

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#1 memo	Rostow to President S 1 p <i>open 7-29-03</i>	12/31/67	A
#2 cable	Rostow to President (CAP 671261) S 3 p <i>open 7-29-03</i>	12/31/67	A
#3 cable	Smith to Rostow (CAP 671258) C 2 p	12/30/67	A
#4 memo	Rostow to President S 2 p	12/29/67	A
#4a ltr	President to Pres. Nasser PCI 1 p	12/30/67	A
#4b ltr	President to Pres. Nasser S 2 p	12/30/67	A
#5 memo	Rostow to President, 8:15 p.m. C 1 p <i>open 7-29-03</i>	12/29/67	A
#6 cable	Rusk to President (CAP 671243) S 1 p	12/29/67	A
#7a cable	Deptel to New Delhi C 1 p <i>Example NSG 019-1271</i>	12/29/67	A
#7b cable	Deptel to New Delhi C 1 p <i>Sani per RAC 12/16/09</i>	12/29/67	A
#8 memo	Rostow to President and Califano S 6 p <i>open 7-29-03</i>	12/29/67	A
#9a memo	Read to Rostow S 2 p	undated	A
#11 memo	Rostow to President S 2 p [Duplicate of #97, NSF, Country File, Vietnam, "3D(1), Prisoners of War (Gen. Information)"]	12/29/67	A

FILE LOCATION

NSF, Memos to the President, Walt Rostow, Vol. 55, Dec. 20-31, 1967

Box 27

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#13 cable	Rostow to President (CAP 671244) S 3 p <i>open 7-29-03</i>	12/29/67	A
#14 cable	Rostow to President and Califano (CAP 671239) S 2 p <i>open 7-29-03</i>	12/29/67	A
#15 cable	Rostow to President (CAP 671224) C 2 p <i>open 7-29-03</i>	12/29/67	A
#19 cable	Rostow to President (CAP 671229) C 1 p <i>open 7-29-03</i>	12/29/67	A
#21a memo	President to Amb. Bowles C 1 p	12/29/67	A
#22 memo	Rostow to President, re: Korea S 2 p <i>open 5-30-95 NJ 73-36 F</i>	12/29/67	A
#22a ltr	President to Pres. Park PCI 1 p	undated	A
#24 memo	Rostow to President and Califano S 2 p <i>open 7-29-03</i>	12/29/67	A
#25 cable	Rostow to President (CAP 671220) S 1 p <i>open 7-29-03</i>	12/29/67	A
#27 cable	Rostow to President (CAP 671235) <i>(dup # 42, NSF, SHOS, Korea, 4/1/67-12/31/69)</i> S 1 p	12/29/67	A
#28 cable	Rostow to President (CAP 671233) <i>(dup # 12a, NSF, CF Vietnam "5E(1)A Box 92"</i> C 1 p	12/29/67	A
#29 cable	Rostow to President (CAP 671237) S 5 p [Duplicate of #13, NSF, Country File, Vietnam, "5E(1)A Cambodia"]	12/29/67	A
#31b ltr	<i>Wilson</i> Harold to President C 1 p <i>(dup of #600, NSF, Spec H of St. Corresp, UK, Box 56)</i>	12/27/67	A

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#32 cable	Rostow to President (CAP 671196) S — 2 p <i>open 7-29-03</i>	12/28/67	A
#33 cable	Rostow to President and Califano (CAP 671179) C — 4 p <i>open 7-29-03</i>	12/27/67	A
#36 cable	Rostow to President (CAP 671187) S — 2 p <i>open 2-24-04 NW 05-264</i>	12/28/67	A
#37 cable	Rostow to President (CAP 671186) S — 3 p <i>open 7-29-03</i>	12/28/67	A
#38 memo	Rostow to President C — 1 p <i>open 7-29-03</i>	12/28/67	A
#39 cable	Rostow to President (CAP 671199) C — 1 p <i>open 7-29-03</i>	12/28/67	A
#40 cable	Rostow to President (CAP 67205) C — 2 p <i>open 2-24-04 NW 05-264</i>	12/28/67	A
#42 cable	Rostow to President (CAP 671217) <i>dup. # 23, NSF, County, Ind.</i> S — 1 p <i>open 7-29-03</i>	12/28/67	A
#43 cable	Rostow to President (CAP 671215) S — 2 p <i>open 7-29-03</i>	12/28/67	A
#44 cable <i>same serial 2-24-04 NW 05-265</i>	Rostow to President (CAP 67204) S — 9 p [Sanitized NLJ/CBS 10]	12/28/67	A
#45 cable	Rostow to President (CAP 671207) S — 1 p <i>open 7-29-03</i>	12/28/67	A
#46 cable	Rostow to President (CAP 671206) S — 1 p <i>open 7-29-03</i>	12/28/67	A
#48 memo	Rostow to President S — 2 p <i>open 7-29-03</i>	12/28/67	A

Vietnam, "5E(1)a)" Box 92

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#49 memo	Rostow to President, re: Panama C 2 p [Duplicate of #79, NSF, Country File, Panama, Vol. 9]	12/28/67	A
#50 memo	Rostow to President, re: Pakistan S 3 p	12/28/67	A
#54 memo	Rostow to President S 1 p <i>open 729.03</i>	12/27/67	A
#57 memo	Rostow to President, re: Ghana C 2 p [dupl # 1b, NSF CF - Ghana Vol 3]	12/27/67	A
#57a memo	Schultze to President, re: Ghana C 2 p [dupl # 1c, NSF CF - Ghana, Vol 3]	12/26/67	A
#57b memo	Freeman and Gaud to President, re: Ghana C 2 p [dupl # 1d, NSF CF, Ghana, Vol 3]	12/22/67	A
#59 memo	Rostow to President and Califano E 6 p <i>open 729.03</i>	12/27/67	A
#61 memo	Rostow to President, 9:30 p.m. TS 2 p <i>open 11-24-95 NW 92-397</i>	12/27/67	A
#61f memo	Goldstein to Califano C 2 p <i>(dup. # 1c Diary Backup 12/30/67, Balance Payment, Bulb 6)</i>	12/27/67	A
#61i memo	Goldstein to Califano C 1 p <i>(dup # 1c as above)</i>	12/27/67	A
#61j memo	Robertson to Fowler C 8 p	12/27/67	A
#61l ltr	President to Kiesinger S 4 p <i>(dup # 1f as above)</i>	undated	A
#61m rpt	Re: Border tax strategy C 1 p <i>(dup # 1g as above)</i>	12/26/67	A

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NSF, Memos to the President, Walt Rostow, Vol. 55, Dec. 20-31, 1967

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#61o cable	Draft Circular to Embassies of Key Countries S 6 p	12/28/67	A
#61p cable	(dup #1h, Diary Backup 12/30/67, Balance Payments, Box 86) Deptel to Canberra (draft) PCI 1 p	undated	A
#61q cable	Deptel to Ottawa (draft) PCI 1 p open 3-17-93 NLS 92-358	undated	A
#61r cable	Deptel to Tokyo (draft) PCI 1 p	undated	A
#61s cable	Deptel to European (draft) PCI 1 p (dup #1l Diary Backup 12/30/67 Box 86)	undated	A
#62 memo	Rostow to President S 1 p open 7-29-03	12/27/67	A
#64 cable	Rostow to President (CAP 671164) S 1 p [Duplicate of #103, NSF, Country File, Rumania, Vol. 3]	12/27/67	A
#66 cable	Rostow to President (CAP 671172) S 3 p open 2-24-04 NLS 03-269	12/27/67	A
#68 cable	Rostow to President (CAP 671173) S 1 p Dami NLS 019-027-1 (1/02)	12/27/67	A
#69 cable	Rostow to President (CAP 671178) S 1 p open 7-29-03	12/27/67	A
#70 cable	Rostow to President (CAP 671177) S 1 p open 2-11-97 NLS 9702 [Duplicate of #100, NSF, Country File, Vietnam, "3D(1), Prisoners of War (Gen. Information)"]	12/27/67	A
#71 cable	Rostow to President (CAP 671165) S 1 p open 12-28-54 NLS 94-52	12/27/67	A
dup #95 VN, SEE, Box 93			

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#76 memo	Rostow to President, 8:50 a.m. S 1 p <i>open 7-29-03</i>	12/26/67	A
#76a memcon	"Discussion with Sov. official on Developments..." S 3 p	12/21/67	A
#78 memo	Rostow to President S 1 p <i>open 7-29-03</i>	12/26/67	A
#79 memo	Rostow to President S 1 p [Duplicate of #103, NSF, Country File, Rumania, Vol. 3] [Duplicate of #64]	12/26/67	A
#81 memo	Duplicate of #64 and 79		
#82 memo	Rostow to President <i>open 6-9-94 NLS 93-86</i> C 1 p <i>[Dup. of #10, NSF, Agency File, Alliance for Progress, Vol 3, Box 5]</i>	12/26/67	A
#82a memo	Oliver to President C 5 p <i>[Dup. of #10a, NSF, Agency File, Alliance for Progress, Vol 3, Box 5]</i>	12/20/67	A
#83 memo	Rostow to President C 1 p <i>open 4-8-94 NLS 91-457</i> [Duplicate of #187, NSF, Country File, Laos, Vol. 18]	12/26/67	A
#83a memo	Schultze to President, re: Laos C 2 p <i>open 4-8-94 NLS 91-457</i> [Duplicate of #187a, NSF, Country File, Laos, Vol. 18]	12/12/67	A
#83b memo	Gaud to President, re: Laos <i>open 3-6-92 NLS 91-460</i> C 5 p [Duplicate of #187b and c, NSF, Country File, Laos, Vol. 18]	12/2/67	A
#84a notes	Meeting of Pres. with Australian Cabinet S 7 p [Sanitized 1981]	12/21/67	A
#85 memo	Rostow to President, 6:00 p.m. C 1 p <i>open 7-29-03</i>	12/25/67	A

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NSF, Memos to the President, Walt Rostow, Vol. 55, Dec. 20-31, 1967

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#86a cable	Tehran 2647 C 2 p	12/25/67	A
#88a cable	Saigon 14196 C 1 p <i>open 12-17-93 NLS 93-249</i> [Duplicate of #38a, NSF, Country File, Vietnam, "7E(3) Public Relations Activities"]	12/25/67	A
#88b cable	Deptel 87452 to Saigon C 1 p [Duplicate of #38b, NSF, Country File, Vietnam, "7E(3) Public Relations Activities"]	12/20/67	A
#89 notes	Meeting of President with Saragat S 3 p	12/27/67	A
#91 memo	Rostow to President <i>(dup #42, NSF, Country File, Cuba [w/6 Bowden File] Vol 3 Box 15)</i> S 1 p	12/22/67	A
#91a rpt <i>open 12-19-68 NLS/RAC 08-78 (#42a)</i>	From Spanish Embassy <i>dup #42a add box 1</i> PCI 14 p	undated	A
#92 notes	Conversation with Pres. Park S 5 p	12/26/67	A
#93 notes	Meeting of Pres. with Australian Cabinet S 10 p [Sanitized 1981]	12/21/67	A
#94 notes	Memcon with PM Kittikachorn S 1 p	12/21/67	A
#95 notes	Memcon with PM Holyoake PCI 1 p	12/26/67	A
#96 notes	Memcon of Pres. with FM Malik S 2 p	12/22/67	A
#97 notes	Memcon of Pres. with PM Lee S 3 p	12/22/67	A

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#74 memo	Walt Rostow to the President TS 1p <i>Open S-3.04 NW/RAC 03.261</i>	12/26/67	A
#74a report	Intelligence report - TS 1p <i>Sanitized S-3.04 NW/RAC 03.261</i>	12/26/67	A

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National Security File, Memos to the President, Walt Rostow, Volume 55, December 20-31, 1967
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~~SECRET~~

December 31, 1967

FROM WALT ROSTOW

FOR THE PRESIDENT -- EYES ONLY

sent Rostow
via wire
CAP 671258

Herewith Bunker wishes to know if you discussed a Thieu visit
to the U. S. in Canberra and a date for it.

QUOTE To White House eyes only Walt Rostow

We have heard from President Thieu's brother, Nguyen Van
Kieu, that there was some talk between Thieu and the President
at Canberra regarding a possible visit to the United States by
Thieu. ~~Information~~ May was mentioned as a possible date.

Would appreciate any information you could give me about this. END ~~QUOTE~~
QUOTE

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By jc, NARA, Date 7-18-03

~~SECRET~~

SECRET

Sept 10:40 PM

967 000 31 02

EEA752
OO WTE10
DE WTE 3231

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671261

Pres file

DEC 30 PM 10:59

1100 PM

SECRET

I SUSPECT THIS IS THE MESSAGE WE SHOULD RECEIVE FROM THE
ROUMANIAN EMISSARY WHEN HE COMES AROUND JANUARY 5 - 7. IT
LEAVES OUT "PROMPT", "PRODUCTIVE", AND THE "ASSUMPTION."
BUT IF IT IS COMMUNICATED DIPLOMATICALLY BY THE ROUMANIAN
IT WILL BOTH GIVE US PROBLEMS AND REPRESENT MOVEMENT.

FBIS 03 FOR OFFICIAL USE ONLY

DRV FOREIGN MINISTER'S OFFER

PARIS AFP IN ENGLISH 2349 GMT 30 DEC 67 E

(TEXT) HANOI, 31 DECEMBER -- BERNARD-JOSEPH CABANES DISPATCH--
NORTH VIETNAM STATED FORMALLY AND UNEQUIVOCALLY LAST NIGHT,
SATURDAY, THAT IT WILL SIT DOWN TO TALKS WITH THE UNITED STATES
IF BOMBING AND ALL OTHER ACTS OF WAR STOP UNCONDITIONALLY.

THE STATEMENT, MADE BY DEPUTY PREMIER AND FOREIGN MINISTER
NGUYEN DUY TRINH AT A DINNER FOR AN OUTER MONGOLIAN COMMUNIST
PARTY AND GOVERNMENT DELEGATION, WAS SIGNIFICANT BECAUSE FOR THE FIRST
TIME IT DID NOT DEMAND THE PERMANENT CESSATION OF AMERICAN BOMBING
AND BECAUSE IT ANSWERED THE QUESTION WITH DELIBERATE DIRECTNESS--
WHAT NORTH VIETNAM WOULD DO IF THE BOMBING STOPPED.

TRINH SAID THAT THE U.S. GOVERNMENT INCESSANTLY REPEATS THAT IT
WANTS TO TALK WITH HANOI BUT THAT HANOI DOES NOT SHOW THE SLIGHTEST
REACTION. HE ADDED: IF THE AMERICAN GOVERNMENT REALLY WANTS TALKS,
AS OUR STATEMENT OF 28 JANUARY 1967 CLEARLY STATED IT MUST FIRST
UNCONDITIONALLY CEASE BOMBING AND ALL OTHER ACTS OF WAR AGAINST
THE DRV. AFTER THE CESSATION OF THE BOMBING AND OF ALL OTHER ACTS
OF WAR AGAINST THE DRV, THE DRV WILL BEGIN TALKS WITH THE UNITED
STATES ON ALL PERTINENT PROBLEMS.

DECLASSIFIED

E.O. 12958, Sec. 3.5

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

By *jc*, NARA, Date *7-18-03*

XEROX FROM QUICK COPY

STRICTLY SPEAKING, THESE PHRASES ARE NOT REALLY NEW, AS THEY POSE THE PRIOR CONDITION OF UNCONDITIONAL CESSATION. HOWEVER, IN THE FIRST PLACE, THEY OMIT THE WORD PERMANENT OR PERMANENTLY WHICH INVARIABLY FOLLOWED. IN THE SECOND PLACE, THEY CONTAIN A SIGNIFICANT CLARIFICATION, NAMELY, FOR THE FIRST TIME A NORTH VIETNAMESE FOREIGN MINISTER HAS STATED FORMALLY AND UNEQUIVOCALLY THAT HANOI WILL IN FACT SIT DOWN TO TALK WITH THE UNITED STATES ONCE THE BOMBING ENDS, IF IT IS TO END.

HERETOFORE THERE HAS NEVER BEEN SO PRECISE AND UNAMBIGUOUS A DECLARATION OF INTENT. IN FACT TRINH HIMSELF REFRAINED FROM MAKING SUCH A COMMITMENT IN HIS STATEMENT OF 28 JANUARY. WHAT HE SAID THEN WAS THAT THERE COULD BE TALKS. IN SHORT, LAST NIGHT TRINH ANSWERED THE BIG QUESTION THAT WASHINGTON HAS SO OFTEN ASKED: WHAT WILL HAPPEN IF WE STOP THE BOMBING? WE HAVE NO PROOF THAT HANOI WILL NOT TRY TO SLIP OUT OF IT.

LAST NIGHT TRINH MADE IT CLEAR BEYOND ALL DOUBT THAT THERE WILL BE TALKS. WHAT STRUCK FOREIGN OBSERVERS FIRST WAS THAT WASHINGTON NO LONGER WILL BE ABLE TO SAY THAT HANOI HAS REFUSED TO ANSWER ITS QUESTION.

AS FOR THE HEART OF THE MATTER--THE VIETNAMESE PROBLEM--TRINH REITERATED THAT THE POSITION OF THE VIETNAMESE PEOPLE IS VERY CLEAR. HE SAID: IT IS THE FOUR POINTS OF THE DRV GOVERNMENT AND THE POLITICAL PROGRAM OF THE NFLSV. THIS IS THE BASIS FOR ANY SOLUTION TO THE VIETNAMESE PROBLEM.

TRINH SAID THAT THE VIETNAMESE PEOPLE ARDENTLY ASPIRE TO PEACE, BUT PEACE WITH GENUINE INDEPENDENCE AND FREEDOM. HE CONTINUED: AS LONG AS THE UNITED STATES OBSTINATELY CONTINUES ITS WAR OF AGGRESSION, OUR 31 MILLION FELLOW COUNTRYMEN IN BOTH ZONES, ANSWERING THE SACRED APPEAL OF 25 DECEMBER 1967 FROM PRESIDENT HO CHI MINH, WILL REMAIN THE "31 MILLION VALIANT COMBATANTS TO ANNIHILATE THE AMERICAN AGGRESSORS," DEFEND THE NORTH AND LIBERATE THE SOUTH, AND WORK THEIR WAY TOWARD THE PEACEFUL REUNIFICATION OF THE FATHERLAND. THE VIETNAMESE PEOPLE WILL WIN WITHOUT FAIL! THE AMERICAN IMPERIALISTS WILL UNAVOIDABLY BE BEATEN!

TRINH, WHO SPOKE IN THE PRESENCE OF TRUONG CHINH, CHAIRMAN OF THE NATIONAL ASSEMBLY'S STANDING COMMITTEE, AND PREMIER PHAM VAN DONG, MADE THESE OTHER POINTS:

1--THE UNITED STATES IS CURRENTLY PLOTTING TO PLACE THE VIETNAMESE PROBLEM BEFORE THE UN SECURITY COUNCIL. IT MUST BE STATED IMMEDIATELY THAT THE UNITED NATIONS HAS NO RIGHT TO INTERVENE IN THE VIETNAMESE PROBLEM, THE SECURITY COUNCIL HAS NO RIGHT TO DISCUSS IT. ANY SECURITY COUNCIL RESOLUTION ON THE VIETNAMESE PROBLEM WOULD BE TOTALLY WITHOUT VALUE.

2--THE DRV GOVERNMENT SEVERELY CONDEMNS THE ODIOUS U.S. SLANDER AND AGGRESSIVE MANEUVERS AGAINST THE KINGDOM OF COMBODIA. IT REAFFIRMS THE TOTAL SUPPORT OF THE VIETNAMESE PEOPLE FOR THE JUST STRUGGLE OF THE KHMER PEOPLE UNDER THE LEADERSHIP OF THE CHIEF OF STATE NORODOM SIHANOUK TO SAFEGUARD THE INDEPENDENCE, SOVEREIGNTY, NEUTRALITY, AND TERRITORIAL INTEGRITY OF COMBODIA.

THE DRV GOVERNMENT SEVERELY CONDEMNS U.S. MILITARY INTERVENTION IN LAOS AND ITS SYSTEMATIC SABOTAGE OF THE 1962 GENEVA AGREEMENTS ON LAOS. IT FIRMLY DEMANDS OF THE UNITED STATES AND ITS LACKEYS THE CORRECT IMPLEMENTATION OF THESE AGREEMENTS AND STRICT RESPECT OF THE INDEPENDENCE, SOVEREIGNTY, AND NEUTRALITY OF LAOS. ALL MANEUVERS AND ACTS OF AGGRESSION BY THE AMERICAN IMPERIALISTS AGAINST LAOS AND THE KINGDOM OF CAMBODIA ARE BOUND TO END IN HUMILIATING DEFEAT.

THE MONGOLIAN DELEGATION, WHICH HAS SPENT FIVE DAYS IN NORTH VIETNAM, ISSUED A RESOLUTION REAFFIRMING ITS SUPPORT FOR NORTH VIETNAM IN ITS STRUGGLE FOR NATIONAL SALVATION. THE DELEGATION WAS LED BY SONOMYN LUBSAN, MEMBER OF THE MPRP CENTRAL COMMITTEE POLITBURO AND DEPUTY PREMIER.

DTG 31/0232Z DEC 1967

SECRET

5

ACTION

Pres file

~~CONFIDENTIAL~~

Friday, December 29, 1967 -- 8:15 p.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message to Prime Minister Eshkol

Now that the details of the Prime Minister's earlier visit are settled, I think a short welcome message would be a nice touch. State agrees and suggests the following:

"Dear Mr. Prime Minister:

"I am pleased that you have found it possible to advance the date of your visit to this country and that you and Mrs. Eshkol will be able to spend some time with us in Texas. We are looking forward to seeing you again.

"I have given much serious thought to the views set forth by Foreign Minister Eban here last fall and in the letter he brought. I am glad that we will have a chance to discuss these important issues in person. I appreciated your thoughtful message following his return to Israel and am sure our talks will bring even further understanding.

"Sincerely,

"Lyndon B. Johnson."

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By jc, NARA, Date 7-18-03

W. W. Rostow

HSaunders:rin

~~CONFIDENTIAL~~

25X1A
DOLD
Review~~CONFIDENTIAL~~ EYES ONLY

VZCZCDSI656

O 291545Z ZYH

FM THE WHITE HOUSE

TO AMEMBASSY NEW DELHI

ZEM

C O N F I D E N T I A L LITERALLY EYES ONLY

CITE CAP671234

FOR AMBASSADOR BOWLES FROM THE PRESIDENT. DELIVER IMMEDIATELY
TO THE AMBASSADOR, WHEREVER HE IS.

IN MY FOUR YEARS OF THE PRESIDENCY, I HAVE ASKED VERY LITTLE,
IF ANYTHING, OF THE INDIAN GOVERNMENT. I AM ASKING SOMETHING
NOW, NAMELY, THAT AT THE HIGHEST LEVEL THEY MAKE A MAXIMUM EFFORT,
THROUGH THE ICC, TO END COMMUNIST USE OF CAMBODIAN TERRITORY.

I BELIEVE THE INDIANS SINCERELY WANT PEACE IN SOUTHEAST ASIA
AND DESIRE AUTHENTIC NEUTRAL STATUS. THIS IS THE TIME FOR THEM
TO ACT IN TERMS OF BOTH OBJECTIVES.

UNLESS THE ICC CAN, AT LAST, PERFORM EFFECTIVELY IN THE CASE
OF CAMBODIA, THE WAR MAY WELL SPREAD.

INDIA SHOULD NOW MOVE PROMPTLY AND EFFECTIVELY TO PREVENT THIS.

I COUNT ON YOU TO DEVOTE FULL TIME, IF NECESSARY, TO THIS
TASK.

130

NNNN

~~CONFIDENTIAL~~

EYES ONLY

SANITIZED

Authority NLJ-019-027-001/2

By jc NARA, Date 12/16/09

~~SECRET~~ / *Sensitive Eyes Only*

December 29, 1967

free file 8

FROM WALT ROSTOW

FOR THE PRESIDENT *and Joe Califano*

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *jc*, NARA, Date *7-18-03*

Herewith a basic paper for the meeting at 10:00 a.m. tomorrow at the Ranch. At Joe Califano's instruction, it begins with a statement of the problem.

The Problem.

1. The over-all balance of payments has been in deficit (on liquidity basis) every year since 1950, with the one exception of 1957 (Suez). In the early years, this was a blessing to the world. Since about 1959, it has been a serious problem. The deficits in 1965-66 were considerably below earlier years:

1960	\$3.9 billion
1961-64 average	2.5 billion
1965	1.3 billion
1966	1.4 billion

2. Through the first 3 quarters of 1967, the deficit widened to \$1.7 billion (\$2-1/4 billion at annual rate). Although our trade balance improved and U.S. direct investment was reduced, there were these adverse changes:

- Net military spending abroad, up more than \$1/2 billion;
- Private remittances (mainly to Israel), up nearly \$1/4 billion;
- Foreign security issues (especially to Israel and Canada), up more than \$1/4 billion; and
- The tourist gap (mostly the effect of EXPO 67), up about \$400 million.

~~SECRET~~

12/29/67

3. The 4th quarter, however, threatens to turn the year into a disaster. So far in this quarter, the outflow has been nearly \$2 billion. The deficit for the full year may challenge 1960's unhappy record of \$3.9 billion.

-- The only major known special transaction was the \$500 million liquidation of U.K. securities.

-- By the process of elimination, speculative activity must be blamed for much of the 4th quarter trouble. The smart money has probably been moving out in fear either of devaluation or of new controls. We are now getting direct evidence of this (for example, from Chase Bank).

4. Without remedial action, the calendar 1968 deficit might run about \$3 billion. It is, however, the general judgment that the present position and a prospective deficit of \$3 billion for 1968 are likely to set in motion forces bearing on the position of the dollar which would almost certainly force a fundamental crisis in the course of 1968, unless we act radically and promptly to reduce the deficit.

5. The Proposed Program. Taking into account leakages and offsets (of about \$1/2 billion) and setting aside the two controversial components (border tax and tourism) the package is calculated to reduce the 1968 deficit as presently estimated from about 3 to the range of \$1 to \$1.5 billion. With two controversial measures, the package could take us close to full balance within a year.

12/29/67

In summary, the believed savings are as follows:

Direct investment	\$1 billion
Short-term capital	.5 - .75
Military Offsets	.3
Tourism (with legislation)	.5
Trade (with border tax)	<u>.5 - .75</u>
	\$2.8 - \$3.3 billion
Leakages	<u>- .5 - .5</u>
	\$2.3 - \$2.8 billion

6. In addition to short-term impact on the 1968 deficit, the program includes measures (via export promotion and negotiations in GATT) which would have long-term favorable effects on our balance of payments position.

AGENDA FOR TOMORROW'S MEETING

Unresolved issues

7. Border tax (assuming you are prepared to go to Congress on a border tax under any circumstances). The issue to be resolved is the exact language in your public statement. The issue has been narrowed to this: How explicitly, and in how much detail, should we refer to legislation to offset the new European tax system before the mission goes to consult in Europe? Behind this is not only a matter of tone but a matter of substance.

12/29/67

Sec. Fowler wants the border tax in any case to provide a long-run incentive to American exporters. And he wants us to be committed now to seeking legislation rather than risk our backing away in the face of a European protest. Sec. Rusk would like to leave the possibility open that consultations would yield a postponement in the application of the European tax system which would eliminate the need for us to go to Congress on this matter; although neither he nor anyone else is confident that postponement is possible. The most likely outcome of Sec. Rusk's mission is, at most, European agreement to stand still for the border tax. Therefore, Sec. Rusk might accept reference to the possibility of legislation in your statement, but would like consultation to take place before you are fully committed.

8. Tourism. Here the question is:

-- Do we commit ourselves to a legislative program to reduce
tourist expenditures?

9. As you well know, the arguments here are:

- The desirability of movement across the board to make mandatory capital controls more acceptable to the business community;
- The possible political cost of inhibiting tourism;
- The possibility that Congress will reject a tourism program versus the advantage of the President striking an even-handed, across-the-board initial position.

12/29/67

10. The administrative locus for the mandatory program to restrain direct investment. As you know, Charlie Schultze ruled that Commerce should execute this program. I understand you lean to Treasury. The Executive Order will be drafted so that you can move either way tomorrow.

11. The allocation of mandatory powers to the Federal Reserve. This afternoon Joe Califano and Ernie Goldstein are trying to get the Federal Reserve to accept an arrangement in which the President would only have to issue one Executive Order containing powers sufficient to cover both the direct investment and the Federal Reserve program.

12. The diplomatic missions. The package we sent contains the initially proposed scenario. The critical question is whether Sec. Rusk heads the mission to Continental Europe. The advantage is that only he can make clear and bring to bear all of the elements of interconnection between Europe and the U. S. which would be endangered if they do not sit still for a U. S. border tax and otherwise cooperate fully with this program. The arguments against are:

- Possibility of Vietnam demonstrations;
- The possibility of European leaks that Sec. Rusk's requests have been refused, which could enflame both Congress (protectionism and Mansfield) and the private capital and money markets.

13. Timing of statement and political setting. It is clear ~~that~~ from

12/29/67

^{that}
conversations with Joe Califano, you have the considerations more
clearly in mind than anyone else.

14. Briefing of Press.

15. Diplomatic scenario. A draft is included in the package we sent
down. We will put outgoing telegrams to all missions abroad in final shape
when the decisions are made on the unresolved issues.

###

Mr. Rostow

9

1. map
2. Plan file

~~SECRET~~

Friday, December 29, 1967

MEMORANDUM FOR JIM JONES

The attached recommendations from State on details of Prime Minister Eshkol's visit to the Ranch look sensible to me, and I pass them along for whatever help they may be to you. We would appreciate your reaction, especially on arrival and departure times.

I assume you will want Bess Abell to be in touch about the dinner guest list, so I will pass a copy of this to her emphasizing that these are only State's suggestions.

W. W. Rostow

cc: Mrs. Abell

~~SECRET~~

DECLASSIFIED
E.O. 13526, Sec. 3.4(b)
White House, Feb. 24, 1983
By ry, NIA, Date 12-24-91

Friday, December 29, 1967

MEMORANDUM FOR THE PRESIDENT

Pres file

SUBJECT: Negotiation Attempts on Vietnam

Herewith a detailed listing by the State Department of all our attempts to get negotiations on Vietnam since 1965. For purposes of your review of our efforts in the last year, here is a summary listing of our initiatives since January 1, 1967:

1. On January 1, you publicly encouraged the British initiative to arrange talks.
2. On January 17, the GVN offered to discuss an extension of the four day Tet truce with Hanoi representatives.
3. On February 2, you said publicly you were not aware of any effort made by the other side to stop the fighting and you reaffirmed your deep interest in a prompt and peaceful settlement.
4. On February 5, the GVN Foreign Minister repeated the offer to discuss an extension of the Tet truce.
5. On February 8, you responded to a message from the Pope, hoping that the Tet truce might lead to negotiations but saying we are prepared to seek peace "in any forum" and to discuss either a reduction in the fighting or its cessation "or any practical arrangements which could lead to peace."
6. On February 9, Secretary Rusk made a public appeal "to all capitals on the other side" to recognize the necessity for reciprocity and good sense and join in a common search for peace.
7. On February 8-13, we suspended bombing for 5 days and 18 hours. You wrote Ho Chi Minh on February 8, offering to stop the bombing of the North and further augmentation of our forces in the South if Hanoi would stop infiltration. On February 15, Ho Chi Minh replied in propaganda terms and on March 21 Hanoi released both letters.
8. On March 28, Secretary General U Thant made public his proposal for a stand-still truce as the first step toward peace. On the same day we released our reply, accepting the Secretary General's proposal, which Hanoi denounced on April 5.

9. On April 10, the Ceylonese Prime Minister called for a meeting between Saigon, the NLF and Hanoi to work for a cease-fire. On April 12, the GVN agreed to such a meeting.

10. On April 11, the Canadians presented a four-stage proposal for a cease-fire. On April 18, the GVN welcomed the Canadian plan and called for a pullback from the DMZ, etc. On April 19, we made a similar response saying the Canadian proposal offered "considerable promise." Hanoi denounced it as a "crafty scheme."

11. On May 12, U Thant called for a bombing halt. Ambassador Goldberg replied we were ready to stop bombing with assurance of an "appropriate de-escalation on the other side."

12. On May 23, we declared a 24-hour cease-fire for the Buddha's birthday. The communists refused to observe the cease-fire.

13. In September, we explored with the Security Council the possibility of Council action seeking peace. This got nowhere in view of the total opposition of the Soviet Union and North Vietnam to UN involvement.

14. On September 29, you stated in your San Antonio speech that we were ready to stop the bombing of the North "when this will lead promptly to productive discussion."

15. On November 11, from the USS Enterprise you suggested a meeting on "a neutral ship on a neutral sea."

16. On October 30, President Thieu said he was ready to talk with North Vietnam "at any time North Vietnam would like to talk to us."

17. On December 19, in your television interview you set forth your five points in the search for peace, which Hanoi denounced as "deceitful."

W. W. Restow

Attachment

Sent - 29/1629

12

CONFIDENTIAL

ZCZCEEA732
OO WTE10
DE WTE 3199

FROM WALT ROSTON
TO THE PRESIDENT
CITE GAP671240

CONFIDENTIAL

DECEMBER 29, 1967

SUBJECT: ANNOUNCEMENT OF AFRICAN VISITS

AS YOU KNOW, THE VICE PRESIDENT IS CARRYING WITH HIM TO AFRICA THREE INVITATIONS FOR VISITS HERE -- TUBMAN OF LIBERIA, EGAL OF SOMALIA, AND BOURGUIBA OF TUNISIA. WE NEED YOUR GUIDANCE ON HOW THESE INVITATIONS SHOULD BE ANNOUNCED.

WE COULD:

-- HAVE THE VICE PRESIDENT MAKE EACH ANNOUNCEMENT AS HE VISITS EACH HEAD OF STATE; (HE'LL BE IN LIBERIA DEC. 31 - JAN 3; IN SOMALIA JAN. 7-8; TUNISIA JAN. 9-10.) THE RANCH COULD CONFIRM EACH ANNOUNCEMENT.

-- SIMULTANEOUS ANNOUNCEMENTS FROM THE RANCH AND THE VICE PRESIDENT; (THIS MAY BE, BECAUSE OF TIME DIFFERENCES, HARD TO MANAGE LOGISTICALLY, BUT WE COULD MAKE A TRY IF YOU WISH.)

-- MAKE THE ANNOUNCEMENTS FROM THE RANCH.

WHATEVER OPTION YOU CHOOSE, THE VISITORS WILL, AS ALWAYS, WANT TO TIME THEIR ANNOUNCEMENT TO COINCIDE WITH OURS.

LEAVING THE FIRST ANNOUNCEMENT TO THE VICE PRESIDENT WOULD GIVE MAXIMUM COURTESY TO THE INVITEES AND GIVE THE VICE PRESIDENT SOME EXTRA NEWS PEGS FOR THE TRIP.

LET THE VICE PRESIDENT ANNOUNCE AND WE'LL CONFIRM-----

SIMULTANEOUS ANNOUNCEMENTS-----

WE'LL ANNOUNCE FROM THE RANCH-----

SPEAK TO ME-----

DTG: 292100Z DEC 67

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By rg, NARA, Date 12-24-91

CONFIDENTIAL

13
SECRET

EYES ONLY

EE
EEA737
OO WTE10
DE WTE 3203

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671244

SECRET EYES ONLY

LACKING HIS SECRETARY, WHO ALONE HAS SECURITY CLEARANCE IN HIS OFFICE, BOB ANDERSON EXPRESSED THE FOLLOWING VIEWS ON THE MIDDLE EAST, WHICH HE ASKED ME TO MAKE AVAILABLE TO YOU.

1. IT IS HIS QUITE OBJECTIVE JUDGMENT THAT WE ARE ON THE WAY TO LOSING THE MIDDLE EAST RAPIDLY. IN A MATTER OF MONTHS THERE WILL BE A MILITARY CONFRONTATION IN WHICH THE SOVIET UNION WILL BE PREPARED NOT ONLY TO ARM THE ARABS, BUT DIRECTLY TO ENGAGE, PERHAPS VIA TECHNICIANS, IF NOT MORE OPENLY. THEY WILL USE THE SAME TECHNIQUES AS WE HAVE USED IN VIETNAM AND A SIMILAR RATIONALE; NAMELY, THAT THEY HAVE A RIGHT TO HELP THEIR FRIENDS DENY OTHERS ACQUISITION OF THEIR TERRITORY. THE ISRAELIS HAVE NO MORE RIGHT TO IMPOSE THEIR GOVERNMENT ON THE WEST BANK OF JORDAN THAN THE NORTH VIETNAMESE HAVE A RIGHT TO IMPOSE THEIR GOVERNMENT ON THE SOUTH. THEY WILL ACCUSE THE ISRAELIS OF AGGRESSION; AND, AS WE KNOW, THE CONCEPT OF AGGRESSION CAN BE DEFINED IN WAYS THAT SUIT THE INTERESTS OF THE PARTY MAKING THE DEFINITION.

DECLASSIFIED

Authority FR4564-68, w/ 20, "28

By NARA, Date 7-18-03

XEROX FROM QUICK COPY

2. BOB SAID THAT HE IS WHOLLY AWARE OF OUR LEGITIMATE SENSE THAT THE ARAB LEADERS HAVE PROVED THEMSELVES UNRELIABLE. THEY HAVE CREATED BY THEIR OWN STATEMENTS AND ACTIONS A MONSTER IN THEIR PUBLIC OPINION WHICH MAKES IT IMPOSSIBLE FOR THEM TO NEGOTIATE DIRECTLY WITH ISRAEL. THEY ARE WIDELY DIVIDED AMONG THEMSELVES EXCEPT ON THE ISSUE OF ISRAEL.

3. SPECIFICALLY, BOB BELIEVES IT IS UNWISE FOR US -- AND UNWISE FOR THE ISRAELIS -- TO INCREASE ISRAELI ARMS IN ORDER TO BALANCE ARAB ARMS ACQUIRED FROM THE SOVIET UNION. HE BELIEVES IT WOULD BE A DISASTER IF WE MADE DRAMATIC ANNOUNCEMENT WHEN ESHKOL IS HERE OF INCREASED ARMS FOR THE ISRAELIS. IT WOULD BE TANTAMOUNT TO A U.S. COMMITMENT TO ENGAGE THE RUSSIANS DIRECTLY IN THE MIDDLE EAST.

4. POSITIVELY, HE BELIEVES WE MUST NOW MAKE A MOVE TOWARDS THE ARAB MODERATES. WE MUST INDICATE THAT OUR CONCEPT OF TERRITORIAL INTEGRITY APPLIES NOT ONLY TO ISRAEL, BUT TO THE ARABS. WE MUST PICK UP NASSER'S OFFER TO RE-ESTABLISH RELATIONS PROMPTLY AND NOT INSIST ON OUR CONCEPT OF APOLOGIES. THE RUSSIANS ARE UNPOPULAR THROUGHOUT THE ARAB WORLD. THERE ARE MODERATES WHO WANT PEACE. THEY WILL ACCEPT ANY AMOUNT OF U.S. COMMITMENT TO THE INTEGRITY OF ISRAEL AND ITS BORDERS. THEY WILL ACCEPT THE PRESIDENT'S FIVE POINTS OF JUNE 19. BUT IF WE APPEAR TO THROW OUR WEIGHT FULLY BEHIND ISRAEL AND IGNORE THEIR OVERTURES TO US, THEY WILL TURN, WHATEVER THE COST, TO THE RUSSIANS.

5. WE MUST UNDERSTAND, BOB SAYS, THAT IN THE ARABS WE ARE DEALING WITH A DIFFERENT BREED OF CAT THAN ANY OTHERS IN THE WORLD. TO THEM, FACE IS MORE IMPORTANT THAN SUBSTANCE. IT MEANS MORE TO THEM THAN TO THE ISRAELIS OR TO US. MOREOVER, HE BELIEVES THAT IF WE HELP THEM SAVE FACE, WE HAVE THE POSSIBILITY, IF WE ACT FAST, OF GETTING A LIVABLE SETTLEMENT FOR ISRAEL WHICH WOULD BLOCK SOVIET INFLUENCE OUT OF THE MIDDLE EAST. HE UNDERLINED THAT WE MUST MOVE FAST. HE CONCLUDED THAT WE ARE ON THE EDGE OF A WAR IN THE MIDDLE EAST, AT LEAST AS SERIOUS FOR US AS VIETNAM, UNLESS WE BALANCE OUR ACCOUNTS WITH THE MODERATE ARABS AND AVOID, ON THE OCCASION OF THE ESHKOL VISIT, ANY DRAMATIC MOVE IN THE ARMS FIELD WITH ISRAEL WHICH WOULD POLARIZE THE ARAB WORLD AGAIN AND LAY THE BASIS FOR THEIR TURNING ONCE AND FOR ALL TO MOSCOW.

WVR COMMENT:

1. I BELIEVE BOB'S COMMENT THAT WE ARE HEADING TOWARD A NEW MILITARY CONFRONTATION ASSUMES THAT THERE IS NO PROGRESS TOWARD ISRAELI WITHDRAWAL AND A PEACE SETTLEMENT. AMBASSADOR JARRING IS NOW ON HIS SECOND ROUND OF TALKS, AND YOU WILL BE DISCUSSING WITH ESHKOL THE IMPORTANCE OF ISRAEL'S DOING EVERYTHING POSSIBLE TO ENCOURAGE THE ARABS TO NEGOTIATE RATHER THAN FIGHT. WE DON'T KNOW WHAT THIS WILL BRING, BUT WE'VE TOLD THE ARABS WE'D PUT OUR WEIGHT BEHIND JARRING.

2. WHILE WE'RE ALL VARY AND UNSURE OF SOVIET INTENT, I'M LESS CERTAIN THAN BOB THAT THE SOVIETS ARE READY FOR THE KIND OF INVOLVEMENT HE PREDICTS. WE'VE SEEN THEM SHY AWAY FROM IT SEVERAL TIMES THIS YEAR.

3. I AGREE THAT THERE SHOULD BE NO DRAMATIC ANNOUNCEMENT OF AN ARMS DEAL IN CONNECTION WITH THE ESHKOL VISIT. BUT I DO BELIEVE WE HAVE A CLEAR INTEREST IN ISRAEL'S BEING ABLE TO DEFEND ITSELF.

4. WE HAVE THE FOLLOWING IN THE WORKS FOR THE ARABS:

-- I AM SENDING YOU SEPARATELY A PROPOSED REPLY TO NASSER. IT'S RESTRAINED BUT POSITIVE. MAINTAINING A RELATIONSHIP WITH CAIRO IS CENTRAL TO COMPETING WITH THE USSR IN THE AREA.

-- YOU ARE AWARE OF THE ARMS DISCUSSIONS WITH HUSSEIN;

-- GENE BLACK IS GOING TO KUWAIT, SAUDI ARABIA, JORDAN AND THE UAR IN JANUARY AND CAN DO SOME HANDHOLDING FOR US IF WE WISH. LUKE BATTLE IS ALSO CONSIDERING A TRIP TO THE AREA.

DTG: 292231Z DEC 67

~~SECRET~~

EYES ONLY

1967 DEC 29 21 20

~~SECRET~~

EYES ONLY

EEA731

CO WTE10
DE WTE 3197

FROM WALT ROSTOW
TO THE PRESIDENT
JOE CALIFANO
CITE CAP671239

~~SECRET~~ EYES ONLY

DECEMBER 29, 1967

Pres file

41 DEC 29 PM 4:32

FRIDAY

YOU MAY WISH TO KNOW MY PERSONAL VIEW ON THE QUESTION OF
TRADE AND THE BORDER TAX.

1. THE TAX HARMONIZATION PROCESS IN THE EEC IS ALREADY
BEING DISCUSSED IN THE PRESS FOR WHAT IT IS: AN EXTRA CONTINENTAL
EUROPEAN TRADE ADVANTAGE VIS-A-VIS THE U. S. AT A TIME WHEN
CONTINENTAL EUROPE IS IN SURPLUS AND THE U. S. IS IN DEFICIT.
THAT WAS NOT THE INTENT, BUT THAT WILL BE THE EFFECT.

2. IT IS MY JUDGMENT THAT IF NO ORDERLY STEPS ARE TAKEN
TO COUNTER THIS EXTRA TRADE BURDEN THROWN ON THE U. S.,
THE CONGRESS WILL DEVISE ITS OWN PROTECTIONIST ANSWER. THAT
ANSWER WILL ALMOST CERTAINLY BE EXCESSIVE.

3. THE PRESIDENT WILL BE IN A MOST DIFFICULT POSITION TRYING
TO RESIST EXCESSIVE PROTECTIONISTS IN THE FACE OF THIS MARGINAL
UNILATERAL TRADE ACT BY THE EUROPEANS.

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *jc*, NARA, Date 7-18-03

4. THEREFORE, THE BEST CHANCE THAT I SEE OF DEALING WITH THE TAX HARMONIZATION PROBLEM IS:

--TO HAVE YOUR MESSAGE STATE THAT A FURTHER EUROPEAN TRADE ADVANTAGE VIS-A-VIS THE U. S. AT THIS TIME IS NOT ACCEPTABLE; AND THE PROBLEM MUST BE DEALT WITH;

--HAVE SEC. RUSK EXPLAIN TO THE EUROPEANS THAT UNLESS THEY SIT STILL FOR COMPENSATORY ACTION BY THE U. S. THAT THEY WILL THROW CONTROL IN THE CONGRESS OVER TO PROTECTIONISTS AND SENATOR MANSFIELD;

--ONCE WE GET AGREEMENT FROM THE EUROPEANS, WE PROCEED TO FIGHT FOR A LIMITED BORDER TAX WHILE FIGHTING OFF OTHER FORMS OF PROTECTIONISM AND THE ATTEMPT TO USE THE OCCASION TO GET AT THE TROOP ISSUE.

5. IT SEEMS ALMOST CERTAIN THAT EUROPEANS CANNOT NOW BACK AWAY FROM THEIR TAX HARMONIZATION SCHEME AND, THEREFORE, SOME QUICK COMPENSATORY ACTION ON THE U.S. SIDE WILL BE REQUIRED. OVER THE LONGER RUN WE CAN LEGITIMATELY STATE THAT WE SHALL SEEK VIA GATT A SYSTEM IN WHICH BORDER TAXES, UP TO A LIMITED DEGREE, WILL APPLIED OR SUSPENDED, DEPENDING UPON WHETHER NATIONS ARE IN DEFICIT OR SURPLUS.

6. IN SHORT, AS OPPOSED TO OUR OUTSIDE FRIEND AND CONSULTANT, I DO NOT SEE THE CHOICE AS SIMPLY HOLDING THE LINE ON THE KENNEDY ROUND OR GOING FOR A BORDER TAX AND RISKING A TRADE WAR. AS I SEE IT, THE EUROPEAN TAX HARMONIZATION SCHEME IS ALMOST SURE TO TRIGGER A DISPROPORTIONATE PROTECTIONIST REACTION IN THE CONGRESS, UNLESS WE MOVE IN AND TRY TO MANAGE AND CONTROL THE PROCESS.

DTG: 292002Z DEC 67

~~SECRET~~

EYES ONLY

for
~~CONFIDENTIAL~~

Sent

66 DEC 29 05 13

EEA715
CO VTE18
DE VTE 3178

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671224

for file

~~CONFIDENTIAL~~

I'M SURE YOU WOULD LIKE TO SEE PRIME MINISTER LEE'S
RESPONSE TO YOUR POST MELBOURNE SESSION MESSAGE.

REPLY DATED DECEMBER 28 FOLLOWS:

1. QUOTE MY DEAR PRESIDENT:
2. THANK YOU FOR YOUR MESSAGE OF 25TH DECEMBER.
3. I AM CHEERED BY YOUR LAST PARAGRAPH THAT THE NEW
YEAR LOOKS BRIGHTER BECAUSE OF THE UNDERSTANDING WE SHARE.
I TOO HOPE THAT IT MAY BRING SINGAPORE INCREASING SECURITY
AND SATISFACTION.
4. I SHALL KEEP YOU INFORMED WHEN THE HANOI TRADE MISSION
COMES TO SINGAPORE, AND OF THEIR INTENTIONS IF WE CAN
DECIPHER THIS FROM THEIR ACTIVITIES. WE SHALL NOT BE
ENTICED BY ANY TEMPORARY ADVANTAGE INTO PERMITTING
ACTIVITIES WHICH MAY LEAD, IN THE LONG TERM, TO OUR
DISMEMBERMENT AND DESTRUCTION.

DECLASSIFIED

Authority NLJ 96-319 (#26c)

By jc/isp NARA, Date 7-18-03

XEROX FROM QUICK COPY

5. NEITHER THE VIETCONG NOR THE NORTH VIETNAMESE WILL DESIST FROM EVERY PLOY, EVERY MANEUVER, EVERY TACTIC, TO EXPLOIT, TO THE FULLEST, THE DISSENSIONS WITHIN AMERICAN, AND BETWEEN AMERICAN AND HER EUROPEAN ALLIES. I DO NOT KNOW WHAT THIS MAY MEAN TO AMERICANS IN AN AMERICAN PRESIDENT ELECTION YEAR. BUT I CONSIDER IT TO BE IN SINGAPORE'S LONG TERM INTEREST TO DO WHAT LITTLE WE CAN TO NEGATE THE EXAGGERATIONS AND DISTORTIONS OF POLITICAL PROPAGANDA, AND BY PUTTING THE BATTLE IN SOUTH VIETNAM IN ITS PROPER PERSPECTIVE, LESSEN THE PRESSURES FOR QUICK, SIMPLE SOLUTIONS TO WHAT IS A VERY COMPLEX AND DANGEROUS SITUATION. AND IT CANNOT BE REPEATED TOO OFTEN THAT THE INCUMBENT PRESIDENT OF THE UNITED STATES OF AMERICA HAD INHERITED THESE PROBLEMS FROM HIS PREDECESSORS IN OFFICE, WHO IN TURN, IRONICALLY ENOUGH, HAD INHERITED THEM AS A RESULT OF UNITELLIGENT FRENCH POLICIES FROM 1945 TO 1954.

6. I WISH YOU SUCCESS IN THE CRUCIAL YEAR AHEAD.

7. YOURS SINCERELY, LEE KUAN YEW. UNQUOTE

8. LEE'S COVERING LETTER STATES THAT HE DOES NOT PLAN TO RELEASE TO THE PRESS EITHER THE PRESIDENT'S LETTER OR HIS REPLY TO THE PRESIDENT.

DTG 292446Z DEC 67

CONFIDENTIAL

~~SECRET~~

1967 DEC 29 02 04

EEA712
OO WTE 10
DE WTE 5165

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671211

~~SECRET~~

DECEMBER 28, 1967

HEREWITH THE TALKING PAPER YOU REQUESTED ON BOMBING POLICY.

1. GENERAL OBJECTIVE. THE BOMBING OF NORTH VIETNAM IS ONLY ONE OF THE INTERRELATED ELEMENTS OF ALLIED STRATEGY DESIGNED TO ACHIEVE OUR NATIONAL OBJECTIVES IN VIETNAM:

"OUR OBJECTIVE IS THE INDEPENDENCE OF SOUTH VIETNAM AND ITS FREEDOM FROM ATTACK....WE WILL DO EVERYTHING NECESSARY TO REACH THAT OBJECTIVE AND WE WILL DO ONLY WHAT IS NECESSARY." (JOHN HOPKINS, 7 APRIL 1966)

2. SPECIFIC OBJECTIVES. TO CONTRIBUTE TO OUR OVER-ALL OBJECTIVE, MORE SPECIFICALLY THERE ARE:

"THREE PURPOSES IN SELECTIVE BOMBING OF MILITARY TARGETS IN NORTH VIETNAM:

"(1) TO BACK OUR FIGHTING MEN BY DENYING THE ENEMY A SANCTUARY.

"(2) TO EXACT A PENALTY AGAINST NORTH VIETNAM FOR HER FLAGRANT VIOLATIONS OF THE GENEVA ACCORDS OF 1954 AND 1962.

"(3) TO LIMIT THE FLOW OR TO SUBSTANTIALLY INCREASE THE COST OF INFILTRATION OF MEN AND MATERIEL FROM NORTH VIETNAM."

(TENNESSEE LEGISLATURE, 15 MARCH 1967)

3. EVALUATION. THE BOMBING OF NORTH VIETNAM IS ACHIEVING THESE LIMITED PURPOSES:

- BOMBING HAS DENIED NORTH VIETNAM A SANCTUARY.

- NORTH VIETNAM IS PAYING A HEAVY PENALTY FOR CONTINUING THE WAR.

- WE HAVE SUBSTANTIALLY INCREASED THE COST OF INFILTRATION OF MEN AND MATERIEL FROM NORTH VIETNAM.

DECLASSIFIED BY AN ADMINISTRATIVE
MARKING, CANCELLED PER E.O. 12358
SEC. 1.3 AND ARCHIVIST'S RECORD ON
MAR. 10, 1993.

BY 18/dec ON 1/13/92

XEROX FROM QUICK COPY

THIS OVER-ALL EVALUATION IS BASED ON THE OBSERVABLE RESULTS IN ACHIEVING EACH OF THESE PURPOSES:

4. "TO BACK OUR FIGHTING MEN BY DENYING THE ENEMY A SANCTUARY."

A. WE ARE DEFEATING THIS AGGRESSION "WITH A PROPORTION OF FORCES AT LEAST HALF THAT USUALLY REQUIRED TO COPE WITH A GUERRILLA ENEMY OF SUCH SIZE." (KORAT, 23 DECEMBER 1967.) THIS IS POSSIBLE BECAUSE OF (1) BOMBING IN THE NORTH, (2) AIR SUPPORT IN THE SOUTH, AND (3) GREATER TROOP MOBILITY IN THE SOUTH PROVIDED BY AIR POWER.

B. WITHOUT THE BOMBING OF THE NORTH, (1) OUR PROGRESS IN THE SOUTH WOULD HAVE BEEN SLOWER, (2) WE WOULD HAVE HAD TO DEPLOY MORE TROOPS, (3) COST OF THE WAR WOULD HAVE BEEN HIGHER, AND (4) WE WOULD HAVE SUFFERED MORE CASUALTIES. NO PRECISE ESTIMATE POSSIBLE, BUT GENERAL MCCONNELL ESTIMATES THAT IF WE HAD NOT BOMBED--

- WE WOULD NEED AN ADDITIONAL 800,000 TROOPS,
- AT AN ADDITIONAL COST OF \$75 BILLION, AND
- AN ADDITIONAL BURDEN OF 28,000 U.S. DEATHS.

C. YET, COST OF BOMBING THE NORTH IS ONLY 9 PER CENT OF THE \$24 BILLION COST OF THE WAR IN SOUTHEAST ASIA.

- U.S. DEATHS FROM THE AIR WAR -- NORTH AND SOUTH -- ARE ONLY ABOUT 3 PER CENT OF THE TOTAL U.S. DEATHS FROM HOSTILE ACTION.

- AT THE SAME TIME, AIR ACTION CONTRIBUTES TO AN ATTRITION OF 10 PER CENT (POSSIBLY AS MUCH AS 20 PER CENT) CASUALTIES (DEATHS, DESERTIONS, SICKNESS, AND OTHER LOSSES) OF MEN INFILTRATING FROM THE NORTH.

- THUS, RATIO OF ENEMY TO FRIENDLY KILLED IN ACTION FROM BOMBING IS PROBABLY SEVERAL TIMES HIGHER THAN IN COMBAT IN THE SOUTH. THUS, BOMBING RESULTS IN SAVING MANY LIVES OF OUR MEN IN THE SOUTH.

D. BOMBING THE NORTH REVERSES THE MANPOWER RATIO IN GUERRILLA WAR IN OUR FAVOR.

- IN THE SOUTH, THE ALLIED ORDER OF BATTLE IS BETWEEN FOUR AND FIVE TIMES ENEMY ORDER OF BATTLE.

- HISTORICALLY, SUCCESSFUL COUNTERINSURGENCIES HAVE REQUIRED THE COMMITMENT OF FORCES BETWEEN EIGHT AND FIFTEEN TIMES GUERRILLA FORCES.

- BOMBING OF THE NORTH HAS REQUIRED THE DIVERSION OF ABOUT 500,000 FULL-TIME AND 200,000 PART-TIME WORKERS TO DEFEND AGAINST OR COUNTER EFFECTS OF BOMBING. WE ARE WAGING THE AIR WAR IN THE NORTH WITH ONLY 70,000. THUS, MANPOWER RATIO IS BETWEEN SEVEN TO ONE AND TEN TO ONE IN OUR FAVOR (VERSUS FOUR OR FIVE TO ONE AGAINST US IN THE SOUTH).

5. "TO EXACT A PENALTY AGAINST NORTH VIETNAM FOR HER FLAGRANT VIOLATIONS OF THE GENEVA ACCORDS OF 1954 AND 1962." AT LITTLE COST IN ENEMY CIVILIAN CASUALTIES AND WITH OUR AIRCRAFT LOSS RATES LESS THAN WORLD WAR II AND KOREA, THE BOMBING HAS SEVERELY CURTAILED NORTH VIETNAMESE INDUSTRIAL AND AGRICULTURAL PRODUCTION.

- WE HAVE SCRUPULOUSLY AVOIDED ATTACKS ON POPULATION AND HAVE TRIED TO MINIMIZE ENEMY CIVILIAN CASUALTIES. "NEVER BEFORE HAVE SO MANY BOMBS BEEN DROPPED WITH SO FEW CIVILIAN CASUALTIES. EVEN SO, MOST OF THOSE CIVILIANS WHO HAVE BEEN INADVERTENTLY KILLED WERE ENGAGED DIRECTLY IN THE SUPPORT OF THE WAR IN THE SOUTH. THE TOTAL OF ALL CIVILIANS WHO HAVE BEEN INADVERTENTLY KILLED OR INJURED IS CERTAINLY FAR BELOW THE NUMBER OF SOUTH VIETNAMESE WHO HAVE BEEN DELIBERATELY MAIMED OR MURDERED BY COMMUNIST TERRORISTS IN THE SOUTH." (GENERAL WHEELER)

- CURRENTLY OUT OF OPERATION ARE: 80 PER CENT OF CENTRAL ELECTRIC POWER GENERATING CAPACITY -- THE ONLY MODERN CEMENT PLANT -- THE ONLY METALLURGICAL PLANT -- THE ONLY EXPLOSIVES PLANT.

- PRODUCTION OF COAL AND APATITE, PREVIOUSLY EXPORTED IN QUANTITY, DRASTICALLY REDUCED.

- PRODUCTION IN THE SMALL FERTILIZER AND CHEMICAL INDUSTRY CURTAILED AND PRODUCTION OF PAPER REDUCED BY 80 PER CENT.

- IN 1966, BECAUSE OF WEATHER AND THE INDIRECT EFFECTS OF BOMBING, NORTH VIETNAM'S RICE CROP WAS 300,000 METRIC TONS SHORT; PRELIMINARY ESTIMATES INDICATE A SIMILAR SHORTFALL IN 1967.

- AS A CONSEQUENCE, THERE HAS BEEN A RADICAL INCREASE IN NORTH VIETNAM'S REQUIREMENTS FOR FOREIGN AID IN ORDER TO SUSTAIN HER WAR EFFORT AND HER ECONOMY AT MINIMUM LEVELS. IMPORTS ARE UP FROM 2,100 METRIC TONS A DAY IN 1965 TO 4,500 IN 1967; SOVIET AID IS UP FROM \$100 MILLION TO \$700 MILLION ANNUALLY.

6. "TO LIMIT THE FLOW OR TO SUBSTANTIALLY INCREASE THE COST OF INFILTRATION OF MEN AND MATERIEL FROM NORTH VIETNAM." WE DON'T REALLY KNOW HOW SUCCESSFUL WE HAVE BEEN IN LIMITING THE FLOW BECAUSE WE DO NOT KNOW WHETHER THE PRESENT LEVEL OF EFFORT IN THE SOUTH IS WHAT THEY CONSIDER THEIR OPTIMUM STRATEGY OR WHETHER IT IS THE BEST THEY CAN OR ARE WILLING TO MOUNT IN THE FACE OF BOMBING.

A. IT SEEMS HARD TO BELIEVE, HOWEVER, THAT THEY CONSIDER IT THEIR OPTIMUM STRATEGY IN VIEW OF THE PROGRESS WE HAVE BEEN MAKING, THE HIGH CASUALTIES THEY HAVE BEEN SUFFERING, AND THE DECLINE IN THEIR FORCE LEVELS DESPITE MASSIVE INFILTRATION.

B. GENERAL WHEELER RECENTLY OBSERVED: "IF I WERE GENERAL GIAP, I WOULD WANT MY FORCES IN SOUTH VIETNAM TO BE FAR LARGER, MORE ACTIVE, AND MORE EFFECTIVE THAN THEY ARE. AND I'D BE LYING AWAKE NIGHTS TRYING TO FIGURE OUT HOW TO INCREASE THEIR SIZE AND EFFECTIVENESS."

C. SIMILARLY, GENERAL MCCONNELL RECENTLY NOTED THAT HANOI HAD THE POTENTIAL RESOURCES TO DOUBLE ITS FORCES IN THE SOUTH, AND THERE ARE MANY INDICATIONS THAT HE WOULD HAVE LIKED TO DO SO -- BUT THE ENEMY DID NOT DO SO BECAUSE OF THE BOMBING.

D. IN ANY EVENT, THIS MUCH WE DO KNOW:

- BOMBING HAS CAUSED THE DAMAGE OR DESTRUCTION OF ABOUT 5,000 FREIGHT CARS, 10,000 TRUCKS, AND 21,000 WATERCRAFT. (LAOS WOULD ACCOUNT FOR AN ADDITIONAL 4,300 TRUCKS.)

- WE ESTIMATE THAT 10 PER CENT (PERHAPS AS MUCH AS 20 PER CENT) OF THE MEN AND SUPPLIES DESTINED FOR THE SOUTH NEVER ARRIVE THERE.

- NORTH VIETNAMESE IMPORTS HAVE MORE THAN DOUBLED.

- THE 700,000 WORKERS DIVERTED TO DEFEND AGAINST OR REPAIR THE EFFECTS OF BOMBING ARE NOT AVAILABLE TO SEND SOUTH.

- ALTHOUGH IT IS NOT YET CRITICAL, NORTH VIETNAM IS BEGINNING TO FEEL A MANPOWER PINCH -- DRAFT AGE HAS BEEN CHANGED FROM 18-25 TO 16-45; SUBSTITUTION OF WOMEN IN AGRICULTURE, INDUSTRY, TRADE, AND CONSTRUCTION. (HOWEVER, THEY STILL HAVE THE CAPABILITY TO SEND ADDITIONAL DIVISIONS TO THE SOUTH.)

- BOMBING MUST HAVE CONTRIBUTED TO COMMUNIST ABANDONMENT OF LARGE-SCALE OPERATIONS EXCEPT IN BORDER AREAS.

- IT MOST PROBABLY HAS CAUSED THEM TO RESORT TO SHORTER SUPPLY ROUTES ACROSS THE DMZ.

- IT HAS CONTRIBUTED TO INCREASED USE OF CAMBODIAN SANCTUARIES.

[4]

7. CESSATION OF BOMBING. WHAT WOULD HAPPEN IF WE STOPPED THE BOMBING WITHOUT SOME ASSURANCE THAT SUCH A STOPPAGE WOULD BE PROMPTLY FOLLOWED BY PRODUCTIVE TALKS?

A. ALTHOUGH WE CAN'T PREDICT WHAT THE NORTH VIETNAMESE WOULD DO, WE CAN SAY THAT IF WE STOPPED BOMBING, (1) THEY WOULD BE ABLE TO PUT MEN AND SUPPLIES INTO THE SOUTH AT LOWER COST, (2) THE RESOURCES AVAILABLE TO THEM WOULD BE INCREASED, WHICH WOULD ENABLE THEM TO PUT MORE INTO THE SOUTH OR MAKE LIFE IN THE NORTH EASIER, OR BOTH, AND (3) IT WOULD BE A LOT EASIER FOR THEM TO SWEAT OUT THE WAR.

B. FROM THE EXPERIENCES OF PREVIOUS BOMBING SUSPENSIONS, WE KNOW WHAT NORTH VIETNAM DID DO.

- DURING THE FOUR-DAY STAND-DOWN DURING TET 1967, NORTH VIETNAM PUSHED THROUGH A VOLUME OF SUPPLIES THAT WOULD HAVE REQUIRED AT LEAST 38 DAYS TO MOVE DURING PERIODS OF BOMBING.

- DURING THE CHRISTMAS 1967 CEASE FIRE, AT LEAST 750 TRUCKS WERE SEEN HEADED SOUTH BETWEEN THANH HOA AND DONG HOI. THEY COULD HAVE MOVED 4,000 TONS OF SUPPLIES DURING THIS PERIOD. BETWEEN 80 AND 150 TRUCKS WERE DESTROYED OR DAMAGED BY BOMBING IMMEDIATELY FOLLOWING THE CEASE FIRE.

C. MOST PROBABLY, THEREFORE, IF WE CEASED BOMBING WITHOUT CORRESPONDING RECIPROCAL ACTION BY NORTH VIETNAM, WE COULD ANTICIPATE INCREASED COSTS, SLOWER PROGRESS, DECLINE IN THE MORALE OF OUR FIGHTING MEN AND ALLIES, AND INCREASED U.S. AND FREE WORLD CASUALTIES.

~~SECRET~~

DTG: 282156Z DEC 67

[5]

XEROX FROM QUICK COPY

DECLASSIFIED

Authority: DOD Directive 5200.10

By *Hy-Hid* NARA, Date *1-14-97*

17

~~SECRET~~

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ESA714
OO WTE 18
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06 DEC 29 02 23

Pres. file

FROM VALE ROSTOV
TO THE PRESIDENT
CITE CAP671219

DECLASSIFIED

~~SECRET~~

HERewith, AS REQUESTED, DEPARTMENT OF DEFENSE ACHIEVEMENTS FOR CALENDAR YEAR 1967. I BELIEVE ALL ITEMS ARE UNCLASSIFIED, BUT A FINAL CHECK IS BEING MADE.

JAN 28 PM 3 49

THURSDAY

INTERNATIONAL

CONTINUED VIETNAM BUILDUP. THE ARMY DEPLOYED OVER 90,000 ADDITIONAL MEN AND THE MARINES OVER 10,000 ADDITIONAL MEN TO SOUTH VIETNAM DURING 1967. THE PROJECTED U.S. MILITARY STRENGTH IN SOUTH VIETNAM AT THE END OF 1967 IS ABOUT 420,000.

DMZ ANTI-INFILTRATION SYSTEM. ON SEPTEMBER 7, SECRETARY McNAMARA ANNOUNCED THE COMMENCEMENT OF AN ANTI-INFILTRATION SYSTEM ALONG THE VIETNAM DE-MILITARIZED ZONE TO MAKE INFILTRATION THROUGH VIETNAM BY NORTH VIETNAMESE TROOPS MORE DIFFICULT.

MOBILE RIVERINE FORCE. THIS UNIQUE COMBAT UNIT, DEPLOYED IN THE MEKONG DELTA THIS YEAR, IS A COMBINED ARMY AND NAVY STRIKE FORCE. IT OPERATES FROM A VARIETY OF SPECIALIZED SHIPS PROVIDING QUARTERS, LOGISTICS, FIREPOWER AND ASSAULT ABILITIES. THIS FORCE HAS PENETRATED VIET CONG FORTIFIED AREAS WHICH HAD PREVIOUSLY BEEN UNVIOLATE.

RELOCATION FROM FRANCE. ABOUT 70,000 UNITED STATES MILITARY AND CIVILIAN PERSONNEL AND DEPENDENTS WERE RELOCATED TO GUAM, AND ABOUT 820,000 TONS OF UNITED STATES MATERIAL (WORTH AT \$1.2 BILLION) WERE EITHER MOVED OR DISPOSED OF AT GUAM.

NEW NATO STRATEGY. AT UNITED STATES URGING, NATO DEFENSE MINISTERS ADOPTED "GUIDANCE FOR NATO MILITARY AUTHORITIES" IN 1967. THIS GUIDANCE FEATURES A STRATEGY OF FLEXIBLE RESPONSE WHICH REPLACES THE MASSIVE RETALIATION CONCEPT FIRST ESPOUSED BY NATO IN 1956. THE NATO MINISTERS FORMALLY APPROVED THIS "GENERAL STRATEGIC CONCEPT" IN DECEMBER.

FROM QUICK COPY

NATO AND NUCLEAR AFFAIRS. THE PERMANENT COMMITTEE STRUCTURE, CREATED IN DECEMBER 1966 TO ADVISE THE NATO DEFENSE PLANNING COMMITTEE ON THE NUCLEAR AFFAIRS OF THE ALLIANCE, COMPLETED ITS FIRST YEAR OF OPERATION. IT ACHIEVED IMPROVED NATIONAL PARTICIPATION IN NATO MILITARY NUCLEAR PLANNING AND PROCEDURES FOR CONSULTATION ON THE USE OF NUCLEAR WEAPONS.

STRATEGIC FORCES

SENTINEL SYSTEM. A PROGRAM WAS ANNOUNCED IN SEPTEMBER TO PRODUCE AND DEPLOY THE SENTINEL ANTI-BALLISTIC MISSILE DEFENSE SYSTEM. THIS IS DESIGNED TO PROVIDE THIS COUNTRY WITH AN AREA DEFENSE AGAINST A FIRST GENERATION COMMUNIST CHINESE BALLISTIC MISSILE THREAT AND AGAINST THE ACCIDENTAL LAUNCH OF A MISSILE FROM ANY SOURCE.

SR-71. THE SR-71 STRATEGIC RECONNAISSANCE AIRCRAFT BECAME COMBAT READY ON DECEMBER 1, ADDING A DRAMATIC RECONNAISSANCE CAPABILITY TO SAC.

BALLISTIC MISSILE PROGRAMS COMPLETED. THE 1,000TH MINUTEMAN ICBM WAS TURNED OVER TO STRATEGIC AIR COMMAND, AND THE 141ST POLARIS BALLISTIC MISSILE SUBMARINE WAS COMMISSIONED, BRINGING OUR NUCLEAR STRATEGIC MISSILE POSTURE TO A RECORD HIGH POINT.

GENERAL PURPOSE FORCES

RECORD AIRLIFT. ABOUT 12,000 101ST AIRBORNE DIVISION SOLDIERS WERE DEPLOYED TO VIETNAM FROM FORT CAMPBELL, KENTUCKY, IN DECEMBER IN THE LARGEST AND LONGEST TROOP AIR LIFT IN MILITARY HISTORY.

RIOT CONTROL. NEW TRAINING STANDARDS FOR RIOT CONTROL PROCEDURES WERE ESTABLISHED FOR THE ARMY NATIONAL GUARD UNITS TO INCREASE THEIR ABILITY TO RESPOND EFFECTIVELY, QUICKLY AND APPROPRIATELY IN CONDITIONS OF DISORDER AND VIOLENCE.

F-111s DELIVERED. THE FIRST OPERATIONALLY CONFIGURED TACTICAL FIGHTER AIRCRAFT WAS DELIVERED TO AIR FORCE SQUADRON OCTOBER FOR THE FIRST TACTICAL AIR COMMAND F-111A SQUADRON.

DEFENSE SATELLITE COMMUNICATIONS SYSTEM. TWO NEW SERIES OF SATELLITES TOOK PLACE. THERE ARE NOW 18 SATELLITES IN ORBIT, OF WHICH 17 ARE OPERATIONAL. AMONG ITS MANY USES, THE SYSTEM IS TRANSMITTING HIGH PRIORITY TRAFFIC, INCLUDING QUALITY RECONNAISSANCE PHOTOGRAPHS, BETWEEN SOUTHEAST ASIA AND WASHINGTON.

NIGHT SIGHTING SCOPE. DURING 1967 TROOP ISSUES OF THIS NEW DEVICE REACHED LEVELS WHICH HAS MADE THE DEVICE A VERY IMPORTANT CONTRIBUTION TO OUR NIGHT COMBAT CAPABILITY. THIS INSTRUMENT, WHICH RESULTED FROM SEVERAL RECENT BREAKTHROUGHS IN R&D, PERMITS OBSERVATION OF NIGHT ACTIVITY WITHOUT REVEALING THE LOCATION OF THE OBSERVER.

RESEARCH AND DEVELOPMENT

PROJECT THEMIS. FIFTY RESEARCH PROGRAMS AT 42 COLLEGES AND UNIVERSITIES IN 30 STATES AND THE DISTRICT OF COLUMBIA WERE BEGUN UNDER PROJECT THEMIS, A PROJECT TO ASSIST IN THE DEVELOPMENT OF ADDITIONAL CENTERS OF RESEARCH EXCELLENCE AMONG THE NATION'S INSTITUTIONS OF HIGHER LEARNING, NOT NOW RECEIVING SUBSTANTIAL FEDERAL OR DEFENSE SUPPORT.

SOUTHEAST ASIA R&D. SUBSTANTIALLY OVER \$500 MILLION HAS BEEN SPENT IN RESEARCH AND DEVELOPMENT ACTIVITIES TO PRODUCE NEW EQUIPMENT BY WHICH TO INCREASE EFFECTIVENESS OF OUR FIGHTING FORCES IN SOUTHEAST ASIA AND TO MATCH THE SPECIFIC THREATS PRESENTED BY GUERRILLA FORCES IN THIS SEMI-TROPICAL ENVIRONMENT. DURING 1967, OVER 100 NEW KINDS OF EQUIPMENT WERE SENT TO THE THEATER IN TEST QUANTITIES TO DETERMINE THEIR SUITABILITY FOR OPERATIONAL USE. SOME NEW ITEMS ARE:

VALLEYE. THIS NEW GUIDED BOMB, USING TELEVISION TECHNIQUES, BECAME OPERATIONAL AND HAS SUCCESSFULLY STRUCK TARGETS IN NORTH VIETNAM WITH PIN-POINT ACCURACY.

NEW ATTACK AIRCRAFT. NAVY'S NEW 600-MILE PER HOUR CLOSE SUPPORT AND ATTACK AIRCRAFT, A-7A, BEGAN FLYING COMBAT MISSIONS IN VIETNAM. IT CAN CARRY MORE THAN TWICE THE LOAD OF BOMBS, OR THE SAME LOAD OF BOMBS TWICE AS FAR, AS ANY OTHER LIGHTWEIGHT JET AIRCRAFT.

NEW HELICOPTER. THE ARMED HUEY COBRA, A FASTER, MORE HEAVILY ARMED AND ACCURATE SUPPRESSIVE FIRE SUPPORT HELICOPTER, WAS DEPLOYED TO SOUTH VIETNAM.

PERSONNEL

MILITARY PAY ACT. THIS ADMINISTRATION'S LEGISLATION PROVIDED FOR 5.6 PERCENT BASIC PAY INCREASE FOR 3 1/2 MILLION MILITARY PERSONNEL ON ACTIVE DUTY AND SEVERAL OTHER PAY REFORMS. THIS INCREASE, TOGETHER WITH THOSE ~~THE LAST~~ *OF THE PAST* FOUR YEARS, HAS RAISED MILITARY BASIC PAY LEVELS BY OVER 40 PER CENT.

OFF-BASE HOUSING DISCRIMINATION. IN APRIL, AN AGGRESSIVE NATION-WIDE CAMPAIGN WAS INSTITUTED TO ELIMINATE DISCRIMINATION AGAINST MILITARY PERSONNEL IN OFF-BASE RENTAL HOUSING. UNDER THIS PROGRAM OUR COMMANDERS HAVE SOUGHT ASSURANCES OF NONDISCRIMINATORY HOUSING FOR MILITARY PERSONNEL FROM THE OWNERS AND OPERATORS OF 1,100,000 RENTAL HOUSING UNITS. AT THE OUTSET 650,000 OR 59 PER CENT OF THESE UNITS WERE REPORTED TO BE OPEN TO ALL MILITARY PERSONNEL WITHOUT DISCRIMINATION. BY THE END OF LAST MONTH, OUR COMMANDERS HAD REPORTED A CHANGE TO OPEN RENTAL POLICIES BY OVER 150,000 ADDITIONAL UNITS. WE NOW COUNT OVER 800,000 OPEN UNITS -- 75 PER CENT OF ALL THE UNITS CONTACTED.

PROJECT TRANSITION. SUCCESSFUL PILOT PROGRAMS WERE CONDUCTED TO EASE THE RETURN OF MILITARY PERSONNEL TO CIVILIAN LIFE THROUGH TRAINING, COUNSELING AND JOB ACQUISITION ASSISTANCE. UNDER THE PROGRAM, "PROJECT TRANSITION," VOLUNTEERS WITHIN SIX MONTHS OF SEPARATION RECEIVE GENERAL EDUCATION OR JOB-RELATED TRAINING, WITH PRIORITY GIVEN TO THOSE WITH NO CIVILIAN SKILL. PROJECT TRANSITION WILL BECOME OPERATIONAL AT OUR 86 MAJOR MILITARY INSTALLATIONS DURING JANUARY, 1968.

FEMALE OFFICER LEGISLATION. A BILL WAS ENACTED REMOVING ANTIQUATED RESTRICTIONS ON THE CAREERS OF FEMALE OFFICERS AND GIVING OVER 12,000 SUCH OFFICERS THE SAME BASIC OPPORTUNITIES FOR PROMOTION BASED ON MERIT AS MALE OFFICERS ENJOY. THIS INCLUDES THE POSSIBILITY OF HOLDING GENERAL AND FLAG OFFICER RANK.

PROJECT 100,000. THE GOAL SET FOR THIS PROJECT TO ACCEPT INTO THE ARMED SERVICES 40,000 MEN BY 30 SEPTEMBER 1967 UNDER LOWERED MENTAL AND PHYSICAL STANDARDS WAS EXCEEDED BY MORE THAN 9,000. THE PROGRAM CONTINUES WITH THE GOAL FOR THE YEAR ENDING 30 SEPTEMBER 1968 SET AT 100,000.

DRAFT EXTENSION AND REFORM. THE UNIVERSAL MILITARY TRAINING AND SERVICE ACT WAS AMENDED TO EXTEND FOR FOUR MORE YEARS AUTHORITY TO INDUCT MEN INTO THE ARMED FORCES AND TO PROVIDE FOR CERTAIN EQUITABLE CHANGES.

INSTALLATIONS AND LOGISTICS

MILITARY AIRLIFT COMMAND. MAC, AUGMENTED BY COMMERCIAL CIVIL AIR CARRIERS, TRANSPORTED OVER 2,123,000 PASSENGERS AND ABOUT 600,000 TONS OF CARGO ON A WORLDWIDE SCHEDULED BASIS.

SMALL BUSINESS FIRMS. SUCH FIRMS RECEIVED IN FY 1967 THEIR HIGHEST DEFENSE DOLLAR VOLUME SINCE RECORDS BECAME AVAILABLE IN FY 1951, SOME \$8.1 BILLION. IN ADDITION, THEY RECEIVED \$6.7 BILLION IN SUB-CONTRACTS.

DEFENSE COST REDUCTION PROGRAM. A \$15.8 BILLION COST REDUCTION SAVING HAS BEEN ACHIEVED SINCE 1961 WITH NEW SAVINGS LAST YEAR OF \$2 BILLION DOLLARS RESULTING FROM 32,000 NEW MANAGEMENT ACTION IMPROVEMENTS. FURTHER, 85 CONTRACTORS, OPERATING 211 PLANTS, PARTICIPATING IN THE DEFENSE PROGRAM REPORTED SAVINGS OF \$972 MILLION LAST YEAR.

COMPETITIVE MILITARY PROCUREMENT. COMPETITIVE PROCUREMENT HAS INCREASED FROM 33 PER CENT TO 43 PER CENT SINCE 1961. THIS HIGH LEVEL IS BEING MAINTAINED DESPITE DEMANDS FOR SOUTH VIETNAM.

DTIC 262532Z DEC 67

~~SECRET~~

XEROX FROM QUICK COPY

Sent 10:02 AM

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~~SECRET~~

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671230

1967 DEC 29 15 02

~~SECRET~~ SENSITIVE

DECEMBER 29, 1967

FOR THE PRESIDENT FROM WALT ROSTOW

1. HEREWITH JOE FOWLER'S SUGGESTED LIST FOR TOMORROW'S 10 A.M. MEETING.

SECRETARY FOWLER
SECRETARY RUSK OR E. V. ROSTOW
SECRETARY TROMBRIDGE
CHAIRMAN MARTIN
WILLIAM ROTH
W. W. ROSTOW

2. IN ADDITION HE WISHES YOU TO CONSIDER WHETHER YOU WANT ANY OF THOSE WHO DID THE PRINCIPAL DRAFTING:

FRED DEMING
ART OKUN
ED FRIED

I WOULD ADD ERNEST GOLDSTEIN, WHO HAS WORKED HARD AND WELL ON THE EXECUTIVE ORDER, REGULATIONS, AND OTHER MATTERS.

3. MY OWN JUDGMENT IS THAT GROUP SHOULD BE AS SMALL AS POSSIBLE AND THAT SECRETARY RUSK SHOULD BE THERE, SINCE DIPLOMATIC ASPECTS OF THIS ENTERPRISE ARE CRITICALLY IMPORTANT. ONE TECHNICAL REASON FOR SMALL GROUP IS, SIMPLY, PLANE HOLDS EIGHT AND CHARLIE SCHULTZE IS COMING, I AM TOLD, ON OTHER BUSINESS.

4. SECRETARY FOWLER REAFFIRMED TWICE PRIVATELY TO ME THAT HE WISHES SOME TIME TO TALK TO YOU ALONE. I HAVE EXPLAINED TO JOE CALIFANO WHY I THINK SUCH A CONVERSATION COULD BE CONSTRUCTIVE.

DIG: 291434Z DEC 67

DECLASSIFIED
E.O. 12356, Sec. 3.4(f)
White House, Dec 29, 1983
By 104, NARA, Date 12-29-91

~~SECRET~~

19
~~CONFIDENTIAL~~

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1967 DEC 29 14 21

PP WTE10
DE WTE 3184

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671229

~~CONFIDENTIAL~~

DECEMBER 29, 1967

HEREWITH A GRACIOUS, AS WELL AS EVIDENTLY SINCERE, RESPONSE
FROM PRIME MINISTER MCEWEN.

1. I HAVE JUST RECEIVED THE FOLLOWING LETTER, DATED DEC 29,
ADDRESSED TO PRESIDENT JOHNSON FROM PRIME MINISTER MCEWEN.
ORIGINAL IS BEING POUCHED.

"MY DEAR PRESIDENT,

I HASTEN TO ACKNOWLEDGE YOUR MOST GENEROUS MESSAGE
SENT TO ME ON CHRISTMAS DAY.

THE TREMENDOUS GESTURE YOU MADE TO HAROLD HOLT, TO
HIS WIFE, AND TO AUSTRALIA, IN COMING SO FAR AND SO QUICKLY
WILL NEVER BE FORGOTTEN BY THE PRESENT GENERATION OF
AUSTRALIANS. YOUR JOURNEY WILL MOST CERTAINLY CEMENT
INDISSOLUBLY THE UNITY OF THE AMERICAN AND AUSTRALIAN PEOPLE
IN OUR GREAT PURPOSES FOR PEACE AND FREEDOM. THE WARMTH
WITH WHICH YOU ARE PERSONALLY REGARDED HERE COULD NOT BE
HIGHER. YOU MAY CERTAINLY FEEL THAT ALL THAT HAROLD HOLT
STOOD FOR IN RELATION TO YOURSELF AND OUR MUTUAL CAUSE, I
ALSO STAND FOR WITH EQUAL STRENGTH.

I SHARE WITH YOU, IN A MOST COMPELLING MANNER, THE
MEMORY OF OUR PERSONAL TALK AND THE SUBSEQUENT TALK IN OUR
CABINET ROOM.

AMONGST THE GROUP OF MY MINISTERS PRESENT, YOU WILL
HAVE MET THE PRIME MINISTER WHO WILL SUCCEED ME, AND I HAVE
NO DOUBT AT ALL THAT WHATEVER CHANGE OF LEADERSHIP MAY
OCCUR IN OUR COALITION GOVERNMENT, THERE WILL BE NO CHANGE OF
POLICY OR OF OUR DETERMINATION TO STAND WITH YOU.

YOURS SINCERELY,
JOHN MCEWEN"
CLARK

DTG: 291356Z DEC 67

~~CONFIDENTIAL~~

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 1/30/55, State Dept. Guidelines

By MP, NARA, Date 7-18-03

XEROX FROM QUICK COPY

Pres file

Friday, December 29, 1967 -- 12:45 p.m.

Mr. President:

Herewith the unclassified version of the Department of Defense achievements for 1967 for use by the President in backgrounding.

W. W. Rostow

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20a

DEPARTMENT OF DEFENSE ACHIEVEMENTS
CALENDAR YEAR 1967

INTERNATIONAL

Continued Vietnam Buildup. In 1967, over 94,000 military personnel have been deployed to South Vietnam. The projected U.S. military strength in Vietnam at the end of 1967 is about 490,000.

DMZ Anti-infiltration System. On September 7, Secretary McNamara announced the commencement of an anti-infiltration system along the Vietnam De-Militarized Zone to make infiltration of South Vietnam by North Vietnamese troops more difficult.

Mobile Riverine Force. This unique combat unit, deployed into the Mekong Delta this year, is a combined Army and Navy strike force. It operates from a variety of specialized ships providing quarters, logistics, firepower and assault capabilities. This force has penetrated Viet Cong fortified areas which had previously been inviolate.

Relocation from France. About 70,000 United States military and civilian personnel and dependents were relocated from France, and about 820,000 tons of United States material (valued at \$1.2 billion) were either moved or disposed of in France.

New NATO Strategy. At United States urging, NATO Defense Ministers adopted "Guidance for NATO Military Authorities" in May. This guidance features a strategy of flexible response which replaces

the massive retaliation concept first espoused by NATO in 1956. The NATO Ministers formally approved this "Overall Strategic Concept" in December.

NATO and Nuclear Affairs. The permanent committee structure, created in December 1966 to advise the NATO Defense Planning Committee on the nuclear affairs of the Alliance, completed its first year of operation. It achieved improved national participation in NATO military nuclear planning and procedures for consultation on the use of nuclear weapons.

STRATEGIC FORCES

SENTINEL System. A program was announced in September to produce and deploy the SENTINEL Anti-Ballistic Missile Defense System. This is designed to provide this country with an area defense against a first generation Communist Chinese ballistic missile threat and against the accidental launch of a missile from any source.

Ballistic Missile Programs Completed. The 1,000th MINUTEMAN ICBM was turned over to Strategic Air Command, and the 41st POLARIS ballistic missile submarine was commissioned.

SR-71. The SR-71 strategic reconnaissance aircraft became combat ready on December 1, adding an important new reconnaissance capability to SAC.

GENERAL PURPOSE FORCES

Record Airlift. About 10,000 101st Airborne Division soldiers were deployed to Vietnam from Fort Campbell, Kentucky, in December in the largest and longest troop airlift in military history.

Reserve Component Reorganization. During the year the Army worked out a plan for the reorganization of its Reserve Components which was acceptable to the Congress and to the States. The agreed plan will significantly improve the deployment capability and combat readiness of the Army's Reserve Components. Execution of the reorganization plan began on 1 December 1967.

Riot Control. New training standards for riot control procedures were established for the Army National Guard units to increase their ability to respond effectively, quickly and appropriately in conditions of disorder and violence.

F-111A Delivered. The first operationally configured F-111A tactical fighter aircraft was delivered to Air Force in Mid-October for the first Tactical Air Command F-111A Squadron.

Defense Satellite Communications System. Two new launches of satellites took place. There are now 18 satellites in orbit, of which 17 are operational. Among its many uses, this system is transmitting high priority traffic, including high quality reconnaissance photographs, between Southeast Asia and Washington.

Starlight Scope. During 1967 troop issues of this new scope reached levels which has made the device a very important contribution to our night combat capability. This instrument, which resulted from several recent breakthroughs in R&D, allows observation of night activity without revealing the presence of the observer.

RESEARCH AND DEVELOPMENT

Project THEMIS. Fifty research programs at 42 colleges and universities in 30 States and the District of Columbia were begun under Project THEMIS, a project to assist in the development of additional centers of research excellence among the nation's institutions of higher learning, not now receiving substantial Federal or Defense support.

Southeast Asia R&D. Substantially over \$500 million has been spent in research and development activities to produce new equipment by which to increase effectiveness of our fighting forces in Southeast Asia and to match the specific threats presented by guerrilla forces in this semi-tropical environment. During 1967, over 120 new or modified kinds of equipment were sent to the theater for operational use.

WALLEYE. This new guided bomb, using television techniques, became operational and has successfully struck targets in North Vietnam with pin-point accuracy.

New Attack Aircraft. Navy's new 600-mile per hour close support and attack aircraft, A-7A, began flying combat missions in Vietnam. It can carry more than twice the load of bombs, or the same load of bombs twice as far, as any other lightweight jet aircraft.

New Helicopter. The armed HUEY COBRA, a faster, more heavily armed and accurate suppressive fire helicopter, was deployed to South Vietnam.

PERSONNEL

Military Pay Act. This Administration legislation provided for a 5.6 percent basic pay increase for 3 1/2 million military personnel on active duty and several other pay reforms. This increase, together with those of the past four years, has raised military basic pay levels by over 40%.

Off-Base Housing Discrimination. In April, an aggressive nationwide campaign was instituted to eliminate discrimination against military personnel in off-base rental housing. Under this program our commanders have sought assurances of nondiscriminatory housing for military personnel from the owners and operators of 1,100,000 rental housing units. At the outset 650,000 or 59% of these units were reported to be open to all military personnel without discrimination. By the end of last month, our commanders had reported a change to open rental policies by over 150,000 additional units. We now count over 800,000 open units - 73% of all the units contacted.

Project Transition. Successful pilot programs were conducted to ease the return of military personnel to civilian life through training, counseling and job acquisition assistance. Under the program, volunteers within six months of separation receive general education or job-related training, with priority given to those with no civilian skill. Project Transition will become operational at our 86 major military installations during January, 1968.

Female Officer Legislation. A bill was enacted removing antiquated restrictions on the careers of female officers and giving over 12,000 such officers the same basic opportunities for promotion based on merit as male officers enjoy. This includes the possibility of holding general and flag officer rank.

Draft Extension and Reform. The Universal Military Training and Service Act was amended to extend for four more years authority to induct men into the Armed Forces and to provide for certain equitable changes.

Project 100,000. This is a program to widen eligibility for service in the Armed Forces without lowering performance standards. Over 49,000 men were accepted in the first 12 months - against a target of 40,000 - and 100,000 men will enter in the second year, which began 1 October 1967. None of these men could have qualified under entrance standards in effect before October 1966. More than

95% are successfully completing basic training and going on to useful service in the military - and ultimately in civilian life.

LOGISTICS

Defense Cost Reduction Program. A cost reduction saving of over \$15 billion has been achieved since 1961 with new savings of \$2 billion to be realized in three years from 30,000 new management action improvements adopted in FY 1967. Further, 85 contractors, operating 211 plants, participating in the Defense program reported savings of \$972 million last year.

Competitive Military Procurement. Competitive procurement has increased from 33% to 43% since FY 1961. This high level is being maintained despite demands for South Vietnam.

Small Business Firms. Such firms received in FY 1967 their highest defense dollar volume since records became available in FY 1951, some \$8.4 billion. In addition, they received \$6.7 billion in subcontracts.

Military Airlift Command. MAC, augmented by Commercial civil air carriers, transported over 2,300,000 passengers and about 630,000 tons of cargo on a worldwide scheduled basis.

~~CONFIDENTIAL~~

12/29/67

21

FOR THE PRESIDENT FROM WALT ROSTOW

Herewith the message I have just dispatched via back channel,
in your name, to Ambassador Bowles, as instructed by Jim Jones.

(quote attached)

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By 179, NARA, Date 12-24-91

For file

~~SECRET~~ - NOXDIS

Friday
December 29, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Follow-up to your Canberra meeting with Korea's President Park

You promised to give Park by January 1 our most forthcoming position in regard to his security needs. In return, Park promised to do his utmost to get additional ROK troops to Vietnam by March 1. Attached is a package which makes good on our commitment. It consists of:

1. A letter from you to President Park which Ambassador Porter would deliver personally on January 1.
2. Detailed instructions to Porter which he would present to Park after Park has read your letter.
3. Instructions to CINCPAC on how to pay for this package of additional assistance. Also attached are the pertinent messages which give the background for the package we are recommending.

I believe it is a good package.

1. They ask for two destroyers: we are giving them one out of the Fleet Reserve for spring delivery and are reactivating another and will deliver it as early as possible. (Cost -- \$6 million not counting the value of the ships.)

2. They ask for three helicopter companies: We are giving them one for delivery in 1968, and this is difficult in view of helicopter shortage in Southeast Asia. (Cost -- \$3 million. In addition we have delivered 18 helicopters to Korea in the last two months and all of these will be available for counter-infiltration service.)

3. With our military, the Koreans worked out a counter-infiltration counter-guerilla plan which requires a great deal of new equipment. We are approving the plan and agreeing to provide the needed equipment. There may be some difficulty on

~~SECRET~~ - NOXDIS

delivery dates but we are undertaking to do our level best to deliver as much as possible by the spring. (Cost -- \$32 million)

4. The Koreans want MAP support for 8 additional ROK battalions for use in counter-infiltration activities: We are agreeing to use Korean MAP to support these units.

5. They ask for additional artillery: We are agreeing to provide one battalion of self-propeller 8-inch Howitzers for 1968 delivery. This is less than they ask for, but probably as much as they expected to get. (Cost -- \$3 million)

6. They ask to set up a 5,000-man civilian logistics corps in Vietnam at highly advantageous pay scales: We are agreeing to the creation of the 5,000-man corps and will negotiate the pay scale level. These civilians will replace Korean soldiers now on logistics duty. (Cost -- an additional \$5 to 20 million depending on the pay scale)

7. They ask that we support their additional forces for Korea -- a light division of 11,000 men along the same lines as their recent deployment: We are agreeing. (Cost -- \$62 million)

We are not agreeing to:

1. Their request that we provide heavy equipment for the construction of a limited access divided multilane super highway from Seoul to Pusan.

2. Their request for one F4C air squadron. We are agreeing to look into the possibility of using some Korean pilots in Vietnam.

I recommend that you:

1. Approve the letter.

Approve _____ Disapprove _____ See me _____

2. Approve the instructions to Ambassador Porter.

Approve _____ Disapprove _____ See me _____

W. W. Rostow

Atts.

~~MWA~~ MWright:wpt

~~SECRET~~ - NO DIS

22a

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 93-368
By CB, NARA, Date 5-12-95

Dear Mr. President:

During our luncheon in Canberra you told me of the problems that confront you in connection with the dispatch of additional Korean forces to Vietnam. I fully understand that you must be able to assure your people that the country's security will not be adversely affected by this move. I recognize, too, the importance of demonstrating to your people that your government can successfully meet and overwhelm the threat posed by North Korean infiltration and harassment in the coming year.

At Canberra I promised you that we would give urgent consideration to your specific proposals for United States assistance in helping you to meet this threat. This we have done. I have instructed Ambassador Porter to deliver personally this message and to spell out in detail the actions which we are prepared to take. I am confident that these actions will enable you to carry out the additional troop dispatch by March 1 with full assurance that the security of the Republic of Korea will be maintained and, indeed, strengthened.

Your willingness to undertake this new contribution to Vietnam will be a further sign to the American people and to the world of the staunchness of our Korean allies in the present struggle in Vietnam. It will be evidence everywhere, including Hanoi, of our determination to pursue this struggle to the end, and of the confidence we have that our efforts will bring us victory.

Sincerely,

His Excellency
Chung Hae Park
President of the Republic
of Korea
Seoul

LBJ:MW:right:wpt

12/29/67

23

FOR THE PRESIDENT FROM WALT ROSTOW

1. Herewith Joe Fowler's suggested list for tomorrow's 10 A. M. meeting.

Secretary Fowler

Secretary Rusk or E. V. Rostow

Secretary Trowbridge

Chairman Martin

William Roth

W. W. Rostow

2. In addition he wishes you to consider whether you want any of those who did the principal drafting:

Fred Deming

Art Okun

Ed Fried

I would add Ernest Goldstein, who has worked hard and well on the Executive Order, Regulations, and other matters.

3. My own judgment is that group should be as small as possible and that Secretary Rusk should be there, since diplomatic aspects of this enterprise are critically important. One technical reason for small group is, simply, plane holds eight and Charlie Schultze is coming, I am told, on other business.

4. Secretary Fowler reaffirmed twice privately to me that he wishes some time to talk to you alone. I have explained to Joe Califano why I think such a conversation could be constructive.

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DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By 19, NARA, Date 12-24-91

~~SECRET~~

December 29, 1967

Pres file

FROM WALT ROSTOW

FOR THE PRESIDENT AND JOE CALIFANO *Eyes Only*

You may wish to know my personal view on the question of trade and the border tax.

1. The tax harmonization process in the EEC is already being discussed in the press for what it is: an extra Continental European trade advantage vis-a-vis the U. S. at a time when Continental Europe is in surplus and the U. S. is in deficit. That was not the intent. But that will be the effect.

2. It is my judgment that if no orderly steps are taken to counter this extra trade burden thrown on the U. S., the Congress will devise its own protectionist answer. That answer will almost certainly be excessive.

3. The President will be in a most difficult position trying to resist excessive protectionists in the face of this marginal ~~unilateral~~ unilateral trade act by the Europeans.

4. Therefore, the best chance that I see of dealing with the tax harmonization problem is:

-- To have your message state that a further European trade advantage vis-a-vis the U. S. at this time is not acceptable; and the problem must be dealt with;

-- Have Sec. Rusk explain to the Europeans that unless they ~~see~~ sit still for compensatory action by the U. S. that ~~we~~ *they* will throw control in the Congress over to protectionists and Senator Mansfield;

~~SECRET~~

~~SECRET~~

-2-

== Once we get agreement from the Europeans, we proceed to fight for a limited border tax while fighting off other forms of protectionism and the attempt to use the occasion to get at the troop issue.

5. It seems almost certain that Europeans cannot now back away from their tax harmonization scheme and, therefore, some quick compensatory action on the U.S. side will be required. Over the longer run we can legitimately state that we shall seek via GATT a system in which border taxes, up to a limited degree, will be applied or suspended, depending upon whether nations are in deficit or surplus.

6. In short, as opposed to our outside friend and consultant, I do not see the choice as simply holding the line on the Kennedy Round or going for a border tax and risking a trade war. As I see it, the European tax harmonization scheme is almost sure to trigger a disproportionate protectionist reaction in the Congress, unless we move in and try to manage and control the process.

WWRostow:rlh

~~SECRET~~

~~SECRET~~

1967 DEC 29 00 35

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CVLWTE 10
DE WTE 3174

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671220

~~SECRET~~

DECEMBER 28, 1967

ON YOUR INSTRUCTION WE PASSED THE FOLLOWING MESSAGE
TO KING HUSSEIN:

"THE PRESIDENT HAS INDICATED THAT HE WILL MAKE DECISION
ON JORDAN ARMS RECOMMENDATION BY NEW YEAR'S. HE IS INCLINED
TO BE SYMPATHETIC TO JORDAN'S NEEDS, AND HOPES THE KING WILL
NOT MAKE A MAJOR DECISION BEFORE HEARING FROM US."

WE CONTINUE TO GET REPORTS FROM JORDAN THAT TIME IS
RUNNING OUT AND THAT KING HUSSEIN FEELS IT NECESSARY TO MAKE
SOME DECISION ON SOVIET ARMS BY THE FIRST OF THE YEAR. WE
HAVE STRUNG HIM ALONG SINCE MID-AUGUST AND DOUBT WE CAN DO
SO MUCH LONGER.

THE PACKAGE WHICH NICK KATZENBACH RECOMMENDS WOULD TOTAL
ABOUT \$6.5 MILLION OF SPARE PARTS, AUTOMOTIVE AND COMMUNICATIONS
GEAR, SOME ANTI-TANK GUNS AND AMMUNITION. WE ALL KNOW THE
ISRAELIS WON'T LIKE THIS BUT WE HAVE BEEN INTERESTED TO NOTE
IN THE LAST FEW WEEKS A MUCH MORE RELAXED ISRAELI ATTITUDE
TOWARD HUSSEIN. IN ANY CASE, THIS EQUIPMENT WILL NOT AFFECT
THE ISRAELI-JORDANIAN ARMS BALANCE.

SINCE THIS IS A TOKEN MOVE TO REOPEN THE DOOR AND BLOCK
THE SOVIETS, I SHOULD THINK WE COULD SELL IT TO THE ISRAELIS
WHO WILL NOT WANT TO JEOPARDIZE THEIR AIRCRAFT REQUESTS BY
MAKING A FUSS OVER SUCH AN INCONSEQUENTIAL PACKAGE FOR JORDAN.

IF YOU ARE READY TO GO AHEAD, THE NEXT STEP WOULD BE TO
AUTHORIZE AMBASSADOR SYMMES TO OFFER THIS PACKAGE TO HUSSEIN.

APPROVE-----

DISAPPROVE-----

CALL ME-----

DTG: 282341Z DEC 1967

~~SECRET~~

DECLASSIFIED

Authority FRUS 64-68, vol. 20, #26
By jc NARA, Date 7-18-03

XEROX FROM QUICK COPY

THURSDAY

67 DEC 28 PM 8:15

Free

25

Feb 11:38 AM

~~SECRET~~

DEC 29 14 18

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DE WTE 3187

FROM WALT ROSTOW
TO THE PRESIDENT
JOE CALIFANO
CITE CAP671232

Pres file

RECEIVED

~~SECRET~~

DECEMBER 29, 1967

SUBJECT: CONGRESSIONAL CHECKS ON BORDER TAXES AND TOURISM

BILL ROTH ACCOMPANIED JOE FOWLER ON THE TALKS WITH MILLS, LONG AND BYRNES. WE SENT FOWLER'S NOTES LAST NIGHT. IN ADDITION, BILL SAW CURTIS ALONE. FOLLOWING ARE HIS NOTES:

WILBUR MILLS

TOURISM PACKAGE: MILLS THOUGHT THE TOURIST BILL WOULD PASS IF IT WAS A PART OF A GENERAL PACKAGE. NO PARTICULAR COMMENTS ON TECHNIQUES.

BORDER TAXES:

(1) COULD KEEP IT CLEAN IN THE HOUSE.

(2) EXPECTED SENATE AMENDMENTS BUT WOULD TRY TO KEEP IT CLEAN IN CONFERENCE. PRESIDENT WOULD HAVE TO INDICATE HE WAS WILLING TO VETO. UNDER THESE CIRCUMSTANCES, MILLS COULD KILL THE BILL ("ALL OR NOTHING BASIS") IF SENATE CONFEREES INSISTED ON AMENDMENTS. "WE CAN EITHER HOLD IT -- OR GIVE WHOLE PACKAGE UP."

(3) MILLS THOUGHT THERE WAS NO QUESTION THAT THE BORDER TAX TITLE OF THE BILL WOULD PASS, AS IT WOULD BE INTERPRETED BY CONGRESS AS PROTECTIONIST.

(4) SECRETARY FOWLER ASKED WHETHER IT WOULD HURT OR HELP THE TRADE BILL. MILLS SAID "HURT." THE ATMOSPHERE YOU WOULD HAVE TO DEVELOP TO PASS THIS BILL, YOU WOULD HAVE TO UNDO TO PASS THE TRADE BILL.

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By mg, NARA, Date 12-24-91

(5) TIME TABLE: IF THIS WAS THE SECOND BILL, IT WOULD PROBABLY COME TO HEARING IN EARLY MARCH.

LONG

TOURISM: NO PROBLEM, PARTICULARLY IF SOME OF THE REVENUE COULD BE USED TO ENCOURAGE TOURISM HERE.

BORDER TAXES:

(1) MIGHT BE OKAY, BUT CONGRESS WILL HAVE SOME IDEAS, TOO, THAT ADMINISTRATION SHOULD LISTEN TO. (EXAMPLE: GIVING PETROCHEMICAL COMPANIES IMPORT CERTIFICATES ON ONE-TO-ONE BASIS FOR EXPORTS AND THEN PUT ON BORDER TAX FOR IMPORTED CHEMICALS TO EQUATE THE HIGHER PRICE THEY MUST PAY FOR DOMESTIC FUEL STOCKS.)

(2) BORDER TAX PACKAGE WOULD PROBABLY GET THROUGH THE SENATE, BUT THE ADMINISTRATION WOULD HAVE TO GIVE AND TAKE ON THE MATTER OF AMENDMENTS. COULD KNOCK THE BAD ONES OFF, BUT MIGHT HAVE TO ACCEPT SOME.

(3) LONG WOULD NOT MAKE A COMMITMENT, BUT HE SAID HE WOULD HELP US IN CONFERENCE. IN ADDITION, HE COULD APPOINT A FAVORABLE CONFERENCE COMMITTEE, I.E., SMATHERS, ANDERSON, GORE, PERHAPS WILLIAMS.

(4) HE INDICATED CONGRESS WOULD PROBABLY ASK FOR GREATER SAVINGS THROUGH EUROPEAN TROOP WITHDRAWALS. 30,000 MEN NOT ENOUGH -- SHOULD BE NEARER 100 THAN 30.

BYRNES

FAVORS THE TOTAL PACKAGE APPROACH. SAID HE HAD SPEECH IN WORKS BLASTING ADMINISTRATION FOR NOT TAKING BALANCE OF PAYMENTS SITUATION SERIOUSLY ENOUGH.

TOURISM: GOOD IDEA AND WOULD BE SUPPORTED.

BORDER TAX:

(1) THIS SEEMED TO BE OKAY, ALTHOUGH THE COMMITTEE MIGHT WANT TO RAISE THE IMPORT DUTY SIDE OF THE PROPOSED BORDER TAX.

(2) ACKNOWLEDGED SENATE WOULD PROBABLY ADD PROTECTIONIST AMENDMENTS. FELT THIS WAS A CHANCE THE ADMINISTRATION HAD TO TAKE.

(3) HE SAID HE WOULD COOPERATE BUT COULD NOT MAKE A COMMITMENT BEYOND THAT. HE DID NOT GO SO FAR AS MILLS IN SAYING COMMITTEE COULD TURN DOWN BILL ENTIRELY. REPEATED SEVERAL TIMES THAT THE PRESIDENT COULD VETO AND WOULD NOT BE OVER-ruled.

(4) HE EMPHASIZED THE PROTECTIONIST MOOD OF THE CONGRESS.

CURTIS

(1) TOURISM: RELUCTANTLY AGREED -- GIVEN THE SERIOUSNESS OF THE PROBLEM AND THE FACT THAT THE ADMINISTRATION WILL PRESENT A TOTAL PACKAGE. DID NOT FEEL THAT THE CARIBBEAN SHOULD BE EXCLUDED.

(2) BORDER TAX: RELUCTANTLY AGREED.

(3) MADE A VERY STRONG STATEMENT ON ANY FURTHER TIGHTENING OF THE FLOW OF PRIVATE INVESTMENT ABROAD. SAID HE WOULD FIGHT THIS AS HARD AS HE COULD AND ATTEMPT TO MAKE IT A MAJOR PARTY ISSUE. HE FELT THAT THE BASIC REQUIREMENT WAS FOR THE GOVERNMENT TO CUT BACK ON ITS FOREIGN INVESTMENT, I.E., AID, WORLD BANK, ETC.

DTG 291534Z DEC 67

~~SECRET~~

ACTION

Thursday, December 28, 1967
3:05 p.m.

Mr. President:

Herewith a draft response to
Sen. Mansfield's letter which arrived
just before your departure for
Australia.

Pres file

W. W. Rostow

WWRostow:rla

30c

December 28, 1967

Dear Mike:

Your gracious letter arrived just as I was leaving for Australia to join in the memorial service for our good friend Harold Holt.

But I could not help thinking that since I last saw Prime Minister Holt, we have made some measurable progress toward a meaningful world peace.

Two actions, in which you have been instrumental, stand out in particular: ratification of the Consular Treaty and the Outer Space Treaty.

As you say, we did not get all the legislation I requested. But I want you to know that your Nation and your President stand in your debt for these two landmark achievements.

There were other accomplishments, of course. But today, these are very much on my mind. You have every reason to feel proud of gaining their approval.

Sincerely,

Honorable Mike Mansfield
Majority Leader
United States Senate
Washington, D. C.

*Mailed from Johnson City, Texas
Jan 2, 1968*

LBJ:RLH:WRS:WWR:mz

cc: Juanita Roberts, Will Sparks, Bob Hardesty, Loyd Hackler,
Mary Hooper, CF

INFORMATION

31

Thursday, December 28, 1967
6:30 p.m.

Mr. President:

Herewith Prime Minister Wilson
responds to your post-Melbourne
message to him.

Pres. file

W. W. Rostow

WWRostow:rlh

~~CONFIDENTIAL~~

37a



BRITISH EMBASSY,

WASHINGTON, D.C.

27 December, 1967

Dear Mr President,

I have been asked by the
--- Prime Minister to pass to you the enclosed
message.

Yours Sincerely
Patrick Dean.

The President

of the United States of America.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT NAT'L SECURITY
INFORMATION, E. O. 12356,
SEC. 1.4(a)

BY kg ON 1-16-92

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1967 DEC 28 16 14

SECRET

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671196

Pro file

~~SECRET~~

FOR THE PRESIDENT FROM WALT ROSTOW

DECEMBER 28, 1967

HEREWITH ABRAMS AND THIEU AGREE TO A 12-HOUR TRUCE EXTENSION IN RESPONSE TO THE POPE'S APPEAL TO YOU. AS OPPOSED TO THE TWO ALTERNATIVE FORMS OF ANNOUNCEMENT, SECRETARY RUSK IS INCLINED TO SUGGEST A THIRD; NAMELY, AS A RESPONSE TO THE POPE'S PUBLIC APPEAL. WE WOULD EXPLAIN TO THE VATICAN THAT THE MANNER IN WHICH THE COMMUNISTS EXPLOITED THE CHRISTMAS TRUCE MAKES A LONGER EXTENSION DANGEROUS. WE NOW HAVE DETAILED EVIDENCE ON INTENSIFIED TRUCK TRAFFIC OVER CHRISTMAS.

(QUOTE ATTACHED SAIGON 14540)

1. I DISCUSSED SUBJECT WITH GENERAL ABRAMS, WHO IS ACTING IN GENERAL WESTMORELAND'S ABSENCE, AND HE SAID THAT HE SAW NO SERIOUS MILITARY PROBLEMS THAT WOULD BE RAISED BY AN EXTENSION OF 12 HOURS ON THE NEW YEAR'S TRUCE, I.E., UNTIL 0600 HOURS JANUARY 2 SAIGON TIME. BOTH GENERAL ABRAMS AND I BELIEVE IT WOULD NOT BE DESIRABLE, EITHER MILITARILY OR POLITICALLY, TO SEEK AN EXTENSION BEYOND THIS HOUR.

DECLASSIFIED

E.O. 12958, Sec. 3.5

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

By JK, NARA, Date 7-18-03

& FRUS. 64-68, vol. 5, #445

2. SUBSEQUENT TO MY TALK WITH ABRAMS, I TOOK THE MATTER UP URGENTLY WITH PRESIDENT THIEU. HE SAW NO MAJOR PROBLEMS WITH THE PROPOSAL AND SAID THAT HE WOULD INSTRUCT THE ACTING FOREIGN MINISTER TO CHECK WITH THE OTHER TROOP-CONTRIBUTING COUNTRIES. SINCE THERE IS A CABINET MEETING TODAY CHAIRED BY PRESIDENT THIEU WHICH WILL RUN INTO THE EVENING HOURS HERE, IT IS DOUBTFUL THAT ACTING FOREIGN MINISTER LAN CAN INITIATE THIS CHECK BEFORE DECEMBER 29.

3. AS TO THE MANNER OF HANDLING SUCH AN EXTENSION, THE LANGUAGE OF THE GOVERNMENT OF VIETNAM (GVN) ANNOUNCEMENT ISSUED BEFORE THE CHRISTMAS TRUCE WOULD MAKE IT DIFFICULT FOR THE GVN TO WAIT UNTIL THE TRUCE COMES INTO EFFECT BEFORE ANNOUNCING THE EXTENSION. AS DEPARTMENT WILL RECALL, ANNOUNCEMENT PROVIDED THAT ANY EXTENSION OF THE TRUCE WOULD BE A MATTER FOR AGREEMENT BETWEEN GOVERNMENT OF VIETNAM AND NORTH VIETNAM REPRESENTATIVES. GVN WILL THEREFORE WISH TO MAKE ANY ANNOUNCEMENT OF AN EXTENDED TRUCE PRIOR TO THE TIME IT COMES INTO EFFECT. THIEU THOUGHT THERE WERE TWO POSSIBLE WAYS OF HANDLING IT. THE EASIER WAY WOULD BE IF THE POPE COULD REQUEST THE GVN DIRECTLY TO EXTEND THE TRUCE FOR THIS PERIOD, WHICH WOULD ALLOW THE GVN TO ACT WITHOUT ANY DIFFICULTY. IF THIS WERE NOT FEASIBLE, A SECOND WAY TO HANDLE IT WOULD BE SIMPLY TO SAY THAT THE EXTENSION WAS DECIDED ON IN ORDER TO GIVE THE FORCES A FURTHER RESPITE. THIEU COMMENTED THAT THIS WOULD BE CUSTOMARY, NOTING THAT AT TET, FOR INSTANCE, ANY TRUCE SHORTER THAN 48 HOURS WOULD BE MEANINGLESS.

4. DEPARTMENT WILL BE ABLE TO JUDGE WHETHER IT IS FEASIBLE TO HAVE THE POPE SEND SUCH A MESSAGE URGENTLY TO PRESIDENT THIEU. IF NOT, I SUGGEST THAT WE USE THE GENERAL LINE RECOMMENDED BY THIEU AND REFUSE TO ELABORATE ON IT FURTHER. WE ARE ALREADY RECEIVING QUERIES ABOUT WHEN THE ANNOUNCEMENT OF THE NEW YEAR'S TRUCE WILL BE MADE. WE WILL FOR THE PRESENT MERELY SAY THAT WE HAVE NO INFORMATION, NOTING THAT THE EVENTUAL ANNOUNCEMENT WILL BE MADE BY THE GOVERNMENT OF VIETNAM.

DTG: 281527Z DEC 67

~~SECRET~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By plg, NARA, Date 7-28-03

SENT → 7:45 PM

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WHCA

CONFIDENTIAL

1967 DEC 28 00 45

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OO WTE 10
DE WTE 3117

FROM WALT ROSTOW
TO THE PRESIDENT
CALIFANO
CITE CAP671179

~~CONFIDENTIAL~~

from file

DECEMBER 27, 1967

FOR THE PRESIDENT AND JOE CALIFANO ONLY - VIA WALT ROSTOW

THIS IS CWE MEMO NO. 5.

I. VARIOUS COMMENTS ON PHASES OF THE PROPOSED PROGRAM.

A. THE DEFICIT FIGURE FOR NEXT YEAR, BASED ON THE 4TH QUARTER DEFICIT, IS VERY HIGH. IT MAY PROVE FAR LESS IN 1968, IN THE LIGHT OF THE RECENT YEARS' EXPERIENCE AND THE FIRST THREE QUARTERS OF THE CURRENT YEAR.

THE LAST QUARTER IS UNNATURAL AND SHOULD REVERSE AS SOON AS WE SHOW STRENGTH AND WISDOM; AS, FOR EXAMPLE, STOP THE SPECULATIVE BUYING OF GOLD. THE RESULTS OF THE 4TH QUARTER DEMONSTRATE THE VICTORY OF SPECULATORS OVER THE FINANCIAL COMMUNITY. CONTINUATION OF THIS WILL LEAD TO TOTAL LOSS OF CONTROL AND PUBLIC CONFIDENCE, BOTH POLITICALLY DAMAGING AND ECONOMICALLY DISASTROUS.

THE HANDLING OF THE BRITISH WEAKNESS LEADING TO DEVALUATION ITSELF WAS DAMAGING. MILLIONS WERE LOST TO EVERY TOM, DICK AND HARRY WHO TOOK ADVANTAGE OF THE DISASTROUS DELAY.

IN ADDITION, THE FRENCH DID THEIR UTMOST TO CAUSE DELAY AND CONFUSION, THEREBY PREVENTING THE ESTABLISHMENT OF A PROPER DEFENSE SYSTEM WHICH WAS NECESSARY TO SECURE OUR POSITION FOLLOWING THE DEVALUATION; WE MUST MAKE OUR FINANCIAL POSITION IMPERVIOUS TO RUMORS OF CONTROL OVER THE SALE OF GOLD -- A CONTROL WHICH THE EUROPEAN COMMUNITY CONSIDERS INEVITABLE. SUCH CONTROL IS NEEDED BUT NOT YET FORTHCOMING.

A RUN ON GOLD WILL CONTINUE TO THREATEN UNTIL WE TAKE NECESSARY STEPS THAT SHOW OUR STRENGTHS, NOT OUR WEAKNESS; UNTIL WE DISASSOCIATE THE TREMENDOUS STRENGTH OF THE U.S. ECONOMY (AND THE POWER OF OTHERS WHO ARE PLAYING WITH US) FROM A MISGUIDED SYSTEM WHICH PROVIDES RISKLESS SPECULATION IN GOLD TO PRACTICALLY EVERYONE EXCEPT THE U.S. CITIZEN.

B. IN NORMAL TIMES WE CAN AFFORD TO INVEST OVERSEAS. THIS IS LIKE A PROFITABLE COMPANY PUTTING PENNIES INTO RESEARCH. AT A LATER DATE THIS RESEARCH PROVIDES THE MEANS THAT KEEPS IT STRONG.

FOR YEARS THIS COUNTRY HAS BEEN POURING MONEY OVERSEAS. HOW MANY BILLIONS SINCE THE LAST WAR? NOW THE TIME HAS COME TO MOBILIZE SOME OF THIS RESERVE OR, AT A VERY MINIMUM, REPATRIATE MORE OF THE EARNING POWER. LET'S GET A FIGURE ON THE ANNUAL OVERSEAS EARNINGS ON U.S. INVESTMENT ABROAD. LET'S GET A FIGURE ON HOW MUCH NOW IS REPATRIATED UNDER THE PENALTY SYSTEM. THEN LET'S MOBILIZE THIS STRENGTH BY PROVIDING INCENTIVES TO BRING SOME OF IT BACK WITH THE FOLLOWING RESULTS:

1. INCREASED AVAILABILITY OF MONEY AT HOME.
2. MORE DEVELOPMENT, MORE EMPLOYMENT, LOWER INTEREST RATES AT HOME.
3. BUSINESS REWARDED INSTEAD OF PENALIZED.
4. FAVORABLE POLITICAL REACTIONS FROM BUSINESS.

C. IT IS A GOOD CALCULATED RISK THAT THE EUROPEAN COMMUNITY WILL NEVER FORCE US TO A POSITION WHERE WE HAVE TO REVOKE ON OUR GOLD COMMITMENT BECAUSE TO DO SO WOULD DAMAGE THE DOLLAR RESERVES THEY HOLD FAR BEYOND THE AVAILABILITY OF OUR GOLD SUPPLY. TO REMOVE THE GOLD COVER NOW WOULD BE AN OPEN INVITATION TO TAKE GOLD FROM US WHICH OTHERS WOULD NOT DARE TO TAKE NOW FOR THE ABOVE REASON.

THE LOSS OF OUR GOLD NOW WOULD REMOVE ECONOMIC LEADERSHIP FROM THE STRONGEST COUNTRY IN AN ECONOMIC SINCE THE WORLD HAS EVER KNOWN. THE REPUBLICANS WOULD LOVE THIS ISSUE IN AN ELECTION YEAR.

WE MUST MAINTAIN THE GOLD COVER; STOP THE GOLD LEAKAGE TO SPECULATORS FIRMLY AND AT ONCE; AND THEN CONTINUE THE CONTROL OF THE GOLD MARKET BUT DISASSOCIATE THE DOLLAR FROM IT AS SOON AS POSSIBLE BY ARRANGING FOR THE IMF TO HANDLE IT -- FOR WHICH THERE IS A PRECEDENT.

D. THE TRAVEL PENALTY PLAN. THIS IS THE TYPE OF THING WHICH SHOULD BE A LAST RESORT IF ALL ELSE FAILS. IT WILL BE LOOKED ON AS A WEAKNESS, NOT STRENGTH, STIMULATING FURTHER SPECULATIVE ATTACKS ON THE DOLLAR: THE GREATEST ECONOMIC POWER THE WORLD HAS EVER KNOWN PENALIZING ITS CITIZENS WHO TRAVEL WHEN NO SUCH PENALTIES ARE APPLIED IN DOZENS OF COMMUNITIES DEPENDENT ON OUR SUPPORT ALL OVER THE WORLD.

THE BRITISH MONKEYED WITH THIS AFTER THE WAR AND IT WAS SO UNPOPULAR THAT I AM CONVINCED THAT IT WAS THE PRIMARY CAUSE FOR THE LOSS OF THE ELECTION.

WE DO NOT NEED THIS NOW. THERE MUST BE A DOZEN REASONS WHY IT IS NOT WORTH THE PRICE.

E. THE IMPORT TAX EXPORT SUBSIDY PLAN LIKEWISE IS NOT WORTH WHILE. THERE ARE MANY REASONS AGAINST IT. SPECIFICALLY, WE CANNOT CONTROL THE RETALIATION BY OTHER COUNTRIES. THIS WOULD DAMAGE THE TREND TOWARDS A WORLD MADE MORE HARMONIOUS BY FREE TRADE. THIS PROCEDURE SHOULD BE RESERVED FOR SPECIFIC, NOT GENERAL, USE; E.G., AS A BARGAINING WEAPON IN GATT NEGOTIATIONS.

II. SUGGESTIONS.

I BELIEVE THAT NEW YEAR COULD BE IDEAL TIMING FOR A STRONG STATEMENT BY THE PRESIDENT, POINTING OUT THE GREATNESS OF THIS COUNTRY NOTWITHSTANDING ITS WAR IN VIETNAM; ITS PRESENT PROSPERITY; ITS PROGRESSIVE SOCIAL PROGRAMS; ITS SUPPORT OF THE WHOLE FREE WORLD; ITS AID TO UNDERDEVELOPED COUNTRIES; ITS DEFENSE OF THOSE WHO WISH IT. WE HAVE RESCUED FRIEND AND FOE ALIKE IN AN ECONOMIC SENSE. NOW SOME OF THESE PEOPLE ARE ATTEMPTING TO ATTACK US WHEN WE ARE AT A TEMPORARY DISADVANTAGE.

THEREFORE, FOR THE TIME BEING, SOME EMERGENCY STEPS SHOULD BE TAKEN TO SHOW THE WORLD AGAIN THE GREATNESS OF OUR ECONOMIC STRENGTH. AMONG THE PRINCIPAL POSSIBILITIES ARE THE FOLLOWING TEN. NATURALLY NOT ALL ARE OF EQUAL IMPORTANCE OR EVEN NECESSARY AS A COMPOSITE GROUP.

1. MAINTAIN MANDATORY AND STRONG CONTROL OVER ALL FORMS OF OVERSEAS INVESTMENT, LIMITING OUTFLOWS EXCEPT WHERE IT IS IN THE NATIONAL INTEREST.

2. DEVISE MEANS TO MAKE USE OF THE VERY POWERFUL RESERVE WE HAVE BUILT UP OVER THE YEARS ABROAD, PARTICULARLY BY THE ENCOURAGEMENT OF REPATRIATION OF CAPITAL AND EARNINGS.

3. DEMAND ADDITIONAL SUPPORT FROM THE ACCREDITED NATIONS WE ARE DEFENDING.

4. DEVELOP A PROGRAM TO ENCOURAGE FOREIGNERS TO INVEST IN U.S. ON A BASIS MORE EQUAL TO THEIR INVESTMENT POSSIBILITIES IN OTHER COUNTRIES.

5. USE PATRIOTIC AND MORALE PERSUASION ON OUR CITIZENS TO THINK TWICE BEFORE THEY TRAVEL AND SPEND MONEY UNNECESSARILY ABROAD, AND ENCOURAGE FOREIGNERS TO COME HERE.

6. DEVELOP AN APPROPRIATE SYSTEM WITH BANKERS ON MONEY MARKET MATTERS WITHOUT HAMSTRINGING OUR POSITION OF LEADERSHIP IN THIS AREA.

7. GIVE VARIOUS TYPES OF GOVERNMENT SUPPORT LOANS, ADVICE, GUARANTEES, ETC., TO STIMULATE OUR EXPORT PROGRAM.

8. DEVELOP OUR APPEALS TO PATRIOTISM, ETC., WITH RENEVED VIGOR AND PRICE AND WAGE MATTERS. I BELIEVE THERE IS ROOM FOR DEVELOPMENT OF NEW THOUGHT IN THIS AREA; FOR EXAMPLE, APPEAL TO SOME SPECIFIC PERSONS, SUCH AS HENRY FORD, TO LEND A HAND WITH A PRICE REDUCTION.

9. RESERVE OUR REMAINING GOLD FOR MONETARY USE ONLY AND TAKE THE LEAD IN DEVELOPMENT OF INTERNATIONAL SYSTEM IN THIS REGARD INCLUDING, AS FAR AS POSSIBLE, MINED GOLD TO BE RESERVED FOR MONETARY USE ONLY.

10. TAKE THE LEAD IN THE CREATION OF AN INTERNATIONAL SYSTEM WHICH PERMITS THE DEVELOPMENT ABROAD OF A RESERVE UNIT THAT IS NOT AT THE EXPENSE OF THE DOLLAR (THE REAL RESERVE CURRENCY); AND, CERTAINLY, CREATE A BUILT-IN BUFFER THAT REMOVES THE DIRECT U.S. OBLIGATION TO PAY FOREIGN CREDITORS 100 PER CENT IN THE FORM OF GOLD WHICH IS JUST AS UNREALISTIC TODAY AS ATTEMPTING TO COVER OUR OWN CURRENCY 100 PER CENT IN GOLD WOULD BE.

A PERSONAL NOTE TO THE PRESIDENT:

YOUR TRIP IS STILL A WONDERFUL MEMORY TO US, MR. PRESIDENT. THE DEDICATION OF THE PEOPLE AROUND YOU WAS A REWARDING EXPERIENCE. WE ENJOYED THEIR FRIENDSHIP AND ADMIRE THEIR ABILITY AND UNDERSTANDING.

I'D WELCOME THE OPPORTUNITY AT ANY TIME OF COOPERATING WITH YOUR STAFF IN ANY WAY WHICH MAY SEEM NEEDED IN THE FINANCIAL AREA, BOTH IN THE INTEREST OF THE COUNTRY AND PARTICULARLY BEARING IN MIND YOUR OWN PERSONAL INTEREST AT THIS TIME WHEN, TO ME, IT IS INDIVISIBLE WITH THAT OF THE COUNTRY AND ALL THOSE WITH VESTED INTERESTS HERE.

~~CONFIDENTIAL~~

DTG: 272202Z DEC 67

Leads 8:07

FEA6760
PP WTE10
DE WTE 3127

1967 DEC 28 01 09

Pres file

FROM WALT ROSTOW
TO THE PRESIDENT
CITE WH70638

UNCLAS

DECEMBER 27, 1967

FOR THE PRESIDENT FROM WALT ROSTOW

FOLLOWING, FOR YOUR APPROVAL, ARE TWO MESSAGES TO
PRESIDENT AHIDJO OF CAMEROON. MESSAGE (1) IS A PARTICULAR-
LY WARM INDEPENDENCE DAY MESSAGE. STATE RECOMMENDS --
AND I AGREE -- THAT THIS WOULD BE A GOOD FOLLOW UP TO
YOUR RECENT MEETING WITH AHIDJO.

MESSAGE (2) IS A ROUTINE REPLY TO AHIDJO'S CONDOLENCE
TELEGRAM ON THE COLLAPSE OF THE OHIO RIVER BRIDGE.

I RECOMMEND YOU APPROVE BOTH MESSAGES.

(1) QUOTE

DEAR MR. PRESIDENT:

THE PROGRESSIVE AND STABLE INDEPENDENCE OF THE REPUBLIC
OF CAMEROON IS A SOURCE OF COMFORT AND STRENGTH FOR ALL
WHO LOVE FREEDOM. AMERICANS ARE PROUD TO JOIN YOUR FRIENDS
AROUND THE WORLD IN CELEBRATING THE SEVENTH ANNIVERSARY OF
YOUR NATIONAL INDEPENDENCE ON JANUARY 1. WE ADMIRE YOUR
ENERGY, YOUR DETERMINATION, AND YOUR REALISTIC APPROACH TO
PROBLEMS AT HOME AND ABROAD. WE WISH YOU EVEN GREATER
SUCCESS IN THE YEARS AHEAD.

I HAVE FOND MEMORIES OF OUR MEETING A FEW MONTHS AGO,
MR. PRESIDENT. MRS. JOHNSON JOINS ME IN SENDING OUR
WARMEST PERSONAL REGARDS.

SINCERELY,

LYNDON B. JOHNSON

1967 DEC 27 PM 8:30
WEDNESDAY

UNQUOTE

(2) QUOTE

DEAR MR. PRESIDENT:

I AM VERY GRATEFUL FOR YOUR THOUGHTFUL MESSAGE OF
CONDOLENCE ON THE TRAGIC COLLAPSE OF THE OHIO RIVER BRIDGE.
THE SYMPATHY OF THE GOVERNMENT AND PEOPLE OF CAMEROON IS
MUCH APPRECIATED.
WITH WARMEST PERSONAL REGARDS.

SINCERELY,

UNQUOTE

FOLLOWING, FOR YOUR APPROVAL, IS PROPOSED GET WELL MESSAGE
TO KING MAHENDRA OF NAPAL:

(FYI: MAHENDRA HAS INTERNAL DISORDER, BUT IT IS NOT
CONSIDERED SERIOUS.)

QUOTE

YOUR MAJESTY:

I WAS VERY CONCERNED TO HEAR OF YOUR ILLNESS. MRS.
JOHNSON AND I EXTEND OUR BEST WISHES FOR A SPEEDY RECOVERY
AND YOUR RETURN TO THE DUTIES YOU PERFORM SO WELL. WITH
WARMEST PERSONAL REGARDS.

SINCERELY,

UNQUOTE

DTG: 272355Z DEC 67

XEROX FROM QUICK COPY

35
~~CONFIDENTIAL~~

8:49 PM
1967 DEC 26 01 40
EKA679
OO WTE10
DE WTE 3130

FROM VALT ROSTOW
TO THE PRESIDENT
CITE CAP671184
From file

~~CONFIDENTIAL~~

SUBJECT: CH-47A HELICOPTER ACCIDENT AT PHU CAT AIRFIELD
AT 7:40 P.M. ON 25 DECEMBER.

THE DEPUTY DIRECTOR OF THE NATIONAL MILITARY COMMAND
CENTER, REAR ADMIRAL S. D. CRAMER REPORTS AS FOLLOWS:

ON 25 DECEMBER, A US ARMY CH-47A HELICOPTER FROM THE 228TH
AVIATION BATTALION STATIONED AT AN KHE AIRFIELD CRASHED AND
BURNED AT THE PHU CAT AIRFIELD WHILE PREPARING TO LAND.
INITIAL INVESTIGATION INTO THE ACCIDENT INDICATES THAT THE
CRASH WAS CAUSED BY THE REAR ROTOR SEPARATING FROM ITS
FRAME WHILE THE HELICOPTER WAS 20-50 FEET IN THE AIR. UNTIL
THE ACCIDENT INVESTIGATION HAS BEEN COMPLETED, MATERIAL
FAILURE IS TENTATIVELY BEING BLAMED FOR THE SEPARATION OF THE
REAR ROTOR AND SUBSEQUENT CRASH.

OF THE 32 PASSENGERS AND THREE CREWMEN ABOARD THE AIRCRAFT,
SEVEN WERE KILLED, AND 25 WERE INJURED. THREE PERSONS SUSTAINED
NO INJURIES IN THE CRASH.

THE ACCIDENT INVESTIGATION HAS DISCLOSED THAT THIS AIRCRAFT,
WITH A TOTAL OF 531 HOURS AND 30 MINUTES OF FLYING TIME,
RECEIVED THE PROPER REGULAR AND PERIODIC MAINTENANCE AS REQUIRED
BY MANUFACTURERS SPECIFICATIONS AND NORMAL SERVICE PROCEDURES.

DECLASSIFIED
E.O. 12356, Sec. 3.3
DA Memo, Jan. 5, 1989
By hrg NARA Date 1-16-92

EVERY 100 HOURS, A COMPREHENSIVE AND THOROUGH INSPECTION IS PERFORMED ON ALL ITEMS WHICH ARE SUBJECT TO ADJUSTMENT OR REPLACEMENT. THESE ITEMS ARE PUBLISHED IN ARMY TECHNICAL MANUALS AND, FOR EASE OF USE, THESE MANUALS ARE PROVIDED TO ALL MAINTENANCE PERSONNEL IN HANDY 9 1/2" X 7" HARD COPY BOOKLETS.

AN INDIVIDUAL MAINTENANCE FORM FOR EACH AIRCRAFT IS USED AS A WORK SHEET TO RECORD ALL DEFICIENCIES OR SHORTCOMINGS DISCOVERED DURING THE INSPECTION. ANY FLIGHT DEFICIENCY OF THE AIRCRAFT MUST BE CORRECTED AND THEN INSPECTED BY A QUALIFIED TECHNICAL INSPECTOR BEFORE THE AIRCRAFT IS ALLOWED TO FLY AGAIN.

IN ADDITION TO ARMY PERSONEL, EACH CH-47 AIRCRAFT UNIT HAS ONE BOEING-VERTOL TECHNICAL REPRESENTATIVE TO ASSIST IN MAINTAINING THE AIRCRAFT AND ADVISING ON MAINTENANCE PROBLEMS.

RECORDS SHOWED THIS PARTICULAR CH-47 HAD BEEN GIVEN THE 100-HOUR INSPECTION JUST 31 HOURS AND 30 MINUTES BEFORE IT CRASHED. A DAILY PREFLIGHT INSPECTION BY THE CREW HAD ALSO BEEN PERFORMED JUST PRIOR TO THIS LAST FLIGHT.

THE AIRCRAFT WAS DETERMINED NOT TO HAVE BEEN OVERLOADED AND THE WEATHER AT THE SCENE OF THE ACCIDENT WAS CONSIDERED NOT A FACTOR SINCE VISABILITY WAS ABOUT 12 MILES AND THE LOWEST CLOUDS WERE AT 2,500 FEET ABOVE THE GROUND. THE WIND WAS VERY LIGHT AT ABOUT 4 MILES PER HOUR.

DTG: 280034Z DEC 67

CONFIDENTIAL

~~SECRET~~

Send 9:17 PM

EEA682
PP WTE 18
DE WTE 3134

1967 DEC 28 02 17

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP 671187

Pres file

~~SECRET~~

HEREWITH A DRAFT LETTER TO MRS. GANDHI FOR YOUR CONSIDERATION.

DRAFT LETTER FROM THE PRESIDENT TO PRIME MINISTER INDIRA GANDHI

DEC 27 PM 9:28

WEDNESDAY

DEAR MRS. GANDHI:

I HAVE ALREADY SPOKEN AT SOME LENGTH TO YOUR AMBASSADOR, MR. NEHRU, OF MY DEEP CONCERN OVER THE CRITICAL NEED TO MAKE SIGNIFICANT IMPROVEMENTS IN THE EFFECTIVENESS OF THE INTERNATIONAL COMMISSION FOR SUPERVISION AND CONTROL (ICC) IN CAMBODIA. AT MY INSTRUCTION, THE DEPARTMENT OF STATE HAS INFORMED YOUR GOVERNMENT OF OUR OFFER TO PROVIDE MATERIAL ASSISTANCE TO THE ICC, AS TESTIMONY OF THE UNITED STATES GOVERNMENT'S STRONG SUPPORT OF THIS CONCEPT.

BECAUSE I REGARD EFFECTIVE ACTION BY THE ICC IN CAMBODIA AS A MOST IMPORTANT STEP IN CONTROLLING A RAPIDLY DETERIORATING SITUATION, I AM WRITING TO URGE THAT YOU DO WHATEVER POSSIBLE TO ASSIST IN THAT TASK.

I HAVE BEEN DEEPLY CONCERNED BY THE EXTENSIVE USE OF CAMBODIAN TERRITORY BY VIET CONG AND NORTH VIETNAMESE FORCES, A CONCERN WHICH THE CAMBODIAN GOVERNMENT EVIDENTLY DOES NOT SHARE. WE HAVE ATTEMPTED OVER THE PAST YEAR TO MEET WITH THE CAMBODIAN GOVERNMENT TO DISCUSS MEANS OF RESOLVING THIS PROBLEM. THE CAMBODIAN GOVERNMENT HAS SO FAR IGNORED OR REJECTED OUR PROPOSALS.

DECLASSIFIED

E.O. 13292, Sec. 3.5

NLJ 03-264

By *iso*, NARA, Date 12-16-03

PRINCE SIHANOUK HAS, HOWEVER, SAID HE WOULD WELCOME UNITED STATES ASSISTANCE FOR MORE EFFECTIVE ICC SUPERVISION OF FRONTIER ACTIVITY AND WE HAVE NOW OFFERED THE ICC TWO HELICOPTERS TO MAKE IT CAPABLE OF INDEPENDENT, RANDOM INVESTIGATIONS OF THE BORDER AREA. I HOPE MOST EARNESTLY THAT YOU WILL SUPPORT THIS OFFER AND ASSIST IN MAKING THE ICC A TRULY OBJECTIVE AND IMPARTIAL INSTRUMENT OF PEACE AS WAS ENVISAGED IN THE 1954 GENEVA AGREEMENT ON CAMBODIA.

I AM FULLY AWARE THAT US AND ALLIED FORCES HAVE INADVERTENTLY INTRUDED ON CAMBODIAN SOIL IN THE PAST AND WE HAVE OFFERED APPROPRIATE APOLOGIES AND INDEMNIFICATION. SUCH INCIDENTS SHOULD PROPERLY BE THE SUBJECT OF ICC INVESTIGATION. WE HAVE NO OBJECTIONS TO SUCH INVESTIGATIONS, BUT WE DO ASK THAT THE ICC ALSO INVESTIGATE AREAS OF KNOWN OR SUSPECTED VIET CONG AND NORTH VIETNAMESE ACTIVITY ON CAMBODIAN SOIL AND THAT IT DECIDE TO UNDERTAKE INVESTIGATIONS ON ITS OWN INITIATIVE.

I WISH TO STRESS ONCE AGAIN THAT WE HAVE NO HOSTILE INTENTIONS TOWARD CAMBODIA OR CAMBODIAN TERRITORY. WE SEEK TO AVOID THE SPREAD OF CONFLICT IN SOUTHEAST ASIA. VIET CONG AND NORTH VIETNAMESE USE OF CAMBODIA IS BECOMING INCREASINGLY DANGEROUS, HOWEVER, AND OUR EFFORTS TOWARD A SOLUTION THROUGH BILATERAL EXCHANGES WITH CAMBODIA HAVE BEEN UNSUCCESSFUL.

I THEREFORE HOPE THAT AS A NATION DEDICATED TO THE MAINTENANCE OF PEACE, INDIA WILL EXERT ITS LEADERSHIP WITHIN THE INTERNATIONAL COMMISSION FOR SUPERVISION AND CONTROL IN CAMBODIA TO FORGE THAT BODY INTO A TRULY EFFECTIVE ORGANIZATION THAT CAN FAITHFULLY AND JUSTLY PROTECT CAMBODIA FROM THE DANGERS ARISING OUT OF THE ABUSE OF ITS NEUTRALITY.

SINCERELY,

LYNDON B. JOHNSON

DTG: 280126Z DEC 67

~~SECRET~~

XEROX FROM QUICK COPY

~~SECRET~~

37

EEA683V
PP WTE 10
DE WTE 3133

1967 DEC 28 03 02

FROM WALT ROSTOV
TO THE PRESIDENT
CITE CAP671186

~~SECRET~~

DECEMBER 27, 1967

FROM WALT ROSTOV
FOR THE PRESIDENT

HEREWITH A SITUATION REPORT ON CAMBODIA.

1. U. S. POLICY TOWARD CAMBODIA WAS STATED MOST RECENTLY IN A NOTE DELIVERED TO THE CAMBODIAN FOREIGN MINISTRY DECEMBER 4, 1967. THAT NOTE EXPRESSED OUR DEEP CONCERN OVER CONTINUED ENEMY USE OF CAMBODIA, PROVIDED A SUMMARY OF EVIDENCE TO EXPLAIN OUR CONCERN, AND OFFERED OUR SUPPORT FOR A MORE EFFECTIVE ICC MONITORING OF BORDER ACTIVITY OR ANY OTHER REASONABLE PROPOSAL FOR REMEDYING THIS DANGEROUS PROBLEM.

2. ON DECEMBER 20, THE CAMBODIAN GOVERNMENT FLATLY REJECTED OUR CONTENTION THAT VIET CONG AND NORTH VIETNAMESE FORCES MAKE EXTENSIVE USE OF CAMBODIAN TERRITORY, PUBLISHING ITS NOTE OF REPLY ON DECEMBER 24. THIS CAMBODIAN RESPONSE CROSSED WITH OUR PREPARATION OF A SECOND DIPLOMATIC NOTE OFFERING HELICOPTERS TO THE ICC, SO AS TO ENABLE THAT ORGANIZATION TO PERFORM MORE EFFECTIVE SURVEILLANCE OF THE CAMBODIAN/SOUTH VIETNAMESE BORDER. DESPITE THE CAMBODIAN GOVERNMENT'S NEGATIVE REACTION OF DECEMBER 20, OUR OFFER OF HELICOPTERS WAS MADE TO THE INDIAN CHAIRMAN OF ICC/CAMBODIA ON DECEMBER 26, FOLLOWING COURTESY NOTIFICATION TO THE CAMBODIAN GOVERNMENT THE PREVIOUS DAY.

3. IN ORDER TO PROMOTE THE POSSIBILITY OF ICC ACCEPTANCE OF OUR OFFER, WE HAVE MADE FOLLOW-UP DIPLOMATIC APPROACHES:

(A) TO THE INDIAN GOVERNMENT, BOTH IN WASHINGTON AND IN NEW DELHI;

(B) TO THE SOVIET UNION IN WASHINGTON, AND A SIMILAR DEMARCHE IS BEING MADE IN MOSCOW;

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XEROX FROM QUICK COPY

Authority ERUS 64-68 vol 27, #223

By *jc*, NARA, Date 7-18-03

(C) THE SECRETARY IS MEETING WITH CANADIAN PRIME MINISTER PEARSON DECEMBER 28 TO URGE THAT CANADA MAKE MORE ACTIVE EFFORTS TO IMPROVE THE PERFORMANCE OF ICC/CAMBODIA;

(D) WE ARE ALSO PREPARING A LETTER TO INDIAN PRIME MINISTER MRS. GANDHI FOR THE PRESIDENT'S SIGNATURE. THIS LETTER WILL EMPHASIZE THE POTENTIAL DANGERS INHERENT IN A PASSIVE POSTURE AND URGE THE GOI TO MAKE ALL POSSIBLE EFFORTS TO IMPROVE ICC EFFECTIVENESS, WHICH IS A MOST IMPORTANT ELEMENT IN CONTAINING THE AREA OF CONFLICT AND PRESERVING CAMBODIAN NEUTRALITY. THE LETTER WILL BE FORWARDED FOR APPROVAL UNDER A SEPARATE MEMORANDUM.

4. IN ORDER NOT TO JEOPARDIZE THESE PEACE EFFORTS, WE CONTINUE TO BELIEVE THAT IT IS UNWISE TO APPROVE MORE MILITANT LINES OF ACTION, SUCH AS BLOCKING THE MEKONG OR SIHANOUKVILLE. FIRST, THESE PORTS ARE NOT SIGNIFICANT SOURCES OF VIET CONG SUPPLIES; SECOND, SUCH ACTIONS WOULD BE UNJUSTIFIABLE UNDER INTERNATIONAL LAW; THIRD, IT WOULD CREATE A SHARP ADVERSE HUE AND CRY.

5. THE CAMBODIAN REACTION TO OUR DECEMBER 4 NOTE HAS AROUSED CONSIDERABLE PUBLIC AND INTERNATIONAL INTEREST IN REGARD TO BOTH THE BASIC PROBLEM OF ENEMY USE OF CAMBODIA AND TO U. S. INTENTIONS IN DEALING WITH THE PROBLEM.

(A) THE LATEST REVIEW BY THE U. S. INTELLIGENCE BOARD CONCLUDES THAT THE EXTENT OF ENEMY USE OF CAMBODIA HAS PROBABLY REMAINED AT ABOUT THE SAME LEVEL AS LAST YEAR, BUT THE STRATEGIC IMPORTANCE OF CAMBODIA TO THE ENEMY HAS PROBABLY INCREASED.

(B) BECAUSE OF THE SERIOUS DOMESTIC AND INTERNATIONAL PROBLEMS THAT WOULD ARISE OUT OF ANY ATTEMPTS TO RESOLVE THE PROBLEM MILITARILY OR TO RETALIATE BY ECONOMIC WARFARE MEASURES, THE MOST FEASIBLE APPROACH FOR THE PRESENT IS TO PERSIST IN DIPLOMATIC INITIATIVES WHICH SEEK TO OBTAIN CAMBODIAN COOPERATION OR ACQUIESCENCE IN MORE EFFECTIVE ICC FRONTIER PATROLS OR IN SOME OTHER MEANS OF AMELIORATING THE PROBLEM.

6. WE SHOULD NOT EXPECT ANY IMMEDIATE INDICATIONS OF IMPROVED ICC EFFECTIVENESS. EVEN IF OUR DIPLOMATIC EFFORTS SUCCEED IN INPELLING THE SOVIET UNION (AND CONSEQUENTLY THE POLISH MEMBERS OF THE ICC) AND THE INDIAN GOVERNMENT TO ACCEPT OUR OFFER OF HELICOPTERS, IT WILL TAKE A MONTH OR SIX WEEKS TO DELIVER THE HELICOPTERS AND TRAIN CREWS IN PHNOM PENH. IT WILL PROBABLY TAKE ANOTHER MONTH TO JUDGE WHETHER THE ICC CAN INDEED PROVE ITSELF TO BE A USEFUL TOOL IN KEEPING DOWN HOSTILE USE OF CAMBODIAN TERRITORY.

7. IN THE MEANTIME, WE WILL CARRY ON PLANNED DIPLOMATIC MOVES:

(A) WE ARE PREPARING EVIDENCE OF SPECIFIC AREAS OF ENEMY ACTIVITY IN CAMBODIA, WHICH CAN BE CONVEYED TO THE ICC FOR USE IN INVESTIGATIONS.

(B) PART OF THIS EVIDENCE DERIVES FROM CROSS BORDER INTELLIGENCE OPERATIONS WHOSE MISSION, HOWEVER, IS PRIMARILY TACTICAL. IN ORDER TO AVOID EXPLOSIVE REACTIONS THAT MIGHT OCCUR IF THESE OPERATIONS BECAME KNOWN, WE WISH TO RESTRICT THEM TO THOSE WHICH ARE ESSENTIAL FOR THE IMMEDIATE DEFENSE OF ALLIED FORCES IN VIET-NAM AND, TO THE EXTENT POSSIBLE, TO THE REMOTE AREAS IN NORTH-EASTERN CAMBODIA. HOWEVER, WE HAVE VERY MUCH IN MIND PROMPTLY AUTHORIZING ADDITIONAL RECONNAISSANCE MISSIONS AS THEY BECOME NECESSARY.

(C) WE ARE ALSO INSTRUCTING CERTAIN POSTS IN THE FIELD TO PROVIDE, ON A CONFIDENTIAL BASIS, THE ESSENTIAL BACKGROUND OF U. S.-CAMBODIAN DIFFERENCES ALONG WITH EVIDENCE OF ENEMY USE OF CAMBODIA. BY THIS MEANS, WE WILL SET STRAIGHT THE RECORD ON THE NATURE OF U. S. APPROACHES TO THE CAMBODIAN GOVERNMENT; AND, AS A RESULT, WE EXPECT TO ENLIST SOME ACTIVE THIRD-COUNTRY SUPPORT FOR U. S. POLICY.

DTG: 280125Z DEC 67

~~SECRET~~

XEROX FROM QUICK COPY

~~CONFIDENTIAL~~

Thursday - December 28, 1967

TO: The President

FROM: W. W. Rostow

SUBJECT: New Year's Greeting to President Balaguer

*Pres file
sentenced
via wire
C A P 671200*

During the past two weeks President Balaguer has been the target of an intense war of nerves mounted by the opposition to undermine public confidence in him. One theme is that the U.S. has withdrawn its support of the Balaguer Government.

Ambassador Crimmins thought we could put this canard to rest with a warm personal New Year's greeting from you. I suggest the following text:

"Mrs. Johnson and I send you warm greetings and best wishes for the New Year. We in the United States Government are pleased to be associated with your efforts to restore national unity and to bring social justice and economic development to your country. We have been especially impressed by your unwavering dedication to these goals during 1967. We look forward to continuing cooperation with you during the remainder of your term in the task of providing a better life for all of the Dominican Republic people. We wish you and your people continued success in this great undertaking."

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

VZ CZ CEEA 693
OO WTE 18
DE WTE 3151

1967 DEC 28 17 22

Pres file

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671199

~~CONFIDENTIAL~~

DECEMBER 28, 1967

SUBJECT: WHEAT FOR PAKISTAN

WE HAVE SOME CONFUSION IN THE RANKS ABOUT YOUR WISHES ON A NEW PL480 WHEAT AGREEMENT FOR PAKISTAN. I THOUGHT WE HAD BETTER CHECK WITH YOU DIRECTLY.

1. IN OCTOBER YOU MADE TWO DECISIONS ON WHEAT FOR PAKISTAN.

-- FIRST, YOU AUTHORIZED IMMEDIATE NEGOTIATION ON 500,000 TONS OF WHEAT PLUS OIL AND OTHER COMMODITIES. IT WAS THE SIGNING OF THIS AGREEMENT THAT YOU SAW ON THE TICKER ON TUESDAY.

-- SECOND, YOU INSTRUCTED OEHLERT TO TRY TO WORK OUT A DEAL FOR ANOTHER 250,000 TONS OF WHICH WE WOULD BUY HALF AND WE WOULD SUPPLY HALF THROUGH PL480.

2. JUST BEFORE WE GOT TO PAKISTAN LAST WEEK AYUB'S PEOPLE GAVE OEHLERT THEIR ANSWER TO THE HALF-AND-HALF PROPOSITION PUT TO THEM IN OCTOBER. THEIR COUNTER-OFFER IS TO BUY 100,000 TONS IF IT IS PART OF A PACKAGE CONTAINING 400,000 TONS IN PL480 WHEAT. IN SHORT, THEY HAVE RESPONDED TO OUR PROPOSAL OF A 1-1 RATIO BETWEEN PURCHASES AND PL480 WITH A COUNTER-OFFER OF 4-1. IT IS THIS PACKAGE, TOTALING 500,000 TONS, THAT AYUB DISCUSSED WITH YOU.

3. OEHLERT RECOMMENDS WE ACCEPT AYUB'S COUNTER-OFFER. FREEMAN AND GAUD SUPPORT THAT RECOMMENDATION.

I SUPPORT THE RECOMMENDATION THAT WE ACCEPT AYUB'S PROPOSAL, BUT I WANT TO BE SURE THAT WE ARE FOLLOWING YOUR WISHES IN ACCEPTING A SOMEWHAT LESS FAVORABLE PROPOSITION THAN YOU INSTRUCTED US TO PUT TO THE PAKISTANIS. OEHLERT RIGHTLY POINTS OUT THAT THEY ARE IN A ROUGH FOREIGN EXCHANGE POSITION, AND THAT EVEN THIS PROPOSAL IS GENEROUS IN A BUMPER CROP YEAR. I DON'T THINK WE WILL DO ANY BETTER BY PUSHING, ALTHOUGH WE MAY BE ABLE TO MOVE SOME MORE PL480 WHEAT FOR BUFFER STOCKS IN 1968. FOR NOW, I RECOMMEND YOU AUTHORIZE US TO ACCEPT THE AYUB PROPOSITION.

DTG: 281638Z DEC 67

DECLASSIFIED

Authority: FRUS 64-68, vol 25, #478

By: jc NARA, Date 7-21-03

XEROX FROM QUICK COPY

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

40

EEA 732
CO WTE 10
DE WTE 3159

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP 67205

Pres file

~~CONFIDENTIAL~~

DECEMBER 28, 1967

SEC. RUSK WISHES YOUR CLEARANCE ON THE FOLLOWING PROPOSED RESPONSE TO A SOVIET NOTE TO US OF DECEMBER 8, IN WHICH THEY MADE SOME RATHER UGLY ACCUSATIONS AGAINST THE GERMANS. THIS KIND OF DEFENSE IS NOT ONLY JUSTIFIED BY GERMAN PERFORMANCE BUT MEANS A GREAT DEAL IN OUR RELATIONS WITH BONN.

FOR YOUR INFORMATION, THE SOVIET NOTE RUNS ABOUT A DOZEN SINGLE SPACED PAGES, FOCUSING ON:

- INCREASED ACTIVITY OF NEO-NAZI AND MILITARY FORCES IN WEST GERMANY;
- ALLEGED CONSTITUTIONAL CHANGES IN THE DIRECTION OF FASCISM;
- JUDICIAL LENIENCY TOWARDS HITLERITES;
- GERMAN GOVERNMENT ENCOURAGEMENT OF "RAGING REVANCHIST FORCES";
- AGGRESSIVE INTENT OF "NEW EASTERN POLICY"; AND
- GOVERNMENT "STRIVING INCESSANTLY FOR ACCESS TO NUCLEAR WEAPONS."

TEXT OF PROPOSED RESPONSE FOLLOWS;

SUBJ: ALLIED RESPONSE TO SOVIET NOTE

1. THE FOLLOWING IS A SLIGHTLY REVISED VERSION OF THE DRAFT REPLY TO THE SOVIET STATEMENT TO WHICH THE SECRETARY REFERRED DURING THE QUADRIPARTITE DINNER:

QUOTE THE GOVERNMENT OF THE UNITED STATES REFERS TO THE NOTE OF THE GOVERNMENT OF THE U.S.S.R., DATED DECEMBER 8, 1967. THE HISTORY OF AMERICAN POLICY ON GERMANY SINCE WORLD WAR II MAKES CLEAR THE IMPORTANCE WHICH THE AMERICAN GOVERNMENT ATTACHES TO THE OBLIGATIONS IT ASSUMED WITH THE SOVIET UNION, FRANCE AND THE UNITED KINGDOM FOR THE FUTURE OF GERMANY. IN DEALING WITH THE GERMAN PROBLEM, INCLUDING THE FEDERAL REPUBLIC AND BERLIN, THIS GOVERNMENT HAS CONSISTENTLY ADHERED TO THESE OBLIGATIONS AND ACTED IN A WAY CONSISTENT WITH U.S. SPECIAL RESPONSIBILITIES AS ONE OF THE FOUR POWERS.

XEROX FROM QUICK COPY

67 DEC 28 PM 4:05
DEC 28 PM 4:05

THURSDAY THURSDAY

THE ENDURING OPPOSITION OF THIS GOVERNMENT TO TOTALITARIANISM OF ANY FORM IS A MATTER OF PUBLIC RECORD, AND DOES NOT NEED REPEATING. THE UNITED STATES, ADHERING TO THIS POSITION, MUST REJECT THE ACCUSATIONS AGAINST THE GOVERNMENT OF THE FEDERAL REPUBLIC AS COMPLETELY UNFOUNDED. THE GOVERNMENT OF THE FEDERAL REPUBLIC IS THE ONLY FREELY ELECTED AND REPRESENTATIVE GOVERNMENT IN GERMANY. THERE IS NO EVIDENCE WHATSOEVER THAT THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY HAS SUPPORTED OR NOW SUPPORTS TOTALITARIAN IDEAS IN ANY WAY. INDEED, THE PRESENT GOVERNMENT, WHICH REPRESENTS THE FREE CHOICE OF THE GREAT MAJORITY OF THE GERMAN PEOPLE, IS A COALITION OF PARTIES WHICH, BOTH IN PHILOSOPHY AND IN PRACTICE, ARE DEDICATED TO DEMOCRATIC PRINCIPLES. THIS IS TRUE AS WELL OF THE OPPOSITION PARTY IN THE BUNDESTAG.

THE SOVIET ALLEGATION THAT THE FEDERAL REPUBLIC HAS THREATENED ITS NEIGHBORS IS ENTIRELY WITHOUT FOUNDATION. IN FACT, AS THE SOVIET GOVERNMENT IS AWARE, THE GOVERNMENT OF THE FEDERAL REPUBLIC SEEKS TO IMPROVE RELATIONS WITH ITS NEIGHBORS AND IS PREPARED TO CONCLUDE AGREEMENTS FOR RECIPROCAL RENUNCIATION OF THE USE OF FORCE. THE FEDERAL REPUBLIC, AS LONG AS 13 YEARS AGO, RENOUNCED THE MANUFACTURE OF NUCLEAR WEAPONS AND HAS REPEATEDLY MADE CLEAR IT HAS NO INTENTION TO ACQUIRE THEM. THE ARMED FORCES OF THE FEDERAL REPUBLIC ARE WITHIN THE FRAMEWORK AND UNDER THE COMMAND OF THE NORTH ATLANTIC TREATY ORGANIZATION AND ARE DEFENSIVE IN NATURE AND IN PURPOSE. THEY ARE NOT A THREAT TO ANYONE.

THE GOVERNMENT OF THE UNITED STATES ENDORSES THE EFFORTS OF THE FEDERAL REPUBLIC TO REDUCE TENSION BETWEEN ITSELF AND THE COUNTRIES OF EASTERN EUROPE, INCLUDING THE SOVIET UNION, AND TO OBTAIN A MORE HUMANE LIFE FOR ALL GERMANS. THIS GOVERNMENT HOPES THAT, AS A RESULT OF THESE EFFORTS, AS WELL AS THOSE OF THE POWERS HAVING SPECIAL RESPONSIBILITIES FOR GERMANY, IT WILL EVENTUALLY BE POSSIBLE TO AGREE ON A JUST AND PEACEFUL SOLUTION OF THE GERMAN PROBLEM WHICH WILL SATISFY THE LEGITIMATE INTERESTS OF ALL PEOPLE, INCLUDING THE PEOPLE OF GERMANY AND WILL STRENGTHEN THE PEACE OF EUROPE. UNQUOTE

2. WE THINK IT IS IMPORTANT TO HAVE A REPLY BY THE THREE POWERS ALONG THE LINES OF THE ABOVE LANGUAGE AS CLOSE TO IDENTICAL AS POSSIBLE. HOWEVER, IN THE INTEREST OF TIME, WE WOULD NOT OBJECT TO SOME DIVERGENCE OF LANGUAGE SO LONG AS THE NOTES WERE CONSISTENT. OF NECESSITY, THE NOTES WILL, OF COURSE, HAVE TO BE PUBLISHED, AND WE WISH TO MINIMIZE SPECULATION ABOUT NATURE AND EXTENT OF DIFFERENCES, IF ANY, BETWEEN THE THREE POWERS.

3. PLEASE REPORT ON REACTIONS OF FRG, BRITISH AND FRENCH TO OUR PROPOSED RESPONSE.

DTG: 281914Z DEC 1967

~~CONFIDENTIAL~~

CONFIDENTIAL

NOT TO BE AN ADMINISTRATIVE
CANCELLED FOR E.O. 12958
AND ARCHIVIST'S EDITION

41

12/14/92

DEC 28 23 50

EEA785
OO VTE 18
DE VTE 3167

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671213

~~CONFIDENTIAL~~

ON THE FACE OF IT, SIHANOUK HERewith GIVES U. S. (REPEAT)
U. S. TROOPS A GREEN LIGHT FOR OPERATIONS TO DRIVE COMMUNIST
FORCES OUT OF UNINHABITED CAMBODIAN AREAS. WE ARE CHECKING.

(QUOTE ATTACHED FBIS 49 AND 52)

(TEXT) PHNOM PENH--PRINCE SIHANOUK SAID TODAY THAT CAMBODIAN
TROOPS WOULD NOT TRY TO STOP U. S. TROOPS FROM ENTERING THE COUNTRY
IN HOT PURSUIT OF VIET CONG OR NORTH VIETNAMESE FORCES. HOWEVER,
THE HEAD OF STATE ADDED THAT HE WOULD TAKE SUCH A POSITION ONLY
IF HE WERE CONVINCED THAT VIET CONG OR NORTH VIETNAMESE HAD
ENTERED CAMBODIA ILLEGALLY AND WERE IN AN UNINHABITED OUTLYING
REGION DIFFICULT TO CONTROL.

PRINCE SIHANOUK MADE THE STATEMENT IN AN INTERVIEW WITH THE
WASHINGTON POST, THE GIST OF WHICH WAS MADE PUBLIC BY CAMBODIAN
INFORMATION SERVICES. SIHANOUK COUPLED THIS STATEMENT WITH A
SHARP WARNING THAT IF THERE WERE SERIOUS RAIDS OR BOMBINGS AGAINST
FRONTIER AREAS INHABITED BY CAMBODIANS OR VIETNAMESE WHO HAD
BEEN LIVING THERE A LONG TIME, CAMBODIAN TROOPS WOULD STRIKE
BACK AS STRONGLY AS POSSIBLE. HE ALSO WARNED THE UNITED STATES
AGAINST SENDING SOUTH VIETNAMESE TROOPS INTO CAMBODIAN SOIL,
MAINTAINING THAT ONCE THEY CAME IT WOULD BECOME IMPOSSIBLE
TO MAKE THEM LEAVE.

IN THE WIDE-RANGING INTERVIEW, WHICH HAS CAUSED CONSIDERABLE
INTEREST IN THIS CAPITAL, PRINCE SIHANOUK ADMITTED THAT SMALL
VIETNAMESE RESISTANCE UNITS HAD ENTERED CAMBODIA A NUMBER OF TIMES.
HE ALSO SAID THAT WHILE HE WOULD NOT TAKE THE INITIATIVE IN INVITING
U. S. OFFICIALS HERE FOR TALKS, HE WOULD BE WILLING TO RECEIVE
A PERSONAL ENVOY FROM PRESIDENT JOHNSON.

(TEXT) PRINCE SIHANOUK CHOSE TO MAKE HIS REMARKS AT A TIME
WHEN WASHINGTON REPORTEDLY IS SERIOUSLY CONSIDERING ALLOWING EITHER
U. S. OR SOUTH VIETNAMESE TROOPS TO ENTER COUNTRIES AROUND SOUTH
VIETNAM IN HOT PURSUIT OF A RETREATING ENEMY. CAMBODIA HAS MAINTAINED
THAT THERE WERE NO VIET CONG OR NORTH VIETNAMESE BASES ON ITS
SOIL, BUT U. S. OFFICIALS HAVE INSISTED TO THE CONTRARY.

DURING HIS INTERVIEW TODAY, THE PRINCE SAID THERE WERE TWO TYPES OF AGGRESSION POSSIBLE. THE FIRST WOULD INVOLVE A LIMITED COMBAT BETWEEN AMERICAN AND VIETNAMESE FORCES IN AN UNINHABITED, OUTLYING AREA. THE PRESUMPTION WOULD BE THAT EITHER NORTH VIETNAMESE OR SOUTH VIETNAMESE--VIET CONG--HAD ENTERED CAMBODIA ILLEGALLY, AS THE UNITED STATES MAINTAINS THAT THEY DO. IN SUCH A CASE, HE SAID, CAMBODIA WOULD NOT INTERVENE MILITARILY BUT WOULD PROTEST TO BOTH PARTIES INVOLVED. THE SECOND TYPE OF AGGRESSION, HE SAID, WOULD INVOLVE MILITARY ACTION AGAINST REGIONS WHERE CAMBODIANS OR VIETNAMESE LIVE. PRINCE SIHANOUK SAID CAMBODIA'S RESPONSE IN SUCH A CASE WOULD BE PRETTY MUCH WHAT HE OUTLINED IN AN ANNOUNCEMENT YESTERDAY--A FULL MILITARY COUNTERATTACK, REQUESTS FOR AID FROM CHINA AND THE SOVIET UNION, A CALL FOR VOLUNTEERS FROM FRIENDLY COMMUNIST COUNTRIES, AND A DEMAND FOR AN EMERGENCY MEETING OF THE UN GENERAL ASSEMBLY.

THE PRINCE WARNED THE UNITED STATES THAT IF IT USED THE SAIGON ARMY AGAINST CAMBODIAN TERRITORY IT WOULD CAUSE AN IRREPARABLE BREACH BETWEEN WASHINGTON AND PHNOM PENH AND THAT THERE WOULD NO LONGER BE A MEASURED RESPONSE. SIHANOUK SAID IT WAS OUT OF THE QUESTION THAT CAMBODIA WOULD EVER APPEAL TO VIETNAMESE TO PROTECT ITS OWN TERRITORIAL INTEGRITY. WE KNOW ONLY TOO WELL THAT IF THEY COME HERE IN FORCE IT WILL BECOME IMPOSSIBLE TO MAKE THEM LEAVE. HE ADDED: WE ARE NOT IN THE LEAST ENEMIES OF THE AMERICAN GOVERNMENT AND PEOPLE. WE ARE A COUNTRY CAUGHT BETWEEN THE HAMMER AND THE ANVIL, A COUNTRY THAT WOULD VERY MUCH LIKE TO REMAIN THE LAST HAVEN OF PEACE IN SOUTHEAST ASIA.

ALTHOUGH HE ADMITTED THAT SMALL NUMBERS OF VIET CONG OR NORTH VIETNAMESE TROOPS HAD ENTERED CAMBODIA, THE PRINCE INSISTED THAT THEY WERE EXPELLED A FEW HOURS LATER UNDER ORDERS OF CAMBODIAN OFFICERS. HE STRONGLY DENIED CLAIMS THAT THERE WERE ANY VIET CONG OR NORTH VIETNAMESE DIVISIONS, HEADQUARTERS, BASES, OR HOSPITALS ON CAMBODIAN TERRITORY. SIHANOUK SAID THE SO-CALLED SIHANOUK TRAIL, COULD NOT POSSIBLY ACCOMMODATE AUTOMOBILE TRAFFIC. HE ASKED THE AMERICANS TO UNDERSTAND THAT HIS ARMY, WHICH DEFENDS THREE FRONTIERS WITH 34,000 MEN, COULD HARDLY DO BETTER SHUTTING OFF THE VIETNAMESE BORDER THAN THE AMERICANS AND ALLIES DO WITH MORE THAN ONE MILLION MEN.

ALTHOUGH PRINCE SIHANOUK EMPHASIZED THAT HE WOULD NOT INVITE AMERICAN OFFICIALS TO CONFER WITH HIM, HE ADDED: IF PRESIDENT JOHNSON, WHO HAS NEVER ACCUSED OR THREATENED US AND WHO KNOWS HOW TO KEEP HIS "SANG-FROID" DESPITE CERTAIN VARMONGER PRESSURES, WISHES TO SEND ME A REPRESENTATIVE ACCREDITED BY HIM, I WILL GLADLY RECEIVE HIM. THE PRINCE ALSO EXPRESSED A DESIRE FOR STRICT INSPECTION OF CAMBODIAN FRONTIERS, PORTS, AND AIRPORTS BY THE INTERNATIONAL CONTROL COMMISSION (ICC), MANNED BY INDIA, CANADA, AND POLAND. HE SAID HE HOPED THE UNITED STATES WOULD HELP STRENGTHEN THE ICC IN CAMBODIA, BUT HE EXPRESSED DEEP REGRET THAT THE SOVIET UNION AND POLAND REFUSED TO GO ALONG.

DTG: 282211Z DEC 67

~~CONFIDENTIAL~~

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~~SECRET~~

1967 DEC 28 23 47

EEA708
OO VTE 10
DE VTE 3171

FROM WALT ROSTON
TO THE PRESIDENT
CITE CAP671217

~~SECRET~~

SUBJECT: NEW ZEALAND PRIME MINISTER HOLYOAKE'S PROMISE OF
A FRIGATE FOR VIETNAM

YOUR CHRISTMAS DAY LETTER TO HOLYOAKE MAKING MENTION OF HIS
PROMISE OF A FRIGATE FOR VIETNAM HAS STIRRED THEM UP IN NEW
ZEALAND. HOLYOAKE HAS TOLD HIS FOREIGN MINISTER THAT HE DID NOT
"PROMISE" A FRIGATE, BUT ONLY MENTIONED IT AS THE KIND OF
ASSISTANCE THAT NEW ZEALAND MIGHT BE ABLE TO GIVE, IN LIEU OF
MORE TROOPS.

I SUSPECT THAT HOLYOAKE, IN HIS DESIRE TO BE RESPONSIVE TO
YOU, GOT OUT AHEAD OF HIS CABINET COLLEAGUES. HE IS NOW PLAYING THE
CABINET GAME OF "FIRST AMONG EQUALS" AS A NECESSARY PRELUDE
TO COMING THROUGH WITH THE FRIGATE.

THE NEW ZEALAND CABINET HAS AGREED "WITHOUT COMMITMENT" TO
EXPLORE WITH CINCPAC WHETHER A NEW ZEALAND FRIGATE IS
PRACTICABLE FOR VIETNAM DUTY. WE HAVE SENT A CABLE TO ADMIRAL
SHARP INFORMING HIM OF YOUR GREAT INTEREST AND INSTRUCTING
HIM TO RESPOND TO THE NEW ZEALAND APPROACH IN SUCH A
WAY AS TO GET THE FRIGATE ASSIGNED TO VIETNAM DUTY AS
EARLY AS POSSIBLE.

I THINK WE CAN COUNT ON THE FRIGATE AFTER HOLYOAKE HAS
TAKEN CARE OF HIS HOUSEKEEPING. IN THE MEANTIME, IT WOULD
MERELY COMPOUND HIS PROBLEMS IF THERE WERE ANY PUBLIC
KNOWLEDGE OF HIS PLEDGE.

~~SECRET~~

DTG 28/2254Z DEC 1967

DECLASSIFIED

Authority RAC 17600

By *plies* NARA. Date 7-21-03

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67 DEC 28 PM 8:08

THURSDAY

~~SECRET~~

1967 DEC 28 23 49

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E.O. 12958, Sec. 3.5

NSC Memo. 1/24/95, State Dept. Guidelines, OSD

By jc NARA Date 7-21-03

37 DEC 28 PM 8:12

THURSDAY

43

EEA707
OO VTE 10
DE VTE 3169

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671215

~~SECRET~~

DECEMBER 28, 1967

SUBJECT: NORTH VIETNAMESE CHRISTMAS TRUCE ACTIVITY

THE DEFENSE DEPARTMENT HAS SENT US THE FOLLOWING CLASSIFIED REPORT OF VIET CONG AND NORTH VIETNAMESE CHRISTMAS TRUCE ACTIVITY. THEY WILL SANITIZE IT AND RELEASE IT FROM SAIGON.

THE EVIDENCE OF NORTH VIETNAMESE USE OF THE TRUCE FOR RESUPPLY WILL BE EXPLOITED HERE IN RESPONSE TO YOUR SUGGESTION OF THIS MORNING.

THE 24-HOUR ALLIED CHRISTMAS TRUCE IN SOUTH VIETNAM REPORTEDLY SAW 118 ENEMY INCIDENTS, MOST OF THEM IN FIRST AND THIRD CORPS. OF THESE, 40 WERE CONSIDERED MAJOR INCIDENTS -- NORMALLY ONE THAT INVOLVES AT LEAST ONE FRIENDLY CASUALTY OR AN INCIDENT OF SIGNIFICANCE SUCH AS THE SHOOTING DOWN OF AN AIRCRAFT. TWO PERTAINED TO RECONNAISSANCE AIRCRAFT -- ONE WAS DOWNED BY GROUND FIRE IN THE ASHAU VALLEY AREA ON 25 DECEMBER, AND ANOTHER, ALSO IN FIRST CORPS, ENGAGED AND KILLED TWO ENEMY WHO HAD FIRED AT IT.

MOST OF THE OTHER INCIDENTS CONSISTED OF SMALL-ARMS AND OTHER FIRE, PROBABLY UNDERTAKEN IN REACTION TO FRIENDLY RECONNAISSANCE OR DEFENSIVE MEASURES OR INITIATED BY SMALL GROUPS WHICH TOOK ADVANTAGE OF THE LULL TO MOVE AND BLUNDERED INTO FRIENDLY POSITIONS. THERE IS ALWAYS SOME DOUBT AS TO WHETHER ENEMY INCIDENTS DURING CEASE-FIRES RESULT FROM SMALL-UNIT COMMANDERS' "NOT GETTING THE WORD" OR IGNORING ORDERS TO STAND DOWN. ENEMY ACTIVITY JUST PRIOR TO THE TRUCE PERIOD WAS GENERALLY LIGHT THROUGHOUT THE COUNTRY. THE LEVEL OF ACTIVITY AFTER THE PERIOD CONTINUES TO BE LOW.

EXAMPLES OF A DELIBERATE BREAKING OF THE TRUCE INCLUDED A KIDNAPPING OF A HAMLET CHIEF IN THUA THIEN, THE SHOOTING AT AIRCRAFT IN FIRST CORPS, AND AN ATTACK AGAINST A HAMLET IN BINH DINH. THERE WERE ALSO SEVERAL ATTACKS ON UNITS THAT MAY HAVE BEEN PLANNED. CASUALTIES IN ALL THESE ACTIONS, HOWEVER, WERE RELATIVELY LIGHT.

THE TABLES BELOW SHOW THE TOTAL NUMBER OF MAJOR AND MINOR INCIDENTS REPORTED FOR EACH CORPS AND OF CASUALTIES ON BOTH SIDES.

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ENEMY-INITIATED INCIDENTS

3:00 A.M. EST, 24 DECEMBER - 3:00 A.M. EST, 25 DECEMBER

CORPS	MAJOR	MINOR
FIRST	15	27
SECOND	9	9
THIRD	11	24
FOURTH	5	18
TOTAL	40	78

FRIENDLY AND ENEMY CASUALTIES

	US	FVF	ARVN	CIV	TOTAL	ENEMY
KIA	2	0	4	1	7	33
WIA	24	1	12	8	45	
MIA	0	0	0	14	14	

LAST YEAR, THERE WERE 102 COMMUNIST-INITIATED INCIDENTS DURING THE 48-HOUR CHRISTMAS TRUCE, MOST OF THEM MINOR. IN 1965, THE ALLIED FORCES PROPOSED A 30-HOUR CEASE-FIRE, BUT THE VIET CONG OBSERVED ONLY THEIR ANNOUNCED 12 HOURS; SOME 21 INCIDENTS WERE REPORTED. THE PATTERN OF "VIOLATIONS" AND THEIR INTENSITY HAS APPARENTLY BEEN ABOUT THE SAME SINCE 1965. CASUALTY LEVELS HAVE ALSO BEEN RELATIVELY THE SAME FOR ALL THREE YEARS.

THERE WERE SOME LOCAL TROOP MOVEMENTS OF VC/NVA FORCES REPORTED DURING THE PERIOD, BUT THE SIGNIFICANCE OF THESE MOVEMENTS HAS NOT BEEN DETERMINED.

ANALYSIS OF VISUAL SIGHTINGS AND PHOTOGRAPHY OVER NORTH VIETNAM DURING AND IMMEDIATELY AFTER THE CHRISTMAS CEASE-FIRE PERIOD INDICATES THAT LOGISTIC ACTIVITY BY TRUCKS WAS AT A HIGH LEVEL.

AS MANY AS 850 TRUCKS WERE OBSERVED BETWEEN THANH HOA AND THE DONG HOI AREA. OF THESE, AT LEAST 750 WERE HEADING SOUTH. DURING THE CEASE-FIRE PERIOD, 132 TRUCKS WERE DETECTED NEAR THE QUANG KHE FERRIES NORTH OF DONG HOI WITH ABOUT 140 SAMPANS BEING USED TO TRANSHIP THE SUPPLIES ACROSS THE GIANG RIVER. CONTINUED ANALYSIS HAS NOT REVEALED ANY SIGNIFICANT WATERBORNE LOGISTIC CRAFT ACTIVITY SUCH AS OCCURRED DURING THE 48-HOUR CEASE-FIRE PERIOD IN 1966.

TRAFFIC OBSERVED BY PILOTS CONTINUED AT THE RELATIVELY HIGH RATE NOTED SINCE THE LATTER PART OF OCTOBER. THE GREATEST NUMBER OF TRUCKS, ABOUT 150, WERE OBSERVED ON THE 24TH. THIS IS 60 MORE THAN THE AVERAGE DAILY SIGHTINGS FOR DECEMBER. THE BULK OF THE MOVEMENT WAS DURING DARKNESS AND MOST OF THE VEHICLES SIGHTED WERE MOVING SOUTH. THE MAJOR PORTION APPEARED TO BE COMING FROM NORTH VIETNAM VIA ROUTE 137. THE HEAVIEST TRAFFIC, 76 VEHICLES, WAS REPORTED ON ROUTE 911.

TO: 282240Z DEC 67

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By us NARA, Date 1-22-04

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1967 DEC 28 20 29

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DE WTE 3158

FROM WALT ROSTOW
TO THE PRESIDENT
INFO GEORGE CHRISTIAN
CITE CAP67294

~~SECRET~~

HERewith AMBASSADOR BUNKER'S WEEKLY TELEGRAM.

SAIGON 14556

FOR THE PRESIDENT FROM BUNKER

HERewith MY THIRTY-SECOND WEEKLY MESSAGE:

A. GENERAL

1. THE TWENTY-FOUR HOUR CHRISTMAS STAND-DOWN BROUGHT MOMENTARY RESPITE TO THIS BELEAGUERED COUNTRY AND, IN MAJOR URBAN CENTERS AT LEAST, THERE WAS A GENUINE HOLIDAY ATMOSPHERE DESPITE THE IMMEDIATE PROSPECT OF RENEWED HOSTILITIES. YOUR VISIT TO CAM RANH ON DECEMBER 23RD WAS AN ENCOURAGEMENT TO ALL OF US; THAT YOU SHOULD HAVE ADDED MANY THOUSANDS OF MILES TO YOUR JOURNEY TO COME HERE AND TO SPEAK GENEROUS WORDS OF APPRECIATION AND SUPPORT HAS BEEN AN INSPIRATION TO ALL OF US WHO ARE ENGAGED IN THIS GREAT TASK ON THE SOIL OF VIET-NAM. AND YOUR WORKING SESSION WITH PRESIDENT THIEU AND OTHER FREE WORLD LEADERS IN CANBERRA SERVED TO REASSURE THE VIETNAMESE OF OUR COMMITMENT HERE. PUBLIC EXPRESSIONS OF CONCERN THAT WE MAY BE UNILATERALLY CHANGING OUR POSTURE VIS-A-VIS THE NLF HAVE MEASURABLY DIMINISHED.

2. WHILE YOUR DECEMBER 19 INTERVIEW WITH THREE MAJOR TELEVISION NETWORKS AT FIRST WAS INTERPRETED IN SOME LOCAL POLITICAL CIRCLES AS AN INDICATION OF DIFFERENCES BETWEEN OURSELVES AND THE GVN ON THE SUBJECT OF NLF RECOGNITION, WHEN PRESIDENT THIEU RETURNED TO SAIGON ON DECEMBER 24, HE REASSURED THE PRESS THAT THERE WERE NO DIFFERENCES OF VIEW BETWEEN US AND THE VIETNAMESE ON THIS SUBJECT: THIEU EMPHASIZED THAT WHILE THE GVN WOULD NOT RECOGNIZE THE NLF AS AN ORGANIZATION HE REITERATED HIS WILLINGNESS TO "LISTEN" TO ANYONE WHO WANTS TO COME IN FROM THE OTHER SIDE. THIEU ADDED THAT THE POLICY OF VIET-NAM AND ITS ALLIES REMAINS THE SAME AS ELABORATED AT THE 1966 MANILA COMMUNIQUE.

3. IN MY TALK WITH PRESIDENT THIEU DAY BEFORE YESTERDAY HE EXPRESSED HIS PLEASURE AT THE OPPORTUNITY TO TALK WITH YOU IN CANBERRA AND SAID THAT FROM HIS VIEWPOINT HE THOUGHT THAT THE

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THURSDAY

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MEETINGS HAD BEEN VERY WORTHWHILE. HAVING IN MIND THE GROWING IMPRESSION THAT THE NEW GOVERNMENT OF VIETNAM WAS NOT GIVING MUCH PUBLIC INDICATION OF PROGRESS, I STRESSED TO HIM THE NEED FOR ACTION AND LEADERSHIP; THAT I SENSED AN AIR OF EXPECTANCY AMONG THE PEOPLE WHO WERE WAITING AND HOPING THAT THE NEW GOVERNMENT WOULD MOVE AHEAD. I SUGGESTED TO HIM THAT IT MIGHT BE TIMELY FOR HIM TO MAKE SOME KIND OF PUBLIC STATEMENT OF GOVERNMENT ACTIONS AND INTENTIONS, FOLLOW UP ON HIS FINE INAUGURAL ADDRESS AND PRIME MINISTER LOC'S SUMMARY OF GOVERNMENT PLANS AND PROGRAMS. I WAS HAPPY TO HAVE HIM SAY THAT HE WAS ALREADY WORKING ON A MAJOR ADDRESS WHICH HE PLANNED TO MAKE TO A JOINT SESSION OF BOTH HOUSES WHEN HE WOULD PRESENT THE BUDGET FOR THE COMING YEAR. IN IT HE WOULD DEAL WITH THE PRINCIPAL PROBLEMS FACING THE NATION AND THE GOVERNMENT'S PLANNED ACTIONS TO MEET THEM. THIEU MENTIONED THAT YOU HAD EXPRESSED PARTICULAR INTEREST IN THE GVN'S PLANS FOR LAND REFORM, RAISING OF TAXES, PROGRESS IN PACIFICATION, AND THE DEVELOPMENT OF THE JOINT US/JAPANESE EDUCATIONAL TV PROJECT. THIEU SAID THAT AS HE HAD TOLD ME PREVIOUSLY THE MINISTER OF AGRICULTURE WAS WORKING ON A COMPREHENSIVE LAND REFORM PROGRAM AND THAT HE EXPECTED TO BRING THIS UP FOR CONSIDERATION AT THE COUNCIL OF MINISTERS MEETING AT WHICH HE WILL PRESIDE TODAY. HE REPEATED AGAIN THAT HE WAS AWARE OF THE NEED TO INCREASE TAXES BUT NOTED THE INADVISABILITY OF SUCH A MOVE BEFORE THE TET HOLIDAYS IN VIEW OF THE UPWARD PRESSURE ON PRICES GENERALLY DURING THIS PERIOD. HE EXPRESSED CONFIDENCE THAT THE PACIFICATION PROGRAM COULD BE MATERIALLY ACCELERATED DURING THE COMING YEAR.

4. AS I MENTIONED IN MY LAST MESSAGE I THINK THAT MORE PROGRESS IS BEING MADE THAN APPEARS ON THE SURFACE IN PREPARATORY WORK IN PUTTING ACTION PROGRAMS IN DEFINITIVE FORM. BUT IT IS TIME TO GET THESE MOVING AND ON THE ROAD AND LET THE PEOPLE KNOW THAT THE GOVERNMENT IS PREPARED TO ACT. HOPEFULLY IF THIEU KEEPS TO HIS PLAN TO ADDRESS THE JOINT SESSION OF THE ASSEMBLY IN THE FIRST WEEK IN JANUARY IT WILL BE THE CUE FOR MOVING AHEAD.

5. THE CHRISTMAS STAND-DOWN LASTED FROM 6 PM LOCAL TIME DECEMBER 24 TO 6 PM DECEMBER 25. SEVEN FREE WORLD COMBATANTS WERE KILLED AND 43 WOUNDED AS A RESULT OF ENEMY ACTION DURING THE TRUCE PERIOD. OF THESE CASUALTIES, 26 WERE U.S. (2 KILLED AND 24 WOUNDED). ENEMY CASUALTIES WERE 33 KILLED.

6. IT IS DIFFICULT TO MAKE MEANINGFUL COMPARISONS OF THIS STAND-DOWN WITH PREVIOUS ONES ON THE BASIS OF STATISTICS, ALTHOUGH THERE WERE MORE INCIDENTS AND DEATHS THIS YEAR IN 24 HOURS THAN THERE WERE LAST YEAR IN 48 HOURS. AS BEFORE, MANY INCIDENTS HAVE BEEN REPORTED DURING THE STAND-DOWN THAT MIGHT NOT HAVE BEEN REPORTED DURING ACTIVE HOSTILITIES. AND A LARGE PERCENTAGE OF INCIDENTS WERE REACTIONS TO PATROL AND RECONNAISSANCE ACTIVITIES ON OUR PART. THERE WAS NO MAJOR MILITARY ACTION DURING THE 24 HOURS PERIOD NOR WERE THERE ANY TERRORIST ACTIONS IN SAIGON. THERE WERE, HOWEVER, A NUMBER OF EVIDENCES OF BAD FAITH ON THE PART OF THE ENEMY. THE MOST FLAGRANT OF THESE WERE A MORTAR ATTACK ON THE PROVINCE CAPITAL OF BAC LIEU AND AN ATTACK ON A CIVILIAN IRREGULAR DEFENSE GROUP CAMP IN PHU YEN PROVINCE.

7. THE CAMBODIAN SITUATION HAS BEEN EXACERBATED BY PHNOM PENH'S PROPAGANDISTIC REPLY OF DECEMBER 20 TO OUR NOTE OF DECEMBER 4 DISCLOSING EVIDENCE OF VC/NORTH VIETNAMESE USE OF CAMBODIAN SOIL AND INDICATING A WILLINGNESS TO COOPERATE IN ANY REASONABLE METHOD OF CONTROLLING THIS PROBLEM. SINCE THE CAMBODIANS HAVE PUBLICLY RELEASED THEIR NOTE, AND SINCE IT ALSO ATTACKS THE GVN STRONGLY, THIS IS LIKELY TO INCREASE PRESSURE IN VIETNAMESE CIRCLES TO AUTHORIZE SPECIFIC ACTIONS SUCH AS BLOCKING MEKONG SHIPPING OR AUTHORIZING A POLICY OF "HOT PURSUIT". SUBSTANTIAL PRESSURE ALONG THESE LINES ALREADY EXISTED PRIOR TO THE CAMBODIAN REPLY BOTH IN MILITARY AND CIVILIAN CIRCLES. FOR EXAMPLE, ON DECEMBER 16 THE INTERIM CHAIRMAN OF THE UPPER HOUSE ADDRESSED A LETTER TO PRIME MINISTER LOC ASKING WHAT THE GVN ATTITUDE IS TOWARDS CAMBODIAN AUTHORITIES IN VIEW OF THE DISCOVERY OF VC MILITARY BASES IN CAMBODIA BY AP AND UPI. FOREIGN MINISTER TRAN VAN DO ALSO TOLD NEWSMEN IN PARIS ON DECEMBER 26 THAT SOUTH VIET-NAM WOULD EXERCISE THE RIGHT OF "HOT PURSUIT" INTO CAMBODIA IF NECESSARY, AND PRESIDENT THIEU ECHOED THIS POSITION TO NEWSMEN HERE ON DECEMBER 27. ALTHOUGH WE WILL TRY TO TEMPER THIS GVN FEELING, I THINK WE MUST RECOGNIZE THAT IT STEMS FROM GENUINE PROVOCATIONS ON THE CAMBODIAN SIDE AND VIETNAMESE PATIENCE IS WEARING THIN.

8. GOVERNOR ROMNEY ARRIVED IN VIET NAM ON CHRISTMAS EVE AND DEPARTED ON THE AFTERNOON OF DECEMBER 27. HE SPENT ALL OF CHRISTMAS DAY AND PART OF THE NEXT VISITING OUR TROOPS. HE ALSO CALLED ON PRESIDENT THIEU, PRIME MINISTER LOC AND DINED WITH A NUMBER OF PROMINENT VIETNAMESE POLITICAL FIGURES INCLUDING DR. DAN AND SENATOR TRAN VAN DON. HE ALSO MET WITH SEVERALL WELL KNOWN OPPOSITIONISTS SUCH AS DISQUALIFIED PRESIDENTIAL CANDIDATE AU TRUONG THANH AND TRAN QUANG THUAN, A FORMER SOCIAL WELFARE MINISTER CLOSE TO THICH TRI QUANG. GOVERNOR ROMNEY HAD SOUGHT AN APPOINTMENT WITH TRI QUANG HIMSELF, BUT QUANG DECLINED.

9. THE GOVERNOR HAD LUNCH WITH ME AND SOME OF THE MISSION MEMBERS YESTERDAY AND I HAVE THE IMPRESSION THAT HE WAS VERY PLEASED WITH HIS VISIT AND THE ARRANGMENTS MADE FOR HIM. HE MENTIONED SEVERAL TIMES THAT HE THOUGHT HIS PRESENT VISIT HAD GIVEN HIM A MUCH BROADER AND DEEPER VIEW OF THE VIET NAM SCENE.

B. PRIORITY PROGRAMS

A. MOBILIZATION MEASURES

10. [REDACTED], THE DEFENSE MINISTRY HAS SUBMITTED TO PRIME MINISTER LOC ITS RECOMMENDATIONS FOR SPECIFIC MEASURES TO IMPLEMENT THE RECENT PARTIAL MOBILIZATION DECREE. THE CABINET, HAS, HOWEVER, THUS FAR DEFERRED ACTION ON THESE RECOMMENDATIONS IN LIGHT OF THE DEBATE ON PARTIAL MOBILIZATION IN THE ASSEMBLY. (SEE SECTION C, POLITICAL). OUR UNDERSTANDING IS THAT THE DEFENSE MINISTRY WILL BEGIN IMPLEMENTING LESS CONTROVERSIAL ASPECTS OF THE DECREE ON SCHEDULE, THAT IS BEGINNING JANUARY 1; BUT SOME PARTS MAY AWAIT FURTHER DELIBERATION BY THE SPECIAL COMMITTEE WHICH EACH HOUSE OF THE LEGISLATURE HAS ESTABLISHED TO EXAMINE MOBILIZATION MATTERS.

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B. REORGANIZATION OF REPUBLIC OF VIETNAM ARMED FORCES.

11. REPUBLIC OF VIETNAM ARMED FORCES CONTINUE TO DEMONSTRATE IMPROVED PERFORMANCE.

IN CHUONG THIEN PROVINCE IN THE DELTA THE 21ST ARVN DIVISION ENGAGED IN A THREE DAY SEARCH AND DESTROY OPERATION WHICH ENDED ON DECEMBER 23. FINAL RESULTS WERE FRIENDLY 9 KIA, 24 WIA; ENEMY 94 KIA, 41 DETAINEES, 85 WEAPONS, SIX TONS OF AMMUNITION, TWO RADIOS, AND A LARGE QUANTITY OF EXPLOSIVE CAPTURED.

12. IN VINH BINH PROVINCE IN THE DELTA IN A TWO DAY SEARCH AND DESTROY OPERATION CONDUCTED BY TWO BATTALIONS OF THE 9TH INFANTRY DIVISION (ARVN) FINAL RESULTS WERE FRIENDLY 3 KIA, 12 WIA; ENEMY 110 KIA, 10 DETAINEES, 29 INDIVIDUAL WEAPONS AND 4 CREW SERVED WEAPONS CAPTURED.

13. IN DINH TUONG PROVINCE ALSO IN THE DELTA ELEMENTS OF THE 7TH ARVN DIVISION, CONTACTED AN UNKNOWN SIZE ENEMY FORCE KILLING 109 OF THE ENEMY AND LOSING 13.

14. IN QUANG TRI PROVINCE IN I CORPS ELEMENTS OF THE 1ST ARVN REGIMENT, 1ST ARVN DIVISION, PINNED DOWN AN NVN BATTALION ALONG THE SEACOAST 10 KM EAST OF QUANG TRI CITY. THE ENGAGEMENT BEGAN ON DECEMBER 26, HEAVY FIGHTING CONTINUED THROUGHTOUT THE DAY AND ENDED EARLY ON THE MORNING OF DECEMBER 27. THE RESULTS WERE FRIENDLY 15 KIA (ARVN), 63 WIA (59 ARVN), 1 US ADVISOR, 2 US AVIATORS AND 1 AUSTRALIAN ADVISOR; ENEMY 203 KIA, 6 DETAINEES, 42 INDIVIDUAL AND 10 CREW SERVED WEAPONS AND 1 RADIO CAPTURED.

15. IT IS INTERESTING TO NOTE THAT FOUR DIFFERENT ARVN DIVISIONS, THE 1ST, 7TH, 9TH AND 21ST ALL TURNED IN EXCELLENT PERFORMANCES.

C. REORGANIZATION OF THE CIVILIAN ADMINISTRATION

16. IN MY CONVERSATION WITH THIEU ON DECEMBER 26, I AGAIN RAISED THE QUESTION OF AN EXECUTIVE PAY RAISE AS ONE MEANS TO COMBAT CORRUPTION. WHILE HE SAID THAT IT IS DIFFICULT FOR THE NEW GOVERNMENT TO START OUT WITH A SUBSTANTIAL RAISE IN GOVERNMENT SALARIES WHILE IT IS PREACHING AUSTERITY - HE AGREED THAT INCREASES IN BOTH CIVILIAN AND MILITARY PAY WERE NEEDED. HE SAID HE INTENDED TO PUSH AHEAD WITH THEM AT THE APPROPRIATE TIME; PERHAPS WHEN THE NATIONAL ASSEMBLY TAKES ACTION IN SETTING ITS OWN SALARY SCALE IT WOULD BE TIMELY TO ACT.

17. THE NEW GOVERNMENT HAS ESTABLISHED A DIRECTORATE GENERAL FOR CIVIL SERVICE AND APPOINTED A COMPETENT CAREER OFFICIAL AS DIRECTOR GENERAL. HE HAS DRAFTED AND SUBMITTED TO THE PRIME MINISTER A COMPREHENSIVE CIVIL SERVICE PROGRAM WHICH THE GVN HAS NEVER HAD UNTIL NOW. THIS WILL PROVIDE THE INSTITUTIONAL SUPPORT FOR THE ATTACK ON CORRUPTION AS WELL AS FOR A GENERAL OVERHAUL OF THE GVN CIVIL SERVICE. ADEQUATE PAY SCALES AND CIVIL SERVICE REFORM SHOULD PROVIDE A TWO-PRONGED ATTACK ON CORRUPTION AND GREATER EFFICIENCY IN THE GOVERNMENT SERVICES.

18. THE TRAINING OF VILLAGE AND HAMLET OFFICIALS IS BEING PRESSED WITH SOME ACTIVITY IN EVERY PROVINCE EXCEPT PLEIKU. HIGH LEVEL TRAINING IS NOW ALSO RECEIVING ATTENTION. ON THE AGENDA FOR THE NEXT TWO MONTHS ARE THREE IMPORTANT TRAINING STARTS; A TRAINING COURSE FOR PROVINCE AND DISTRICT CHIEFS, PREVIOUSLY REPORTED, IS TO BEGIN JANUARY 1ST AND RUN FOR A MONTH; A PILOT EXECUTIVE DEVELOPMENT SEMINAR FOR HIGH LEVEL MINISTERIAL OFFICIALS; AND THE LAUNCHING OF THE NEW NATIONAL DEFENSE COLLEGE WITH ITS ADMINISTRATION AND ECONOMIC DEVELOPMENT COURSES.

19. THE DIRECTORATE GENERAL OF TAXATION WITH OUR HELP IS MOVING TO INSURE SUCCESSFUL ACTUAL DELGATION OF REAL PROPERTY TAX ADMINISTRATION AND THE PROCEEDS TO LOCAL GOVERNMENTS. THE IMPLEMENTING REGULATION WAS SUBMITTED TO THE MINISTER OF FINANCE ON DECEMBER 18 AND EARLY APPROVAL IS EXPECTED. TRAINING MATERIALS ARE BEING PREPARED FOR DISTRIBUTION TO GVN FIELD TRAINING OFFICERS, AND A SEMINAR FOR TAX OFFICIALS IS PLANNED FOR JANUARY 10 ON IMPLEMENTATION OF THE NEW DECREE.

D. PACIFICATION

20. ATTACK ON INFRASTRUCTURE. THE PRIME MINISTER HAS FINALLY SIGNED THE ORDER SETTING UP THE GVN ANTI-INFRASTRUCTURE ORGANIZATION ALONG THE LINES I MENTIONED THREE WEEKS AGO. THIS IS A LONG AWAITED BREAKTHROUGH AND WE CAN NOW MOVE INTO THE OPERATIONAL PHASE OF THIS TOP PRIORITY PROGRAM. BOB KOMER HAS LONG MADE THIS A PERSONAL PROJECT AND DESERVES FULL CREDIT.

21. 1968 PLANNING. WE ARE PLEASED WITH THE MOMENTUM OF 1968 PACIFICATION PLANNING. IT IS FAR MORE SYSTEMATIC THAN LAST YEAR AND WE ARE WORKING VERY CLOSELY WITH GENERALS THANG AND TRI, WHO ARE MOVING AT A RECORD PACE. THANG AND TRI HAVE COMPLETED FIELD REVIEWS SETTING AN EXPANDED PROVINCE-BY-PROVINCE FRAMEWORK FOR PACIFICATION. TRI TRAVELED AROUND WITH A TEAM INCLUDING TWO AMERICANS FROM CORDS, REVIEWING AND APPROVING 1968 PROVINCIAL REVOLUTIONARY DEVELOPEMENT BUDGETS. THESE ARE RUNNING 40 PERCENT MORE THAN LAST YEAR--EXACTLY THE STEP-UP WE URGED TO TAKE ADVANTAGE OF EXPANDING OPPORTUNITES. OUR EARLY FOCUS ON PLANNING FOR 1968 HAS PAID OFF.

22. REFUGEES. ALTHOUGH SENATOR KENNEDY WILL BE ABLE TO FIND PLENTY WRONG WITH GVN'S HANDLING OF REFUGEES, I BELIEVE THAT WE AND THE GVN CAN JUSTLY CLAIM SOLID IMPROVEMENTS OVER THE LAST SIX MONTHS. WE ASSIGNED TOP PRIORITY TO REFUGEES UNDER PROJECT TAKEOFF. THE GVN SPECIAL COMMISSARIAT FOR REFUGEES, NOW THE NEW MINISTRY, HAS IMPROVED MARKEDLY AS A RESULT OF OUR SUPPORT AND ADVICE. I HAVE RECEIVED A PROGRESS REPORT FROM BOB KOMER WHICH SHOWS THAT REFUGEE CARE IS DEFINITELY IMPROVING AND THAT THE INFLOW OF NEW REFUGEES IS DECLINING NATIONWIDE. WE WILL USE THE REPORT TO SHOW SENATOR KENNEDY AND OTHER VISITORS WHAT HAS BEEN DONE, IS BEING DONE, AND REMAINS TO BE DONE.

ACCORDING TO HAMLET EVALUATION STATISTICS WHICH PROVIDE THE BEST OVERALL MEASURE OF EVENTS IN 12,714 HAMLETS, NOVEMBER SHOWED CONTINUED MODEST IMPROVEMENT IN PACIFICATION. THE

NUMBER OF HAMLETS CONSIDERED SECURE JUMPED UP 67 WHILE VC-CONTROLLED HAMLETS DECREASED BY 56. SINCE PEOPLE ARE THE REAL TARGET, THE NOVEMBER GAIN OF 130,200 IN SECURE POPULATION IS A GOOD SIGN. POPULATION UNDER VC CONTROL DROPPED 30,200. PERCENTAGE BREAKDOWNS REMAIN 67 PERCENT OF POPULATION LIVING UNDER RELATIVE SECURITY, 16 PERCENT IN CONTESTED AREAS, AND 17 PERCENT UNDER VC DOMINATION.

ONE OF MACV'S CONTRIBUTIONS TO A MORE COMPREHENSIVE APPROACH TO PACIFICATION HAS BEEN OPENING LINES OF COMMUNICATIONS TO THE COUNTRYSIDE. A GOOD DEAL HAS BEEN ACCOMPLISHED. WE HAVE ALSO STRESSED THE NEED FOR GVN ACTION TO FOSTER THE FREE AND UNINTERRUPTED USE OF ROADS AND WATERWAYS. ONE IMPEDIMENT HAS BEEN AN OVERLY RESTRICTIVE GVN RESOURCE CONTROL SYSTEM WHICH SLOWED DOWN TRAFFIC WITH EXCESSIVE NUMBERS OF CHECKPOINTS AND RED TAPE ON OBTAINING PERMITS TO TRANSPORT GOODS. FINALLY, AS RESULT OF A GOOD DEAL OF PRODDING, THE MINISTER OF INTERIOR HAS ISSUED A DIRECTIVE TO "FACILITATE THE TRANSPORTATION OF SUPPLY GOODS TO THE CAPITAL, CITIES AND PROVINCE CAPITALS AND TO ELIMINATE CORRUPT PRACTICES..." AMONG MEASURES THE MINISTER HAS DIRECTED THE NATIONAL POLICE TO TAKE ARE (1) REDUCING THE NUMBER OF FIXED CHECKPOINTS AND REPLACING THEM WITH MOBILE CONTROL TEAMS, (2) LESSENING RED TAPE ON TRANSPORTATION OF NON-MILITARY GOODS AND FOODSTUFFS, (3) ABOLISHING CHECKS ON GOODS AND FOODSTUFFS ON ROUTE TO SAIGON, MAJOR CITIES AND PROVINCE CAPITALS, AND (4) IMPROVING DISCIPLINE OF POLICE CONTROL AGENTS TO HALT CORRUPT PRACTICES.

E. ANTI-CORRUPTION MEASURES. NEWS OF POSITIVE ACTION AGAINST CORRUPT OFFICIALS IS BECOMING COMMONPLACE. ALMOST DAILY I SEE AN ANNOUNCEMENT IN THE LOCAL PAPERS THAT ANOTHER OFFICIAL HAS BEEN RELIEVED, JAILED OR PLACED UNDER INVESTIGATION. AT LEAST TWO OF THE WORST PROVINCE CHIEFS HAVE TRIED TO RESIGN QUIETLY, BUT THE GVN IS FORCING THEM TO REMAIN UNTIL INVESTIGATIONS ARE COMPLETED. TWO DISTRICT CHIEFS WERE RELIEVED LAST WEEK IN BA XUYEN PROVINCE BY THE COMMANDER OF THE 21ST ARVN DIVISION. THIRTEEN PROVINCIAL OR CITY POLICE CHIEFS HAVE BEEN REPLACED DURING THE PAST SIX MONTHS--SIX FOR ALLEGED CORRUPTION AND SEVEN FOR INEFFICIENCY. THE LATEST TO GO IS THE POLICE CHIEF OF GIA DINH PROVINCE WHICH SURROUNDS SAIGON. HIS WIFE WAS INVOLVED IN BLACK MARKET ACTIVITIES. WE FULLY EXPECT THAT AT LEAST A DOZEN OF THE WORST PROVINCE CHIEFS WILL BE REMOVED ABOUT TET AS SOON AS THEIR REPLACEMENTS ARE TRAINED. AN EVEN LARGER NUMBER OF DISTRICT CHIEFS HAVE BEEN RELIEVED. SO SLOWLY BUT STEADILY THINGS ARE GOING BETTER.

F. ECONOMIC STABILIZATION

27. WE HAVE BEEN ENGAGED IN DISCUSSIONS WITH THE GVN ON A MODEST BUT IMPORTANT LIST OF STABILIZATION MEASURES: INCREASING TAXES ON PETROLEUM PRODUCTS, REDUCING THE RICE SUBSIDY AND TARIFF CLASSIFICATION REFORM. THE GVN'S ECONOMISTS WOULD PREFER TO FORMULATE AN INCLUSIVE STABILIZATION PROGRAM. THIS IS DESIRABLE IN THE LONG RUN, BUT WE FEEL THAT INFLATIONARY PRESSURES OF THE FIRST HALF OF 1968 WILL BE SUCH THAT WE SHOULD IMPLEMENT THOSE MEASURES WHICH CAN BE IMPLEMENTED IMMEDIATELY TO GIVE US BREATHING ROOM FOR THE TASK OF NEGOTIATING AN OVERALL STABILIZATION PROGRAM.

G. PEACE

28. THIEU TOLD ME TODAY THAT HE WAS STILL WAITING TO HEAR FROM THE POPE CONCERNING THE LATTERS SEARCH FOR A POSSIBLE MEANS OF DELIVERING THIEU'S LETTER TO HO. THIEU SAID THAT HE THOUGHT HE SHOULD GIVE THE POPE A MONTH TO EXPLORE THE POSSIBILITIES AND IF AT THE END OF THIS PERIOD THE POPE HAD NOT FOUND A MEANS OF GETTING THE LETTER INTO HO'S HANDS, SOME OTHER AVENUE WHOULD BE TRIED SUCH AS THE ICC OR THE UN. I BELIEVE THE MONTH WOULD BE UP THE FIRST WEEK IN JANUARY.

29. I HAVE BEEN REPORTING EACH WEEK ON PROGRESS IN THE 7 MAJOR PRIORITY PROGRAMS. I PLAN BY MID-JANUARY WHEN ALL THE REPORTS SHOULD BE IN TO GIVE YOU AN OVERALL EVALUATION OF THE PAST YEARS EFFORTS AND AN ESTIMATE FOR THE OUTLOOK AHEAD. I DO NOT WANT TO MAKE ANY PROGNOSTICATIONS IN THIS MESSAGE BUT IN LOOKING BACK OVER THE PAST YEAR I BELIEVE WHEN ALL THE FACTS ARE IN HAND, I SHALL BE ABLE TO REPORT TO YOU VERY SUBSTANTIAL PROGRESS.

C. POLITICAL

30. LOWER HOUSE DEPUTY-BUI QUANG SAN WAS ASSASSINATED BY TWO UNIDENTIFIED ASSAILANTS AT HIS HOME IN GIA DINH PROVINCE ON THE EVENING OF DECEMBER 14. WE DO NOT KNOW WHETHER THIS WAS AN ACT OF VC TERRORISM OR THE OUTCOME OF AN INTERNAL SQUABBLE WITHIN THE VIET NAM NATIONALIST PARTY (VNQDD). SAN WAS AN ACTIVE VNQDD MEMBER AND BY MOST ACCOUNTS AN IMPRESSIVE ANTI COMMUNIST POLITICIAN. UNLIKE THE ASSASSINATION OF CONSTITUENT ASSEMBLY DEPUTY TRAN VAN VAN IN DECEMBER 1966, SAN'S DEATH HAS NOT HAD ANY SIGNIFICANT POLITICAL REPERCUSSIONS NOR DOES IT SEEM TO HAVE AFFECTED THE MORALE OF DEPUTIES. SAN'S MURDER, HOWEVER, DOES SERVE TO REMIND US ALL OF THE GREAT RISKS INVOLVED IN POLITICS HERE AND THE COURAGE AND COMMITMENT REQUIRED OF THOSE TAKING AN ACTIVE PART IN THE CONSTITUTIONAL PROCESS.

31. WORK OF BOTH THE UPPER AND LOWER HOUSES IS PROCEEDING APACE DESPITE OCCASIONAL CRITICISM FROM THE LOCAL PRESS AND SOME POLITICANS THAT THEY ARE NOT MOVING FAST ENOUGH. THE UPPER HOUSE HAS NOW COMPLETED ITS RULES AND ON DECEMBER 22 ELECTED ITS PERMANENT OFFICERS AND COMMITTEE CHAIRMEN. NGUYEN VAN HUYEN, A HIGHLY RESPECTED SOUTHERN CATHOLIC LAWYER, WAS ELECTED CHAIRMAN OF THE HOUSE DEFEATING RETIRED GENERAL TRAN VAN DON ON THE SECOND BALLOT. TWO OTHER CATHOLICS, SENATOR HOANG XUAN TUU AND SENATOR NGUYEN GIA HIEN WERE ELECTED FIRST AND SECOND VICE CHAIRMAN RESPECTIVELY. TUU IS ONLY NOMINALLY A CATHOLIC AND IS AN ACTIVE MEMBER OF THE REVOLUTIONARY DAI VIET PARY. HIEN IS LEADER OF THE (NORTHERN) CATHOLIC GREATER SOLIDARITY FORCE. ALTHOUGH THE CATHOLICS MADE A CLEAN SWEEP OF THE THREE TOP SENATORIAL OFFICES, THERE IS GOOD REGIONAL BALANCE - ONE SOUTHERNER, ONE CENTRAL VIETNAMESE AND ONE NORTHERNER. ALL THREE ARE CONSIDERED VERY CAPBLE MEN.

32. IN ELECTIONS FOR CHAIRMAN OF THE TWELVE PERMANENT COMMITTEES EACH OF THE UPPER HOUSE'S SIX SLATES RECEIVED AT LEAST ONE CHAIRMANSHIP. MEMBERS OF SLATES HEADED BY RETIRED GENERAL TRAN VAN DON AND DIEM ASSEMBLYMAN TRAN VAN LAM RECEIVED THE MOST IMPORTANT POSTS (DEFENSE, FOREIGN AFFAIRS AND INTERIOR), WHILE THE SLATES OF HUYNH VAN CAO AND NGUYEN GIA HIEN RECEIVED ONLY ONE RELATIVELY INSIGNIFICANT COMMITTEE CHAIRMANSHIP EACH. INTERESTINGLY ENOUGH, CAO AND HIEN HAD EARLIER BEEN REPORTED TO BE FORMING THE NUCLEUS OF A PRO-GOVERNMENT BLOC IN THE UPPER HOUSE. THEIR POOR SHOWING ON COMMITTEE CHAIRMANSHIPS IS PROBABLY INDICATIVE OF THE BASICALLY INDEPENDENT CHARACTER OF THE UPPER HOUSE, AT LEAST FOR THE PRESENT.

33. THE LOWER HOUSE IS CONTINUING ITS DEBATE ON RULES. IT IS EXPECTED THAT THEY WILL BE COMPLETED AND PERMANENT OFFICERS ELECTED ABOUT THE MIDDLE OF JANUARY.

34. DEFENSE MINISTER VY TESTIFIED SEPARATELY BEFORE BOTH HOUSES ON DECEMBER 18 REGARDING THE RECENTH PARTIAL MOBILIZATION DECREE. CONSIDERING THE FACT THAT THIS WAS FIRST FORMAL APPEARANCE OF A GOVERNMENT REPRESENTATIVE BEFORE THE ASSEMBLY FOR QUESTIONING, IT WENT OFF RATHER WELL. VY WAS DIGNIFIED AND HANDLED QUESTIONS SKILLFULLY. BOTH HOUSES, REMAIN DISSATISFIED WITH THE NEW MOBILIZATION MEASURES, HOWEVER, AND IN THE LOWER HOUSE THERE IS SOME DISCONTENT WITH THE HEARINGS THEMSELVES. EACH HAS ESTABLISHED A COMMITTEE TO DRAFT PROPOSED AMENDMENTS TO THE DECREE. DISSATISFACTION APPEARS TO BE PRIMARILY OVER THE WAY IN WHICH THE DECREE WAS PROMULGATED (I.E. A LAST-MINUTE MEASURE BY THE OLD REGIME WITHOUT PRIOR CONSULTATION OF THE LEGISLATURE); BUT THERE MAY ALSO BE CERTAIN SPECIFIC POINTS OF DISAGREEMENT. THERE SEEMS, HOWEVER, TO BE AMPLE ROOM FOR COMPROMISE, IF NEED BE, AND IT SEEMS DOUBTFUL THAT THE ASSEMBLY WILL TAKE ANY ACTION WHICH THREATENS FUNDAMENTAL RVNAF MANPOWER OBJECTIVES. VICE PRESIDENT KY HAS EXPRESSED TO ME HIS OPINION THAT THERE MAY BE A GOOD DEAL OF TALK BUT NO ACTION THAT WOULD SERIOUSLY AFFECT THE GOVERNMENT'S POSITION.

35. THE FOUR-DAY TRIAL OF 26 LEADERS OF THE 1966 BUDDHIST REBELLION IN CENTRAL VIET NAM ENDED ON DECMEBER 22. FORMER DANANG MAYOR NGUYEN VAN MAN AND FORMER DANANG GARRISON COMMANDER COLONEL DAM QUANG YEU WERE SENTENCED TO 10 YEARS HARD LABOR. TWO OTHERS WERE SENTENCED 10 YEARS IMPRISONMENT WHILE THE REMAINING 22 DEFENDANTS WERE ACQUITTED. GIVEN THE NATURE OF THE OFFENSES, THE SENTENCES WERE QUITE LENIENT AND, I THINK, REFLECT THE MORE CONCILIATORY POLITICAL ATMOSPHERE PREVAILING HERE TODAY AS COMPARED WITH 18 MONTHS AGO. PRESIDENT THIEU TOLD ME ON DECEMBER 26 THAT HE IS CONSIDERING SOME ACT OF CLEMENCY DURING THE TET HOLIDAYS TOWARDS THE FOUR WHO WERE SENTENCED NOW THAT THE ILLEGALITY OF THE 1966 BUDDHIST "STRUGGLE" HAS BEEN ESTABLISHED BY A COURT.

D. ECONOMIC

36. THE SAIGON PRICE INDEX IS AT 310 COMPARED WITH 305 TWO WEEKS AGO AND 220 DURING THE SAME PERIOD LAST YEAR. RICE AND VEGETABLE PRICES ROSE AS DID THE INDEX FOR IMPORTED COMMODITIES. GOLD AND CURRENCY RATES ROSE SIGNIFICANTLY THIS WEEK PROMPTED IN PART BY RUMORS OF A POSSIBLE DEVALUATION AND/OR AN INCREASE IN CUSTOMS RATES.

37. THE ADVENT OF TET, THE LUNAR NEW YEAR, IS LIKELY TO INCREASE INFLATIONARY PRESSURE IN COMING WEEKS. IN THIS CONNECTION 400 LOCAL EMPLOYEES OF PAN AMERICAN WALKED OFF THE JOB ON DECEMBER 21 IN SUPPORT OF THEIR PRE-TET DEMAND FOR A 30 PERCENT WAGE INCREASE. THE NEXT DAY 700 LOCAL EMPLOYEES OF AIR AMERICA ALSO STRUCK FOLLOWING A BREAKDOWN IN NEGOTIATIONS OVER THEIR DEMAND FOR A 40 PERCENT WAGE INCREASE. IN BOTH INSTANCES, NEGOTIATIONS HAVE THUS FAR HAD LITTLE SUCCESS IN BRINGING ABOUT A SOLUTION MUTUALLY ACCEPTABLE TO MANAGEMENT AND LABOR. MEANWHILE, THE SAIGON ELECTRICAL WORKERS CONTINUE TO THREATEN TO STRIKE IF THEIR DEMANDS FOR A 15 PERCENT COST OF LIVING INCREASE (RETROACTIVE TO AUGUST 1) ARE NOT MET.

38. THERE ARE REPORTS OF A PROBABLE INCREASE IN RICE PRODUCTION IN THE MEKONG DELTA, DUE PARTICULARLY TO THE RESTORATION OF AREAS DEVASTATED BY THE 1966 FLOOD. THERE IS ALSO EVIDENCE OF INCREASED DOUBLE-CROPPING IN THE DELTA MADE POSSIBLE BY THE GROWING USE OF SMALL MOTOR PUMPS THROUGHOUT THE AREA.

E. CHIEU HOI

39. DURING THE TWO WEEK PERIOD ENDING DECEMBER 15 THERE WERE 579 CHIEU HOI RETURNEES COMPARED WITH 912 DURING THE SAME PERIOD IN 1966. THE TOTAL NUMBER OF RALLIERS THUS FAR IN 1967 STANDS AT 26,868. AT THIS TIME LAST YEAR THE TOTAL WAS 18,367.

F. AMERICANS AND VIETNAMESE KILLED

40. DURING THE TWO-WEEK PERIOD ENDING DECEMBER 23 THE ENEMY KILLED 231 VIETNAMESE CIVILIANS, WOUNDED 460, AND KIDNAPPED 758. (THE FIGURE FOR THOSE KIDNAPPED INCLUDES 300 REFUGEES ABDUCTED IN BINH DINH PROVINCE AND 200 MONTAGNARDS ABDUCTED IN KONTRUM.) DURING THE SAME TWO-WEEK PERIOD THE ENEMY KILLED 512 VIETNAMESE MILITARY PERSONNEL. IF WE ADD THE CIVILIAN AND MILITARY DEAD, WE GET A TOTAL OF 743 VIETNAMESE KILLED BY THE ENEMY DURING THE REPORTING PERIOD. THIS MAY BE COMPARED WITH 294 AMERICANS AND 3,363 ENEMY KILLED DURING THE SAME PERIOD. SINCE JANUARY 1, 1967, THE VC HAVE KILLED 3,873 CIVILIANS, WOUNDED 7,585, AND KIDNAPPED 5,216.

BUNKER

DTG: 231044Z DEC 67

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Authority RAC 16293
By jc/ics, NARA, Date 7-21-03

1967 DEC 28 21 20

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Pres file
51 DEC 28 PM 5:35

THURSDAY

EEH703
OO WTE 10
DE WTE 3161

FROM WALT ROSTOW
TO THE PRESIDENT
CITE CAP671207

~~SECRET~~

DECEMBER 28, 1967

IT APPEARS FROM THE FOLLOWING THAT PRESIDENT THIEU HAS MOVED ON ALTERNATIVE ONE ON HIS OWN. WE WILL BE DEALING WITH THE POINT IN THE LAST PARAGRAPH HERE.

SECRET SAIGON 14564
REF: SAIGON 14540

WE HAVE LEARNED FROM ACTING FOREIGN MINISTER THIS EVENING THAT PRESIDENT THIEU HAS INSTRUCTED HIM IN A SOMEWHAT DIFFERENT SENSE FROM THE IMPRESSION HE GAVE IN THE CONVERSATION REPORTED REYTEL. THIEU HAS IN EFFECT CHOSEN HIS FIRST ALTERNATIVE AS THE COURSE OF ACTION TO BE FOLLOWED AND HAS INSTRUCTED LAM TO SEE THE APOSTOLIC DELEGATE MORNING DECEMBER 29. LAM WILL INFORM MONSIGNOR PALMAS THAT THE GOVERNMENT OF VIET NAM WOULD BE PREPARED TO RESPOND TO A PERSONAL REQUEST FROM THE POPE FOR A BRIEF EXTENSION OF THE NEW YEARS TRUCE. IF THE POPE MAKES SUCH A REQUEST, THE GOVERNMENT OF VIET NAM WOULD THEN TAKE THE MATTER UP WITH THE OTHER TROOP CONTRIBUTING COUNTRIES AND PROPOSE AN EXTENSION OF 12 HOURS AS INDICATED REYTEL. ACCORDING TO LAM, PRESIDENT THIEU WOULD NOT PLAN TO TAKE ANY ACTION TO EXTEND THE TRUCE UNLESS HE RECEIVES SUCH A PAPAL REQUEST.

SINCE THE TIMING INVOLVED IN THIS PROCEDURE WILL BE CLOSE AT HAND, DEPT WILL PRESUMABLY WANT TO CONSIDER WHETHER TO TAKE ANY PARALLEL ACTION WITH THE VATICAN.

DTG: 281937Z DEC 67

~~SECRET~~

EEA701
OO WTE 10
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FROM WALT ROSTOV
TO THE PRESIDENT
CITE CAP671206

~~SECRET~~ EYES ONLY

197 003 23 20 42

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *jc/rq*, NARA, Date 7-28-03

Free
87 DEC 28 PM 4:01

THURSDAY
46

DECEMBER 28, 1967

NICK KATZENBACH WOULD LIKE TO RELEASE THIS STATEMENT TOMORROW. HE SAYS PRESS INTEREST IS BUILDING AS THE YEAR ENDS. IT HAS BEEN THOROUGHLY CLEARED IN THE BUREAUCRACY.

IMPLEMENTATION OF THE KATZENBACH REPORT

PROPOSED PRESS STATEMENT

NOTE: THE FOLLOWING STATEMENT IS TO BE USED IN ANSWERING PRESS QUESTIONS REGARDING (A) IMPLEMENTATION OF THE KATZENBACH REPORT IN GENERAL OR (B) TERMINATION OF COVERT GOVERNMENT SUPPORT TO ANY PARTICULAR ORGANIZATION SUSPECTED TO HAVE BEEN COVERTLY SUPPORTED IN THE PAST. THE REPLY IS INTENDED TO BE USED BY THE STATE DEPARTMENT SPOKESMAN TO WHOM QUESTIONS ADDRESSED TO OTHERS SHOULD BE REFERRED.

THE KATZENBACH COMMITTEE RECOMMENDED THAT NO FEDERAL AGENCY PROVIDE ANY COVERT FINANCIAL ASSISTANCE OF SUPPORT, DIRECT OR INDIRECT, TO ANY OF THE NATION'S EDUCATIONAL OR PRIVATE VOLUNTARY ORGANIZATIONS. WHERE SUCH SUPPORT HAD BEEN GIVEN, THE COMMITTEE SAID THAT IT SHOULD BE TERMINATED AS QUICKLY AS POSSIBLE, WITHOUT DESTROYING VALUABLE PRIVATE ORGANIZATIONS BEFORE THEY COULD SEEK NEW MEANS OF SUPPORT. THE COMMITTEE ENVISAGED THAT THE PROCESS OF TERMINATION COULD BE LARGELY--PERHAPS ENTIRELY--COMPLETED BY DECEMBER 31, 1967.

IN FACT, THIS TARGET HAS BEEN MET; COVERT FINANCIAL SUPPORT WAS IN EVERY INSTANCE DISCONTINUED PRIOR TO DECEMBER 31, 1967. AT THE TIME OF TERMINATION, SOME OF THE ORGANIZATIONS RECEIVED CONTRIBUTIONS TO TIDE THEM OVER THE PERIOD REQUIRED TO DEVELOP NEW SOURCES OF FUNDS. ALSO, AS RECOMMENDED BY THE KATZENBACH COMMITTEE, THE GOVERNMENT IS CONTINUING TO STUDY POSSIBILITIES FOR PROVIDING PUBLIC FUNDS OPENLY FOR THE OVERSEAS ACTIVITIES OF ORGANIZATIONS WHICH ARE ADJUDGED DESERVING, IN THE NATIONAL INTEREST, OF PUBLIC SUPPORT.

IN THE PAST WE HAVE DECLINED TO IDENTIFY THE PARTICULAR ORGANIZATIONS WHICH HAVE RECEIVED COVERT FINANCIAL SUPPORT. WE INTEND TO CONTINUE THIS POLICY.

L.O. 281937Z DEC 1967

PRESERVATION COPY

47

December 28, 1967

MEMORANDUM FOR MR. ROSTOW

Pres file

SUBJECT: First report of US-Philippine Joint Preparatory Committee

Attached is a lengthy package sent to the President by Nick Katzenbach on our first discussions with the Philippines regarding the successor for the Laurel-Langley Trade Agreement. The talks did not go well. The Filipinos are asking for everything -- and offering nothing. In essence, the discussions served merely to quantify the size of the gap that separates us. Both the Philippine Government and State are anxious to release the joint report of these discussions (Tab 2 of the attached package). Although the covering memorandum from Katzenbach says boldly that he plans to authorize the release, State is, in fact, waiting nervously for someone over here to tell them to go ahead. I see no reason to bother the President with this and, if you approve, propose to tell State informally to go ahead. Ed Fried agrees.

Attached is a memo for the President transmitting this package for his information.

Marshall Wright

Atts.

Approve _____

Disapprove _____

See me _____

cc: Ed Fried

MW:wpt

DECLASSIFIED

Authority ERUS 64-68, vol 20, #26
By jc, NARA, Date 7-21-03

Mr. Rostow

110

Pres file

~~SECRET~~

FOR THE PRESIDENT

December 28, 1967

FROM WALT ROSTOW

On your instruction we passed the following message to King Hussein:

"The President has indicated that he will make decision on Jordan arms recommendation by New Year's. He is inclined to be sympathetic to Jordan's needs, and hopes the King will not make a major decision before hearing from us."

We continue to get reports from Jordan that time is running out and that King Hussein feels it necessary to make some decision on Soviet arms by the first of the ^{year} ~~week~~. We have strung him along since mid-August and doubt we can do so much longer.

The package which Nick Katzenbach recommends would total about \$6.5 million of spare parts, automotive and communications gear, some anti-tank guns and ammunition. We all know the Israelis won't like this but we have been interested to note in the last few weeks a much more relaxed Israeli attitude toward Hussein. In any case, this equipment will not affect the Israeli-Jordanian arms balance.

Since this is a token move to reopen the door and ^{block} ~~look at~~ the Soviets, I should think ^{we} ~~you~~ would be able to sell it to the Israelis who will not want to jeopardize their aircraft requests by making a fuss ^{over} ~~out of~~ such an inconsequential package for Jordan.

~~SECRET~~

~~SECRET~~

- 2 -

If you are ready to go ahead, the next step would be to authorize Ambassador Symmes to offer this package to Hussein.

Approve _____

Disapprove _____

Call me _____

~~SECRET~~

December 27, 1967

51

TO THE PRESIDENT

Pres file

FROM WALT ROSTOW

Secretary Rusk's summary review of 1967 follows:

*sent Rusk
via wire
WH 7:00 PM*

INTERNATIONAL DEVELOPMENTS - 1967

This has been a year of considerable pain and violence, but it also has been one of constructive developments; some of them momentous, others highly promising. These include:

1. The successful conclusion of the Kennedy Round negotiations -- the most far-reaching assault ever made on barriers to international trade.
2. Adoption by the International Monetary Fund of a plan for Special Drawing Rights -- an important step toward assuring adequate monetary reserves to support continuing expansion of international trade.
3. The IMF loan to Britain in connection with the devaluation of sterling; and the Gold Pool, through which leading Western powers helped to maintain orderly markets for gold and foreign exchange following sterling devaluation.
4. Agreement by the Presidents of the Latin American Republics to move toward economic integration in the next decade -- one of the most important collective decisions our friends to the South have ever made.
5. An agreement on the principles of temporary tariff advantages for developing countries, reached by the 21 members of the Organization for Economic Cooperation and Development.
6. The other fourteen members of NATO dealt successfully with the problems arising from the French withdrawal:

a. We and our allies met the French request to close all foreign military installations in France by April 1. SHAPE and other key military headquarters were efficiently transferred to new sites in Belgium, the Netherlands, and Germany.

b. The North Atlantic Council and the Military Committee were located in Brussels in October.

7. NATO made significant advances in planning:

a. The Fourteen agreed on a new strategic concept which incorporates a flexible response, and thus better reflects a policy of credible deterrence, the current threat, and Allied capabilities.

b. The NATO Defense Planning Committee completed work on an agreed Force Plan for 1968-72.

c. We and our allies examined some basic questions about the North Atlantic Alliance, particularly future political tasks, including relations with the Soviet Union and Eastern Europe.

8. The threat of war between Greece and Turkey over Cyprus was relieved, with the help of mediation by the Secretary General of NATO, a representative of the Secretary General of the United Nations, and a personal representative of our President.

9. The war in the Near East was halted in four days without the intervention of great powers.

10. An agreement on the Yemen was reached between Saudi Arabia and the United Arab Republic -- after five years of strife which threatened to embroil them and other nations in war.

11. The African Development Bank made its first loan.
 12. There was further progress in subregional cooperation in Africa -- for example by the creation of the new East African Community.
 13. Castro's efforts to promote guerrilla warfare and subversion in the Western Hemisphere suffered sharp reverses in Bolivia, Venezuela, and elsewhere.
 14. The Space Treaty was ratified and went into effect.
 15. The Soviet Union and the United States made substantial progress toward an agreed draft of a Non-Proliferation Treaty.
 16. In our bilateral relations with the Soviet Union:
 - a. We ratified the Consular Convention -- the Soviet Union has not yet done so.
 - b. Progress was made in arranging for the inauguration of commercial air service between Moscow and New York.
 - c. Agreement was reached on new embassy sites in Moscow and Washington.
- We made some progress in improving relations with a few of the smaller East European nations.
17. A major Water for Peace Conference, held in Washington, gave new impetus to important cooperative undertakings.
18. The War on Hunger gained momentum, as various developing nations became more sharply aware that they must greatly intensify their efforts to increase food production and must also come to grips with the population side of the equation.

19. The Chamizal agreement between Mexico and the United States approving changes in boundaries, thus ending a century-old dispute.

20. The termination of our economic aid program to Iran because, after 15 years, it had achieved its goal -- to help Iran to attain self-sustaining growth.

21. New international agreements were signed dealing with such diverse subjects as: atomic energy, telecommunications, aviation, avoidance of double taxation, investment guarantees, claims, fisheries, defense, cultural exchanges, and the Peace Corps.

22. Political, economic, and social progress in most of the non-Communist countries in East Asia and the Pacific.

23. Further easing of some long-standing international tensions: for example between Indonesia and its neighbors, and between Japan and the Republic of Korea.

24. The free nations of East Asia and the Pacific continued to make notable progress in regional cooperation:

a. The Asian Development Bank began operating, and announced its willingness to administer a special fund for agricultural development.

b. Indonesia joined four of its neighbors in the new Association of Southeast Asian Nations.

c. The Asian and Pacific Council (ASPAC) -- consisting of nine members and one observer--held its second annual Ministerial conference.

Our stand in Vietnam has been a major contribution to these highly favorable developments over a vast area. Behind the shield which we have helped to provide in Vietnam, a new Asia is arising.

52

Wednesday
December 27, 1967

Pres file

MEMORANDUM FOR THE PRESIDENT

**SUBJECT: Acknowledgment of letter from James Linen, President
of Time Inc.**

Linen wrote you about and enclosed for your information a report on the Indonesian Investment Conference held in Geneva last month. It was an extremely impressive gathering of American, European, and Japanese private businessmen and its purpose was to encourage private investment in Indonesia.

I recommend you sign the attached reply to Mr. Linen.

W. W. Rostow

Att.

MWright:wpt

52a

December 28, 1967

Dear Jim:

I am delighted to have from you the impressive report on the Indonesian Investment Conference held under your sponsorship November 2-4 at Geneva. Your initiative has provided Indonesia's leaders with a unique opportunity to attract private foreign investment at a time when Indonesia urgently needs foreign capital and the skills that accompany it to ensure economic recovery.

I congratulate you for an important job well done. I hope and expect that the Conference will do much to help a country whose well-being is vital to the prosperity and stability of Asia.

Sincerely,

151

Mr. James A. Linen
Time & Life Building
Rockefeller Center
New York, New York

LBJ:State:MWright:WWR:mz

Mailed from Johnson City, Texas
on Dec 29, 1967

~~Handwritten~~
2. Purp file

DECLASSIFIED

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

White House Guidelines Feb. 24, 1983

By 44, NARA, Date 12-26-81~~CONFIDENTIAL~~

December 27, 1967

FOR: JIM JONES

FROM: WALT ROSTOW

INFO: GEORGE CHRISTIAN

*sent Ranch via wire
CAP 671181
Pres file*

We have now had two meetings here on the new Eshkol visit and need some guidance from you before we go further. Will you please check the following with the President as necessary:

1. Schedule. Eshkol will arrive in New York afternoon of January 4. We recommend he fly to the Ranch to arrive after lunch Sunday, January 7. We suggest one substantive meeting afternoon of arrival and a second the following morning with Eshkol leaving after working lunch January 8.

Approve _____ Times as follows _____

Disapprove _____ Prefer following _____

2. Israeli official party will include a total of 12, including 3 ladies.

In protocol order: Prime Minister and Mrs. Eshkol; Ambassador and Mrs. Harman; Ya'acov Herzog, Director of the Prime Minister's office; Minister and Mrs. Evron; Moshe Bitan, the undersecretary-level Foreign Ministry official dealing with US affairs; Aviad Yafeh, political secretary; General Joseph Geva, defense attache; Col. Lior, military aide; Dan Pattir, press counselor.

Would appreciate your guidance on how many of these can stay at the Ranch. If party must be split, we understand Prime Minister would like to have Herzog, Yafeh and Lior with him, and we think Ambassador

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 2 -

and Mrs. Harman should be with that group for protocol reasons.

Would be convenient if others could be quartered together. Pattir can obviously stay near press.

Will accommodate _____ at Ranch.

3. Israeli unofficial party will number 12: 4 security, 2 commo, 2 secretaries, 2 government photographers and maybe two others. We understand 10-15 correspondents will be coming from Israel and expect

they will be joined by resident representatives here. *David Waters from State would accompany and shepherd Israelipress.*

4. US party. State recommends Secretary and Mrs. Rusk, Ambassador and Mrs. Symington, and Assistant Secretary and Mrs. Battle. Battle would bring Country Director Roy Atherton with him. Mrs. Rostow and I would come, if wanted, and I would like to have Hal Saunders with me. We are not recommending Secretary McNamara or Nitze because we do not think it necessary to tie them up or desirable to give meeting special military flavor, but we could, of course, add one of them if President wished. If neither McNamara nor Nitze comes, it might be worth having Paul Warnke down in our working party because of importance of aircraft on agenda. Sam King would go to Ranch as advance man.

Approve without McNamara or Nitze _____

Add _____

5. Entertainment. We recommend a small dinner for the official parties only--or the higher ranking members--with any personal friends or staff the President wishes to add there. I understand it is the President's

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 3 -

desire to keep this function small.

Approve small dinner _____ Prefer _____

6. Ceremony and statements. Since we did not plan arrival ceremony or formal exchange of remarks for Washington visit, we assume it even less necessary at Ranch. Therefore, unless President wishes otherwise, we assume President would greet Eshkol informally at Ranch, would exchange informal toasts at dinner and would issue joint statement at end of visit.

Informal arrival: OK _____ Prefer _____

Toasts: Yes _____ No _____

Joint statement: Yes _____ No _____

7. Working space. Assume you can provide working space for Israeli party.

Hal Saunders is handling these details for me. Could you please call him with your answers.

~~CONFIDENTIAL~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

INFORMATION

54

~~SECRET~~

December 27, 1967

next punch

for file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Csala Case

Andrew Csala is a naturalized American who was arrested about a year ago in Budapest on charges of spying for a foreign power. (A 1956 refugee, Csala had worked at a Hungarian jamming station against VOA. Reportedly the Hungarians learned of the fact that German intelligence questioned him on this subject after he defected.) Csala was tried in secret and sentenced to six years. The Hungarians have never given us an explanation of the charges or evidence.

In the months since that time, we have been pressing the Hungarian authorities to release Csala. For a while it looked as if they would. Radvanyi then defected, and the Hungarians linked the two cases -- saying we could not expect them to accommodate us after our alleged role in the defection of their Charge d'Affaires. Later, the Hungarians gave us some reason to believe Csala might be amnestied on the occasion of the Soviets' Fiftieth Anniversary Jubilee. This, too, did not materialize.

The case has received some rather low-key publicity around Cleveland -- where Csala's parents live. There has been Congressional interest -- notably from Csala's Congressman, Mr. Feighan, Senator Robert Kennedy, and Senators Dodd and Ribicoff of Connecticut (where Csala worked in an electronics firm).

The Congressmen have been content to leave the case alone so long as there was some reason to hope that it might be settled satisfactorily. However, the announcement of Radvanyi's appointment to Stanford and the possible publication a few weeks from now of an article by Radvanyi in LIFE (highly unflattering to Hungarian Foreign Minister Peter's role in the Vietnam negotiations) will make favorable Hungarian action even less likely. Bernie Gwertzmann revealed in the STAR today that Radvanyi went to Secretary Rusk personally to arrange his defection. Illogical as this is, Radvanyi's recourse to the Secretary will further annoy the Hungarians.

We continue to press the Hungarians vigorously on the case. We have even raised it with the Hungarian Chief of State.

We probably shall get more publicity about it in the next few weeks. For this reason, I thought you would like to be informed how things are going.

~~SECRET~~

(W) Rostow

DECLASSIFIED

Authority NW/RAC 00-175

By jcl/cm, NARA, Date 7-25-03

55

December 27, 1967

for file

FOR THE PRESIDENT FROM WALT ROSTOW

Following, for your approval, is proposed get well message
to King Mahendra of Nepal:

(FYI: Mahendra has internal disorder, but it is not considered serious.)

QUOTE

Your Majesty:

I was very concerned to hear of your illness. Mrs. Johnson
and I extend our best wishes for a speedy recovery and your return
to the duties you perform so well. With warmest personal regards.

Sincerely,

UNQUOTE

December 27, 1967

FOR THE PRESIDENT FROM WALT ROSTOW

Pres file

Following, for your approval, are two messages to President Ahidjo of Cameroon. Message (1) is a particularly warm Independence Day message State recommends -- and I agree -- that this would be a good follow up to your recent meeting with Ahidjo.

Message (2) is a routine reply to Ahidjo's condolence telegram on the collapse of the Ohio river bridge.

I recommend you approve both messages.

(1) QUOTE

Dear Mr. President:

The progressive and stable independence of the Republic of Cameroon is a source of comfort and strength for all who love freedom. Americans are proud to join your friends around the world in celebrating the Seventh Anniversary of your national independence on January 1. We admire your energy, your determination, and your realistic approach to problems at home and abroad. We wish you even greater success in the years ahead.

I have fond memories of our meeting a few months ago, Mr. President. Mrs. Johnson joins me in sending our warmest personal regards.

Sincerely,

Lyndon B. Johnson

UNQUOTE

(2) QUOTE

Dear Mr. President:

I am very grateful for your thoughtful message of condolence on the tragic collapse of the Ohio River bridge. The sympathy of the government and people of Cameroon is much appreciated.

With warmest personal regards.

Sincerely,

UNQUOTE

Dec. 27, 1967

FOR THE PRESIDENT FROM WALT ROSTOW

Pres file

Mr. President:

Secretary Rusk wishes your permission to release the text of the note to which Sihanouk responded publicly.

Text follows.

*State 76054
to Canberra
11/29/67*

"The United States has the honor to request the Embassy of Australia to deliver the following information to the Royal Cambodian Government.

"The United States has regretted the impairment of its relations with Cambodia. Despite differences, however, the United States continues to respect the neutrality, sovereignty, independence and territorial integrity of Cambodia.

"A particularly distressing problem dividing the United States and Cambodia arises out of incidents in the Cambodia-South Vietnam border area. The United States wishes to emphasize that American forces operating in South Vietnam are engaged in conflict with Viet Cong - North Vietnamese forces committing aggression against South Vietnam. The American forces have no hostile intentions toward Cambodia or Cambodian territory. The root cause of incidents affecting Cambodian territory is the Viet Cong and North Vietnamese presence in the frontier region, and their use of Cambodian territory in violation of the neutrality of Cambodia.

"The United States has offered to cooperate in seeking a solution to this problem. Following the suggestion of His Royal Highness Prince

of Cambodia, the United States has offered to cooperate in seeking a solution to this problem.

Sihanouk for more effective action by the International Control Commission, made most notably in December of 1965, the United States has consistently supported such action and has indicated its willingness to consider sympathetically any request for specific assistance to this end.

"At the time, the Royal Cambodian Government suggested that the International Control Commission might undertake continuing and effective review of activities in the port of Sihanoukville, and it was further suggested that the Commission might be expanded so that it could more effectively monitor the border areas between Cambodia and South Vietnam.

"In addition, the United States has supported an international conference on Cambodia, and it has also suggested direct, informal talks with Cambodian officials in order to seek an alternative remedy.

"The United States is deeply concerned over the critical issue of Viet Cong - North Vietnamese use of Cambodian territory and it wishes to emphasize once more its willingness to cooperate in any reasonable method of controlling this problem.

"The Royal Cambodian Government may not be aware of the extent of Viet Cong-North Vietnamese use of its territory, and the United States therefore wishes to provide it with the attached summary of some of the evidence available. The documents and interrogations from which this evidence has been compiled are fully available if desired. Additional evidence received in more recent periods is being assessed, and may be presented to the Royal Cambodian Government at a later time.

"The United States believes that the Royal Cambodian Government will share its concern over Viet Cong-North Vietnamese use of neutral Cambodian territory. It is in the spirit of assisting the Royal Cambodian Government in its efforts to prevent violations of its neutral territory that this evidence is presented. "

The purpose of release would be to indicate that we were presenting evidence without threat, in good faith.

Secretary Rusk would not release the detailed intelligence made available to Sihanouk, in keeping with the oral statement made by the Australian that "the United States Government does not intend to make public the summary of evidence attached to the note. "

If we, in fact, decide to move later against Cambodia, we would, in my judgment, have to release the factual evidence.

Release approved _____

No _____

See me _____

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DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By jc/rj, NARA, Date 7-28-03

~~CONFIDENTIAL~~

Dec. 27, 1967

FOR THE PRESIDENT AND JOE CALIFANO, ONLY - VIA WALT ROSTOW

This is CWE Memo No. 5.

I. Various comments on phases of the proposed program.

a. The deficit figure for next year, based on the 4th quarter deficit, is very high. It may prove far less in 1968, in the light of the recent years' experience and the first three quarters of the current year.

The last quarter is unnatural and should reverse as soon as we show strength and wisdom; as, for example, stop the speculative buying of gold. The results of the 4th quarter demonstrate the victory of speculators over the financial community. Continuation of this will lead to total loss of control and public confidence, both politically damaging and economically disastrous.

The handling of the British weakness leading to devaluation itself was damaging. Millions were lost to every Tom, Dick and Harry who took advantage of the disastrous delay.

In addition, the French did their utmost to cause delay and confusion, thereby preventing the establishment of a proper defense system which was necessary to secure our position following the devaluation; we must make our financial position impervious to rumors of control over the sale of gold -- a control which the European community considers inevitable. Such control is needed but not yet forthcoming. A run on gold will continue to threaten until we take necessary steps that show our strengths, not our weakness; until we disassociate the tremendous strength of the U.S. economy (and the power of others who are playing with us) from a misguided system which

provides riskless speculation in gold to practically everyone except the U. S. citizen.

b. In normal times we can afford to invest overseas. This is like a profitable company putting pennies into research. At a later date this research provides the means that keeps it strong.

For years this country has been pouring money overseas. How many billions since the last war. Now the time has come to mobilize some of this reserve or, at a very minimum, repatriate more of the earning power. Let's get a figure on the annual overseas earnings on U. S. investment abroad. Let's get a figure on how much now is repatriated under the penalty system. Then let's mobilize this strength by providing incentives to bring some of it back with the following results:

1. increased availability of money at home.
2. more development, more employment, lower interest rates at home.
3. business rewarded instead of penalized.
4. favorable political reactions from business.

c. It is a good calculated risk that the European community will never force us to a position where we have to revoke on our gold commitment because to do so would damage the dollar reserves they hold far beyond the availability of our gold supply. To remove the gold cover now would be an open invitation to take gold from us which others would not dare to take now for the above reason.

The loss of our gold now would remove economic leadership from the strongest country in an economic sense the world has ever known. The Republicans would love this issue in an election year.

We must maintain the gold cover; stop the gold leakage to speculators firmly and at once; and then continue the control of the gold market but disassociate the dollar from it as soon as possible by arranging for the IMF to handle it -- for which there is a precedent.

d. The Travel Penalty Plan. This is the type of thing which should be a last resort if all else fails. It will be looked on as a weakness, not strength, stimulating further speculative attacks on the dollar: the greatest economic power the world has ever known penalizing its citizens who travel when no such penalties are applied in dozens of communities dependent on our support all over the world.

The British monkeyed with this after the war and it was so unpopular that I am convinced that it was the primary cause for the loss of the election.

We do not need this now. There must be a dozen reasons why it is not worth the price.

e. The import tax export subsidy plan likewise is not worth while. There are many reasons against it. Specifically, we cannot control the retaliation by other countries. This would damage the trend towards a world made more harmonious by free trade. This procedure should be reserved for specific, not general, use; e. g., as a bargaining weapon in GATT negotiations.

II. Suggestions.

I believe that the New Year could be ideal timing for a strong statement by the President, pointing out the greatness of this country notwithstanding its war in Vietnam; its present prosperity; its progressive social programs; its support of the whole free world; its aid to underdeveloped countries; its defense of those who wish it. We have rescued friend and foe alike in an economic sense. Now some of these people are attempting to attack us when we are at a temporary disadvantage.

Therefore, for the time being, some emergency steps should be taken to show the world again the greatness of our economic strength. Among the principal possibilities are the following ten. Naturally not all are of equal importance or even necessary as a composite group.

1. Maintain mandatory and strong control over all forms of overseas investment, limiting outflows except where it is in the national interest.
2. Devise means to make use of the very powerful reserve we have built up over the years abroad, particularly by the encouragement of repatriation of capital and earnings.
3. Demand additional support from the accredited nations we are defending.
4. Develop a program to encourage foreigners to invest in U. S. on a basis more equal to their investment possibilities in other countries.
5. Use patriotic and morale persuasion on our citizens to think twice before they travel and spend money unnecessarily abroad, and encourage

foreigners to come here.

6. Develop an appropriate system with bankers on money market matters without hamstringing our position of leadership in this area.

7. Give various types of government support loans, advice, guarantees, etc., to stimulate our export program.

8. Develop our appeals to patriotism, etc., with renewed vigor and price and wage matters. I believe there is room for development of new thought in this area; for example, appeal to some specific persons, such as Henry Ford, to lend a hand with a price reduction.

9. Reserve our remaining gold for monetary use only and take the lead in development of international system in this regard including, as far as possible, mined gold to be reserved for monetary use only.

10. Take the lead in the creation of an international system which permits the development abroad of a reserve unit that is not at the expense of the dollar (the real reserve currency); and, certainly, create a built-in buffer that removes the direct U. S. obligation to pay foreign creditors 100% in the form of gold which is just as unrealistic today as attempting to cover up our own currency 100% in gold would be.

A PERSONAL NOTE TO THE PRESIDENT:

Your trip is still a wonderful memory to us, Mr. President. The dedication of the people around you was a rewarding experience. We enjoyed their friendship and admire their ability and understanding.

I'd welcome the opportunity at any time of cooperating with your staff

~~CONFIDENTIAL~~

-6-

in any way which may seem needed in the financial area, both in the interest of the country and particularly bearing in mind your own personal interest at this time when, to me, it is indivisible with that of the country and all those with vested interests here.

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INFORMATION

Wednesday, December 27, 1967
10:00 p.m.

Mr. President:

Herewith a note of thanks and
holiday greeting from Jean Monnet.

W. W. Rostow

Run file 61

~~TOP SECRET~~/sensitive Wednesday, December 27, 1967 -- 9:30 p.m.

Mr. President:

Herewith, as promised, a package of materials on the Balance of Payments program.

1. The draft Message (Tab A). As you will note, it includes as a holding item a reference to tourism. We are aware that this depends on your final judgment, in the light of Congressional consultations which are now taking place. At Tab B is another copy of Secretary Boyd's paper on measures to reduce the travel deficit which we sent down separately yesterday.

2. The draft Executive Order (Tab C) imposing controls over capital transfers and investments abroad.

Attached to Tab C is Ernie Goldstein's memo to Joe Califano explaining certain problems and choices. As you know, the administrative locus of this operation is not yet decided. It will be argued before Charlie Schultze tomorrow afternoon at 4:30 p.m. As Ernie notes, the draft Regulations are simply not yet ready.

3. The gut of the argument appears to be that keeping the investment restraint program in Commerce will maintain in the minds of the business community more continuity with the voluntary program and is less likely to raise the spectre of exchange controls as the next step. The case for putting it in Treasury is that financial controls have historically been exercised by the Treasury.

4. At Tab D is the Federal Reserve program, with a covering memo by Ernie Goldstein. At the moment the Federal Reserve appears to wish the Executive Order to be broad enough to provide explicit mandatory powers to the Federal Reserve. In fact, it appears that the Federal Reserve has the power to do what is required. There is also the question of including Ex-Im Bank loans under this program. Most of us (including Governor Daane) believe this is unnecessary and dangerous.

5. The export expansion program is familiar and, in fact, its main headings are included in the draft message.

6. Repatriation of earnings. The Regulations implementing the Executive Order will contain action to insure the continued flow of repatriated earnings. Beyond that, we have failed to find a promising carrot. One might offer exemption from taxation for those who brought capital back from tax-haven

countries and invested in long-term U. S. securities; but this reward for the wicked seems unlikely to commend itself to the Congress. One might also envisage a tax on excess earnings held abroad by U. S. companies. This, however, would be difficult to administer and, so far as the business community is concerned, would be regarded as compounding a felony.

7. At Tab E is a draft letter from the President to various Chiefs of Government explaining the basis for the proposed mission. You should know with respect to the major mission to Continental Europe that Sec. Rusk is prepared to ^{lead} meet it. His major reservation is that his presence might attract anti-Vietnam demonstrations and complicate the task of the mission. He would consider Under Secretary Katzenbach as an alternative. (Since Sec. Rusk's movements would be official and not involve public appearances, I incline to believe his weight and stature outweigh the possible disadvantages of his heading the mission.) In addition to such a mission, which would go to Bonn, the Hague, Brussels (the Common Market), and London, we envisage also the following:

- a Deming mission to Ottawa a day before the announcement, if possible;
- a visit by Phil Trezise or Mike Blumenthal to Rome, Geneva (GATT), and the Scandinavian countries;
- an E. V. Rostow visit to Japan and Australia;
- and a Joe Fowler letter to Debre, in Paris.

A scenario of these visits is at Tab F.

W. W. Rostow

P. S. Tab E is, of course, a sample letter, in this case for Chancellor Kiesinger. Each will have to be somewhat hand-tailored for the customer. The attached envelope contains drafts for the other recipients; although the Kiesinger draft, as you edit it, should be the general model.

W. W. R.

WWRostow:mz:rla

xtra

6/a

A

December 27, 1967

DRAFT PRESIDENTIAL MESSAGE

AN ACTION PROGRAM TO MAINTAIN THE STRENGTH
OF THE DOLLAR AND OF THE FREE WORLD ECONOMY

I have reviewed extensively with my economic and financial advisers
the state of the U. S. balance of payments in the light of:

- our basic economic and international payments position;
- the recent disturbances in international money markets;
- the prospects for new, deliberately created, reserves.

I now report to the Nation on my findings and on a new program to
bring us into equilibrium in our international payments.

For 16 of the past 17 years, the United States has had a balance of
payments deficit.

- In the first half of this period, these deficits were a welcome
consequence of our assuming the responsibilities of a strong
nation with very large reserves. We helped to rehabilitate
Western Europe and Japan, and we initiated massive foreign aid

programs in the developing countries. We also accepted discrimination against our trade. Our deficits produced a better balance in the distribution of reserves and encouraged economic growth throughout the Free World, from which we, as well as others, benefitted.

-- In the second half of this period, our deficits became a problem. At the same time, they provided the major additions to international reserves when additional reserves were needed to underwrite and encourage a record expansion of world trade. The supply of new monetary gold was grossly inadequate to meet this need.

-- During virtually every year of this period, our net worth abroad expanded. Our total foreign assets are now about \$112 billion. Between 1950 and 1966, our net private asset position abroad grew from \$5 billion to \$39 billion.

-- We have continuously had a surplus in trade and services.

But that surplus has not been large enough to cover our military expenditures outside the United States, our foreign aid programs, and our position as the major supplier of private capital badly needed by the world.

It is sometimes said that we have a balance of payments problem because we are lending long and borrowing short. The fact is our lending abroad has been both long- and short-term -- and, in both cases, has provided important services to the world economy. We have the good fortune to be a large nation with large savings. Our long-term lending and investing abroad has supplied productive capital and technology to the rest of the world. Our short-term lending abroad has been an essential source of finance for world trade.

We also have borrowed abroad in a sense -- mainly at short term. That borrowing has occurred because monetary authorities have wished to hold dollars as part of their international reserves -- and private

concerns and individuals have found the dollar useful as a world transactions currency and a currency in which they can hold some of their financial assets.

We have been -- and we will continue to be -- prepared to accept our responsibilities as a country with a reserve currency and a transactions currency. We did not seek this role. It evolved out of the dollar's basic strength:

- because the U. S. economy is strong;
- because it has large capital markets;
- because the dollar has held its purchasing power;
- because it is convertible into gold by monetary authorities.

The dollar is a reserve currency and a world transactions currency not because of any special advantage we seek, but because there has been no satisfactory substitute.

We believe that the internationalization of these responsibilities would be to our advantage and to that of our trading partners, friends, and allies throughout the Free World. That is why we have worked hard

to move toward such a system. It is essential to complete the new plan of the International Monetary Fund for a supplement to international reserves and to bring the new system into operation as soon as possible.

Our balance of payments policies have been carefully designed to permit fulfillment of our obligations abroad and of our responsibilities toward the international monetary system.

In 1961, we launched a determined program to reduce our deficit, which had risen to as much as \$4 billion in 1959 and 1960. The key element in the program was a sharp reduction in Government expenditures abroad -- particularly on military account. Meanwhile, the remarkable price stability that accompanied our vigorous economic expansion at home enabled us to improve our trade account. The deficit was cut to about \$2-1/2 billion.

In 1963, we took further action, including the adoption of the Interest Equalization Tax with an exemption for the developing countries.

We had to do better. In 1965, we initiated a series of measures which cut the deficit in 1965 and in 1966 to about \$1.3 billion a year. Only the rise in our security expenditures in Southeast Asia kept us from reaching virtual equilibrium.

New developments emerged in 1967, some favorable, some unfavorable.

On the favorable side:

At Geneva in June, international agreement was reached on the largest reduction in tariff barriers in the history of international trade negotiations. This agreement will assure the

continued expansion of world trade, along with world economic growth -- as long as international reserves are adequate.

-- At Rio in September, there was unanimous international agreement on a plan to create supplemental international reserves. Final agreement on the activation of this plan will mean that the world can count on regular additions to international reserves -- without requiring U. S. balance of payments deficits and without depending on new gold supplies.

On the unfavorable side:

-- In the United States, larger deficits occurred in each of the first three quarters. This unfavorable trend resulted ^{in part} from the failure of our trade account to improve as much as we had hoped. This underlined the need for fiscal action to restore price stability. Our capital account was also disappointing. To counter this, we announced, on November 16, a new voluntary program on direct investment and bank loans abroad, calling for reductions in capital outflow.

-- Then came the British devaluation, which led to unrest and disturbance in the international financial, foreign exchange, and gold markets. These disturbances -- combined with the British liquidation of \$500 million of U. S. securities -- placed further and abnormal strains on our payments position and sharply increased the deficit. Doubts arose regarding the stability of the international monetary system -- in which the dollar is the key element.

Against this background, we can -- and must -- act quickly to reduce our deficit and move toward balance. I accept the achievement of this goal as both a National and an international responsibility. The strength of the dollar, the strength of the international monetary system, and the strength of the entire Free World economy are linked together.

We intend to move to equilibrium in ways that:

-- are compatible with the strength and stability of the U. S. economy, and

-- will enable us to continue to meet our international responsibilities -- in defense, in promoting world trade, and in encouraging economic growth in the developing countries.

Our aim is to maintain and strengthen the foundation of international cooperation. Other nations also share responsibilities to achieve this goal.

All must recognize that the actions we take will necessarily affect the balance of payments positions of other nations. As any deficit country takes action to reduce its deficit, other countries will see their surplus^{es} reduced or their deficits increased. The essence of a good adjustment process is to have the weight of the adjustment fall most heavily on those who can^{best} carry it -- the surplus countries. Indeed, surplus countries can, and should, take positive measures to make the process work smoothly. This is the only way we can achieve our common objectives in the field of trade, security, finance, and economic development.

At home, this program will require the understanding and support of all Americans -- the Executive Branch, the Congress, business, labor, finance, and farm groups.

The New Program

The strength of the American economy is the first line of defense of the dollar.

- I call again for prompt action by the Congress to pass the tax bill. This will help bring stability to the economy and confidence in the strength of the dollar -- here and abroad.
- I call again on American labor and management to take responsible action on wages and prices. Their cooperation will strengthen our competitive position in the world economy.

To achieve a broad reduction in the deficit, I am today calling for:

-- a sharp cutback in direct investment abroad under the pro-

visions of Section 95 of the Banking Law;

-- a sharp reduction in lending abroad by banks and nonbank

institutions under the program administered by the Federal

Reserve Board;

-- reductions in expenditures by Americans traveling abroad
[through certain legislation I will request from the Congress;]

[through legislation to reduce duty free Customs allowances and
through an appeal to confine their travel to the Western
Hemisphere;]

-- new economies in Government programs abroad.

These programs are temporary. They will bring an improvement of
approximately \$2 billion in the balance of payments in 1968. They will
require sacrifices:

-- by the business community;

-- by the financial community;

-- by all of our citizens who wish to travel abroad;

-- in our Government programs abroad.

As longer-term measures, I am instituting:

- a new export expansion program, some parts of which will require
new legislative authority;
- stepped-up effort to encourage foreign investment in the United
States; and
- an active program to encourage travel in the United States.

We also will require cooperation from other countries -- particularly those in balance of payments surplus -- to provide more equitable trading conditions and more durable financial arrangements to finance the balance of payments cost of the common defense.

Short-Term Measures

Direct Investment

I am invoking Section 95 of the Banking Law to establish a mandatory program to restrain direct investment abroad. I undertake this new program with reluctance. The benefits of American foreign investment are large both to host countries and to the United States. To the host

countries, U. S. investments are a critical source of modern technology and a model of modern management methods. To the United States, the investments provide an important and growing flow of earnings.

But we must face the hard fact that the scale of our investment expenditures overseas must be brought within the limits of our balance of payments capabilities.

Over the past three years, the American business community has cooperated magnificently with the Government in a voluntary program, under the administration of the Commerce Department, to moderate the new outflow of American investment abroad. I compliment the business leaders on their patriotism in undertaking this effort and their success in meeting the voluntary goals.

But now it is necessary to do much more. The goal we must seek and attain is beyond the reach of a voluntary program; that is the unanimous view of my economic and financial advisers. To insure success and to guarantee fairness, so that no one need feel he is sacrificing more than his neighbor, we must turn to a program which has the force of law

behind it. It is my regrettable but unavoidable responsibility to take this action in present circumstances.

As in the voluntary program, the new program sets over-all and individual company targets. Individual concerns will have flexibility to operate within their established targets. Special licenses to exceed targets will be issued when they can be justified.

The new direct investment program is designed to bear most heavily on surplus countries. In 1968, it calls for:

- a moratorium on direct investment outflow to Continental Western Europe, with appropriate allowance for financing work in process or binding contracts;
- cutbacks in net new investment in the other developed countries of the world of _____ percent from the 1965-66 average;
- maintenance of investment in the developing countries at approximately the 1967 level;
- assurance of a continued inflow of earnings from foreign subsidiaries throughout the world.

This program should reduce our capital outflow for direct investment in 1968 by approximately \$1 billion from the level estimated for 1967.

Bank and Nonbank Lending

I also am requesting the Federal Reserve Board to tighten its program restraining foreign lending by banks and other financial institutions.

This program has been highly successful as a result of splendid cooperation by the financial community. In present circumstances, given the urgent need to improve the balance of payments, we are seeking a net reduction in outstanding credits abroad by at least \$500 million in 1968.

I am assured by Chairman Martin that this reduction can be achieved primarily in credits to the developed countries of Continental Europe, with a minimum of adverse effects on the financing of U. S. exports or on the availability of credit to the rest of the world.

Tourism

Our travel deficit this year will exceed \$2 billion. With great reluctance, but with a conviction that no other course is consistent with our national responsibilities and with the principle of equality of sacrifice, I am directing the Secretary of the Treasury to recommend to me a legislative program of temporary tax measures to reduce tourist travel and expenditures abroad. These measures would expire December 31, 1969. Their objective would be a reduction in tourist outflows of \$500 million per year. Exemption would be made for travel to the Western Hemisphere and for certain specified purposes.

I plan to submit these proposals to the Congress early in the coming session. I

[I am appealing to the American people to confine their travels abroad for the next two years to the Western Hemisphere. In addition, I am requesting the Congress to enact an excise tax of percent on air and steamship tickets to areas outside the Western Hemisphere and to enact reductions in the duty-free allowances of tourists to the levels common to most other countries.]

Government Expenditures

We have made repeated and substantial cuts in Government expenditures overseas.

We saved about \$1 billion under the 1961 balance of payments program.

Since 1962-63, we made further savings by direct procurement at home, by tying aid, and by reducing personnel. But the rising cost of the war in Vietnam has offset not only gains in other areas but some of the earlier savings as well.

Over the next two years, it will be difficult to realize further large savings. We cannot -- and will not -- slash programs that relate directly to our own or our allies' security or that promote American exports.

But we can -- and will -- do more in this field. I am not satisfied that we have taken a hard enough look at our Government activities and personnel levels, particularly in the light of the balance of payments problem we face. Recently, one of our Ambassadors did a detailed review of the staffing requirements at his post and found that a much smaller number of employees could do the job. The Department of State has directed similar reviews in other large posts abroad. Special emphasis

will be placed on realizing efficiencies and on savings for the balance of payments.

I have asked the Director of the Bureau of the Budget to review all the possibilities of personnel cuts in this entire area.

Longer Term Measures

Export Expansion

To improve our underlying trade position, I am calling for new legislative and administrative actions in export finance, promotion, and taxation. The elements of the program are:

- A \$500 million authorization for a new Export Expansion Facility, which would provide liberalized export insurance and guarantee facilities and broaden the scope of Government-assisted export financing.
- A substantial liberalization of the Export-Import Bank rediscount facility to provide banks with added incentives to engage in export finance.
- A substantial liberalization of the Export-Import Bank's Exporter Credit programs.

-- An intensified Commerce Department export promotion program,

beginning with a rise in outlays from \$11 to \$19 million in

fiscal year 1969.

-- The launching, experimentally, in fiscal year, 1968, of a new

Joint Export Association program, under which the Department of

Commerce will provide direct financial support, under contract,

to U. S. corporations grouping together cooperatively to develop

overseas markets.

-- Clarification and liberalization of tax regulations dealing with

intercompany pricing practices to encourage U. S. subsidiaries

abroad to maximize use of U. S. raw materials and semi-processed

goods.

Encouragement of Foreign Investment in the United States

Government agencies will work directly with the private financial

community here and abroad and with the Council of the United States

Investment Community on this program.

Cooperation with Other Governments →

We come now to the area in which cooperation and understanding by our partners in the world economic community is necessary. As I noted earlier, elimination or reduction of our deficit will naturally bring about reduction of existing surpluses or increases in deficits elsewhere. This is the nature of the adjustment process.

In two areas, more needs to be done than has been outlined earlier. We need to provide more durable financial arrangements for expenditures undertaken in the common defense, and we need to make more equitable the conditions under which foreign trade is conducted.

To provide more durable financing arrangements for expenditures undertaken in the common defense, I have directed the prompt initiation of negotiations looking to ^{additional} bilateral arrangements with our NATO allies whereby the balance of payments impact of the United States' military expenditures in those countries can be neutralized by purchases of additional U. S. goods and services, long-term investments in the United

States, or other equivalent measures.

These bilateral arrangements should be made more permanent through the early initiation of negotiations, within the context of NATO, proceeding from the basic principle that the financial consequences of ~~mutual expenditures~~ military expenditures by the members of the alliance are regarded as a matter of common concern and should be dealt with in a manner that reflects their community of interest. We intend to seek:

- A NATO recognition that future tasks of the alliance include assuring its financial viability and NATO-wide acceptance of the principle that the net foreign exchange cost of military expenditures by the members of the alliance should be neutralized.

We consider it essential that deficits suffered by countries as a result of stationing troops abroad in the common effort should be treated and solved by the alliance on a cooperative basis.

I am pleased to note that the recently-constituted Balance of Payments Subcommittee of the Joint U. S. - Japan Committee on Trade and Economic

Affairs is scheduled to meet for the first time in January, 1968. I expect it to move promptly to find ways of dealing with short- and long-range payments imbalances between the two countries, including those arising out of government expenditures.

Pending the peaceful solution of security operations in Southeast Asia, we expect to negotiate bilateral agreements and arrangements with the various countries of that area in order to minimize the net balance of payments cost to the United States for mutual security expenditures in the particular country and area.

Trade

We need to undertake diplomatic initiative to remove discrimination against U. S. exports and to bring U. S. industry into a fair and equal competitive position insofar as export financing, promotion, and border tax treatment of exports and imports are concerned. We cannot sit idly by while other major trading countries, including many with consistent balance of payments surpluses, consolidate and increase trade advantages obtained through their tax adjustments on exports and imports. Therefore,

I am submitting to the Congress when it reconvenes:

-- New legislation which would provide an appropriate percent rebate to the U. S. exporters in manufacturing, mining and the processing of agricultural products of some secondary indirect and property taxes, Federal, State and local, and imposes an equivalent percent border tax on imports into the United States of these products from the developed nations to compensate for the U. S. indirect and property taxes which foreign goods from these sources have not had to bear. This significant departure adopts a practice similar to that followed by a number of other countries, including some of our major industrial competitors in Western Europe, who rebate indirect taxes and impose compensatory import duties at the border. In part, this new move is responsive to proposed border tax changes in Western Europe that could further impede U. S. trade; in part, it is

a response to the existing system of rebates, border taxes and other types of tax concessions to stimulate exports that characterize the tax systems of most of the major trade competition of the United States. Under the proposed legislation, the new U. S. rebate and border tax will be effective January 1968. This new system will not involve any addition to the burdens of the U. S. taxpayer because it will be designed to balance the total of rebates with the border taxes.]

I have directed:

-- The prompt initiation of diplomatic 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 systems in the European Common Market, where indirect taxes play a much larger role in national tax systems than in the United States. Traditional arrangements in this field have inhibited the trade of the United States and other countries; as indicated above, new border tax changes could increase the disadvantage under which we operate. This calls for a close examination and speedy modification of the fundamental rules of the GATT (General Agreement on 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 and other trading

countries, is an essential element in the balance of payments adjustment process in the world as we know it today. The proposed legislation and negotiating initiative above represents the first step in this broader harmonization process.

-- A major diplomatic effort to remove other nontariff barriers.

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 major objective in trade policy. Indeed, the removal of discrimination against United States exports should be the preferred course in the world balance of payments adjustment process. It is clearly preferable to either a sharp deflation in the United States, with all its worldwide repercussions, or legislative quotas unilaterally imposed on the growth of imports in growing U. S. markets.

* * * * *

With this program, we expect to move quickly and strongly toward equilibrium. And since our movement to balance will lead to reductions in the flow of dollars into international reserves, it will be vital that we speed up plans for the new Special Drawing Rights in the International Monetary Fund. This will be both desirable and necessary in a world in which growth and trade must continue to flourish.

Since the war, the peoples of the Free World have worked together to make our social revolution -- the revolution achieved by free government, free enterprise, and free labor -- the most successful and most progressive in the twentieth century.

The economy of the United States is the strongest in the world. It will remain so. And our currency will continue to have the strength which our labor, capital, management, and science give to our economic system as a whole.

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~~CONFIDENTIAL~~
EYES ONLY

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

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December 27, 1967

MEMORANDUM FOR: Honorable E. Ernest Goldstein
The White House

Subject: Proposed Measures to Reduce U. S. Balance of Payments
Travel Deficit

BACKGROUND

We have been giving further thought to the series of proposals now being considered to reduce by \$500 million annually the travel deficit in the U. S. balance of payments.

As we understand them, the proposals fall into the following categories:

- a. Imposition of a \$6 - \$8 per diem tax for periods spent abroad by U.S. travelers with a \$100 - \$150 deposit against ultimate passenger liability. (Exceptions are presumably contemplated for bona fide students, and possibly for all travelers to Canada, Mexico, and the Caribbean and possibly for the first trip in each 5-year period.)
- b. Imposition of a 43-percent excise tax on passenger fares for foreign travel.
- c. Imposition of a \$100 passport fee.
- d. Reduction from \$100 to \$10 in the duty-free import quota.

GENERAL OBJECTIONS

I believe that the first three of the foregoing proposals are open to such serious objections on policy and economic grounds as to make them politically infeasible, and possibly incredible. These proposals are designed to reduce sharply the amount of foreign travel per se by U.S. nationals. They are thus not consistent with the historic U.S. interest in the promotion of international contact, understanding, and trade. From the political standpoint, they even have an ostensibly isolationist character hardly compatible with U.S. leadership of the free world.

EYES ONLY

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Control # 870-35

DECLASSIFIED

Authority Transportation 4-21-78
By rs/isp, NARA, Date 1-3-92

~~CONFIDENTIAL~~

EYES ONLY

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SPE FIC OBJECTION

- The proposals are regressive in character, falling most heavily upon the private travel of the less wealthy.
- They will generate pressures for exceptions on behalf of particular groups of travelers whose presence abroad should be promoted rather than discouraged.
- By operating to reduce total travel, they would seriously impair the economic health of U.S. flag carriers and the U.S. aeronautical industry markets, and would produce lower tax yields to the U.S. Treasury from U.S. carriers and the industries serving them. Political opposition from the Air Transport Association, and particularly from Pan American Airways and Trans World Airlines, would be intense.
- Fare increases by the airline members of the International Air Transport Association are probable and would in turn discourage foreign travel to the United States.
- An advance deposit against per diem liability is not only inconsistent with the President's strong advocacy of facilitation of international travel and contact, but would be deemed offensive by many travelers.

RECOMMENDATIONS

- It seems to me that such steps as are needed now to reduce the travel deficit should be along the lines of reducing or eliminating the present \$100 duty-free import allowance. It is not possible to state with certainty what would be the impact of this step. However, if it did discourage \$50 worth of purchasing by the average traveler, the foreign exchange saving would be \$380 million or 75 percent of the goal we seek. This step would permit flexible control over the duration of the measure and it promises early results. Further it is unlikely to provoke allegations of inequity from any group, since it is directed at that part of the traveler's activity which is personal in nature and not defensible in principle.
- We might limit or remove for a period the deduction for tax purposes of per diem business expenses abroad.

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EYES ONLY

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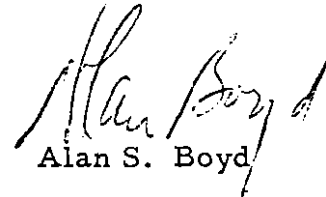
EYES ONLY

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We might seek through the CAB to encourage significantly reduced round-trip fares for travel from foreign to U.S. points.

CONCLUSION

This Department has no fundamental objection to a reasonable excise tax on international tickets. However, if more drastic measures to limit travel are needed, I would favor direct controls with a more equitable impact than those being advanced.


Alan S. Boyd

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Control # 670536

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EYES ONLY

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LIMITED OFFICIAL USE

Preliminary Draft 12/27/67

EXECUTIVE ORDER

GOVERNING CERTAIN CAPITAL TRANSFERS AND INVESTMENTS

By virtue of the authority vested in the President by section 5(b) of the act of October 6, 1917, as amended, 12 U.S.C. 95a, and in view of the continued existence of the national emergency declared by Proclamation No. 2914 of December 16, 1950, and the importance of strengthening the balance of payments position of the United States during this national emergency, it is hereby ordered:

Alternatives for Par. 1 (a)

(1. (a) The following transactions by or on behalf of or for the benefit of any person subject to the jurisdiction of the United States which owns or acquires as much as a 10% equity or earnings interest in a foreign business venture, or which is a bank or other financial institution, are prohibited on or after the effective date of this Order, except as specifically authorized by the Secretary of (hereinafter referred to as "the Secretary"), if any such transaction involves a direct or indirect transfer of capital to or within any foreign country or to any national thereof:)

(1. (a) The following transactions by or on behalf of or for the benefit of any person subject to the jurisdiction of the United States are prohibited on or after the effective date of this Order, except as specifically authorized by the Secretary of (hereinafter referred to as "the Secretary"), if any such transaction involves a direct or indirect transfer of capital, to or within any foreign country or to any national thereof:)

- (1) Any transfer of credit;
- (2) Any payment between, by, through, or to any banking institution or banking institutions wheresoever located;
- (3) Any transaction in foreign exchange; and
- (4) Any direct or indirect acquisition of, or any holding, transfer of or dealing in, or any exercise of any right, power or privilege with respect to, any property located in a foreign country in which any foreign country or a national thereof has any interest.

Alternative language bracketed - matches first
version of 1 (a)

(b) The Secretary is authorized to require, as he determines to be necessary or appropriate to protect or improve the balance of

payments position of the United States, that any person subject to the jurisdiction of the United States (which owns or acquires as much as a 10% equity or earnings interest in a foreign business venture) shall cause to be repatriated to the United States all or part of undistributed earnings which are attributable to such person's investments (in such business ventures) in designated foreign countries and bank deposits and other short term financial assets which are held by or for the account of such person in foreign countries. Any person subject to the jurisdiction of the United States is prohibited on or after the effective date of this Order from failing to comply with any such requirement of the Secretary.

(c). Any transaction which is for the purpose of which has the effect of evading or avoiding any of the provisions of paragraphs (a) or (b) of this section 1 is hereby prohibited.

2. The effective date of this order is _____, 196_, commencing at 12:01 A.M., eastern standard time, of said date.

3. The Secretary is authorized and directed, under authority delegated to him by this Order and under all other authority available to him, to carry out the provisions of this Order and to prescribe definitions for any terms used herein, to make such general or specific exceptions to the prohibitions and requirements hereof, to issue

such rules and regulations, orders, rulings, licenses and instructions, and to take such other actions, as he determines to be necessary or appropriate to carry out the purposes of this Order or to protect or improve the balance of payments position of the United States. The Secretary may redelegate to any other agency or official of the United States any authority delegated to him by this Order.

Alternatives for Par. 4 - Secretary who administers
program to be deleted in either one

(4. In performing his functions under this Order, the Secretary shall consult as necessary and appropriate the Secretary of State, (the Secretary of the Treasury,) (the Secretary of Commerce) and the Chairman of the Federal Reserve Board.)

(4. In performing his functions under this Order, the Secretary shall obtain the guidance of the Secretary of State with respect to matters involving foreign policy, and shall consult as necessary and appropriate with (the Secretary of the Treasury,) (the Secretary of Commerce) and the Chairman of the Federal Reserve Board.)

Par. 5 only if Secretary of Treasury does not administer

(5. Nothing herein contained shall affect the authority of the Secretary of the Treasury under Executive Order 9193. The Secretary of the Treasury and the Secretary of Commerce are authorized to

exercise severally any and all authority conferred on the President by section 5(b) of the act of October 6, 1917, as amended, 12 U.S.C. 95a. No person affected by any order, regulation, ruling, instruction, license or other action issued or taken by either the Secretary of the Treasury or the Secretary of Commerce shall be entitled to challenge the validity thereof or otherwise excuse his actions, or failure to act, on the ground that pursuant to the provisions of this Order, or Executive Order 9193, such order, regulation, ruling, instruction, license or other action was within the jurisdiction of the Secretary of Commerce rather than the Secretary of the Treasury, or vice versa.)

THE WHITE HOUSE

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For Ottawa

6. Talking Points/Specific to Post

a. We do not anticipate any major effects on Canadian position.] We recognize that potential actions of USG in trade field on border taxes, para 4d, will affect Canadian-US trade. We will want to discuss these effects in light of each country's balance of payments problems and hear GOC ideas on possible similar actions.]

b. GOC will recognize favorable treatment in classification of Canada in Category III for direct investment controls and no change in special IET treatment for Canada.

c. USG places strong emphasis on bilateral arrangements and expects further conversations can indicate any major problems which might call for relief.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 92-398
By ing, NARA, Date 3-5-93