that the elimination of the U. S. balance of payments deficit or a return to substantial U. S. surpluses at a time when little, if any, newly mined gold was being added to world monetary reserves would create a worldwide recession or depression as a scramble for reserves resulted in "beggar thy neighbor" policies, sharp deflation, or escalating international interest rates. Now it is clear that a return of the United States to balance or surplus will enhance the health and stability of the international monetary system -- indeed it is essential to it.

Third, an unfavorable factor -- the devaluation on November 18 of the British pound has given rise to unsettling conditions in the financial, foreign exchange and gold markets. It is my belief, which is shared by the vast majority of those in official public and private financial circles, that maintaining a strong dollar through positive, decisive action to reverse the current trend to increasing deficits in our balance of payments is essential to the restoration of full confidence and stability in the markets and the international monetary system.

Some months before the devaluation of sterling at your direction the Cabinet Committee on Balance of Payments undertook the formulation of a new program, long-range in nature.

In part, it was designed to take full advantage of the opportunities the successful conclusion of the Kennedy Round would present for an expansion of our U. S. trade surplus at least to the high level of nearly \$7 billion enjoyed in 1964. On May 23, 1967, you called for recommendations of new ways and means of facilitating and "firing up" the efforts of producers of this nation to make a substantial increase in our exports.

A greater trade surplus is the keystone to a sustainable balance of payments equilibrium or surpluses for the United States. It is needed to permit a minimum of restraint on private, as well as Government capital flows. Over the long run, we should not look upon tied aid as a fixed feature of our bilateral assistance program on balance of payments conditions. These arrangements should be used to provide aid in the form of goods and services rather than cash loans only when the United States is in balance of payments deficit. In a sustainable equilibrium or surplus situation, the United States would not expect to employ the balance of payments safeguards which we must now insist upon as an element in our participation in multilateral development institutions such as the International Development Association.

The Interest Equalization Tax should be used as a relatively short-term or standby measure when sharp disparity in interest rate levels in the United States and other capital markets coincide with serious deficits in our balance of payments; as a fixed feature of our system, it is desirable. The voluntary programs administered by the Department of Commerce concerning direct investment and by the Federal Reserve Board on bank credit are also stopgap temporary and standby devices, inappropriate as a permanent or continuing feature of the balance of payments program for a natural capital exporting country such as the United States.

To achieve a sustainable equilibrium which will permit us to forego these restraints, a greater trade surplus must be achieved. This surplus must be achieved through expanding exports rather than employing any restrictive measures on our imports.

As you will recall, a preservation of our trade surplus from any further deterioration while these longer-run measures were being mounted was one of the primary, although by no means the sole, reason for the program of fiscal restraint, including both expenditure reduction and a tax increase, forwarded in your Message to Congress on August 3, 1967.

Another important element in the long-range program is concerned with the intensification of efforts to moderate the foreign exchange costs of Government expenditures abroad for mutual security, development of less developed areas, and other activities. This effort is in full recognition of the fact that the so-called chronic U. S. balance of payments deficit has never been due to a deficit in the net private account covering trade, service, direct investment and private lending which have consistently netted the United States substantial surpluses. Our deficit has been due to military and aid expenditures outside the United States and their negative impact on our balance of payments. Despite all our efforts in the past to reduce this impact, much more can and will be done.

Another feature of the long-range program formulation initiated at your direction earlier this year was a concern with the travel gap. Increasingly sizable deficits are resulting from the rapid growth of tourist outlays overseas, a growth which has consistently outpaced increased receipts from foreign visitors in this country. Formulation of a forthcoming program to increase foreign travel in the United States by a new Industry-Government Special Task Force was announced by you on November 16, 1967.

With the devaluation of sterling several days later on November 18 and the subsequent disruption of markets and threat to the stability of the international monetary system which is a consequence, it is important to initiate this

Action Program promptly. It is necessary to lay the groundwork for responsive action where necessary by the Congress, for responsive action where necessary by our trading partners and allies, and for the full restoration of stability and confidence in the dollar and the international monetary system.

It also becomes necessary to tighten some of the existing programs and undertake new measures not hitherto contemplated. These are necessary to assure success in this initiative and to reduce as promptly and as sharply as possible the outflow of dollars from the United States in excess of the foreign exchange this Nation earns. They are proof positive of our will and determination to do whatever is necessary to bring our balance of payments into equilibrium.

The present situation makes it imperative that we act as a nation and people promptly to insure the strength of the dollar and confidence in it and the international monetary system which is dependent upon it.

The factors outlined above make it timely and essential to undertake the Action Program. The Report enclosed provides in detail the background and reasons for the specific recommendations it contains which are summarized below.

I. To Expand Our Trade Surplus, the Mainstay of our Balance of Payments, the Action Program Recommends:

1. A program of fiscal restraint to check inflation, to promote balanced economic growth at home, and protect and enlarge our trade surplus, which is under renewed pressure. To this end reduction of current government expenditures for fiscal 1968, an austere budget for fiscal 1969, and Congressional passage early in the year 1968 of the bill before the House Ways and Means Committee -- calling for temporary tax increases -- is of transcendent importance.

2. The formulation, with the participation of leaders of labor and business with Government officials, of a new voluntary price and wage guideline program to facilitate the return to the type of stability of prices

and unit costs of production that characterized the period 1959 through 1964. We must reverse the rising tide of cost push inflation which, if unchecked, will undermine the long-term competitive position of U. S. industry in markets at home and abroad and lead to an unacceptable decline in our trade surplus.

3. The formulation by leaders of labor and business, working with appropriate Government officials, of a specific and definite plan for a two or three year moratorium in work stoppages in transportation and in specific manufacturing and mining operations where work stoppages or the threat of work stoppages induce permanent inroads from import competition -- or destroy reliability of service to export markets.

4. An export expansion program -- featuring the intensification of certain existing measures and introduction of a series of new selective measures designed to help and encourage those segments of United States industry actively engaged in the exporting business, those who export in only a small way, and those yet to enter this vital field. This program should also include new legislation and internationally negotiated initiatives designed to remove discrimination against U. S. exports and bring U. S. industry into a fair and equal competitive position insofar as export financing, promotion, and taxation of exports and imports are significant. It is the action and initiative of private corporations and individuals in these corporations which achieves export sales for the United States. Any program directed toward export expansion must direct itself toward obtaining a greater effort from these people.

The recommended program includes the following legislative and administrative actions:

- A \$500 million authorization for a new Export Expansion Fund, which would provide greatly liberalized export insurance and guarantee facilities. A portion of this Fund would also be used to extend credits for new and developmental export operations carrying a higher degree of risk than those traditionally assumed by the Export-Import Bank.

- A substantial liberalization of the Export-Import Bank rediscount facility to provide banks with a positive incentive to engage in export financing activities, insulating export financing from domestic monetary considerations, assuring private banks of liquidity on export paper.
- A substantial liberalization of Export-Import Bank's Exporter Credit programs, to provide steady competition rates in relation to standard export rates of other countries.
- A revitalized Commerce Department export expansion program envisaging total spending of \$200 million for this purpose in the five years 1969-73. Secretary Trowbridge has mapped out a program to put existing Commerce Department export promotion activities on a long-term basis. In the first year it would involve a supplementary appropriation to increase the Commerce Department's program from \$11 million to \$19 million. The annual level of expenditures for these and new export promotion activities would increase to an annual level of about \$50 million in fiscal year 1973.
- The launching, on an experimental basis in fiscal year 1968, of a new Joint Export Association program, under which Commerce would provide direct financial support, under contract, primarily to small U. S. corporations grouping together to develop overseas markets on a cooperative basis.
- Clarification and liberalization of tax regulations dealing with intercompany pricing practices -- regulations which the National Export Expansion Council and many individual corporations have described as important impediments to an intensified export effort.

- New tax legislation which would rebate to U. S. exporters in manufacturing, mining and the processing of agricultural products all secondary indirect and property taxes, Federal, state and local, and impose a border tax on imports into the United States of these products to compensate for the U. S. indirect and property taxes which foreign goods have not had to bear. This significant departure adopts the practice long followed by many countries, particularly some of our principal industrial competitors in Western Europe and Japan.

5. The initiation of diplomatic and negotiatory efforts to effect a harmonization of the rebate of indirect taxes on exports and the imposition of border taxes on imports in the United States with similar system in the European Common Market, where indirect taxes play a much larger role in national tax systems than in the United States. This calls for a major diplomatic effort to examine and modify the fundamental rules of the GATT (General Agreement of Tariffs and Trade) -- particularly in the area of border taxes and subsidies. A harmonization of such practices not only between the members of the European Common Market, which is now proceeding, but also between that market and the United States, is an essential element in the balance of payments adjustment process in the world as we know it today. Present arrangements discriminate against United States trade and place it under what is likely to be an increasingly unfair competitive disadvantage.

6. A major diplomatic effort to identify and remove non-tariff barriers to U. S. exports. With the prospect of a steady annual reduction each year over the next five years of tariff barriers assured by the success of the recent Kennedy Round negotiations under the General Agreement on Tariffs and Trade, the effort to attain fair competitive conditions for U. S. exports should be our first major objective in trade policy. Indeed, some temporary advantage to the United States in promoting exports should be the

preferred course in the world balance of payments adjustment process to a course which featured sharp deflation in the United States with its worldwide impact or restrictions on the growth of imports in growing U. S. markets.

As we work to improve our trade surplus, it is of vital importance that we stand firm in resisting protectionist pressures to impose unilaterally restrictions on import quotas and similar restrictions on imports into the United States. These could cripple our trade position, negating all of our efforts in this critical field.

II. To Reduce the Foreign Exchange Cost of Government Expenditures Abroad for Security, Development and Other Activities, the main cause of our balance of payments deficit, the Action Program recommends:

1. The prompt resumption of negotiations with the Federal Republic of Germany, looking to the conclusion of bilateral arrangements covering the period beyond June 30, 1968, dealing with the presence of U. S. troops in Germany and the residual financial consequences. The agreement early this year was an important and constructive action assuring that these residual financial consequences should be dealt with by the cooperation in management of monetary reserves. This agreement points the way to solutions which should safeguard all the important interests affected by military expenditures abroad.
2. The prompt initiation of negotiations looking to similar bilateral arrangements with Belgium-Luxemburg, Denmark-Greenland, Italy, the Netherlands, Norway, the United Kingdom, Greece and Turkey, whereby the balance of payments impact of United States military expenditures in those countries can be neutralized by purchases of additional U. S. goods and services, military or civilian, long-term investments in the United States by Central Banks or governments, or other equivalent measures.
3. The early initiation of negotiations by the United States within the context of NATO, proceeding from the basic principle that the financial consequences of military expenditures between members of an alliance are regarded as a matter of common concern and should be dealt with in a manner that reflects their community of interest. The United States should seek a NATO recognition that future tasks of the alliance include assuring its financial viability and, two, NATO-wide acceptance of the principle that the net foreign exchange cost of military expenditures by the members of the alliance should be neutralized. The United States delegates should submit to the spring meeting of NATO a Military Payments Union Plan which would incorporate this principle as a part of NATO auxiliary structural arrangements.
4. That the recently constituted Balance of Payments Subcommittee of the Joint U. S.-Japan Committee of Trade and Economic Affairs devise ways and means of putting into effect in 1968 arrangements which neutralize to the United States the balance of payments cost of maintaining mutual security forces in Japan. This item should be high on the agenda of the first meeting of the Subcommittee in January 1968.

5. That, pending the peaceful solution of security operations in Southeast Asia and the development of longer term mutual security arrangements in that area, bilateral agreements and arrangements should be sought with South Vietnam, Thailand, the Philippines, Korea, and Republic of China, to minimize the net balance of payments cost to the United States for mutual security expenditures in the particular country and area.

6. That the Defense Department, which has done an outstanding job of reducing the foreign exchange cost of its activities, continue and intensify its efforts which now include the determination of the desirability of adopting some twenty-seven measures in addition to those which currently are being utilized.

7. Given recognition that procurement through U. S. sources may not itself be enough to reduce to the extent necessary the impact of the AID program on our balance of payments, that the AID administration, at home and in the field, the U. S. Embassy representation and the governments to whom aid is extended, devise together programs to assure additionality of exports in our AID program and the avoidance of substituting AID exports for commercial exports.

AID has progressively tightened its tying procedures with the result that the foreign exchange expenditures of its programs have been reduced from \$900 million in fiscal year 1961 to \$380 million in fiscal year 1967. During the past year a special task force has investigated new techniques for insuring that AID financed exports do not replace commercial exports that the U. S. suppliers would have sold in any event. Recommendations of the task force are already being implemented in the home office and in the field. To be successful these efforts must be coordinated with the export expansion program of the Department of Commerce.

8. Efforts be increased to introduce new balance of payments safeguards that mitigate the foreign exchange impact of U. S. contributions to international financial institutions. We have

- urged them to maximize use of all foreign capital markets;
- encouraged them to offset -- for as long as possible -- the impact of borrowing in our markets through investment in U. S. securities;

- undertaken negotiations of new international arrangements under which the balance of payments position of donor countries is taken into account in determining the form and timing of contributions.

III. To Increase Income from External Investments and Reduce Current Outflow Substantially, the Action Program recommends:

1. Additional major tightening of the voluntary program covering direct investment abroad being administered by the Commerce Department.

On November 16, 1967, a tightening of this program was announced. The target for direct investment outflows to developed countries (including both outflow of funds from the United States and reinvested earnings abroad) for the two years 1967 and 1968, was set substantially below that for 1966 and 1967. In 1965 and 1966 the program was designed to hold these categories of direct investment to 90 percent of the total in the three year base period 1962-64. In 1966-67 the collective target was reduced to 80 percent of the 1962-64 period with each company being requested to operate within that percentage. The announcement last month for 1967-68 called for a further reduction for each company to a target of $66\frac{2}{3}$ percent of the base period. In addition, at the urging of the Advisory Committee, Secretary of Commerce Trowbridge has invited individual companies to conferences designed to review in detail their operations under the program, with the objective of bringing each one of the 708 firms operating under the program within its direct investment ceiling or determining that good reasons existed for any excess.

The specific elements of additional tightening recommended are:

- the ceiling announced on November 16 of a target for 1967 and 1968 (8 quarters, 4 of which are past) is to be stretched out to cover outlays up through June 30, 1969 (10 quarters, 4 of which are past). This will have the effect of reducing the target for each individual company to 53 percent of its base period and should benefit our

our balance of payments approximately an additional \$1 billion;

- a moratorium on increases in levels in direct investment outflows to less developed countries from the level of 1967.
- the appointment of a three-man Review Board acting under the direction of the Secretary of Commerce to meet regularly with companies participating in the program to

- (a) insure that each company is using its best efforts to stay within its target, and
- (b) consult with companies whose operations appear to be well under target to encourage them to find ways and means to continue as far under target as possible. The objective of this administrative effort is to maximize the savings of each participating company rather than merely achieve the result of all companies living within a collective goal.

- broaden the application of the voluntary program to include particular emphasis on deferring direct investment in major surplus countries, or countries where official political policy is hostile to U. S. direct investment or where buy-out acquisitions are substantially unrelated to the marketing of existing major product lines of the acquiring company.

2. The Congress be requested to reenforce the Commerce voluntary program by inducing flows from external investment in developed countries by providing a temporary tax on retained earnings abroad in excess of 25 percent of the total of the foreign earnings of a company and its foreign affiliates in developed countries.

3. Congress be requested to amend the Internal Revenue Code to eliminate tax deferral privileges of foreign affiliates of U. S. companies on accumulated earnings held in liquid form unless transferred into specified long-term investments constituting inflows to the United States balance of payments. This provision should substantially accelerate inflow and protect the liquidity of the United States position as a banker from dollars held abroad in liquid form by United States affiliates on a tax deferred basis.

4. The Federal Reserve Voluntary Program covering bank lending be further tightened.

Under the new program, also announced on November 16, 1967, major banks and non-bank financial institutions will have less leeway to increase overseas lending activities in 1968 than in 1967. In addition, all banks are requested to hold the level of non-export credits to developed countries of continental Western Europe to or below the amount outstanding on October 31, 1967.

It is now recommended that the bank lending ceiling be reduced from its present 109 percent of the base date (December 31, 1964) to 103 percent, their present level. This will practically eliminate the leeway for increased loans or the potential drain from this source and limit new lending to the funds available from repayments of existing loans.

Under new legislation enacted into law this summer, the Interest Equalization Tax rate has been set at 1-1/4 percent, compared to 1 percent in previous years. It is recommended that the rate be used at the maximum of 1-1/2 percent.

As a result of the above measures, we expect private capital outflows from the United States to be substantially lower in 1968 than in 1967.

At the same time that we utilize the voluntary programs and the Interest Equalization Tax to moderate capital outflows over the shorter term, we intend to continue actively to encourage more rapid development of foreign capital markets. Progress in this respect has been encouraging. New international bond issues floated in Europe last year totaled \$1.3 billion, compared to only \$360 million in 1962.

IV. To Promote Foreign Investment in United States Securities, the Action Program includes:

- Continued work by responsible Government agencies with the private financial community here and through our diplomatic offices overseas to make known the benefits of foreign investment in United States securities -- the attractiveness of which has been enhanced by the Foreign Investors Tax Act.
- The private financial community has recently formed the Council of the United States Investment Community. This Council has as its goal the development of closer working relationships between investment decision-makers here and in the major capital markets abroad. It sponsored a unique visit here by a large group of European financiers in October. The Government will continue to cooperate in these and similar undertakings in the future.
- The Treasury intends to continue to encourage foreign central bankers, where appropriate, to invest a portion of their reserves in long-term investments here. This program, which has already resulted in significant capital inflows, helps reduce the statistical burden of our overseas defense and economic assistance programs. It provides the purchasers in question with attractive returns.

V. To Narrow the Travel Gap the Action Program includes a Long Term Plan for Joint Federal, State, and Private Promotion of Foreign Travel in the U. S. and a Temporary Tax on Tourist Travel by U. S. Citizens until December 31, 1968.

1. The Travel Task Force established by you on November 16, 1967, and chaired by former Ambassador Robert McKinney, has already launched its work. In coming months, it will be actively engaged in an analysis of a great number of problem areas bearing on the volume of foreign travel here, including the following:

Publicity
Accommodations
Language
Transportation
Special Tours
Tax Incentives

The 1967 travel deficit may well exceed \$2.0 billion, up from \$1.6 billion in 1966. A very substantial portion of the increase is attributable to the impact of Expo '67. I am confident that the recommendations of the new Task Force will provide us with the most promising and desirable method of reversing this trend.

2. While this affirmative and clearly preferable long term program to narrow the travel gap through promotion of foreign travel in the United States is being formulated and put into operation, the nation cannot tolerate a \$2 billion travel deficit in our balance of payments which could continue to increase in 1968 and 1969. With great reluctance, but with a conviction that no other course is consistent with the larger responsibilities of the nation in the next two years, it is recommended that a temporary tax be imposed for the purpose of reducing tourist travel and expenditures abroad, to expire December 31, 1969. To achieve its maximum impact on reducing unnecessary tourist expenditures abroad, the tax should combine the following two features:

- (a) the tax should be of such a nature as to deter a substantial group of people from making trips abroad that they would not otherwise have taken; and
- (b) in the case of tourists who do desire to make their trips regardless of the tax, the tax should be designed to minimize the period for which they stay abroad.

The first objective can best be obtained by requiring people to pay out a substantial sum of money before being permitted to leave the country. The second objective can best be obtained from a tax based on the number of days a person stays abroad.

It is also important in designing this type of tax, no matter how disagreeable, that it be readily understandable by the public, for if people do not understand their liability, its deterrent effect may be substantially reduced. This objective requires simplicity.

Basically, the proposal developed in detail in the Action Program would impose a tax of a specified amount per day of travel abroad with a requirement that a substantial amount of the tax be deposited before the individual leaves the United States. The tax recommended would be at a rate of \$6 per individual for each day spent abroad, with a requirement that \$100 of the tax be deposited by each individual before he or she leaves the United States. If it is deemed more equitable, the tax could be made progressive by using the \$6 per day as a minimum with a scale up according to various levels of adjusted gross income as reported for income tax purposes in 1967.

Exemptions would be provided for trips of five days or less in order to exempt short trips to Mexico, Canada and the Caribbean area and short business trips abroad. Exemption will also be provided for students going abroad to enroll full time in a foreign school and businessmen and their families who are being transferred abroad for an extended period such as a year or more. The procedure for administering this proposal is set forth in the Action Program.

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Many of the above programs have already been started -- some quite recently. With your approval, the others will be launched administratively or presented to the Congress in the months immediately ahead.

In addition, if you approve, I will ask that the Cabinet Committee on the Balance of Payments and the individual departments of the Government concerned give immediate consideration to the following new proposals:

- The formation of a new task force of private citizens to re-examine the major components of Government foreign exchange spending, to visit major U. S. overseas diplomatic and military installations, and to make suggestions for additional ways to achieve balance of payments savings on the Government side.
- The initiation of an intensified study by Secretary Boyd of the Department of Transportation, who has just joined the Cabinet Committee, of ways to improve our balance of payments performance on transportation account. A surge of tanker construction is taking place in the aftermath of the closing of the Suez Canal. United States and foreign corporations are turning to foreign shipyards to meet these new shipbuilding demands. If our shipbuilders were as competitive as our aircraft builders, producing unique products at attractive costs, the gain to our balance of payments could be significant over the next decade, providing employment and exports -- and reducing capital outflows. I believe this is an important area worthy of thorough Government study at this time.
- An intensive effort by the Department of Commerce and the Department of Labor to identify import substitution opportunities for American producers. As part of this study, the two Departments should analyze the opportunities for foreign direct investment here with an eye to substituting foreign production of goods in the United States for foreign exports to the United States.
- Implementation by the Department of Commerce, with Treasury and private support, of the following recommendation by the National Export Expansion Council:

"An export expansion program, projected for ten years, should be planned to

analyze the total potential for American exports, market-by-market, based upon three kinds of growth: (1) a normal growth based on an expanding world economy; (2) a penetration growth based on taking business away from foreign countries which are competitors; and (3) the introduction of new products and services which are presently unavailable in world markets."

I believe that this action program, Mr. President, should make it clear to all that we intend to bring our balance of payments into equilibrium:

- as a matter of highest national priority;
- through a positive long range approach consistent with fulfillment of our international obligations.

Other sections of the Action Program discuss Adjustments Required by American Trading Partners and Continued Need to Reinforce the Bretton Woods System. These analyses make it clear that:

- While the United States has an urgent responsibility, as a matter of highest national priority, to bring its balance of payments into equilibrium,
- cooperative actions by other nations are also necessary if we are to achieve equilibrium in a way consistent with our international obligations, and
- we must continue to work hard to strengthen
 - as we have throughout the postwar era -- the international monetary system itself.A strong dollar in a dynamic U. S. economy set on a path of sustained, non-inflationary growth, an equilibrium in the U. S. balance

of payments, and improved international monetary arrangements arrived at through the practice of multilateral financial cooperation -- these are all essential to a sound international monetary order.

Faithfully yours,

Henry H. Fowler

The President

The White House

FOR IMMEDIATE RELEASE

4
DECEMBER 18, 1967

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

Americans are proud of the friendship they enjoyed with Prime Minister Harold Holt. We mourn him with all the grief that Australians feel.

It is a cruel tragedy that he has been taken from us by this accident. For so many of his days were devoted to guarding a nation and a world against hazard. His dream was to bring order and design to man's brightest hopes. He fought with rare courage, tenacity, and vision to assure that men would live safe from peril in the promise of freedom.

My personal loss is heavy. Harold Holt was generous with the gift of a warm and wise heart. I found comfort in his friendship and strength in his partnership. He and the people for whom he spoke were always dependable and unshakable. Those blessings of his example cannot be removed. They are as eternal as the sea that has taken this good and gallant champion away.

Mrs. Johnson and I -- and all Americans -- mourn his death.

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Monday, Dec. 18, 1967
8:15 p.m.

MR. PRESIDENT:

I've marked key passages in this rather
interesting [REDACTED] conversation in Israel with
Dayan and others.

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

W. W. R.

~~TOP SECRET~~ attachment

5
SANITIZED
E.O. 12958, Sec. 3.6
NLJ 98-301
By Cb , **NARA Date** 9-16-99

Pres file

~~SECRET~~

Monday, December 18, 1967
6:00 p. m.

MR. PRESIDENT:

The message delivered today from Nasser was as follows:

1. He expressed his highest personal esteem; regrets the break in our relations; wishes a return to normal relations; and promises, if so, that he would use his best efforts to induce others to join in re-establishing relations with the U. S.

2. In the event recognition is worked out, he would ask the help of the U. S. - U. N. in bringing about a withdrawal of Israeli forces; but he agrees that he must also move.

3. Specifically, he would:

-- accept and guarantee Israel's boundaries;

-- accept the doctrine of non-belligerence with all its consequences;

-- require some definitive solution to the refugee problem consistent with Israel's existence; that is to say, he would accept either resettlement in Israel or some compensation for the refugees.

Under these circumstances, he would then commit himself to full diplomatic relations with Israel.

4. He would appreciate it greatly if, when relations are resumed, we could make some gesture of understanding to the Arabs. He understands fully our commitment to Israel; but the Arab peoples believe that we are actively hostile to the Arab nations. He says that we would know better than he what kind of a gesture might be appropriate.

W. W. R.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 91-448
By cb, NARA, Date 8-21-95

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

December 18, 1967

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 1/30/95, State Dept. Guidelines

By fw, NARA, Date 5-18-98

Mr. President:

We have received comments from Katzenbach, Seaborg, and Hornig on Senator Pastore's letter (Tab A) questioning the decision to sell the UK uranium fuel for its nuclear submarines. They all continue to support this decision, which you approved on July 26, 1967, subject to appropriate consultation with the Joint Committee, and believe a negative decision could hurt our UK relations without compensatory advantages. In summary, their views are:

1. Katzenbach (Tab B) does not agree with Pastore's belief that the proposed sale will give us problems with our other allies or strengthen the UK position in the international nuclear energy market. He does not believe that the level of UK trade with North Vietnam, Cuba, and Red China justifies a refusal to sell them this nuclear fuel and states that the UK would look on a negative decision as a "slap in the face" at a time when Wilson is under domestic pressure to reduce his support for our Vietnam policy.

2. Seaborg (Tab C) does not believe this action, which is a continuation of extensive existing arrangements, would be considered discriminatory by our other allies in view of our long history of cooperation with the UK in this field. He states that this arrangement would not aid the UK in international commerce.

3. Hornig (Tab D) believes that a negative decision would seriously undercut the goodwill created by our long and successful cooperation on the rest of the UK submarine program. He does not believe that these sales would assist the UK's competitive commercial position or that it would be considered discriminatory by our other allies since it is clearly part of a long-term commitment.

The reply to Pastore presents something of a problem since this is a complex subject that touches on sensitive issues with the Joint Committee. It is also clear from Pastore's letter and the transcript of the hearings that he wants your personal view on the decision. Katzenbach recommends that you not commit yourself to a detailed reply but rather send a brief letter, stating your decision to go ahead with the proposal, with an unsigned attachment responding to his questions.

Attached (Tab E) for your consideration and signature is the reply to Pastore concurred in by State and AEC.

I Concur.

Atts. (5)

W. W. Rostow.

~~CONFIDENTIAL~~

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

November 21, 1967

MEMORANDUM FOR

THE PRESIDENT

FROM: Mike Manatos *M.M.*

Attached is a letter to you from Senator John Pastore which I have acknowledged. It expresses some reservations about acceding to the request of Great Britain for assistance with their nuclear submarine program.

I am sending copies of the letter to Walt Rostow and Don Hornig.

*sent to Rostow and
for comment of all 3
Got Rostow to draft reply.
After talking
to Rostow*

November 21, 1967

Dear Senator:

Thank you for your letter of November 20 to the President concerning the request of Great Britain that the United States provide fuel for their nuclear submarine program in the post 1970 period.

Your views and those of the Joint Committee on Atomic Energy as expressed in your letter will have the careful attention of the President.

Sincerely,

Mike Manatos
Administrative Assistant
to the President

Honorable John O. Pastore
United States Senate
Washington, D. C.

jl/jf

JOHN O. PASTORE, R.I.
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Congress of the United States

JOINT COMMITTEE ON ATOMIC ENERGY

WASHINGTON, D.C. 20510

November 20, 1967

The President
The White House
Washington, D. C.

Dear Mr. President:

The Atomic Energy Commission presented testimony to the Joint Committee on October 25, 1967, regarding a United Kingdom request that the United States provide fuel for their nuclear submarine program in the post 1970 period. The British request is for approximately 400 kilograms of U-235 enriched to 93% during the period 1971-72 and between 200 to 300 kilograms per year of similar material thereafter.

Commissioner Gerald F. Tape, during his presentation, stated that Presidential approval of the AEC's recommendation to provide the requested fuel had been obtained subject to the following stipulations: the agreement would deal only with the supply of nuclear fuel for submarines and would not involve a continuation of technological assistance in naval nuclear propulsion; the agreement would not be open-ended but for a limited period of time with the possibility of extension.

Also, I understand your approval of the proposed cooperation was subject to consultation with the Joint Committee. Your thoughtful suggestion that the AEC consult with the Joint Committee is very much appreciated and I would like to take this opportunity to give you my views and the views of the Committee on this matter.

The AEC in presenting the arguments for this proposed agreement stated a belief that military as well as "political" benefits will accrue to the United States. The AEC's explanation of what political benefits would accrue to the United States was somewhat less than convincing. I believe that the Joint Committee is not of the mind to approve this request from the United Kingdom without receiving more compelling arguments than have been put forth.

By granting this new arrangement we are going to add to our international difficulties with at least two nations, Italy and The Netherlands. Of course, this may open the door to other countries to request similar assistance.

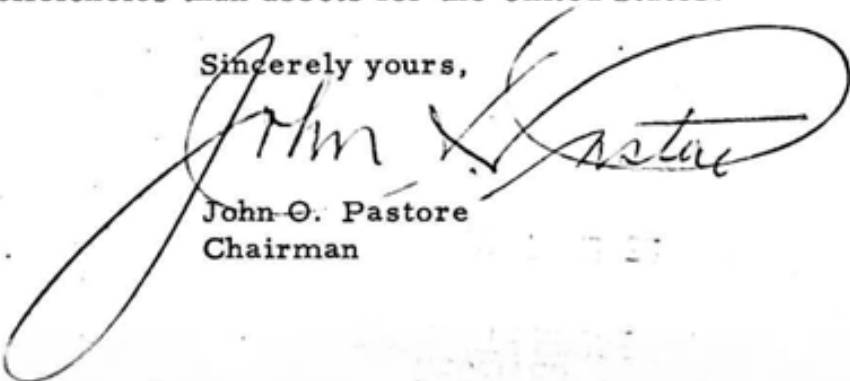
The Italian Government has been pressing our State Department to intercede with responsible branches of the Executive Department to insure that nuclear fuel to assist them in developing a naval nuclear propulsion capability be made possible. The Dutch have requested nuclear submarine assistance. In both instances we have not complied with their wishes. If we agree to assist the British we can expect these nations will request equal treatment, and we will be faced with the charge, with some validity, that again the British have evoked their claim to a "special relationship" with the United States.

The British have the capabilities of producing the highly enriched uranium requested, however, it is not economical for them to do so. If we enter into this arrangement it will free the British plants to produce uranium for commercial purposes. Thus Great Britain will be able to compete on a more favorable basis with the United States in the emerging international nuclear power market.

On a more sensitive issue closer to our hearts, it is the United States policy to discourage nations from trading with Red China, North Vietnam, and Cuba. I regret to say that I have noticed statistics in the Congressional Record and the press which indicate that Great Britain is in the forefront of Western allies who are trading with these nations. I am concerned that we may be practicing a double standard and making allowances for British trade which in my opinion they are not entitled to.

If in your judgment you believe that despite the misgivings of the Joint Committee, you still want us to enter into this arrangement with the British, I will support you. However, I am concerned that such an arrangement has more deficiencies than assets for the United States.

Sincerely yours,



John O. Pastore
Chairman

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DEPARTMENT OF STATE
WASHINGTON

December 12, 1967

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

Subject: Response to Letter from Senator
Pastore Concerning the Supplying
of Fuel for British Nuclear
Submarines

Senator Pastore recently wrote you (letter at Tab B) about the UK's desire to obtain from us enriched uranium fuel for British submarines. The Senator believes that any uranium fuel arrangement between the US and UK would not be in our interest because it would:

- create difficulties with other countries who also want assistance for naval nuclear propulsion programs;
- permit the UK to compete more effectively with us in international nuclear power markets; and
- be unwarranted in view of the UK's trade with Red China, North Viet-Nam and Cuba.

The State Department has for some time strongly favored the sale to the UK of enriched uranium fuel for their submarine force, and so informed the AEC on June 21. We do not agree with Senator Pastore's belief that fuel sales to the UK would give us trouble with our other allies, nor do we agree that the British would be strengthened in the international power reactor market if we sell them fuel.

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Authority 71C993-293

By as/ig, NARA, Date 6-15-94

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-2-

Finally, we do not believe that the level of British trade with North Viet-Nam, Cuba and Communist China justifies a refusal to sell them nuclear fuel. If we were to refuse, the British would look on it as a slap in the face at a time when Harold Wilson is under strong domestic pressure to reduce his support for our Viet-Nam policies.

While I believe that the Senator deserves a full answer, I think it would be unwise for you personally to commit yourself in a detailed reply. I therefore recommend that you send him a brief letter enclosing our unsigned memo which deals directly with Pastore's specific questions. A suggested Presidential letter and blind memorandum are at Tab A.


Acting Secretary

~~CONFIDENTIAL~~

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SUGGESTED LETTER TO SENATOR PASTORE

Dear Senator Pastore:

Many thanks for your thoughtful letter on the UK fuel request for their nuclear submarine program. I have had my people take a careful look at the issues you raised. Their memorandum on the subject is attached.

Their conclusions seem to me to make a lot of sense. The British have been staunch and firm friends through many difficult moments; their support for our Viet-Nam policies has been a great source of strength to all of us. In light of this steadfast friendship, we should think long and hard before taking steps that could only injure this close relationship.

[Perhaps you would like to talk with Dean Rusk or Nick Katzenbach about this further. I know either of them would be happy to do so.]

Sincerely,

Revised
12/18/67

~~CONFIDENTIAL~~

The Supply of Enriched Uranium
Fuel for the UK Submarine Program

Concern has been expressed about the proposed supply of enriched uranium to the British for their nuclear submarine program in the post-1970 period on the following grounds:

1. Such an arrangement might complicate our relationships with other countries which have requested, but have not received, US assistance for naval nuclear propulsion programs;

2. Purchase of submarine fuel from the US may enable the UK to compete more effectively with the US in the international nuclear power market;

3. Such an arrangement is unwarranted in view of UK trade with Red China, North Vietnam and Cuba.

These considerations are discussed in order.

1. Effect on US Relations with Other Countries

The United States has had a major influence on both the hunter-killer and Polaris submarine programs of the UK. We have provided both a complete reactor for the first UK nuclear hunter-killer submarine and continuing substantial technical assistance under the 1958 Mutual

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E.O. 12356, Sec. 3.4

NJ 93-293

By JW, NARA, Date 3-11-94

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Defense Agreement. The 1962 Nassau Agreement resulted in the UK undertaking its Polaris submarine program. Under this Agreement, all of the UK Polaris submarines are to be committed to NATO. The UK is also assigning all of its nuclear hunter-killer submarines to NATO missions.

Up to now, the UK has provided fuel for all its nuclear submarines except the first one, using material produced at the Capenhurst gaseous diffusion plant. However, the top stages of that plant were shut down in 1964 at the time the US and USSR were also announcing cutbacks in the production of weapons materials. Additional highly enriched uranium suitable for submarine fuel could be produced at Capenhurst only after considerable expenditures by the UK. On the other hand, the US can supply the submarine reactor fuel needed by the UK without difficulty.

In light of this background, an unfavorable response to the UK would have the disadvantage of introducing an unnecessary abrasiveness into US-UK relations. Indeed, forcing the UK to resume production of highly enriched uranium at Capenhurst could be regarded as a distinctly unfriendly act in light of the UK's recent financial

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difficulties. In addition, renewed production by the UK of highly enriched unsafeguarded weapons-grade material might serve to emphasize the gap between the nuclear "haves" and the "have not" nations at a time when the US and UK are making a serious effort to achieve a Nonproliferation Treaty.

Agreement by the US to sell nuclear submarine fuel to the UK would be unlikely to cause new feelings of discrimination on the part of other nations to which the US has not provided assistance in the field of naval nuclear propulsion. The long standing cooperation between the US and the UK in the nuclear field is well known to our other allies, and they would probably view the sale to the UK of nuclear submarine fuel as a natural extension of existing arrangements. All requests by other nations for assistance in naval nuclear propulsion would involve the initiation of new programs rather than continuation of an existing program as in the case of the UK.

[The Executive Branch has supported the Italian request for nuclear fuel for a naval auxiliary surface ship in discussions with the JCAE. As a result of the JCAE's

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concerns, the Department of State and the Atomic Energy Commission explored with the Italians the possibility of making the project more civilian in character. The Italians have indicated that it would be difficult to do this and the matter has now reached a stalemate. Further Executive Branch discussions with the Joint Committee are planned to explore whether a way can be found to provide the Italians with the fuel they desire.]

2. US-UK Competition in Sale of Power Reactors

Provision by the US of the amounts of submarine fuel the British have requested would allow them to release for their nuclear power program only about one-tenth of the amount of low-enriched fuel required for the initial loading of one medium-sized power reactor. This would not be of significance in the international market for nuclear power reactors.

Last year the US entered into agreements with the United Kingdom for cooperation in peaceful uses of nuclear energy under which up to 10,000 kilograms of U-235 will be supplied to the UK. Much of this material will be used in the British nuclear power program. These agreements

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could, of course, have the effect of releasing British enriched uranium for potential competition with the United States. This concern was raised during the hearings on the agreements held by the Joint Committee on Atomic Energy. However, the conclusion was reached that the sale of uranium to friendly nations at prices which fully cover the cost of production should not be withheld because of their ability to compete with the US in the international reactor field. In view of the US agreement to provide the United Kingdom with nuclear material for civil purposes, it would be difficult to justify, on the basis of possible competitive advantage, withholding material for use in an important UK defense program which contributes materially to the common defense and security.

3. UK Exports to North Vietnam, Communist China and Cuba

The UK does not permit the export of strategic goods on the COCOM list to North Vietnam, Communist China or Cuba. Its exports to North Vietnam in 1966 amounted to only \$104,000 or less than one percent of the total free world exports of \$12.5 million to North Vietnam. British exports to Communist China and Cuba in 1966 were \$93.6 million

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and \$22.7 million respectively and accounted for 7 and 9 percent of these countries' imports from the free world.

Although the US has discouraged British trade with North Vietnam, Cuba and Communist China, the UK Government is not in a position to prevent private companies from engaging in non-strategic trade with these three countries.

It would be difficult to justify a refusal to provide nuclear submarine fuel on the basis of the UK's performance in the field of East-West trade.

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

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1-Johnson
2-RET.

NOV 30 1967

The Honorable Walt Rostow
Special Assistant to the President

Dear Walt:

This letter is in response to your request for comments from the AEC relative to the points raised in Senator Pastore's letter of November 20, 1967, in connection with the United Kingdom's request for enriched fuel for their nuclear submarine program.

As we indicated in our letter to you of October 26, 1967, we do not believe that other countries would find it discriminatory if we furnished the fuel for the U. K. submarines. On the contrary, they would expect this to be done in light of our past cooperation with the U. K. in nuclear weapons and nuclear submarine propulsion plants.

To recall briefly a bit of history, we helped the U. K. get started in the nuclear submarine program under the 1958 Mutual Defense Agreement by providing to them one complete submarine nuclear propulsion plant plus the necessary spare parts and information on safety features, design, manufacture and operation of the plant.

The first U. K. nuclear powered submarine, HMS DREADNOUGHT, became operational in 1963, and they have continued without our assistance to expand their nuclear submarine program. They now have two Polaris submarines in commission and two more under construction, as well as seven nuclear powered attack submarines either in operation, or under construction. We were also instrumental in the Nassau meetings in influencing the British decision to undertake the Polaris program. Since then, we have cooperated with the U. K. in the Polaris development, both on warhead design information and on sale of non-nuclear parts including the missiles themselves. In addition, we are presently providing the U. K. with technical information and equipment to enable them to conduct the first nuclear refueling of the HMS DREADNOUGHT in 1968. The U. K. nuclear submarine force is available to support NATO and thus can contribute substantially to our mutual defense.

GROUP 1

Excluded from automatic
downgrading and
declassification

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

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DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 98-304

By SJ NARA, Date 8-8-03

~~CONFIDENTIAL~~

The Honorable Walt Rostow

- 2 -

The provisions for supplying enriched uranium and the exchange of technical information under the 1958 Mutual Defense Agreement and its 1959 Amendment expires December 31, 1969, and no further technical assistance is planned after that date.

Requests from other countries for assistance in developing nuclear powered submarines have not been approved by the U. S. in the past for a number of reasons: the security risk involved in the disclosure of naval nuclear propulsion technology to foreign governments which would jeopardize our lead over the Soviets in this field; misgivings as to the technical capabilities of other countries in this complex field; and doubts as to the value of this expensive program to the other countries in comparison to their overall contributions to our mutual defense. In addition, the Joint Congressional Committee on Atomic Energy has expressed strong opposition to U. S. assistance in naval nuclear propulsion to foreign governments, on both security and non-proliferation grounds.

The Commission wishes to point out that there are substantial differences in the circumstances surrounding the British, Italian, and Dutch requests which would favor their being treated separately on their respective merits.

With the U. K., the request involves only an extension of an existing agreement, with a country which already possesses a nuclear powered submarine capability. This agreement was entered into on the basis of the special relationship which existed between the U. S. and the British in the development of nuclear weapons. In the British case, supplying the requested fuel would not result in further technological assistance; this assistance has already been provided.

On the other hand, no agreement exists with the Italians for military cooperation in nuclear propulsion, and the Italians have no existing capability in this field. They are, rather, seeking to enter the field with our assistance. Thus, the possibility of a subsequent request for U. S. technological assistance would appear much greater than with the U. K. Further, the project for which the Italians have requested fuel--a naval auxiliary ship--would, even if successful, have little military value as compared to the British submarine fleet. Finally, no determination has been made that an Italian naval nuclear capability, if developed, would be in the U. S. interest.

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The Honorable Walt Rostow

- 3 -

The Commission would also emphasize that the U. S. position on the Italian request has not been one of denial. We have indicated to the Italians that we would be happy to provide fuel--as well as technical assistance--for a civil project as opposed to a military one. We have also advised them that their ship as presently proposed would meet the criteria for U. S. non-military cooperation, provided the project is undertaken under civilian auspices and the ship registered as a non-military vessel. We have further indicated that some Italian Navy participation in the project would be possible, in funding as well as for training purposes. This position is consistent with the expressed views of the Joint Committee.

The Dutch request involves not only fuel, but U. S. technology and other assistance necessary to enable them to construct a nuclear powered submarine. In view of our longstanding policy of limiting the dissemination of our naval nuclear propulsion technology and discouraging other nations from entering this field, we have not responded favorably to The Netherlands request. Providing the U. K. with fuel alone should not create any additional difficulties with The Netherlands.

We have reviewed the British request for possible advantages that might accrue to the U. K. if we permit them to release their Capenhurst low enriched material to the commercial reactor market rather than use it as feed for enriching to 93%.

The amount of low enriched feed material required to produce the annual U. K. nuclear fuel requirements for their nuclear submarine program is only about one-tenth of the amount required for the initial loading of a medium-sized power reactor. (For example, the U. K. Dungeness B type 600 megawatt (electrical) reactor requires approximately 150,000 kgs. of material enriched to approximately 2% for the initial loading, while approximately 15,000 kgs. of 2% enriched feed is required to produce 300 kgs. of 93% enriched material, the annual requirement by the U. K. for their submarines.)

As for U. S. and U. K. capabilities to produce low enriched material, we have determined that the U. S. has the capabilities of producing enough low enriched material to satisfy all estimated commercial requirements well into the 1970's, while the capabilities of producing low enriched material at the U. K. Capenhurst plant is small in comparison. We estimate that the U. K. has a current capacity to produce annually approximately the amount of material required for an initial loading of a single medium-sized reactor. With improvements which the U. K. have indicated are planned, this production could be increased by a factor of two or three.

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The Honorable Walt Rostow

- 4 -

It should be noted that the U. K. enrichment cost is significantly higher than the U. S. and will probably still be higher after the improvements are completed. Therefore, from a cost standpoint, the U. K. cannot compete on the civilian market with the U. S. unless they subsidize the cost of producing the enriched material.

We believe that meeting the U. K. needs will impose no burden on our production facilities and the resultant impact of releasing the Capenhurst low enriched material to the commercial market would be small and in today's market for nuclear fuels, inconsequential.

On the other hand, if the U. K. is forced to the expensive alternative of reactivating the top stages of Capenhurst to provide the 93% enriched material, they might be tempted to look for additional markets for highly enriched material to reduce the cost of operations. We would prefer that they not do this.

As you will recall, last year we entered into agreements with the United Kingdom for cooperation in peaceful uses of nuclear energy under which we have agreed to supply up to 200 kgs. per year of U-235 for peaceful use and development and up to 10,000 kgs. of U-235 for use in the British nuclear power program. These agreements would also have the effect of releasing British enriched uranium for potential competition with the United States and I understand that this concern was raised during the hearings held by the Joint Committee on the agreements. It would appear, however, that the conclusion was reached then, and I believe properly so, that the sale of our enriched uranium at prices which would fully cover cost of production to friendly nations such as the United Kingdom should not be withheld because of their ability to compete with us in the international reactor field.

In view of our agreement of last year to provide the United Kingdom with material for civil purposes, I believe it would be difficult to justify withholding material from the United Kingdom for use in a substantial and important defense program which contributes materially through NATO arrangements to our own common defense and security.

The question of U. K. trade with Red China, North Vietnam and Cuba could be more appropriately commented on by the Departments of State and Commerce; however, the AEC has consistently recommended denial

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The Honorable Walt Rostow

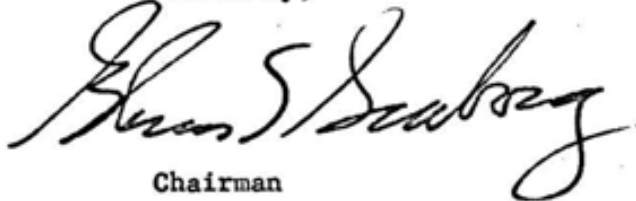
- 5 -

of all COCOM requests for approval of proposed exports of atomic energy related items to these countries.

We believe that granting this U. K. request is in the best interest of the U. S. and recommend that we so notify the United Kingdom.

Attached for your consideration is a proposed partial response to Senator Pastore.

Cordially,

A handwritten signature in dark ink, appearing to read "Arthur S. Labovitz". The signature is fluid and cursive, with the first name "Arthur" being more prominent.

Chairman

Attachment:

"Proposed Partial Response
to Senator Pastore" (CDI)

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THE WHITE HOUSE
WASHINGTON

December 18, 1967

Dear John:

Many thanks for your thoughtful letter on the UK fuel request for their nuclear submarine program. I have had my people take a careful look at the issues you raised. Their memorandum on the subject is attached.

Their conclusions seem to me to make a lot of sense. The British have been staunch and firm friends through many difficult moments; their support for our Viet-Nam policies has been a great source of strength to all of us. In light of this steadfast friendship, we should think long and hard before taking steps that could only injure this close relationship.

I have decided, therefore, to inform the British that we are prepared to work out appropriate arrangements for the sale of the requested fuel. Knowing your reservations on this matter, I deeply appreciate your willingness to support me in this decision.

Perhaps you would like to talk with Dean Rusk or Nick Katzenbach about this further to get a more detailed picture of the considerations that led to my decision. I know that either of them would be happy to do so.

Sincerely,

Att.

The Honorable John O. Pastore
United States Senate
Washington, D. C. 20510

~~CONFIDENTIAL~~

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PROPOSED PARTIAL RESPONSE
TO SENATOR PASTORE

Dear John:

I appreciated receiving your letter of November 20 commenting on the British request for additional material for their nuclear submarine program in the post 1970 period. As your letter noted this request had already received my approval subject to consultations with your Committee.

The concerns which you have expressed are important ones and I have carefully considered them. I should like to express my views on each of them. First, you have noted that the supply of this material by the United States would increase the capability of the British to compete with us in the international market for nuclear power. I understand from the Atomic Energy Commission that the amount of slightly enriched fuel which the British have requested for their nuclear power program would release is only about one tenth of the amount required for the initial loading of one medium-sized British power reactor. It seems to me, therefore, that this concern need not weigh heavily in our conclusions.

Last year with my approval and the support of your Committee we entered into agreements with the United Kingdom for cooperation in peaceful uses of nuclear energy under which we have agreed to supply up to 200 kilograms per year of U-235 for peaceful use and development and up to 10,000 kilograms of U-235 for use in the British nuclear power program. These agreements would also have the effect of releasing British enriched uranium for potential competition with the United States and I understand that this concern was raised during the hearings held by your Committee on the Agreements. It would appear, however, that the conclusion was reached then, and I believe properly so, that the sale of our enriched uranium at prices which would fully cover cost of production to friendly nations such as the United Kingdom should not be withheld because of their ability to compete with us in the international reactor field.

GROUP 1
Excluded from automatic
downgrading and
declassification

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This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

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E.O. 12958, Sec. 3.6
NLJ 98-304
By SJ, NARA, Date 8-8-03

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- 2 -

In view of our agreement of last year to provide the United Kingdom with material for civil purposes, I believe it would be difficult to justify withholding material from the United Kingdom for use in a substantial and important defense program which contributes materially through NATO arrangements to our own common defense and security.

Your letter also raised the question of the difficulties which this arrangement might lead to in our relationships with at least two other nations, Italy and The Netherlands, who have also requested assistance in the nuclear energy field.

I believe there is an important distinction between continuing to supply nuclear fuel for the United Kingdom nuclear submarine program which was begun many years ago with our full assistance and entering into new commitments with other nations in the field of naval nuclear propulsion. We have long followed a policy of providing an assured long-term source of nuclear fuel supply for civil power reactors located abroad. I believe that it is consistent with this policy to provide similarly for the continued fuel supply of military reactors located abroad so long as these continue to contribute to our mutual defense. I believe that other nations who are requesting our assistance to initiate naval nuclear propulsion programs would appreciate and accept this distinction.

In drawing this distinction I would emphasize that our position with respect to the Italian request has not been one of denial. Following extensive consultations between the Executive Branch and the Legislative Branch we have informed the Italian Government of our willingness to supply the fuel requested for their surface ship programs provided it can be carried out under civilian auspices. I recognize that in placing this project under civilian auspices the Italian Government is faced with certain internal difficulties, growing out of legal technicalities and budgetary requirements. However, I am hopeful the Italian Government will find a way to resolve these problems in the interest of a civilian project to which we could give our full support.

With regard to The Netherlands, I believe that their request for assistance has always been presented in terms of desiring not only nuclear fuel but technical assistance as well. In view of our long-standing policy of limiting the dissemination of our naval nuclear propulsion technology and discouraging other nations from entering this field, we have of course not responded favorably to The Netherlands' request. Continuing to provide fuel for the United Kingdom's nuclear submarine program should not cause us any additional difficulties with The Netherlands.

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- 3 -

The additional material which we would sell to the United Kingdom in accordance with their request will result in revenues to the United States of approximately 2 million dollars per year. The additional cost to the British of starting up facilities which are now on stand-by and producing this amount of material at low rates although while they cannot be asserted precisely would, I understand, be substantial. Although I agree that the financial considerations are not compelling in matters such as this, I believe it would work against our interest both financially and politically to deny this material for which we recover our full cost and thereby impose additional costs for its production on our ally.

I believe that the avoidance of the adverse effects on our relationships with Great Britain arising from such a step on our part constituted the political benefits to which Commissioner Tape referred in his testimony before the Committee.

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THE SUPPLY OF ENRICHED URANIUM FUEL
FOR THE UK SUBMARINE PROGRAM

Concern has been expressed about the proposed supply of enriched uranium to the British for their nuclear submarine program in the post-1970 period on the following grounds:

1. Such an arrangement might complicate our relationships with other countries which have requested, but have not received, US assistance for naval nuclear propulsion programs;
2. Purchase of submarine fuel from the US may enable the UK to compete more effectively with the US in the international nuclear power market;
3. Such an arrangement is unwarranted in view of UK trade with Red China, North Vietnam and Cuba.

These considerations are discussed in order.

1. Effects on US Relations with Other Countries

The United States has had a major influence on both the hunter-killer and Polaris submarine programs of the UK. We have provided both a complete reactor for the first UK nuclear hunter-killer submarine and continuing substantial technical assistance under the 1958 Mutual Defense Agreement. The 1962 Nassau Agreement resulted in the UK undertaking its Polaris submarine program. Under this Agreement, all of the UK Polaris submarines are to be committed to NATO. The UK is also assigning all of its nuclear hunter-killer submarines to NATO missions.

Up to now, the UK has provided fuel for all its nuclear submarines except the first one, using material produced at the Capenhurst gaseous diffusion plant. However, the top stages of that plant were shut down in 1964 at the time the US and USSR were also announcing cutbacks in the production of weapons materials. Additional highly enriched uranium suitable for submarine fuel could be produced at

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Authority NLS 93-293

By guf/jw, NARA, Date 5-18-98

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Capenhurst only after considerable expenditures by the UK. On the other hand, the US can supply the submarine reactor fuel needed by the UK without difficulty.

In light of this background, an unfavorable response to the UK would have the disadvantage of introducing an unnecessary abrasiveness into US-UK relations. Indeed, forcing the UK to resume production of highly enriched uranium at Capenhurst could be regarded as a distinctly unfriendly act in light of the UK's recent financial difficulties. In addition, renewed production by the UK of highly enriched unsafeguarded weapons-grade material might serve to emphasize the gap between the nuclear "haves" and the "have not" nations at a time when the US and UK are making a serious effort to achieve a Non-Proliferation Treaty.

Agreement by the US to sell nuclear submarine fuel to the UK would be unlikely to cause new feelings of discrimination on the part of other nations to which the US has not provided assistance in the field of naval nuclear propulsion. The long-standing cooperation between the US and the UK in the nuclear field is well known to our other allies, and they would probably view the sale to the UK of nuclear submarine fuel as a natural extension of existing arrangements. All requests by other nations for assistance in naval nuclear propulsion would involve the initiation of new programs rather than continuation of an existing program as in the case of the UK.

2. US-UK Competition in Sale of Power Reactors

Provision by the US of the amounts of submarine fuel the British have requested would allow them to release for their nuclear power program only about one-tenth of the amount of low-enriched fuel required for the initial loading of one medium-sized power reactor. This would not be of significance in the international market for nuclear power reactors.

Last year the US entered into agreements with the United Kingdom for cooperation in peaceful uses of nuclear energy under which up to 10,000 kilograms of U-235 will be supplied to the UK. Much of this material will be used in the British nuclear power program. These agreements could, of course, have the effect of releasing

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British enriched uranium for potential competition with the United States. This concern was raised during the hearings on the agreements held by the Joint Committee on Atomic Energy. However, the conclusion was reached that the sale of uranium to friendly nations at prices which fully cover the cost of production should not be withheld because of their ability to compete with the US in the international reactor field. In view of the US agreement to provide the United Kingdom with nuclear material for civil purposes, it would be difficult to justify, on the basis of possible competitive advantage, withholding material for use in an important UK defense program which contributes materially to the common defense and security.

3. UK Exports to North Vietnam, Communist China and Cuba

The UK does not permit the export of strategic goods on the COCOM list to North Vietnam, Communist China or Cuba. Its exports to North Vietnam in 1966 amounted to only \$104,000 or less than one percent of the total free world exports of \$12.5 million to North Vietnam. British exports to Communist China and Cuba in 1966 were \$93.6 million and \$22.7 million respectively and accounted for 7 and 9 percent of these countries' imports from the free world. Although the US has discouraged British trade with North Vietnam, Cuba and Communist China, the UK Government is not in a position to prevent private companies from engaging in non-strategic trade with these three countries.

It would be difficult to justify a refusal to provide nuclear submarine fuel on the basis of the UK's performance in the field of East-West trade.

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

December 1, 1967

MEMORANDUM FOR MR. ROSTOW

Subject: Senator Pastore's Letter to the President concerning
Sale of U-235 Fuel for UK Polaris Submarines

At your request, I have reviewed Senator Pastore's letter concerning the sale of U-235 fuel to the UK for use in its nuclear submarines. I believe that the original decision, which was agreed to by all interested agencies, to continue this sales arrangement was correct and that Senator Pastore's suggestion that we reverse this decision would lead to serious political problems with the UK without any compensatory advantages.

This problem must be viewed in the light of our specific and extensive commitments to the UK Polaris submarine program as well as our broader "special relationship" with the UK in the field of atomic energy. We have worked very closely and successfully with the UK on their nuclear submarine program from the outset. This program took on special significance when we terminated Skybolt and encouraged the UK to produce their own Polaris fleet. Under the Nassau Agreement, we agreed to sell the UK Polaris missiles and all associated launch and guidance equipment. Moreover, the Nassau Agreement specifically noted that cooperation would continue under the Mutual Defense Agreement of 1958, which covers the exchange of atomic weapons data, non-nuclear parts of atomic weapons, and the sale of fissionable material. Under this agreement, we provided the UK with the design information for the Polaris nuclear warhead which they now manufacture. In addition, we informed the UK this summer that we would be prepared to give them additional information on penetration aids and measures to reduce vulnerability of their Polaris warhead if they were prepared to incorporate the improvements in their system. It is in connection with this broad range of activities that we have also been supplying under the 1958 Agreement enriched U-235 to the UK to fuel their nuclear submarines.

GROUP I
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7 copies. 3 pages.
Copy 1, Series A.

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E.O. 12958, Sec. 3.6

NLJ 98-300

By CB, NARA Date 8-6-99~~CONFIDENTIAL~~

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-2-

In the above context, I believe that it is clear that the termination of the sale of enriched U-235, even though it is only a small part of a much larger cooperative program, would be considered as contrary to the spirit of our Polaris commitment. Given the history of this program, this could lead to serious political consequences in our relations with the UK at this time.

Senator Pastore suggests that the UK could in fact manufacture their own enriched U-235 fuel. The UK Capenhurst gaseous diffusion plant is a small, high-cost facility, producing only low enriched U-235. The upper stages of the plant, required to produce fully enriched material, have been shut down for several years and could only be reactivated at considerable cost. This would seem an unreasonable cost penalty to force on the UK at this time.

I do not share Senator Pastore's fear of UK competition in the international commercial market for U-235 if we do not force them to use their Capenhurst gaseous diffusion plant for the production of weapons-grade U-235. The Capenhurst plant is very small and it cannot economically compete with us in the production of low enriched U-235 for commercial purposes.

The central point in Senator Pastore's argument appears to be that the continuation of our UK sales agreement would add to our difficulties in dealing with the Italian request to buy fuel for nuclear ship propulsion and the Dutch request for assistance in the development of a nuclear submarine. I frankly do not believe that continued sale to the UK of U-235 would significantly complicate our problems on these issues with these two or any other countries. The Italian and Dutch proposals have been with us for a number of years during which our "special relationship" and cooperation with the UK on the Polaris, including the sale of U-235, has been in being. Since the "special relationship" and Polaris commitment will continue, I fail to see how the continuation of an existing feature of the agreement could be seriously advanced as a new argument on the part of either Italy or the Netherlands.

Finally, with regard to Senator Pastore's concern about UK trade with Red China, North Vietnam, and Cuba, I would suggest that punitive action against the UK in this field would be a most unlikely way to affect their trade policies. In any event, I believe this is a separate issue

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-3-

that is irrelevant to this decision on this matter. I assume the State Department will comment further on this aspect of our trade policy.

In view of the above considerations, I conclude that our refusal to continue to sell U-235 to the British for their Polaris submarines would undercut the close and successful cooperative relationship we have with the UK in this important area and would not really serve any other foreign policy objectives.

I recommend, therefore, that we continue the sale of U-235 fuel to the UK for their nuclear submarines.



Donald F. Hornig

Attachment:
Cy of ltr 11/20/67
fm Senator Pastore
to the President

~~CONFIDENTIAL~~

72-1

December 18, 1967

Dear John:

Many thanks for your thoughtful letter on the UK fuel request for their nuclear submarine program. I have had my people take a careful look at the issues you raised. Their memorandum on the subject is attached.

Their conclusions seem to me to make a lot of sense. The British have been staunch and firm friends through many difficult moments; their support for our Viet-Nam policies has been a great source of strength to all of us. In light of this steadfast friendship, we should think long and hard before taking steps that could only injure this close relationship.

I have decided, therefore, to inform the British that we are prepared to work out appropriate arrangements for the sale of the requested fuel. Knowing your reservations on this matter, I deeply appreciate your willingness to support me in this decision.

Perhaps you would like to talk with Dean Rusk or Nick Katzenbach about this further to get a more detailed picture of the considerations that led to my decision. I know that either of them would be happy to do so.

Sincerely,

Att.

The Honorable John O. Pastore
United States Senate
Washington, D. C. 20510

LBJ:SMK:jb:12-18-67

18

~~CONFIDENTIAL~~

THE SUPPLY OF ENRICHED URANIUM FUEL
FOR THE UK SUBMARINE PROGRAM

Concern has been expressed about the proposed supply of enriched uranium to the British for their nuclear submarine program in the post-1970 period on the following grounds:

1. Such an arrangement might complicate our relationships with other countries which have requested, but have not received, US assistance for naval nuclear propulsion programs;
2. Purchase of submarine fuel from the US may enable the UK to compete more effectively with the US in the international nuclear power market;
3. Such an arrangement is unwarranted in view of UK trade with Red China, North Vietnam and Cuba.

These considerations are discussed in order.

1. Effects on US Relations with Other Countries

The United States has had a major influence on both the hunter-killer and Polaris submarine programs of the UK. We have provided both a complete reactor for the first UK nuclear hunter-killer submarine and continuing substantial technical assistance under the 1958 Mutual Defense Agreement. The 1962 Nassau Agreement resulted in the UK undertaking its Polaris submarine program. Under this Agreement, all of the UK Polaris submarines are to be committed to NATO. The UK is also assigning all of its nuclear hunter-killer submarines to NATO missions.

Up to now, the UK has provided fuel for all its nuclear submarines except the first one, using material produced at the Capenhurst gaseous diffusion plant. However, the top stages of that plant were shut down in 1964 at the time the US and USSR were also announcing cutbacks in the production of weapons materials. Additional highly enriched uranium suitable for submarine fuel could be produced at

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Authority NLS 93-293
By gwl/gw NARA. Date 5/8/98

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Capenhurst only after considerable expenditures by the UK. On the other hand, the US can supply the submarine reactor fuel needed by the UK without difficulty.

In light of this background, an unfavorable response to the UK would have the disadvantage of introducing an unnecessary abrasiveness into US-UK relations. Indeed, forcing the UK to resume production of highly enriched uranium at Capenhurst could be regarded as a distinctly unfriendly act in light of the UK's recent financial difficulties. In addition, renewed production by the UK of highly enriched unsafeguarded weapons-grade material might serve to emphasize the gap between the nuclear "haves" and the "have not" nations at a time when the US and UK are making a serious effort to achieve a Non-Proliferation Treaty.

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It would be difficult to justify a refusal to provide nuclear submarine fuel on the basis of the UK's performance in the field of East-West trade.

~~CONFIDENTIAL~~

8

Monday -

December 18 , 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Extension of US-Mexico Radio Agreement

Last February you authorized extension of the 1957 US-Mexico Standard Band Radio Broadcasting Agreement while negotiations for a new agreement continued.

This extension terminates on December 31, 1967 and the negotiations are still not finished. State wants a new extension until December 31, 1968, or until the new agreement comes into force, whichever is earlier. For this your signature of the attached full power authorizing Ambassador Freeman to sign the extension is required.

Most of the new agreement has been negotiated but there are still four outstanding issues. State has tried to hurry up the discussions, but the Mexicans have been slow in responding.

The full power request has been coordinated with FCC and BOB.

I recommend signature.

W. W. Rostow

Attachment

Full power for signature

Monday, December 18, 1967

Mr. President:

SUBJECT: Your Meeting with Ambassador Robert McBride (Congo)
(12 noon today)

This meeting can be as long or as short as your schedule permits. McBride is home on consultation. He will want to report to you on the success of our C-130 operation, and tell you where we now stand on the mercenary problem. It will also be useful for McBride to be able to tell President Mobutu that he talked to you.

The 100-plus white mercenaries are still sitting in an internment camp in neighboring Rwanda. All along, Mobutu has insisted on two conditions for letting the whites go back to Europe: (1) guarantees from parent countries (Belgium and France) that they would not return to the Congo; and (2) some compensation for damages. The problem is being discussed this weekend at an East African Chiefs of State meeting in Uganda. Mobutu is at this meeting to press his case.

You may wish to sound out McBride along the following lines:

1. What are the prospects for future stability in the Congo:
2. If things look uncertain, what can and should we do to avoid another C-130 crisis? The C-130 experience on the Hill indicates how tough it will be in the future to bail Mobutu out of some emergency.

W. W. Rostow

Monday
December 18, 1967

1:30

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message to Australian Governor General

In addition to the longer message to Deputy Prime Minister McEwen, there should be some message from you to the Australian Governor General, Richard Lord Casey. State's suggestion is:

"Words cannot express my shock and sorrow at the tragic accident which has befallen Prime Minister Harold Holt. He was the gallant leader of a great nation whose ties with us grow stronger every day. I was proud to count him among my most trusted friends. My thoughts today are with his family and with the Australian people, whose grief I share."

I recommend you approve it.

W. W. Rostow

Approve ✓

Disapprove _____

See me _____

MWright:wpt

11

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E.O. 12356, Sec. 3.4

NY 91-448

~~SECRET~~

By cb, NARA, Date 8-21-95 Monday, December 18, 1967 -- 1:55 p.m.

Mr. President:

Luke Battle and I have just seen Mr. James E. Birdsall who has seen President Nasser in Cairo.

He has two messages:

-- a letter to you from President Nasser which says, apparently, that he wishes to resume normal good relations with the U.S.; and

-- that Mr. Birdsall is carrying a verbal message to you from him.

Birdsall tells us that the verbal message represents a step Nasser is prepared to take which he, Birdsall, regards as constructive. Birdsall also says that he has promised to deliver the verbal message to you and to no one else. The reason he is carrying a letter is that he, Birdsall, insisted to Nasser that he must have some bona fide to back up the message he was asked to deliver verbally to you.

Birdsall says that the reason why Nasser insists on the message being delivered verbally is that his "personal security" may be involved because of having taken so far forward a step.

Birdsall says that as a man of honor he cannot deliver the message to anyone but the President; that it would take at the most 3 minutes of your time; and if he does not see you, he will simply report back to the Egyptians that he failed as a messenger boy. He urges, as a citizen, that he be permitted to deliver the message. He rightly observes that Nasser, with his curious penchant for side signals, will regard a failure of Birdsall's ability to deliver as a rebuff by the U.S. to Egypt and to himself personally.

Both Luke Battle and I feel that in the curious circumstances of all this, with a signed personal message to you from Nasser apparently in hand, you ought to see Birdsall and hear his verbal message.

I am making available a copy of this immediately to Sec. Rusk through Luke. You may wish to ask Sec. Rusk his own view.

W. W. Rostow

WWRostow:rlm

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~~SECRET/SENSITIVE~~

Monday, December 18, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Balance of Payments Program

At Tab A is Secretary Fowler's memo recommending an action program for the balance of payments. It was completed today and is now being staffed out. Our objective is to get the Cabinet Committee recommendations to you within a week.

The following elements of the program have been worked out and are not likely to be controversial:

1. Export expansion measures through:
 - improved financing facilities (largely through the Ex-Im);
 - a bigger export promotion program (with a gradual increase in the Commerce budget from \$11 million this year to \$50 million a year by 1973).
2. Reducing the foreign exchange cost of government programs through:
 - squeezing more offsets on military expenditures;
 - new techniques for tying aid and making sure that it does not replace commercial exports.
3. Promoting foreign investment in the United States.

The controversial issues and the big elements in a new program -- are:

1. Border tax adjustments. This means calculating the amount of indirect taxes manufacturers pay and rebating it on exports and adding it as a levy on imports. The amount being discussed ranges from 2% to 4%. The ultimate trade effect would be significant if the other countries stood for it. If they did not, we would be in a trade war. (Legislation required)

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Authority Pres. 7-11-78; NSC-8-27-80

By sp/isp, NARA, Date 1-3-92

2. Measures to reduce capital exports through tightening the voluntary programs on direct investments and on bank credit (no legislation but unpopular with businessmen).
3. Increase repatriation of earnings through a temporary tax on earnings retained abroad where they exceed 25% of the total earned abroad. (Legislation required)
4. Reduce the travel deficit through a temporary tax on tourists to expire December 31, 1969. (A hot potatoe-legislation required)

During the course of this week, we will set out for you how much we believe may be needed, how much each of these actions might bring in, the advantages and disadvantages of different mixes and what we may expect in the Congress.

Secretary Fowler is setting up small task forces for each of the major questions.

The Deming Group will look at the program as a whole and seek to put it in numbers. Fowler will ask you whether you have any objections to his showing his memo to you to the Deming Group. They will need it to do a proper job of assessment and will handle it with care.

W. W. Rostow

Joe Califano

~~SECRET/SENSITIVE~~

ERF:mst

INFORMATION

13

Monday, December 18, 1967
9:40 a.m.

Mr. President:

To save time I send immediately
this approach to the peace matter, for
10:00 a.m.

I checked it with Bill Bundy who
says it is okay in this form. At this
particular moment he doesn't think we
should overtly press Thieu beyond the
fifth paragraph.

Pres file

W. W. Rostow

WWRostow:rla

Monday, December 18, 1967

This war could be ended in a matter of weeks if the other side would face 5 simple facts.

First, the demilitarized zone must be respected as the 1954 Agreements require. The unity of Vietnam as a whole must be a matter for peaceful adjustment and negotiation, probably over a long period of time.

Second, the North Vietnamese forces must get out of Laos and stop infiltrating through Laos. That is what the 1962 Agreement requires and it must be respected.

Third, the overwhelming majority of the people of South Vietnam want a one man, one vote constitutional government. About 70% of all the citizens who might have voted in South Vietnam registered in the election; almost 60% of them voted.

Fourth, the 20% or so of the population now under Viet Cong control must live under a one man, one vote constitutional system if there is to be peace.

Fifth, ~~therefore, on this basis the South Vietnamese should start talking about how to end the shooting and live together on the basis of a one man, one vote system.~~ President Thieu has said the South Vietnamese government is not prepared to recognize the NLF as a government and it knows well NLF's control by Hanoi. So do we. But he also said he is prepared for informal talks with members of the NLF and that these "could bring good results." *We think this is a statesmanlike position.*

I hope the other side responds to this offer. That is why our statement of December 8 said "We believe that the South Vietnamese must work out their own future, acting through electoral processes of the kind carried forward in the last two years.... The political future of South Vietnam must be worked out in South Vietnam by the people of South Vietnam."

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7
INFORMATION

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E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By ju, NARA, Date 5-18-98

~~SECRET~~--SENSITIVE

Monday, December 18, 1967 -- 8:00 a.m.

Mr. President:

Briefly the Australian situation is as follows as of 7:45 a.m. this morning.

The funeral or memorial service for Prime Minister Holt will probably be held on Friday, December 22, at 11:00 a.m. in Melbourne or Canberra. (Tab 1)

Thieu had planned to send Ky but will go himself if you go. (Tab 2)

Park will go if you go. (Tab 3)

Sato has a "crucial Diet debate" at which he must personally be present but will send Kawashima, Vice President of the Liberal Democratic Party and the most senior political person available. (Tab 4)

Although his schedule is tight, Thanom will probably go. (Tab 5)

Holyoake will go. (Tab 6)

McMahon is plunging for the succession of Holt, but Governor-General Casey is trying to hold him off and would like McEwen to act for several weeks until the Liberal Party can sort itself out. Casey will delay his formal announcement that Prime Minister Holt is presumed dead and swear in McEwen at noon, December 30 (Wednesday). (Tab 7)

An authoritative account of how Holt got into trouble and the difficulties in the rescue operation. (Tab 8)

No word yet from Djakarta.

W. W. Rostow

WWRostow:rla

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WE HAVE JUST BEEN INFORMED BY SECRETARY PRIMIN'S
DEPT, SIR JOHN BUNTING, THAT WHILE FINAL DECISION
NOT REACHED, IT QUOTE STRONGLY APPEARS UNQUOTE
FUNERAL OR MEMORIAL SERVICE FOR PRIMIN HOLT WILL
BE HELD FRIDAY DEC 22, PROBABLY AT 11 AM. SERVICE
WILL BE IN MELBOURNE OR CANBERRA. BUNTING SAID
FINAL DECISION WILL BE MADE SOMETIME TONIGHT AND
WE WILL BE IMMEDIATELY INFORMED BUT REITERATED THIS
IS NOW FAIRLY CERTAIN. HE URGED THAT WE TREAT THIS
AS HIGHLY CONFIDENTIAL UNTIL ANNOUNCEMENT MADE.

GP-3. CLARK
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DETERMINED TO BE AN
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NOT NAT'L SECURITY
INFORMATION, E. O. 12356,
SEC. 1.1(a)

BY rg ON 1-15-92

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LITERALLY EYES ONLY FOR THE SECRETARY FROM BUNKER

I HAVE JUST SEEN PRESIDENT THIEU WHO INFORMED ME THAT
HE HAD DESIGNATED VICE PRESIDENT KY TO REPRESENT THE GVN
AT SERVICES FOR PRIME MINISTER HOLT BUT THAT IF PRESIDENT AND
OTHER CHIEFS OF GOVERNMENT PLAN TO ATTEND HE HIMSELF WILL
GO. HE WOULD WELCOME OPPORTUNITY TO MEET WITH THE PRESIDENT.
HE WOULD LIKE TO KNOW PRESIDENT'S PLANS AS SOON AS POSSIBLE
SO HE CAN MAKE ARRANGEMENTS FOR TRANSPORTATION. HE WOULD
ALSO LIKE TO KNOW WHO WILL BE ACCOMPANYING PRESIDENT SO
THAT HE CAN MAKE PLANS ACCORDINGLY FOR PERSONNEL WHO SHOULD
ACCOMPANY HIM. BUNKER
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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By ju, NARA, Date 5-18-98

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SUBJ: ATTENDANCE HOLT MEMORIAL SERVICE

REF: STATE 85868

1. PRESIDENT PAK STATED HE WILL ATTEND MEMORIAL SERVICE
IF RPT. IF PRES JOHNSON DOES.

2. PAK STRONGLY URGES THAT FOR OBVIOUS DOMESTIC POLITICAL
REASONS HE BE ABLE ANNOUNCE HIS TRAVEL PLANS TO AUSTRALIA
BEFORE RPT BEFORE PUBLIC ANNOUNCEMENT IN WASH OF PRES
JOHNSON'S PLAN TO ATTEND HOLT SERVICES. IF THIS NOT
FEASIBLE, PAK WANTS SIMULTANEOUS ANNOUNCEMENT OF HIS AND
PRES JOHNSON'S PLANS TO GO TO AUSTRALIA.

3. COMMENT: SINCE PAK DESIRE FOR PRIOR PUBLIC ANNOUNCE-
MENT CLEARLY RELATED TROOP DISPATCH PROBLEM, RECOMMEND

PAGE 2 RUALOS 2957E ~~SECRET~~
HE BE GIVEN OPPORTUNITY MAKE ANNOUNCEMENT ON TRAVEL PLANS
FIRST.

4. THOUGH QUESTION OF TRANSPORTATION NOT RAISED, URGE
WASHINGTON CONSIDER POSSIBILITY OF RESPONDING AFFIRMATIVELY
AND PROMPTLY SHOULD PAK ASK FOR USAF JET AIRLIFT
TO AND FROM AUSTRALIA FOR HIMSELF AND HIS PARTY.

5. GP-3. PORTER
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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By fw, NARA, Date 5-18-98

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~~SECRET~~ TOKYO 4056

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REF: A. STATE 85868
B. TOKYO 847 (NOTAL)

PRIME MINISTER REGRETS THAT BECAUSE OF CRUCIAL DIET DEBATE,
AT WHICH HE MUST PERSONALLY BE PRESENT, IT WILL NOT BE

PAGE 2 RUALOT 4056D. ~~SECRET~~
POSSIBLE FOR HIM TO ATTEND SERVICES FOR HOLT IN AUSTRALIA.
AS OTHER CABINET MEMBERS MUST ALSO BE PRESENT AT DEBATE,
HE PLANS TO SEND SHOJIRO KAWASHIMA, VICE PRESIDENT OF LIBERAL
DEMOCRATIC PARTY, AS MOST SENIOR POLITICAL PERSONNAGE
AVAILABLE.

JOHNSON
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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By ju, NARA, Date 5-18-98

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ZEN/AMEMBASSY WELLINGTON 223
ZEN/AMEMBASSY DJAKARTA 705
ZEN/AMEMBASSY TOKYO 943
ZEN/AMEMBASSY SEOUL 490
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E.O. 12958, Sec. 3.5
State Dept. Guidelines

By ju, NARA, Date 5-18-98

~~SECRET~~ BANGKOK 7507

NODIS

EYES ONLY FOR THE SECRETARY AND AMBASSADORS

REF: STATE 85863

1. THIS MORNING I SPOKE TO PRIMIN ALONG LINES DEPTTEL. THANOM SAID HE WOULD LIKE VERY MUCH TO GO TO AUSTRALIA FOR THE SERVICE BUT HE COULD NOT DO SO IF IT WERE HELD ON WEDNESDAY. ON THAT DAY HE MUST BE PRESENT IN KHON KAEN WHEN HIS MAJESTY THE KING FORMALLY OPENS THE NEW UNIVERSITY THERE.
 2. THE PRIME MINISTER ALSO COULD NOT COMMIT HIMSELF ON FRIDAY, BUT SAID HE WOULD GO THEN IF PLANE SCHEDULE COULD BE ARRANGED; QANTAS HAS ALREADY BEEN ASKED BY HIS OFFICE TO TRY TO WORK OUT ACCEPTABLE SCHEDULE. PRIMIN COULD LEAVE WEDNESDAY P.M. OR THURSDAY A.M., BUT MUST BE BACK IN BANGKOK ON SATURDAY, THE 23RD. ON THE 24TH EARLY HE LEAVES FOR VISIT TO THAI FORCES IN SOUTH VIETNAM, FROM WHICH HE WILL RETURN TO BANGKOK ON THE 25TH. (THIS IS APPARENTLY WHAT HAS BEEN WORKED OUT BETWEEN RTG AND GVN SINCE REPORT CONTAINED MY TEL 7489 OF DEC 17.)
 3. I EMPHASIZED PRESIDENT'S PERSONAL INTEREST IN MATTER, VALUE OF GESTURE AND USEFULNESS OF INFORMAL MEETING EVEN IF BRIEF. MY IMPRESSION IS THAT THANOM WILL MAKE GREAT EFFORT ATTEND IF SERVICE ON FRIDAY, AND ESPECIALLY IF MOST OR ALL OTHER CHIEFS OF GOVERNMENTS FROM AREA ATTEND.
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~~SECRET~~ WELLINGTON 1005

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By pw, NARA, Date 5-18-98

NODIS

REF: STATE 85868

1. PRIMIN HOLYOAKE IN CABINET SESSION AND NOT
IMMEDIATELY AVAILABLE BUT SECRETARY OF EXTERNAL AFFAIRS
LAKING ASSURES ME THAT PRIME MINISTER IS CERTAIN TO ATTEND
HOLT FUNERAL. LAKING BELIEVES PRIMIN WILL NOT WISH TO
DISCUSS FUNERAL PLANS UNTIL HOLT DEATH OFFICIALLY CONFIRMED.

2. WE BELIEVE HOLYOAKE WOULD WELCOME OPPORTUNITY
TO TALK INFORMALLY WITH PRESIDENT IN CANBERRA.
HENNING
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Department of State

TELEGRAM

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ACTION SS 25

INFO SSO 00, CCO 00, MM 01, /026 W

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WHITE HOUSE WASHDC
INFO CINCPAC

~~SECRET~~ CANBERRA 2667

EXDIS

CINCPAC FOR POLAD

REF: CANBERRA 2656

1. IN COURSE OF LUNCH TODAY GOVERNOR-GENERAL EXPRESSED HIS PERSONAL MISGIVINGS AT POSSIBLE COURSE OF DEVELOPMENTS FOLLOWING HIS PLANNED DECLARATION THAT PRIME MINISTER HOLT PRESUMED DEAD. HE TOLD ME HE WAS PERSONALLY CONVINCED THAT DEPUTY LIBERAL LEADER AND TREASURER WILLIAM MCMAHON

PAGE 2 RUEHBAC 2667 ~~SECRET~~
NOT RPT NOT THE MAN TO LEAD AUSTRALIA AND HE INTENDED TO EXERCISE SOME INFLUENCE IN THIS REGARD. HE HAD PERSONALLY DISCUSSED SITUATION WITH PDEPUTY PRIME MINISTER MCEWEN, MINEXTAFF HASLUCK, MINDEFENSE FAIRHALL AND MINEducation SENATOR GORTON AND FOUND THAT ALL AGREE MCMAHON'S SELECTION MIGHT WELL BREAK APART COALITION GOVERNMENT AND EVEN FRAGMENT LIBERAL PARTY.

2. CASEY WAS OBVIOUSLY ANNOYED AT DISCOVERY THAT MCMAHON

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State Dept. Guidelines and NLS 98-302
By *ju* NARA, Date 4-28-99



Department of State

TELEGRAM

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PAGE 02 180739Z

HAD ALREADY CALLED MEETING OF LIBERAL NATIONAL COUNCIL FOR WEDNESDAY MORNING, PRESUMABLY TO PRESS FOR IMMEDIATE ELECTION OF NEW LEADER. WHILE CONCEDED THAT AS DEPUTY PARTY LEADER MCMAHON HAD LEGAL RIGHT TO DO SO, CASEY FELT MOVE WAS PREMATURE, LACKING IN GOOD TASTE, AND THAT IT SHOWED HIS OVERWHELMING AMBITION. CASEY SAID HE HAS NOW DECIDED HE PROBABLY WILL DELAY HIS FORMAL ANNOUNCEMENT THAT PM HOLT PRESUMED DEAD AND SWEARING IN OF MCEWEN UNTIL NOON DEC 20 TO OFFSET THIS MOVE BY MCMAHON.

3. CASEY FEELS THAT IN TIME OF NATIONAL TRAGEDY SUCH AS

PAGE 3 RUEHBAC 2667 ~~SECRET~~
THIS, EMPHASIS SHOULD BE ON STABILITY AND CONTINUITY, AND FOR THAT REASON HOPES MCEWEN WILL CONTINUE AS PRIME MINISTER FOR SEVERAL WEEKS FOLLOWING HIS SWEARING IN. HE INFERRED SENIOR LIBERAL PARTY LEADERS AND GOVERNMENT OFFICIALS ALSO AGREED.

4. MCMAHON WILL CALL ON CASEY THIS AFTERNOON AND CASEY EXPECTS "CONFRONTATION" IN WHICH HE PLANS TO TELL MCMAHON "FACTS OF LIFE." HE APPARENTLY INTENDS TO MAKE CLEAR THAT ON BASIS OF HIS CONSULTATIONS WITH OTHER POLITICAL LEADERS, HE BELIEVES MCMAHON'S SELECTION WOULD BE COMPLETELY UNACCEPTABLE TO COUNTRY PARTY, COALITION WOULD DIVIDE, AND COUNTRY WOULD FIND ITSELF IN POLITICAL CHAOS. HE OBVIOUSLY HOPES TO PERSUADE MCMAHON TO WITHDRAW FROM RUNNING.

5. CASEY ALSO EXPRESSED HIS OWN AND AUSTRALIA'S GRATITUDE FOR CLOSE AND SYMPATHETIC INTEREST USG HAS TAKEN IN TRAGIC EVENTS OF PAST TWO DAYS AND WANTED TO ASSURE ME THAT IN HIS CONSULTATIONS HE HAD FOUND NO DISPOSITION TO ALTER IN ANY WAY FUNDAMENTAL POLICIES OF GOA, PARTICULARLY IN RE US

PAGE 4 RUEHBAC 2667 ~~SECRET~~
ALLIANCE, SOUTHEAST ASIA AND VIETNAM.

GP-3 CLARK

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OF THE EXECUTIVE SECRETARY

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PAGE 01 MELBOU 00189 180246Z

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ACTION EA 15

INFO MM 01, NSCE 00, CIAE 00, SSO 00, DODE 00, USIE 00, NSAE 00, CCO 00,
SP 02, SS 20, GPM 03, SC 01, NSC 10, RSC 01, SAH 03, L 03, H 02, P 04,
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O R 180150Z DEC 67
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TO SECSTATE WASHDC IMMEDIATE 435
INFO AMEMBASSY CANBERRA 313

UNCLAS MELBOURNE 189

FOLLOWING IS BRIEF SUMMARY OF WHAT IS KNOWN HERE REGARDING TRAGIC
DISAPPEARANCE PRIMIN HOLT.

1. ON DECEMBER 17 SOON AFTER 11 A.M. HE LEFT SUMMER HOME AT
PORTSEA IN COMPANY WITH FOUR PERSONS. HE AND MR. ALAN STEWART
ENTERED WATER AT CHEVIOT BAY WHICH IS ON OCEAN (SOUTH) SIDE OF
PENINSULA WELL TO WEST OF PORTSEA. BEACH AT CHEVIOT BAY IS
ON PROPERTY OF QUARANTINE STATION, WHICH OCCUPIES ENTIRE AREA
AND TO WHICH ENTRY IS CONTROLLED. ALAN STEWART LEFT WATER ALMOST
IMMEDIATELY APPARENTLY FINDING IT TOO TURBULENT. PRIMIN WAS SEEN
SWIMMING DOWN A CHANNEL BETWEEN TWO OUT-CROPPINGS OF ROCKS.
WATER IS FAIRLY DEEP IN THIS CHANNEL AND PRIMIN SAID TO BE

PAGE 2 RUEHBA-119 UNCLAS

FAMILIAR WITH THIS SPOT. SURF DESCRIBED AS FIFTEEN FEET HIGH.
WHEN STEWART REALIZED THAT PRIMIN HAD DISAPPEARED FROM VIEW,
HE HURRIED TO CAR AND DROVE TO NEAREST BUILDINGS WHERE HE GAVE
ALARM WHICH RESULTED IN POLICE AND RESCUE UNITS BEING ALERTED
AND BROUGHT TO CHEVIOT BEACH. DURING AFTERNOON FROGMEN

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~~PAGE 02 MELBOU 00189 183246Z~~

AND TROOPS WERE RUSHED TO SCENE AND HELICOPTERS AND BOATS OF ALL TYPES PARTICIPATED IN SEARCH. NAVAL PATROL BOAT EQUIPPED WITH SEARCH LIGHTS CONTINUED PATROL THROUGHOUT NIGHT AND TROOPS USING FLASH LIGHTS PATROLLED THE SHORE IN THAT AREA. FULLSCALE SEARCH WAS REACTIVATED AT APPROXIMATELY 5 A.M. WHEN WIND BEGAN TO INCREASE AND GUSTS OF RAIN HAMPERED OPERATIONS. REFUELING FACILITIES FOR HELICOPTERS HAD BEEN ESTABLISHED DURING NIGHT. SIX HELICOPTERS WERE IN CONTINUOUS OPERATION BY 6A.M. AND SCUBA DIVERS WERE WORKING INTENSIVELY DESPITE HEAVY SURF. POLICE COORDINATOR ON HEIGHTS ABOVE CHEVIOT BAY ESTIMATED 300 PERSONS WERE TAKING PART IN COORDINATED SEARCH ACTIVITIES. BY 7:45 A.M. A BLACK WALL OF HEAVY RAIN BROUGHT BY SOUTHWEST WIND OF 25 KNOTS SWEEPED OVER CHEVIOT BAY REDUCING VISIBILITY TO POINT WHERE HELICOPTERS HAD TO TEMPORARILY GIVE UP THEIR OPERATIONS AND MANY SEARCHERS HAD TO SEEK ANY AVAILABLE SHELTER.

~~PAGE 3 RUENBAM 189 UNCLAS~~

ROCK SHELVES AT CHEVIOT BAY ARE HONEY COMBED WITH DEEP HOLES AND SEA HAS SCOURED OUT CAVERNS UNDER LEDGES. IN ADDITION, WEATHERING ACTION OF SEA HAS MADE ROCKS EXTRAORDINARILY SHARP AND DANGEROUS SO THAT A PERSON WHO IS DASHED AGAINST ROCK IN TURBULENT CONDITIONS COULD BE INJURED GRAVELY. END OF SUMMARY.

2. I WENT TO CHEVIOT BAY THIS MORNING AND SPOKE WITH POLICE COORDINATOR AND WITH TONY EGGLETON, PRESS SECRETARY TO PRIMIN WHO ACCOMPANIED MRS. HOLT BY PLANE FROM CANBERRA YESTERDAY. DESPITE LETHARGIC REACTION NEWS MEDIA AFTERNOON DECEMBER 17 TO GRAVITY OF SITUATION, BY DAWN THIS MORNING TELEVISION, RADIO AND NEWSPAPER REPRESENTATIVES WERE ON THE JOB AND HAD ESTABLISHED DIRECT COMMUNICATION LINKS WITH THEIR MELBOURNE OFFICES.

3. OVERWHELMING CONSENSUS IS THAT PRIMIN COULD NOT REPEAT NOT HAVE SURVIVED.
SERVICE

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15

Monday -- December 18, 1967

Pres file

Mr. President:

The following were the votes on this session's significant
Defense money bills:

FY 1967 -- Supplemental Appropriation

House 385-11

Senate 77-3

FY 1968 -- Defense Appropriation

House 407-1

Senate 84-3

-- Military Construction Bill

House 362-26

Senate 71-3

There were other minor bills, but these are the most
significant.

W. W. Rostow

Monday --

16

Sunday, December 17, 1967
8:55 p.m.

Mr. President:

I hope this Africa progress
statement is more useful.

W. W. Rostow

WWRostow:rla

16 a

III Africa

Four years ago the Communists had significant leverage on at least five countries in Africa. That grip has been weakened mainly because the African people and their leaders have demonstrated how deeply they prize their independence.

The Communists have not given up in Africa, by any means.

And there will be problems ahead as these young nations find their feet.

But they are defending their independence; they are making progress; and, above all, they are beginning to cooperate with one another.

In all this they know they have our support. We set our course in my talk to the Organization of African Unity Ambassadors in the summer of 1966 -- the first speech ever given by an American President on African policy. And we shall stay with it.

17

Sunday, December 17, 1967
8:50 p. m.

Pres file

Mr. President:

Herewith the short answers to the
19 foreign policy questions.

I have placed in Tabs, for convenience
of reference, the relevant regional statements
of progress -- including the new short African
statement.

W. W. Rostow

WWRostow:rla

1. What is your estimate of Soviet-American relations today?

Soviet-American relations are better than they were but are not as good as I would like to see them.

They have improved since the days of the Berlin crisis and the Cuba missile crisis. By the time I met Chairman Kossygin at Glassboro, we had developed more common ground than existed when President Kennedy met Khrushchev in Vienna. But there is still much progress to be made if the Soviet Union and the United States are to make the maximum contribution they could to world peace and order.

2. You and Chairman Kossygin referred at Glassboro to the value of continuing talks. What are prospects now of new face-to-face talks with Soviet leaders?

We have no plans now to meet with the Soviet leaders. But we are in close contact at many levels from the President and Premier to the two excellent Ambassadors that we have serving our nations.

3. What is Russia's attitude toward the Vietnam war?

The Soviet Union is assisting North Vietnam, notably in air defense, equipment and economic aid. We would hope that the Soviet Union would exercise more fully its responsibilities as co-chairman of the Geneva Conference to bring about peace.

4. In Europe today, is the attitude of France a barrier to peace and progress there?

The view of the French government at the present time differs on a number of issues from that of the other governments of Western Europe and the United States. Its attitude and policy have not prevented us from maintaining NATO and carrying forward much constructive work in the Atlantic community. (See Tab A) People of France and the people of the United States remain, in my judgment, loyal to the friendship which has existed for almost 200 years. In time, I hope and believe our policies will be closer than they are today.

5. Would conditions improve if you had better communication with General de Gaulle?

Our communications with General de Gaulle, through the two Ambassadors, are excellent. Such problems as we may have between the two countries are not, in my judgment, a matter of communication.

6. Are you worried about France's attitude toward the rest of Europe and toward us?

As I said, the view of the French government differs on certain points from that of other Western European governments and that of the United States; but this has not prevented progress in both Europe and the Atlantic. I wish we were all in somewhat closer harmony; and I believe with time and patience that will come about.

7. Is the Middle East a potential powder keg?

Yes, the situation in the Middle East is dangerous. We shall be using all the influence we have to support the mission of the United Nations representative who has been sent to the Middle East on the basis of the unanimous resolution.

8. What can be done to achieve a lasting Arab-Israeli peace?

I stated on June 19 the principles which I believe should govern a stable peace in the Middle East: every nation's fundamental right to live; justice for refugees; respect for maritime rights; ending the arms race; respect for political independence and territorial integrity of all the states of the area.

We hope that the United Nations representative will, in the end, find these principles acceptable to the parties.

9. Do we expect Israel to restore some of the area it conquered?

Our view in this matter is incorporated in my June 19 statement, especially the fifth principle embracing territorial integrity.

10. Do you see any signs of the Arab nations accepting the existence of Israel?

We shall have to let Ambassador Jarring do his job.

11. Are there encouraging signs of peace and progress in Africa?

Yes, there are. (See attachment B)

12. Are there encouraging signs of progress in Latin America?

Yes. (See Tab C)

13. What of the prospects in Southeast Asia, outside the war zone, involving India, Indonesia, and our allies in that region?

There has been a remarkable change in Southeast Asia in the last 4 years and especially since we made clear in 1965 that we would honor our commitment in Vietnam. (See Tab D)

14. You are aware that many people are troubled about Vietnam. Can we get your reaction to varying proposals and questions: First, why should a major nation like ours have trouble handling a little Asian nation -- why can't we cut loose and win this war?

A guerrilla war of this kind always takes time. There is no fixed front to break through. That is the way it was in Greece, Malaya, the Philippines. That is the way it is in Vietnam. We are bringing to bear all the power we think can be effectively used to defeat the aggression without creating a larger war.

15. Why are we sending so many men? How many more do you see going? Shouldn't South Vietnam be doing more?

We are sending to Vietnam those who are needed to do the job. We have no plan to go beyond the 525,000 now programmed. As for the South Vietnamese, they are doing a remarkable job of defending their country against a viscous and powerful aggression. They have mustered from a population of 17 million 700,000 men. They are now raising 65,000 more. Their men killed in action have been consistently higher than ours, including the last 5 months. On the basis of relative populations, their mobilization is the equivalent of perhaps 9 million in the U. S. From the low point in 1965 there has been steady improvement.

The time will come when we will stand back in admiration of this remarkable nation, its people caught up in war for more than 20 years, who have struggled with courage and tenacity for their independence and dignity -- for their right of self-determination. And I am sure that day will come.

16. Why haven't we closed up the Haiphong harbor, and used "hot pursuit" against enemy planes that find sanctuary in so-called neutral areas?

We have not closed Haiphong harbor because it involves risks of widening the war which outweigh the possible benefits. We should remember there are other ways of getting supplies into North Vietnam than through Haiphong harbor: via China and other ports. As for "hot pursuit" our basic policy is to use military means with great restraint. We seek no wider war. We respect the independence and neutrality of both Cambodia and Laos. We have no desire to threaten the regime or territory of North Vietnam. I must also say that Hanoi clearly takes a different position. It has violated the territory of Laos for many years in violation of the 1962 Accord that it signed. There are some signs that its use of Cambodian territory is increasing. In June 1966 it breached the demilitarized zone of the 17th parallel and began artillery fire within North Vietnam against the South.

We cannot ignore these problems; but I repeat that we will continue to act with great restraint.

17. What is the answer to those who say we should pull out and come home?

I have answered that question many times. My answer comes to this. Our national security depends on seeing the war through to an honorable peace because stability and progress in Asia, where two-thirds of humanity live, require that aggression not succeed in Vietnam. If this nation is to maintain its place as an effective world power -- in Europe, the Middle East, Latin America and elsewhere -- we must see it through to an honorable peace. Because our word, pledged in solemn treaty, is at stake in Vietnam.

I have thought long and hard on this matter. I am convinced that, if we pulled out and came home, the result would not be peace in the world but disruption and danger and probably -- in a little while -- a greater war.

18. What's really in this for us? We're now being told we're holding off Chinese communism. Isn't this a new and different justification?

What is in it for us is that Asia not be thrown into Chaos and a larger war. If we leave, there is no power in Southeast Asia capable of dealing with Communist China. That is why the nations of the area and their leaders, virtually without exception, support our basic stand in Vietnam.

They believe their independence would be threatened if we were to withdraw. Neither we nor they threaten Communist China. We all look to the day of peace. President Eisenhower's judgment, when he proposed the SEATO treaty to the Senate, was that our commitment was required for peace and stability in the area. That was the strongly held and strongly stated view of President Kennedy.

You may remember that when asked if he believed in the domino theory, President Kennedy said this: "I believe it. I think that the struggle is close enough. China is so large, looms so high just beyond the frontiers, that if South Viet-Nam went, it would not only give them an improved geographic position for a guerrilla assault on Malaya, but would also give the impression that the wave of the future in Southeast Asia was China and the Communists. So I believe it." Four years of further experience have proved that judgment to be correct. I agree with it.

19. Why not try a pause again? Isn't there a chance Hanoi might be prepared to negotiate now, if the bombing were to stop for a time?

At San Antonio I stated that we were prepared to stop bombing if the other side was prepared to engage in prompt and productive talks. We would assume that they would not take advantage of that pause. I cannot think of fairer terms than that. Their reply was, simply, that they were not interested. From every piece of evidence available to me, I would say a bombing pause would not lead at this time to a serious movement towards peace.

17b

VI
Europe

In Europe, despite difficulties, we have maintained and even expanded the basis for our cooperation with that critical area:

-- We have successfully transferred NATO from Paris to Brussels and increased NATO's deterrent power over these 4 years;

-- The trilateral talks between Germany, the United Kingdom, and the United States permitted NATO to stabilize our forces on the central front and provided fair financial arrangements to support those forces;

-- Negotiating with the European community and others, we successfully completed the Kennedy Round of trade negotiations;

-- Working first with our European friends and then with the world monetary conference at Rio, we created a new international reserve unit to supplement inadequate gold supplies;

-- Together with our friends in Europe, we have demonstrated that we are capable of maintaining both our military strength and an integrated military organization while seeking to normalize relations with the nations to the east. Our support for European unity and the Atlantic partnership remains the foundation of our foreign policy. Despite obvious difficulties, we are confident this policy will flourish in the years ahead.

17c

III Africa

Four years ago the Communists had significant leverage on at least five countries in Africa. That grip has been weakened mainly because the African people and their leaders have demonstrated how deeply they prize their independence.

The Communists have not given up in Africa, by any means.

And there will be problems ahead as these young nations find their feet.

But they are defending their independence; they are making progress; and, above all, they are beginning to cooperate with one another.

In all this they know they have our support. We set our course in my talk to the Organization of African Unity Ambassadors in the summer of 1966 -- the first speech ever given by an American President on African policy. And we shall stay with it.

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III
Africa

In the 1960's we have seen in Africa one of the most remarkable ^{events} ~~efforts~~ of modern history; more than 30 new independent countries have come into being. They began bearing the burdens of an experience and poverty.

Certain powers outside of Africa have tried to manipulate and subvert them.

Certain of their own leaders preferred to talk the language of revolution rather than to build their nations.

But, in the past 4 years:

- political power has moved from the talkers to the builders;
- the Organization of African Unity has emerged as a serious forum for African political and economic cooperation;
- above all, the African leaders have recognized that only by cooperating constructively among themselves can they achieve dignity and progress for their nations and the region;
- in 1965 14 French-speaking African states formed a common organization, Afro-Malagasy Common Organization (OCAM);
- three key states of East Africa (Kenya, Tanzania, and Uganda) have joined in an East African Economic Community;
- the African Development Bank began operations in 1966;
- the World Bank has agreed to establish a special standing committee to help Africa develop its power, transport, and communications.

We have thrown our full weight behind these efforts at regional and sub-regional cooperation

-- My speech to the Representatives of the OAU was the first speech on African policy ever made by an American President;

-- Our Korry report helped stimulate and encourage African ventures in cooperation;

-- Our aid to Africa increased by more than 10% as compared with the 4 previous years;

-- We were the first donor nation to offer to seek from our Legislature authority to contribute to the new soft loan fund of the African Development Bank; provided others also contributed.

-- It was the U.S. which played the leading outside role in helping the Congo put down the recent uprising of mercenaries which threatened racial disaster and political chaos in the Congo.

I have come to know the African leaders personally. I received 8 African heads of state in the past year alone and 3 more will be visiting in the first 6 months of 1968.

I have confidence in their determination to preserve their independence and to get on with the job of building their nations and the whole region.

II Latin America

When I was briefed on Latin America, upon assuming office, at least ten major trouble spots were listed, including three of the largest nations of the area: Brazil, Venezuela, and Chile, where, in different ways, Communists were bringing heavy pressure to bear. The Alliance for Progress was still in an experimental stage: average per capita growth was 1.2% in Latin America for the period 196-63.

- In the period 1964-67 per capita growth doubled to an average of 2.3%.
- Points of danger have been reduced, political stability increased.
- Despite substantial efforts at subversion, the threat of Castro has been diminished.
- With our help the Dominican Republic moved from a chaos in which the Communists were gaining a grip to the dignity of a freely elected government.
- A new spirit of self-confidence is emerging, reflected at the Summit conference of April 1967 where our Latin American friends agreed on major self-help efforts:
 - to establish a Latin American common market;
 - to expand Latin American trade;
 - to link their countries in large-scale communication, power, and river development;
 - to modernize agriculture and education;
 - to intensify the battle against illiteracy and disease.

We shall back this effort in Latin America to move from dependence to partnership in the years ahead.

17f

IV
Asia

Four years ago Asia was hypnotized by Communist China. The independence ^{of} ~~of the~~ nations of the region did not know if they had a future ^{or not} ~~for what that future~~ ~~world be.~~

In four years the Asian scene has completely changed. The reason for that change is that we honored our commitment in Vietnam. The shield that we and others have thrown up by fighting with the Vietnamese for their independence has bought time for Asia -- time to begin to shape its own destiny. And the Asian nations have used that time well:

-- Economically the area as a whole is moving forward rapidly in economic and social progress: 10% in Korea; Taiwan has graduated from being an aid recipient; Thailand has averaged 8% for the last 5 years;

-- Indonesia pulled itself back from the brink of Communist take-over and is finding its feet with the support of Japan, the U.S. and many other nations;

-- The confrontation with Malaysia is at an end;

-- Japan has assumed major responsibilities for the economic progress of other Asian nations;

-- Australia, under the courageous and farsighted leadership of Prime Minister Holt -- whom we all mourn -- has committed its destiny to work with the nations of Asia and the Pacific.

-- Out of all this has come as remarkable a period of regional cooperation as we have seen since the postwar period in Europe: the Asian Development Bank; the Association of Southeast Asian nations; an important new common effort in education, communication, medicine and public health.

Meanwhile, the effort of Communist China to project its power out into the world has failed. It failed in Latin America; in Africa; at the Algiers conference; in Indonesia and elsewhere in Asia.

The economy of mainland China has barely achieved the levels of 10 years ago even though they press ^{on} ~~extra~~ to produce nuclear weapons and means of delivery.

Although the 700 million energetic and talented people of mainland China are a great factor on the world scene, it is clear that the ambitious radicalism of some of its leaders has failed. It is our hope that out of the internal debates and struggles on the mainland, a new China will emerge which would modernize its life and respect the independence and sovereignty of its neighbors.

But this hope depends on our seeing it through in Vietnam to an honorable peace and on the Asians maintaining ^{the} momentum of their present remarkable efforts ^{of self-help and co-operation}.

INFORMATION

Sunday, December 17, 1967
5:30 p.m.

Mr. President:

Herewith Bill Bundy's replies to
possible questions.

W. W. Rostow

Turn to paper clip

President's TV Appearance

Secretary Rusk and others have been saying that the war in Viet-Nam is directly related to the threat of Communist China. Some have seen in this a new emphasis, or even a change in the objectives of your Administration. Could you comment?

Our objectives in Viet-Nam have never changed in my Administration, and are exactly the same objectives that President Kennedy^{AND}, President Eisenhower, ~~and President Truman~~ had before me.

All of us have sought only to help South Viet-Nam remain independent. At the same time, all of us have consistently said that what we are doing in South Viet-Nam has a bearing on the possibility of ultimate reconciliation and peace with Communist China. If North Viet-Nam takes over the South by force, the plain fact is that Communist China would be encouraged in its ambitions to apply pressure and subversion in other parts of Southeast Asia. Ho is no Tito. His ambitions are parallel and helpful to those of Peking. If he wins, Peking will step up the kind of pressures in Southeast Asia that are already well known to Indonesians, Burmese, Malaysians, and indeed all the countries of the area. That is why the nations of the area

and their leaders, virtually without exception, support our basic stand in Viet-Nam and view it--in the words of the totally independent Prime Minister of Singapore--as the key to the future of Southeast Asia.

Let me leave no doubt that our ultimate objective is a condition of peace throughout the area. We do not threaten Communist China, and we joined last October at Manila with six other nations to declare that what we sought was a peace of reconciliation throughout Asia. But it is our deep conviction that such a peace would be further away, and indeed that there would be grave danger of major war, if North Viet-Nam succeeds in taking over South Viet-Nam and the way is open for Chinese and North Vietnamese parallel efforts to destroy the independence of other nations in Southeast Asia.

In saying this, I am simply repeating the judgments that have been held and expressed by this Government over the last 13 years at least. Those who suggest that there has been any change have simply not done their homework.

President's TV Appearance

Why don't we get more help from other nations in Viet-Nam?

The fact is that five other nations have sent more than 60,000 of their military men to Viet-^Nam, and another 10,000 have recently been committed by Thailand. (Note: the Korean decision of last week is not public, and Park is awaiting a time later.) In relation to the size of our own contribution, now at about 500,000 men (check), this is almost exactly the same percentage of non-Americans that we had in Korea. (Note: it is actually .1% less on the last tabulation, but since Korea varied from time to time it is dangerous to say that it is flatly more at any time.)

In simple terms, many Asian and Pacific countries--far more than in Korea--have seen their own national interests and survival at stake in Viet-Nam. Their contributions have been made despite the fact that many of them have serious problems at home, including threats to their security in the case of Thailand and Korea.

In addition, a great many other nations such as Japan have been making significant non-military contributions. This includes some of our European allies. I wish Europe

were doing more, but the fact seems to be that they do not fully understand the importance of Asia, or of South Viet-Nam in relation to Southeast Asia and Asia as a whole.

President's TV Appearance

How do you assess the prospects for peace in Viet-Nam?

Ho Chi Minh can give you a better answer than I can. We have made every possible effort, but we have had no response from Hanoi.

I have said over and over again that an honorable and secure peace is our objective--in South Viet-Nam and in Southeast Asia as a whole. We seek no selfish position for ourselves in that area. Our sole objective is that the people of South Viet-Nam be free to work out their own future without external interference. That objective has not changed and will not change.

The problem is that Hanoi apparently continues to determine^d to get a military solution in its favor. Their men and equipment keep pouring down into the South, and the present indications are that they will carry on a stepped-up military offensive during the winter. We have to meet that offensive and keep up our military pressure.

At the same time, as I have said over and over again, we remain ready to enter into any kind of useful discussions at any time and in any place. The South Vietnamese Government is likewise prepared to talk with Hanoi at any time, as they

have made clear.

There is no lack of reasonable avenues to peace. We are prepared for discussions without any preconditions, we are prepared--as we have shown last January--to adopt limited restraints if these would produce useful talks. And we are prepared to stop the bombing if we could have the kind of assurances I described in my San Antonio speech--prompt and serious talks, and a situation in which the other side did not take military advantage.

I really do not see how we could possibly go further. Yet Hanoi has refused to follow any of these avenues. The public and private reading is at the moment all too clear that they are dug in and, as some of their friends tell us, very stubborn. The South Vietnamese and ourselves, and all our fighting allies, remain prepared for any move to peace. It is up to Hanoi--and as long as Hanoi keeps trying for a military solution, we have to meet it.

President's TV Appearance

How do we feel about dealing with the NLF? What about Saigon doing so?

Our own position has been made clear many times. (Draw on attached statement of December 8, cleared by the President.)

As for the South Vietnamese Government, it has been made clear that it believes, as we do, that the NLF as an organization is not independent of Hanoi--and that the decision on peace basically lies with Hanoi.

As the same time, President Thieu has said that his government would welcome contact with elements in the NLF who are disposed to accept peaceful political procedures under the Constitution. We support this position, and believe that such contacts may be an increasingly hopeful way to move toward peace. Essentially, they would be an extension of the reconciliation policy that the South Vietnamese Government has been following for some time. They would be wholly consistent with our basic position, that the future of South Viet-Nam must be worked out freely by the South Vietnamese people.

(Note: If there is any question about Americans being in contact with the NLF in Viet-Nam or elsewhere, we would suggest that the President say that this matter has been

fully covered by Ambassador Bunker's statements in Saigon and by Washington statements. The question gets intricate, since we have not denied other than "high-level" direct contacts, and have in the past admitted indirect contacts on our prisoners. If something has to be said, suggest saying anything we do on this relates solely to our concern for the welfare of our prisoners and none of it is behind the back of the South Vietnamese Government.)

President's TV Appearance

Is the US going to take an initiative for peace at the
United Nations?

(The President already has before him the kind of statement that might be made if a firm negative decision has been made for the moment. If the matter is still open, then the response could be short, referring to our past efforts and that it has always been our initiative, saying that we appreciate the Senate's concern, and are continuing to explore whether any useful resolution can be achieved, etc.)

President's TV Appearance

Why is the US proposing shorter Christmas, New Year's, and TET truce periods than Hanoi and the NLF?

The South Vietnamese Government has announced 24-hour truce periods at Christmas and the New Year, and 48 hours at the Vietnamese TET holidays in late January. These periods have been arrived at with the full agreement of ourselves and the other fighting allies. At the same time, the South Vietnamese have said they are fully prepared to discuss any extension with the men in Hanoi who are running the war on the other side.

I think this is a fair and reasonable position. We know from past experience that the other side has invariably violated truce periods, and taken advantage of them to prepare future attacks and to conduct major supply activities. I won't argue to what extent these have been breaches of the letter and spirit of the truce periods. But they do indicate that Hanoi and the Viet Cong are after military advantage, not the spirit of Christmas or TET. It is just not fair to our men to ask them to bear these burdens, and, in some cases, to lose their lives for the sake of longer periods. So our position is consistent with the strong recommendations of both my military and political advisers.

If, of course, Hanoi is prepared at any time for a serious move toward peace, then that would be different. But I see no basis, as of now, for such a conclusion prior to the holiday periods. There is no point in empty gestures to peace, at Christmas or any other time. Indeed the spirit of Christmas is demeaned if it is made the occasion for anything that does not seriously point in the direction of lasting peace.

President's TV Appearance

Isn't the Viet-Nam war costing us more than it is worth, in terms of what we should be doing at home?

As your President, I feel as deeply as any man can when American lives are lost, and when we have to spend billions on war.

Yet I do not see, and have never seen, any alternative to doing what has to be done to prevent South Viet-Nam from being taken over by force. I listen closely to what my critics are saying, but I have yet to hear a course of action proposed that seemed to me to offer any real hope at all either of peace in Viet-Nam or of lasting peace in Asia. If we try to fight the war on the cheap, or to hand over territory to the other side, does anyone really suppose Hanoi will let up, much less make peace? My own clear judgment is that we would be farther from peace, and that at least as many of our men and the South Vietnamese would be dying.

As for our domestic needs, I think we have to do many things, and that we desperately need the tax increase I have asked the Congress to pass. None of us likes to pay taxes, but this country ~~xxxx~~ can afford to do more and do it without inflation. I expect to put before the Congress

in January the tightest federal budget I can recommend, and early in the New Year I shall be weighing the recommendations of the Task Force on our cities' problems.

But as we look at these needs, and what it takes to meet them, let us not measure them against the war in Viet-Nam. The fact is we have to do both, and the stakes in South Viet-Nam go way beyond the freedom of 17 million people. The future peace and progress of Southeast Asian and beyond are at stake there, and our vital national interests are involved--as the Congress expressly stated in its 1964 resolution. If we don't see^{it} through to an honorable and decent solution, the kind of situation you will then have will be one that could call at some point for even greater sacrifices, and a national mood that would really hurt the chances for our doing what is necessary at home.

President's TV Appearance

Do you see differences between Hanoi and the NLF,
and do you see hope for peace in the new program for the
National Liberation Front, Circulated Last Week at the
United Nations?

For many years, the evidence has been overwhelming that the NLF, as an organization, is under Hanoi's direction and control. I do not see how any reasonable person can look at the evidence and draw any other conclusion.

As for the program of the Liberation Front, what was released in New York is not of course new. It was put out by Hanoi Radio on September 1, on the eve of the elections in South Viet-Nam. Perhaps it was designed to appeal to South Vietnamese then and later; if so, we see no sign that it has had any takers. The vast majority of South Vietnamese know the NLF for what it is, and have repeatedly made clear--including statements in the past week--their firm belief that the NLF is neither independent nor representative of any large body of sentiment in the South.

It may be that--as the release in New York suggests--we are seeing a propaganda campaign to build up the NLF and to claim that it is ~~separate~~ separate from Hanoi. I cannot

believe that serious students of the situation anywhere in the world will fall for this. For the essence of the so-called "new" program is just what it was when the program was first put out, again in Hanoi, in early 1961. Then as now, the core of the program is ~~xxxx~~ the creation of a ^{imposed} coalition government in the South, /without regard to the wishes of the people, and with the NLF in the driver's seat. We would oppose any such proposal, and every political figures of any significance in South Viet-Nam is equally opposed to it. ^{PLAINLY} ~~Mainly~~ it is not democracy--but rather a device for the NLF to get power in the same way that the Communists did, through similar coalitions, in Czechoslovakia and Poland.

If anyone has the slightest doubt about this, let him read the captured documents that have been made public over many months and pulled together in the past week. These tell us what the NLF and Hanoi are saying to their people in the South. They are saying that coalition means total control in the hands of the NLF and the Communist Party.

(For any question on dealing with the NLF, the press statement of December 8-attached--covers the waterfront.)

President's TV Appearance

President Eisenhower, Congressional leaders, and
apparently some of our own military are suggesting that we
have to take stronger action against Cambodia, Laos, or
North Viet-Nam itself. Is your policy in this area changing?

Our basic policy is not changing and will not change. I have consistently acted with great restraint and will continue to do so. We mean it when we say that we seek no wider war, and that we respect the independence, and neutrality of both Cambodia and Laos, and do not threaten the regime or the territory of North Viet-Nam.

At the same time, Hanoi clearly takes a different attitude. It has used the territory of Laos for many years in violation of the 1962 Accord that it signed, and there are some signs that its use of Cambodian territory is increasing. It was Hanoi that began in June 1966 to breach the Demilitarized Zone at the 17th parallel and to use artillery firing from within North Viet-Nam. We cannot ignore these problems, but I repeat that we will continue to act with great restraint.

(Query whether the President should say we plan no invasion of North Vietnam.)

President's TV Appearance

Why aren't the South Vietnamese doing their share?

Why can't they take over more of the war?

The answer is that they are already doing their share.

To take the military side of the war alone, South Viet-Nam has mustered over 700,000 men (check) and is now raising 65,000 more through reductions in the draft age and other measures. These forces are taking casualties, above all killed in action, that have been consistently higher than ours, including the last five months. Last week, for example, the South Vietnamese had 389 (check) military men killed in action, almost double our total for that week. These totals vary from week to week, and I don't much like to put it in terms of casualties. But by any measure, the South Vietnamese forces are doing a major share of the military job.

I don't mean to say that these forces are yet as effective as they should be, or as effective as their own leaders want them to be. But in the past two years--from the low point of mid-1965--we have seen steady improvement. And in the past six months there has been a clearly growing number of actions in which they have achieved clear successes. One

of these was the other day in the Delta, where no American forces were involved, and ~~th~~where the South Vietnamese cut up two Viet Cong battalions.

Unfortunately, the American people get too little news of these actions. You don't hear of the South Vietnamese standing--as they did--for the first day and a half at Loc Ninh, or playing a major part--as they did--at Dak To. Somehow or other, it just isn't news when a South Vietnamese unit does a job on its own, as is happening more and more.

Now, these forces can be improved. President Thieu knows this. So do we. And through some changes in organization by them, better leadership, and more American advisers in some units, a lot more is being done and will be done.

But look beyond the military side alone. Who takes the burden of terror in the countryside day in and day out? What of the 100 (check) officials and other leaders, including pacification people, killed week in and week out? If you add these to the military losses, you get a much clearer and truer picture of where the brunt of the war is falling.

As for the future, I think the South Vietnamese are moving in a direction where they can do steadily more. And we look to the day when we can hand over loads we are

now bearing. But I can't say when this will happen, for it depends on how hard Hanoi pushes, and how rapidly we can achieve further successes on our side.

President's TV Appearance

CLAIMING

Some are ~~claiming~~ that your Administration is committed to steady escalation of the war and is now seeking a military solution. Is this the case?

Every time our military forces take any new action whatever, I see headlines that speak of "escalation" on our part.

I suppose newspapers and you fellows on TV have to have something to put in your leads. But it seems to me that you have again and again overlooked that, if there is escalation, it has been coming overwhelmingly from the other side.

Look at the record. Hanoi started this thing in 1959 if not before. Through 1964, Hanoi began to send in its regular forces, well before we started bombing. And since 1965 Hanoi has continued to pour down its regulars. In 1966, Hanoi breached the Demilitarized Zone. The flow of arms and men both into North Viet-Nam and from North Viet-Nam southward has gone on steadily at a high level.

This is what we have had to meet, and what we have to go on meeting. The main lines of our military action are clear and have never varied. I cannot say that we shall never do more, because Hanoi is showing every sign of doing more itself. At the same time, we continue to open avenues to peace that could involve reduction of hostilities. What

we rejected is any proposal that would call on us to stop or reduce our part of the war, while leaving Hanoi free to continue and step up what it is doing.

President's TV Appearance

Should not the US stop the bombing, even if this involves taking a chance whether talks would result?

Let me make one distinction clear that a lot of people seem to overlook.

Two years ago, a lot of responsible people and governments were telling us that Hanoi might talk if we had a bombing pause of perhaps three weeks. We had tried a short pause in May of 1965, and in December and January ..two years ago we stopped bombing for 37 days in response to these very appeals.

You know what happened. Hanoi made no move whatever. And after that pause we were told over and over again that Hanoi regarded the pause as an ultimatum--that the possibility that we would renew the bombing was itself some kind of threat.

So, in the past year and a half, Hanoi has taken the position that we had to stop the bombing definitively if there was to be any possibility of talks. This is what they said last January, and what they continue to say.

I don't have to spell out for you what this means to the South Vietnamese and our men on the ground. Last

February, during the four-day Vietnamese holidays, Hanoi moved tremendous amounts of equipment to the borders of South Viet-Nam and beyond. We have nothing to indicate that they would not do this again. On the contrary, we have captured documents indicating that, if they sat down to talk, they would be looking for every chance to improve their military situation so that they got what they wanted at the negotiating table.

The military side is one aspect. Another is whether talks under these conditions could possibly be expected to produce progress. Some of you remember what happened at Pa-munjom, where the Communist side refused to come to terms for two years largely because it thought it was in a position to apply continuing military pressure. Our casualties in the two years were almost as great as in the previous intense fighting. And peace did not come.

These are the points that I and my advisers have to take into account as we look at this problem. Perhaps there will be at some point a situation that justifies the kind of action that you suggest, but those who urge it had better take all the possibilities into account. The question will always be whether this or any other action on our part would contribute to an honorable and secure

peace. And that is the basis on which I will be making decisions in this area--and not whether it contributes momentarily to my popularity here or abroad.

President's TV Appearance

Many are charging that our bombing has destroyed opportunities for peace in the past, and that we have not made a real effort to get negotiations. How do you view this?

I don't want to get into detail on past events. But I can say flatly that any such claim is totally untrue. On the contrary, we have time and again initiated restraints in our bombing--both through the many bombing pauses we have had, and through lesser forms of restraint such as the four months last winter when we did not hit valid military targets in the area of Hanoi. We have never closed the door to peace. The problem is that Hanoi has never responded to any of the doors we have opened.

President's TV Appearance

What is your answer to charges that our military actions have deliberately created two million refugees in South Viet-Nam and inflicted hundreds of thousands of civilian casualties?

These are elements of this war that all of us must regret. I regret them, and so does every single member of our military forces including General Westmoreland.

But again the heart of the problem is what the other side is doing. The civilian casualties they inflict are deliberate; they include terror and assassination of thousands of innocent South Vietnamese; the other day we saw the deliberate use of flamethrowers against a village that included a refugee settlement.

On our side, all our armed forces have acted with a restraint virtually unparalleled in warfare, and particularly in this kind of war. I am not saying that mistakes have not been made, but if you look at the total record that must be the fair conclusion.

^{CARIN FOR}
As to _^refugees, the South Vietnamese must have the main responsibility. With our help, they have done a great deal more. For example, for this year, it appears likely that more refugees will have been resettled than have been

created. Roughly two-thirds of the refugees have now either returned to their homes or been resettled so that they can work and live in fairly normal conditions.

As to civilian casualties, medical facilities have been tremendously expanded in the past two years, and three major hospitals are now under way for this purpose alone. We can and must do more, in partnership with the South Vietnamese, but there is no getting away from the heart of the problem--that we have to meet the military actions and terrorism of the ~~oter~~ side. And we have to judge the situation in the light of the fact that Hanoi is responsible for this war.

President's TV Appearance

Are we making any headway in Viet-Nam?

I have no doubt at all, from every report at every level, that we and the South Vietnamese are making steady progress. I cannot set a timetable for when Hanoi will see that it can only lose if it keeps on, ^{but} and I think we are moving steadily to that result.

(From here on, the answer could go into highlights of the military situation and recent victories, the essential pacification figures broadly stated, and stress on the political gains compared to two years ago or even a year ago. The theme might well be that 1967 has been a year of steady progress, but also a year in which much more of a base has been laid so that it is reasonable to hope that the pace of progress can be stepped up.)

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INFORMATION

~~SECRET~~

**Sunday, December 17, 1967
4:05 p. m.**

Mr. President:

**Sec. Rusk obviously took the job
in hand himself and, in my judgment,
the text is just right.**

Pres file

W. W. Rostow

~~SECRET/NODIS~~

WWRostow:rla

DECLASSIFIED

E.O. 12956, Sec. 3.4(b)

White House, Feb. 24, 1983

By *WJ*, NARA, Date 12-23-91

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By ju, NARA, Date 5-18-98

ACTION: Amembassy Seoul FLASH
Amembassy Manila FLASH
Amembassy Saigon FLASH
Amembassy Bangkok FLASH
Amembassy WELLINGTON FLASH
Amembassy Djakarta FLASH
Amembassy Tokyo FLASH

STATE 85868

LITERALLY EYES ONLY FOR THE AMBASSADOR FROM THE SECRETARY

NODIS

The tragic loss of Prime Minister Holt has been a great blow not only for Australia but for all of us. At this moment Australian Government has not officially announced it considers him lost but we understand that there is no hope and that announcement could come soon. We further understand that Australians are considering a memorial service on either Wednesday or Friday. Our President is strongly inclined to attend personally but no completely final decision has been made. If he goes, he would very much hope that your Chief of Government would also go. This would represent not only good neighborliness to a responsible member of the Asian and Pacific community but would give the President a chance to talk informally

with

Deled by: S:DRusk:ml 12/17/67

Tel. Ext. 5171

Telegraphic transmission and classification approved by

The Secretary

S/S - JWDavis

~~SECRET~~ - NODIS

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FORM 8-63 DS-322

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and Tokyo

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with your Chief of Government. We do not have in mind a Conference but quiet and tactful discussions such as occurred at Chancellor Adenauer's funeral. Please see your Chief of Government immediately but most discreetly and ask whether there is a chance that he could come to Australia on this occasion if the President comes. We will flash you first information we get from Australians and final decision of President when both are available but the present prospect is that the President will come. To avoid misunderstanding, Chiefs of Government means President Park, President Marcos, President Thieu, Prime Minister Thanom, General Suharto, Prime Minister Ekyoake, and Prime Minister Sato.

Please advise flash.

RUSK

~~SECRET~~ - NODIS

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