

INFORMATION

~~CONFIDENTIAL~~

Friday, January 19, 1968
6:05 p.m.

Pres file

Mr. President:

Herewith Paul Nitze suggests
"fair but firm" arrangements in
response to the UK F-111 cancellation.

W. W. Rostow

~~CONFIDENTIAL~~

WWRostow:rla

DECLASSIFIED
E.O. 12958, Sec. 3.4(b)
White House G. Holmes, Feb. 24, 1983
By 18, NARA, Date 1-3-92

~~CONFIDENTIAL~~

275

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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

10 JAN 1968

DECLASSIFIED
E.O. 13292, Sec. 3.5
NLJ 96-198
By is, NARA, Date 8-12-04

MEMORANDUM FOR THE PRESIDENT

SUBJECT: British Cancellation of the F-111K

Our commitment to the United Kingdom under the F-111 Arrangement to procure defense equipment competitively from British sources with a target value of \$325 million and to cooperate with the British for third country arms sales with a target value of \$400 million was based on the following estimated balance sheet of US - UK defense expenditures over the period 1966 - 1977 (millions of dollars):

UK RECEIPTS

US force expenditures in UK	\$1800
Procurement target	325
Cooperative arms sales	400
	<u>\$2525</u>

US RECEIPTS

Polaris	\$ 550
C-130	300
F-4	900
F-111	725
Other	50
	<u>\$2525</u>

For domestic political reasons, the British Government chose to present the U.S. target of \$725 million as an offset for the F-111, and the language of the F-111 Arrangement accordingly speaks only of estimated total expenditures in the U.S. of \$2525 million and not of U.S. expenditures in the U.K. However, it was understood by both sides that the offset figure was arrived at in order to balance both sides of the equation. Nevertheless, from the legal point of view, since the offset commitment is not a separate agreement but literally part of the F-111 Arrangement, U.K. cancellation of the F-111 Arrangement technically cancels the U.S. commitment.

In connection with our discussions last year with the United Kingdom and the Federal Republic of Germany, you agreed to supplement the \$325 million offset procurement target by amounts of \$35 million and \$19.6 million in return for which the British Government agreed to maintain its BAOR strength for a designated period. It was agreed that such offset

GROUP 4

Downgraded at 3 year intervals;
Declassified after 12 years.
DOD Dir. 5200.10

~~CONFIDENTIAL~~

Sec Def Cont Nr. X-

0334

procurement would be carried out in the same manner as the F-111 Arrangement, under conditions of competition. The \$35 million was due 31 December 1967; we "paid" it by advancing payments against the three US Navy prime contracts for small ships. The \$19.6 million is due 31 March 1968; it has not yet been "paid" but we had planned to have the Allison Company make a similar advance payment against the Rolls Royce Spey engine contract for our A-7 aircraft.

~~Two weeks ago we concluded that the estimated cost of UK defense procurement from the U.S. had risen to \$2.875 billion from the original \$2.525 billion and, you will recall, we agreed to raise the \$325 million U.S. procurement target to \$425 million.~~

Our performance thus far towards achieving these targets is as follows:

- o ~~British sources have won competitions thus far for \$192 million in U.S. orders - \$51.9 million in DOD prime contracts and \$140.3 million in sub-contracts from U.S. defense industry (see Tab A for details).~~

- o ~~With our assistance, the U.K. received an order from Saudi Arabia for 40 Lightning aircraft, together with radar, data handling and communications system, and associated equipment and training. We estimate the value of this contract, including supply support over the period of the Arrangement, at \$400 million; the British assert that the entire Saudi Arabian procurement will total no more than \$285 million at the new rate.~~

~~The F-111K cancellation is now estimated to reduce U.K. procurement from the U.S. by \$861 million - or \$731 million after the \$130 million in estimated termination costs are taken into account. This net reduction will bring British defense procurement from us down to \$2.144 billion.~~

~~Since this figure is lower than the original estimate of \$2.525 billion in British procurement from us - on which our procurement targets were based - we would now be justified in reducing our targets. Additionally, as shown in the table below our current estimate of U.S. troop expenditures in the U.K. has increased from the original \$1800 million to \$2305 million. Even if we stop placing offset orders with the U.K. at the \$192 million level now reached, it now appears that the U.S. will be \$690 million short of balance on the defense account.~~

(\$ Millions)

UK RECEIPTS

US Troop Expenditures	\$2305
Additional Procurement:	
Trilateral Agreement	55
Aircraft Offset Committed	192
Cooperative Arms Sales	285
	<u>\$2837</u>
(US Receipts)	- 2147
	<u>690</u>

US RECEIPTS

Polaris	\$ 638
F-4	1036
C-130	340
Cancellation Costs	
F-111	130
Chinook	3
	<u>\$2147</u>

Because of the threat of substantial imbalance and to keep our option open with the British, I yesterday sent the attached letter to Denis Healey (Tab B). The letter points out this imbalance and keeps the pressure on the British in regard to further purchases from us and also in connection with our upcoming discussions with both the British and the Germans on troop deployments.

I propose to take the following actions:

1. US Offset Purchases - Cancellation of the F-111K permits cancellation of any further obligation on our part to make offset procurements from the U.K. Any consideration of further defense procurement from the U.K. will have to take into account the estimated \$700 million unfavorable U.S. imbalance which, if we are successful in negotiating a new offset arrangement, would be lowered by possible new British compensatory procurements.

2. Withdrawal of Consideration of UK Minesweeper Bid - Although the U.K. bid is the third highest, and we believe the British yard likely to be the qualified source, we now can no longer consider the British bid.

3. Credit for F-4 and C-130 Purchases - Recognizing that we had agreed to provide \$700 million in credit for these aircraft before the F-111 purchase was arranged, I believe that we should maintain the \$700 million credit for the F-4/C-130 purchase. However, we propose that no part of the termination costs for the F-111K should be credit financed.

~~CONFIDENTIAL~~

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4. Special BAOR Agreements -- Although we presumably "bought" BAOR deployment instead of British defense equipment orders with this \$54.6 million, it seems to me that it can be fairly argued that our offset procurements already made and our front loading of orders gives us adequate leeway to meet this obligation without increasing the current level of orders. Although we are committed to make payment of \$19.6 million by 31 March 1968 I believe a case can be made that our current level of accomplished payments has already met that obligation.

5. Jetstream Order -- This \$5.9 million order for T1 aircraft has been placed and the definitive contract was signed on 5 January. If procured this aircraft would have nearly 50% U.S. content. If follow-on aircraft are procured for this mission, the procurement would have an estimated value of \$50 million. We are withholding further action on this contract for the time being inasmuch as the Air Force wants the aircraft and there is a special background to this matter involving your assurance to the Prime Minister concerning Britain's foregoing of a Trident aircraft sale to Communist China. There is a U.S. balance-of-payment benefit if we do not cancel Third-country purchases of the Jetstream during 1968-1970 with the U.S. Garrett engine and U.S. avionics content, on the basis of orders already booked for the aircraft, promise net U.S. dollar receipts of \$30 to \$50 million depending on how many Jetstream aircraft the Air Force orders.

Finally, I believe that our posture with the British over this matter must be fair as well as firm. Other countries are watching our actions and it is essential for the future success of our cooperative defense efforts that we do not appear retaliatory in response to a valid termination of a contract.

Paul H. Nitze

Enclosures 2

1. Tab A
2. Tab B

~~CONFIDENTIAL~~

MAJOR ELEMENTS COUNTED
AGAINST UK TARGET UNDER F-111 ARRANGEMENT
as of 17 JANUARY 1968
 (\$ Millions)

<u>PRIME CONTRACTS</u>		<u>SUBCONTRACTS</u>	
<u>Item</u>	<u>Amount</u>	<u>Item</u>	<u>Amount</u>
2 ATS vessels (Navy)	16.7	Rolls Royce Spey engines (Air Force)	88.8
2 AGS vessels (Navy)	16.7	Heads-Up Display equipment(Navy)	23.0
1 ATS vessel (Navy)	7.4	C-130 Program (Air Force)	6.4
11 Jetstream aircraft(Air Force)	5.9	C-5 Engineering (Air Force)	6.0
Decca Navigator (Army)	1.7	General Dynamics F-111 Program (Air Force)	5.3
Miscellaneous	3.5	Machine Tools (Air Force)	3.5
		Air Data Computer (Air Force)	2.1
		Integrated Light Attack Avionics System for A-7 (Navy)	1.2
		Miscellaneous	4.0
	<hr/>		<hr/>
	51.9		140.3



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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

17 JAN 1968

The Right Honorable Denis Healey, MP, MBE
Secretary of State for Defence
Ministry of Defence
Whitehall
London, S. W. 1, England

Dear Denis:

This is in response to your letter to Bob of 16 January 1968 commenting on the Cabinet's decision to cancel the order for the 50 F-111 aircraft.

We are, of course, taking immediate action to minimize F-111K costs. I do not yet have an estimate of termination costs better than the \$130 million established during the meeting of Mr. Peck with Mr. Kuss on 1 January 1968. Since this figure might turn out to be low, I believe that we would be well advised to avoid identifying such a figure publicly for the time being.

In regard to the credit arrangements for the Phantom and Hercules aircraft, we are willing to maintain the original credit availability level of \$700 million.

With respect to the offset features of the F-111 Arrangement, I am afraid I cannot tell you immediately how they might be handled. One of the major elements for our consideration is that the combination of the F-111K cancellation and our current projections of US defense expenditures in the United Kingdom threatens an imbalance unfavorable to the United States of about \$700 million during the intended period of the F-111 Arrangement. We would hope that this imbalance in your favor would be kept in mind in your consideration of future defense procurement from the United States as well as in our forthcoming consultations with respect to the foreign exchange costs of our forces in Europe.

I would suggest, therefore, the following text to be used in response to questions:

DECLASSIFIED

Authority Group 4

By 128/100, NARA, Date 1-3-92

GROUP 4
Declassified at 5 year intervals;

~~CONFIDENTIAL~~
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"The saving in dollar expenditure over the period, allowing for likely cancellation charges, will be about \$700 million. Because of the credit arrangements, these savings will mature over a period of years. The United States Government has agreed to maintain the existing credit arrangements for the Phantom and Hercules aircraft. Other implications following from our cancellation of the F-111K are under study by both governments."

This is our first look at the situation. As you requested, I will now review the matter more carefully and will be in touch with you in regard to all the steps that must be taken to achieve an orderly termination of the F-111K Arrangement.

While I regret this unhappy action as you do, I can understand the extraordinary political pressures that have been imposed upon you. You have fought a good fight.

Sincerely,

Paul

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Sec Def Cont Mr. I-

INFORMATION~~SECRET~~

Friday, January 19, 1968
5:55 p.m.

Mr. President:

The attached State Dept. intelligence document summarizes evidence that Hanoi would accept U.S. recce of North Vietnam during a bombing standdown -- especially if we didn't make it a public issue.

W. W. Restow

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-199
By us, NARA Date 12-28-99

~~SECRET~~

IN 12 Memo to the Secretary
"Hanoi's Attitudes on the Continuation of US Reconnaissance Flights
During a Bombing Cessation," (undated)

WWRestow:rla

INFORMATION

5?

~~SECRET~~

Friday, January 19, 1968
5:50 p.m.

Mr. President:

You may wish to read this
assessment of Arias, [REDACTED] It
is summarized on page 1.

Pres file

1.5(c)(d)
3.4(b)(1)(6)

W. W. Rostow

~~SECRET~~

SANITIZED
E.O. 12958, Sec. 3.6
NLJ 96-199
By ica, NARA Date 8-19-98

SC No. 00753/68B
19 January 1968, Cy 1
Special Report Weekly Review
"Arnulfo Arias -- Panama's Next President?"

WWRostow:rla

INFORMATION

58

~~SECRET~~

Friday, January 19, 1968
1:50 p. m.

Pres file

Mr. President:

Herewith Dobrynin forecasts a Soviet ABM response "within a month or six weeks" and makes some mildly interesting comments on the San Antonio formula.

W. W. Rostow

~~SECRET~~

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-189
By is, NARA Date 3-24-97

WWRostow:rlm

58a

~~SECRET NODIS~~

Copy of MOSCOW 2495 from Ambassador Thompson Jan. 18, 1968

1. Dobrynin told me today that he had not yet seen the top leaders due to their absence from Moscow, but he thought we would have our answer on our proposal for talks on ABM's and strategic weapons within a month or six weeks. He believed the answer would be favorable provided there was no significant change in the type of our operations in Vietnam in the meantime. On the other hand, if we should initiate new military activities there which would have an adverse impact on the Soviet leadership, he was sure we would not receive a favorable answer. By way of example, he mentioned hit-and-run land raids on North Vietnam. He indicated there was considerable difference of opinion in the Soviet Government on the ABM question and said the delay in replying was not deliberate stalling but was due to difficulty in working out the Soviet position.

2. On Vietnam, he said the Soviet Government was still mystified as to what our position and objectives really were. When I referred to the San Antonio formula he replied that the words "prompt" and "serious" were very vague. One side could take a position which it considered serious and the other side might not. This could only be determined when negotiations actually begin.

3. I pointed out that it was important for us not to get involved in negotiations if the other side thought we wanted them merely as a cover for our capitulation. In such an event the negotiations would of course break down and the pressures on us to take radical actions would be enormous. He replied that he fully understood this.

4. I expect to see Dobrynin after he has seen the leadership. He expects to be here for about two weeks.

THOMPSON

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-266
By jis, NARA Date 9-10-97

~~SECRET~~

59

Rup

Thursday, January 19, 1968
2:55 p. m.

~~SECRET~~

MR. PRESIDENT:

You should know that one of the three airfields at Pleiku was attacked today with about ten rounds of mortar fire.

We have been watching Pleiku closely because intelligence indicates they might:

-- first mortar the airfields;

-- then attack two outlying U. S. positions (at Le Thanh and Duc Co); and then move along Route 19 (see attached map) into a direct attack on Pleiku City.

I have talked to General Wheeler, who tells me there are large forces based at Pleiku which ought to be able to deal with this kind of thrust without drawing on reinforcements which Westy has earmarked for Khe Sanh.

General Wheeler thinks it possible that they may be making the first steps in the plan which intelligence has detected.

The total number of enemy troops in the Pleiku area is estimated at, roughly, 5,000.

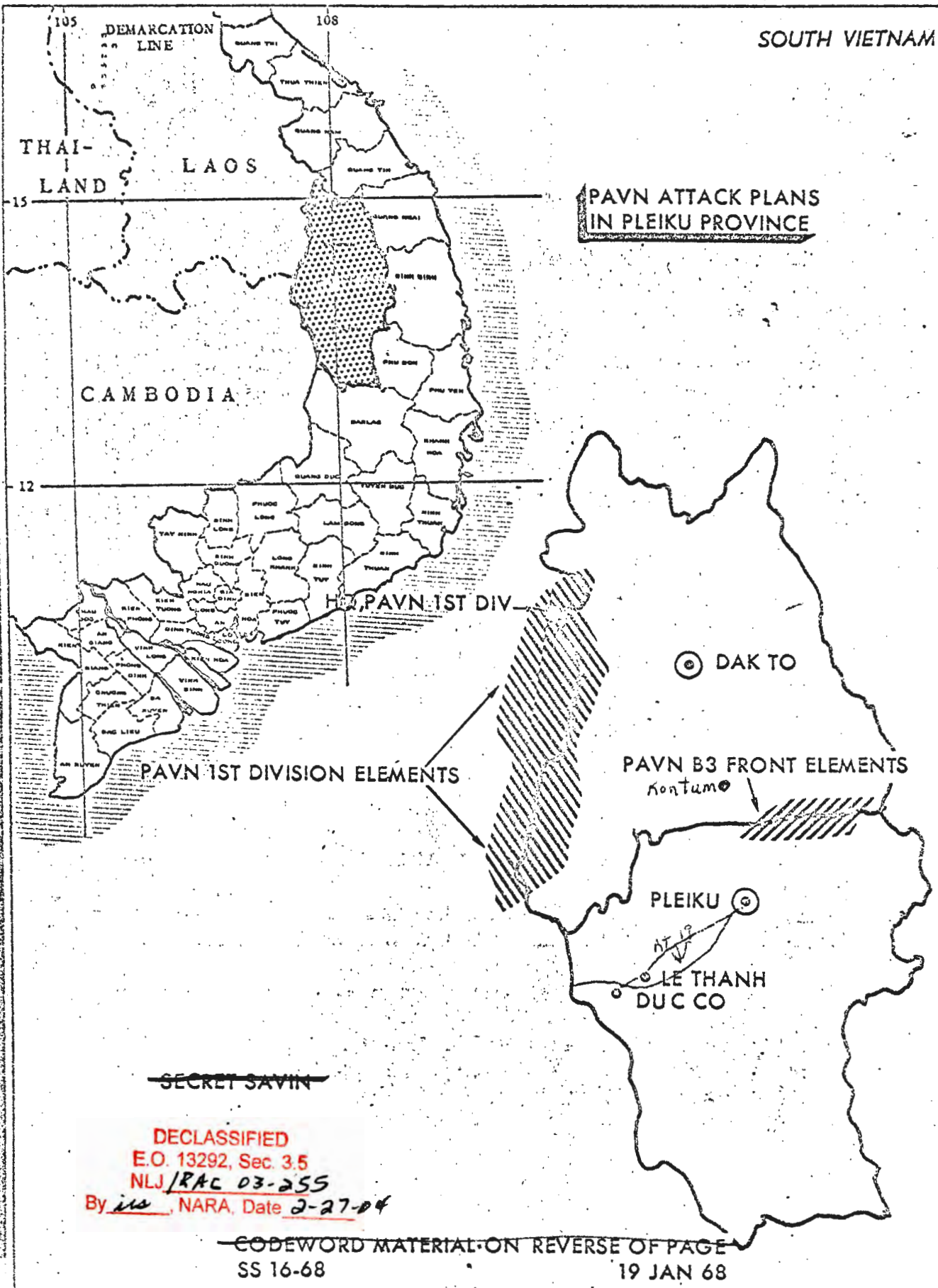
W. W. Rostow

~~SECRET~~ CODEWORD attachment

WWR:mz

DECLASSIFIED
E.O. 13292, Sec. 3.5
NLJ/RAE 03-254
By iss, NARA, Date 6-2-04

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INFORMATION

~~SECRET~~

Friday, January 19, 1968
1:10 p.m.

For file

Mr. President:

This piece of gossip, picked up
in New York by Chip Bohlen, may
interest you.

W. W. Rostow

SECRET

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By RZ, NARA, Date 1-2-92

WWRostow:rla

UNITED STATES GOVERNMENT

Memorandum

~~SECRET~~

277
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U
M
C
W.H. Rostow

TO : S/S - Mr. Read

DATE: January 18, 1968

FROM : EUR/SOV - Malcolm Toon *MT*

SUBJECT:

Chip Bohlen called me this evening from New York to report a conversation he had had with a Russian-American well known to Bohlen, Thompson and others, whom Bohlen considers to be completely reliable, but whom Chip did not identify by name:

Source told Bohlen that about two weeks ago he had a long conversation with Ragulin, a Soviet national on the UN International Staff who is married to the daughter of Abrasimov, now Soviet Ambassador in East Berlin. Ragulin said the following:

(1) The Central Committee is about to hold a very important meeting which will result in a number of personnel changes. Brezhnev will further consolidate his power. ~~Kosygin will be out - apparently not ousted, but transferred to other duties.~~ Gromyko will take his place and Dobrynin will be moved "upstairs" although not necessarily into Gromyko's slot. Zorin will be transferred, and Furtseva will be out.

(2) ~~The rationale for these personnel changes is to remove rigidity in current Soviet decision-making.~~ The collective is simply not working well, and under the present system it is impossible to adopt or implement more flexible policies, particularly with regard to the United States.

(3) ~~The result would be a more flexible policy in dealing with the United States with emphasis on cooperative efforts to bring the Vietnam war to a close.~~

I am asking RSB to assess this report on an urgent basis. Meanwhile Chip himself said he was in no position to say whether the report was plausible or not; all he could say was that he was sure Ragulin's remarks were accurately reported by his source and the source is of such established reliability that he could not possibly be playing the Soviet game.

EUR/SOV:MToon:bab

cc: EUR - Mr. Leddy
INR/RSB - Mr. Sonnenfeldt

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-264
By iss, NARA Date 9-10-97

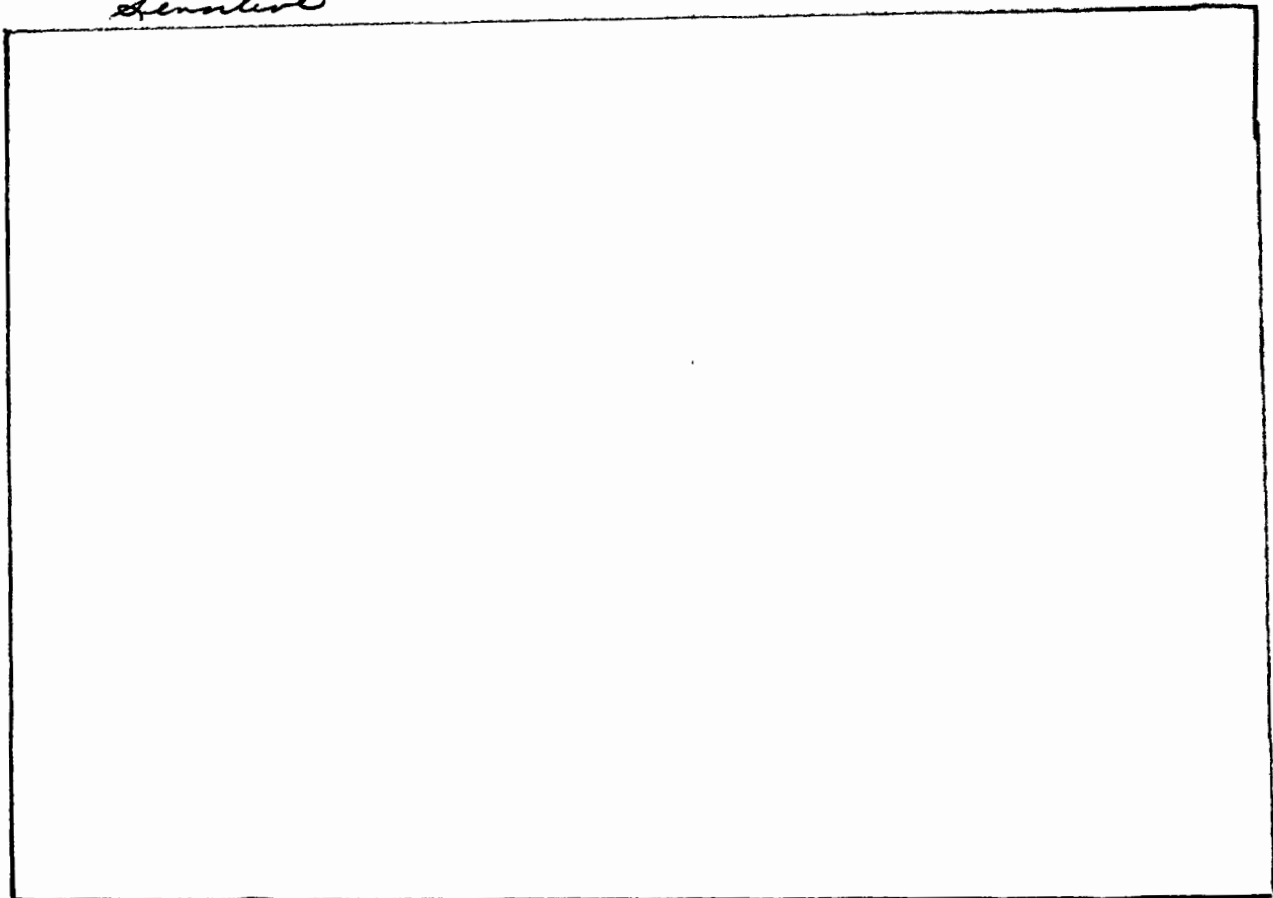
~~SECRET~~

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan



~~TOP SECRET~~
Sensitive

Friday, January 19, 1968, 12:30 P.M.



W. W. Rostow

BKS:amc

SANITIZED
E.O. 13292, Sec. 3.5
NLJ/RAC 03-254
By ins, NARA, Date 6-2-04

~~TOP SECRET~~

~~SECRET~~

Friday, January 19, 1968 -- 10:15 a.m.

Mr. President:

Herewith the argumentation which led Gen. Westmoreland and Gen. Vien to recommend a 36 hour rather than 48 hour standdown. As you can see (page 3), the argument has JCS support.

These points could be made as follows:

-- Present rules of engagement permit strikes against "abnormally great resupply activities" during a standdown. These rules are meant to protect against the kind of resupply our people in Saigon fear. The argument in the attached paper is really for no truce rather than a 12-hour reduction.

-- There is a strong case for excluding the Khe Sanh area from the truce. It is relatively unpopulated. Given the evidence that the North Vietnamese are assembling forces for a massive attack, I believe it would be unwise for us to give them even 36 hours of free movement of forces and supplies in the Khe Sanh area.

With the Khe Sanh exception and the freedom of action Westy already has to deal with abnormal supply movements, I don't think the 12 hours matter much one way or the other.

W. W. Rostow

DECLASSIFIED
Authority NLJ-CBS-19
By ics, NARS, Date 6-22-84

WWRostow:rlm

~~SECRET~~

~~SECRET~~

62a

DIA ESTIMATE

In any standdown period in North Vietnam a major logistic effort takes place. This effort involves truck and waterborne logistic craft (WBLC). WBLC come into prominence whenever the length of the ceasefire period is sufficient to allow this relatively slow transportation a round trip opportunity. Pre-arms truce periods which involved WBLC to any significant degree were 48 hours or more in length. The WBLC activity starts as far north as Thanh Hoa (19° 45'N) and usually has a southern terminus near Dong Hoi (17° 30'N). The larger and faster craft can make the maximum distance round trip in about 48 hours while smaller and slower boats can make the delivery and then achieve dispersed positions to avoid attacks when hostilities recommence.

During the 48 hour Christmas truce in 1966, US forces observed a 20 fold increase over daily average craft sightings along the southern coastal areas of NVN. During the 96 hour Tet truce in 1967 WBLC moved about 20,000 tons southward indicating a capability to move about 10,000 tons during a 48 hour period. This past Christmas and New Years ceasefire periods of 24 and 36 hours duration respectively exhibited no significant WBLC activity although the 36 hour period was more active than the 24 hour pause.

Truck Activity.

During the most recent Christmas and New Years truce periods, truck activity in NVN was eight to ten times normal daily estimates. It would appear that about 2,200 tons of material was moving southward in NVN during an average 24 hour period. This amount of material was estimated to be destined for southern NVN, the DMZ, Laos and SVN. Should the total 2,200 tons be delivered to SVN, it would represent about a 95 to 120 day supply of external requirements provided by NVN to Viet Cong-NVA forces in SVN. In other terms 2,200 tons represents approximately a 22 day supply of material to a NVA division in moderate combat conditions.

Summary.

It can be estimated that the logistic difference to the North Vietnamese between a 36 hour and 48 hour ceasefire period could be as much as 10,000 tons of material. This difference being represented by the ability or lack of ability to employ WBLCs to any great degree.

DECLASSIFIED

~~SECRET~~

Authority NL/CBS 4
By id, NARS, Date 12-7-83

626

~~TOP SECRET - SENSITIVE~~

What are the military advantages of holding the proposed Tet standdown to thirty-six hours vice, increasing the period to forty-eight hours?

1. Movement of Supplies in NVN.

Overall. The twelve additional hours would increase the enemy capability for moving supplies south in NVN from 3,300 tons to 14,400 tons.

Waterborne. For supplies moved south toward SVN by waterborne logistic craft (WBLC), the difference between a 36 hour ceasefire and a 48 hour ceasefire is:

a. No significant WBLC movement during a 36 hour ceasefire due to turn around time.

b. A heavy flow of WBLC during a 48 hour ceasefire.

Supplies moved by WBLC during a 48 hour ceasefire would amount to some 10,000 tons, over twice as much as could be moved by truck alone and enough to maintain an NVA division under moderate combat conditions for 100 days.

Truck. For supplies moved south by truck toward SVN, the difference between a 36 hour ceasefire and a 48 hour ceasefire is 12 additional hours of unrestricted truck movement, which means 1,100 additional tons of supplies.

2. Khe Sanh.

During the past several weeks NVA troops have moved south from North Vietnam into Laos in close proximity to the northern portion of SVN against Quang Tri Province. At the present time there are three NVA Division Headquarters and at least seven NVA regiments, totaling an estimated 15,500 enemy troops, located within a radius of 20 miles of Khe Sanh. This enemy threat has caused General Westmoreland to reinforce the northern portion of the I CTZ with major elements of the 1st Cavalry, movement of the ROKMC brigade from Chu Lai to Danang, thereby permitting the movement of US Marine Corps units to the north, positioning of naval gunfire ships for quick response in the northern portion of the I CTZ, and plans for sustained B-52 and tactical air strikes in the western portion of Quang Tri Province.

DECLASSIFIED

~~TOP SECRET - SENSITIVE~~

Authority NLS-CBS 6

By is, NARS, Date 8-28-84

~~TOP SECRET - SENSITIVE~~

This massing of enemy troops indicates an attack of major proportions on Khe Sanh is imminent. Khe Sanh may be an intermediate objective with the final objective of Quang Tri City or possibly Hue.

The attack could begin before or immediately following Tet. General Westmoreland estimates that the attack could well be initiated before Tet. If this is so, there could be no Tet standdown. If the ceasefire were 48 instead of 36 hours, forces attacking after Tet would have had 12 additional hours to prepare such attacks with impunity and to receive an additional 11,100 tons of ammunition and military supplies.

3. Enemy Posture.

The VC/NVN have aptly demonstrated their ability to use periods of ceasefire to improve their posture. Twelve additional hours afford the enemy more latitude in preparing for attacks on US or friendly forces at the time and place of his choosing.

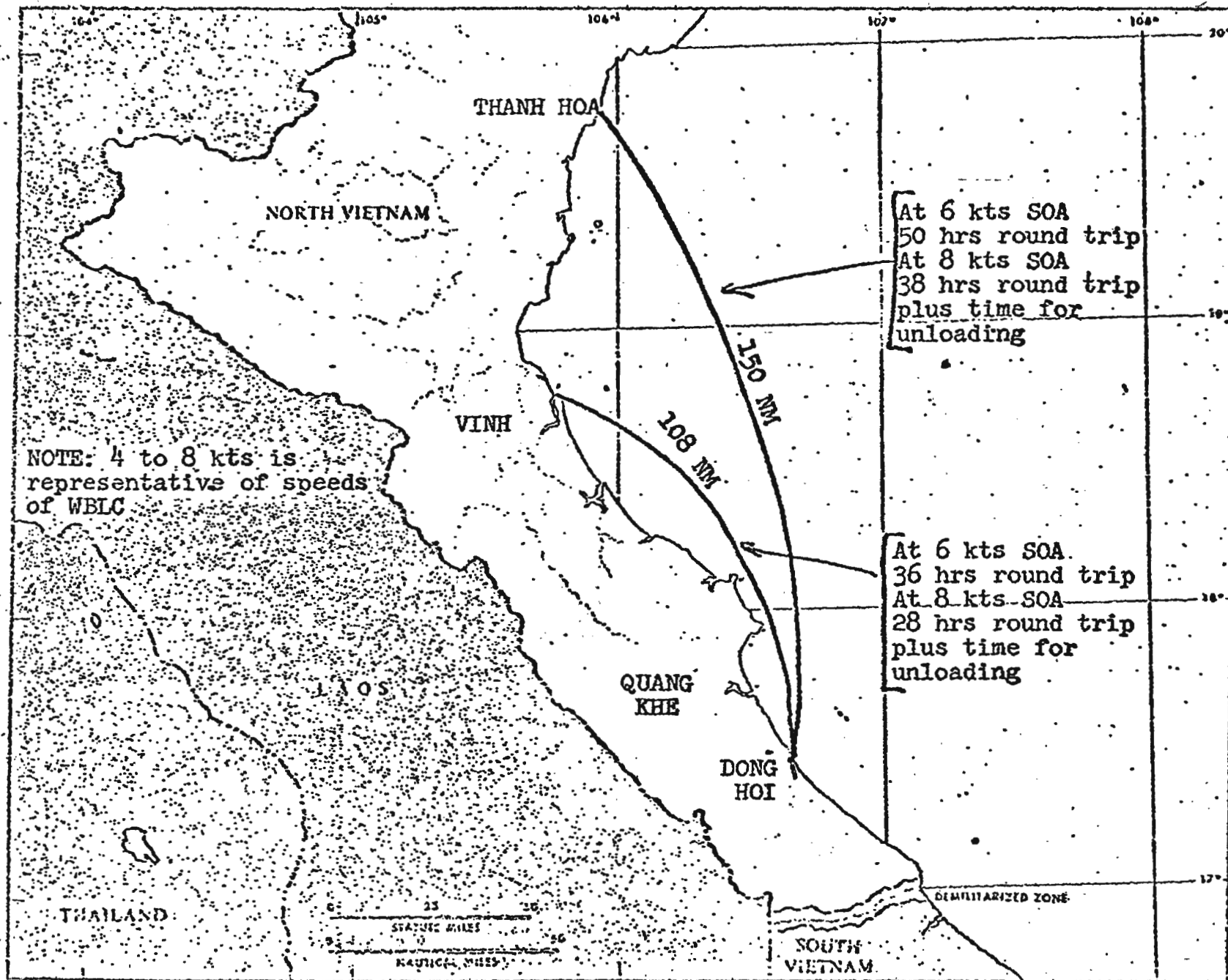
19 Jan '68

Based on the foregoing, the JCS support Gen Westmoreland, Gen Vient, and Ambassador Bunker's recommendation for a 36-hour standdown. Please incorporate this view on the JCS in the memo for the President.

Wheeler

~~TOP SECRET - SENSITIVE~~

62c



THE WHITE HOUSE

WASHINGTON

Thursday, January 18, 1968
11:00 a.m.~~SECRET~~

MR. PRESIDENT:

Your judgment is needed on the following problem:

1. As you know, it was agreed sometime ago that there would be a 48-hour stand-down for Tet -- January 30.

2. Apparently Generals Westmoreland and Vien, without evidence of consultation with Ambassador Bunker, went to Thieu and, against his better judgment, persuaded him to cut the 48 hours to 36 hours. There are perfectly good military grounds for this, given the behavior of the Viet Cong during the Christmas and New Year's stand-downs.

3. Secretaries Rusk and McNamara believe that it is unwise to cut back from 48 to 36 hours, for two reasons:

-- Hanoi could regard it as our changing rules of the game in the middle of a tense period of communications;

-- We could be criticized further for toughening up our behavior in a delicate, potentially pre-negotiation situation. (There is apparently some criticism of your State of the Union message along these lines.)

4. Therefore, Secretaries Rusk and McNamara would like to go back to Bunker and Westy and reverse the decision, reinstalling the 48-hour Tet truce. Both do this reluctantly out of respect for Westy, and having whipsawed Thieu once already on this matter.

Stay with 36 _____

Back to 48 _____

See me ☒ → (see attached.) 1/19/68

DECLASSIFIED

Authority NLJ-CBS-19

By ics, NARS, Date 6-22-84

W. Rostow

~~SECRET~~

DECLASSIFIED
E.O. 12958, Sec. 3.6

NLJ 96-189

By us, NARA Date 3-24-97~~SECRET~~Friday, January 19, 1968
Long
2. Per file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reply to Greek Prime Minister

You'll recall that Papadopoulos sent you a letter via Tom Pappas, promising to restore democracy and hinting for "recognition." State believes that we can't squeeze much more out of withholding "recognition" and that the time has come to re-establish formal contact. Having Phil Talbot call formally on the PM would be enough. But replying to his letter would make easier Phil's efforts to keep him on the track back to constitutional government.

Since the King's abortive counter-coup, we've avoided formal contacts. Our two purposes were to keep pressing for progress towards constitutional government and to put us in a position with our domestic critics of not undercutting the King and not embracing the junta.

Recently, the junta has taken significant steps towards democratic government (not to mention releasing Andreas Papandreou). Now we see real danger that continuing the hard line might push Papadopoulos towards his more radical supporters who don't want to turn Greece over to civilians or have the King back and who even talk of quitting NATO. Papadopoulos himself seems reasonable and well-intentioned. If we're at least willing to work with him, it may strengthen his hand.

The attached draft reply deals mainly with these recent moves toward normal political conditions and makes it clear you want this process to continue. Addressing him as "Prime Minister" amounts to recognizing, but we would say publicly that legal recognition wasn't the issue and we are just resuming normal working relations. If this letter were ever published, you would be clearly on record as hinging our relationship on steady progress back to constitutional government.

Another reason for re-establishing contact is the need to do business with whoever runs Greece. What worries us most is that the Cyprus issue is far from settled, and we may want to weigh in again any time. Most of the other NATO countries are considering a similar move, and King Constantine seems to accept our dealing with the junta.

W. W. Rostow

Approve sending attached message _____

See me _____

~~SECRET~~

63a

Suggested Reply

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-189
By is, NARA Date 3-24-97

Dear Mr. Prime Minister:

Thank you for your letter of January 6th. I have read it with much interest and am gratified that you understand the dilemma which the sudden change of government in your country on April 21, 1967, has posed for democratic countries.

I particularly welcome your assurances that you have no thought of imposing a personal regime, or a permanent one, or one which will be at variance with the fundamental principles proclaimed by Free World countries, and further, that you have pledged yourself to retain the basic structure of government which prevailed in Greece prior to April 21, 1967.

While not wishing to enter into a discussion of internal Greek problems prior to April 21, or of the justifications for actions which took place on that date and following it, the United States Government has found constructive a number of measures which your government has recently taken to restore a more normal condition to Greek political and social life. I hope that you may see your way clear to continuing along this path until all traditional democratic freedoms are restored to Greece, and that the free, general, secret elections to which you allude may be held as soon as possible.

- 2 -

As you know, Mr. Prime Minister, your country and mine share many important values. We have had a long and fruitful relationship which has encompassed not only common goals, but also the close ties binding our two peoples. This is a relationship which we Americans set great store by. I am sure you agree it can best be nurtured in a climate of mutual respect and trust. It is in that spirit that I wish for the success of your endeavors to realize in Greece those values to which our peoples aspire.

Sincerely,

His Excellency
George Papadopoulos
Prime Minister of Greece
Athens, Greece

456

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-189
By iss, NARA Date 3-24-97

Athens, January 6, 1968

Dear Mr. President,

I deem it imperative today to expose to you officially and with due responsibility the causes, the aims, and the prospects of the Revolution of April 21st, 1967. I take this step, prompted by the hope that certain misunderstandings as to the nature of the change that has taken place in Greece will thus be cleared. These I consider detrimental to the interests of both nations concerned, as well as to the Free World.

Our country is honored as the cradle of Democracy. This very fact has placed all powers friendly to Greece, as well as all champions of Democracy in an embarrassing position. The regime which existed before the present change, however, had no relation whatsoever with Democracy. It was a regime of factious debauchery, unrestrained demagoguery and disintegrating corruption.

It had three basic characteristics: a steady fall toward economic collapse, an ever-increasing deterioration of all institutions, and the menacing erosion caused by Communism in political parties, in the press, in a part of society, and in the government itself. In this corner of Europe, as you well know, Communism has thrice tried to seize power by revolutions which steeped the country in blood. The last (1946-1949) would have inevitably made a captive of Greece behind the Iron Curtain if the United States of America had not materially helped my greatly menaced country.

The Revolution of April 21st, 1967, took place on the eve of certain civil war -the inevitable result of the elections set for May 28. These elections, whatever the verdict at the polls, would not have solved the ever growing crisis. On the contrary, they would have brought it to an explosive climax. And in the midst of the nightmarish chaos that would have ensued, only the Communist Party -the sole organized



-2-

power besides the Army- would have prevailed. Its persistent attempts to descend to the Mediterranean and annihilate the eastern flank of the Atlantic Treaty would have been crowned with success.

Those who undertook the responsibility to restrain this process at the very last minute, have an individual record of more than ten years' struggle against every shade of Totalitarianism in favor of Freedom and Democracy. They have never thought of imposing a personal regime. Their awareness of responsibility -so lacking in others- as well as their sensitiveness as perceptors of the people's anxiety, due to their origin as members of the armed forces, urged them toward this venture.

The success of this venture, without any bloodshed -a success unique in the annals of world history- is clear proof that the imposed change was an expression of the wishes of a great majority of the Greek people. The latest events (the counter revolution of December 13, headed by the Sovereign of the State himself) constituted a second test for the Revolution, proving once more its necessity, its sway over the people, and its absolute de facto stability.

On the solemn occasion of this my written communication with you, I wish to assure the President of the United States of the following:

It is not the intent of the Revolution to impose a permanent regime, at variance with the fundamental principles proclaimed and championed by the Free World -headed by the United States of America.

The suspension of only a certain number of articles of the 1952 Constitution is temporary. A new Constitution, brought up to date, will eventually be given to the Greek people, no later than 1968.

The regime of this country -Democracy together with a hereditary Sovereign (Constitutional Monarchy)- will remain unaltered.

As soon as the Revolution has accomplished its mission, that is, as soon as it has set the foundations for the economic development of the country, brought the functions of the government up to date, and safeguarded the democratic institutions from the Communist menace, it will call upon the Greek people to elect its deputies in a free, general and secret vote.

-3-

The National Government would willingly set the date of the country's entrance into the smooth course of representative government, rid of all the ugliness and dangers of the past, if this were practically possible and psychologically advisable.

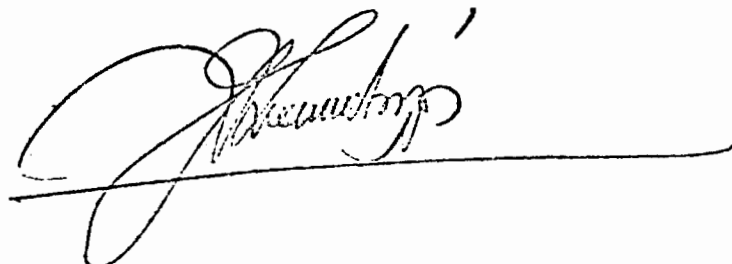
Mr. President,

When the Revolution of April 21st took place, Greece was much in the same state as Czechoslovakia had been before February 1948. Ever since World War II, Communism has coveted Greece for strategic and other reasons. This is why Communism has so actively stirred world propaganda against our National Government, thus influencing -as you know far better than myself- a large number of non-Communist elements who shape politics and form public opinion in the Free World.

In this address to you today, the Greek Government hopes that both its professions and its assertions will be duly estimated, and that its sincere devotion to its allies and to the principles of the Free World will meet with due response from the Government of the United States of America.

On the occasion, please allow me to express my best wishes for the New Year.

With kindest personal regards,

A handwritten signature in dark ink, appearing to read 'George Papadopoulos', is written over a horizontal line.

George Papadopoulos
Prime Minister

Friday, January 19, 1968 -- 10:00 AM

Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your meeting with Dr. Chandrasekhar, Indian Minister of State for Family Planning (5:30 today)

Chandrasekhar is 49, American-trained (Columbia and NYU), and by far the most energetic population man the Indians have ever had. You will want to hear but his impressive case that birth control is finally becoming a serious program in the country where the population explosion is the most serious problem.

Chandrasekhar has seen everybody in the government who is relevant to his problem, and he has made an enormously favorable impression on people who had largely given up on the Indians -- including people on the Hill. He leaves with twice as much AID support for his program as was planned before he came. He knows that we are ready to support as much as he can identify in the way of reasonable foreign exchange needs. (As you know, population control is not, for the most part, a foreign exchange problem. Most costs are local costs, payable in local currency. Thus, it is a hard job for us to find ways to spend the \$35 million in AID money the Congress earmarked for population in FY '68.)

After hearing him out, you may want to tell Chandrasekhar that:

- > We are encouraged by his record and his enthusiasm. We will support his efforts as generously as we can.
- But our Congress pays off on results. We must have evidence that the Indian Government is as serious about population control as Chandrasekhar. This is important not only to our support of the population program, but to all aid to India.

Additional item: As the attached State Dept. talking paper indicates, you may wish to ask your visitor to convey to his government the importance you attach to Indian acceptance of the helicopters which are essential for effective surveillance of remote areas in Cambodia. The visit might be a good way for you, in general, to put the heat on India on this matter.

W. W. Rostow

RPM/EKH/vmr

64a

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-266
By ics, NARA Date 9-10-97

TALKING PAPER
PRESIDENT'S MEETING WITH DR. CHANDRASEKHAR
January 19, 1968

SUBJECT: ICC/Cambodia

BACKGROUND

Despite our repeated urgings that the Government of India (GOI) take effective measures to forge the International Control Commission in Cambodia (ICC) into a more effective instrument for controlling Cambodia's borders, the GOI has so far refused to take a clear position. Mrs. Gandhi's letter to you of January 8 was unresponsive on the main points at issue.

The specific points on which the GOI refuses to be committed are: (1) the competence of the ICC to increase its capabilities and step up its activity on the basis of majority vote within the Commission; (2) the competence of the ICC to accept any material assistance from the United States.

The Cambodian Government itself has issued a direct request on January 12 that the ICC should "within the framework of its competence defined by the Geneva Accords of 1954, investigate, confirm and report all incidents which might occur within Cambodian territory and also carry out investigations with a view to revealing and reporting all foreign infiltrations in the Kingdom."

SUGGESTED TALKING POINTS

1. We are faced with very serious problems caused by enemy use of Cambodia. Many American soldiers have been killed in battles in which the enemy capitalized on the tactical advantage provided by the use of Cambodian territory.

~~CONFIDENTIAL~~

GROUP 3

Downgraded at 12-year intervals;
not automatically declassified.

~~CONFIDENTIAL~~

2.

We are seeking to contain the war and to resolve this problem peacefully. India has the opportunity and the responsibility of helping to keep the war from spreading into Cambodia by seeing that the ICC operates more effectively to prevent violations of Cambodia's neutral territory. We hope that Mrs. Gandhi fully understands how important this problem is to us.

2. Urge that GOI issue instruction to Indian ICC Chairman to respond positively to Cambodian Government's note of January 12 and to accept the helicopters which are essential for effective surveillance of remote areas. There are no legal obstacles to ICC acceptance of the essential machinery to perform its duties, and to raise obstacles on doubtful legalistic grounds is not constructive. The U.N. Secretary General has stated only yesterday that the ICC is quite competent to enlarge its activities.

~~CONFIDENTIAL~~

65

INFORMATION

Presfile

Friday, January 19, 1968 -- 9:30 a.m.

Mr. President:

The basic facts on Felix Greene are:

1. He has travelled as a reporter for the San Francisco Chronicle.
2. He has made moving pictures in Communist China as well as filmed our prisoners of war in Hanoi.
3. He is a British national married to an American citizen and has lived in this country since 1939.

On December 28, 1967, I asked Nick to look into possibilities of action to deal with Greene. I have, as yet, no reply; but will talk with Nick this morning.

W. W. Rostow

WWRostow:rlm

INFORMATION~~CONFIDENTIAL~~

Friday - January 19, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Resignation of Jack Irwin

Pres file

Shortly you will be receiving a letter from Jack Irwin resigning his position on our Panama Canal negotiating team.

Jack has taken this action because: (1) it is clear that negotiations will be suspended until late 1968 or early 1969, and (2) he wants to resume full-time activity in his law firm to recoup his finances. In his letter he will make clear that he is willing to rejoin the negotiating team when talks resume.

He has checked his decision with Bob Anderson and Covey Oliver who see no problems.

W. W. Rostow

**He may also wish to be free for Republican political activity this year - although he didn't say so to me.*

W

DECLASSIFIED

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

White House Guidelines, Feb. 24, 1983

By kg, NARA, Date 1-2-92

~~CONFIDENTIAL~~

Friday, January 19, 1968

62
made copies 1/19
for Ed Smith, so
slipped in this
extra one.

MEMORANDUM FOR THE PRESIDENT

Pres file

SUBJECT: Balance of Payments Meeting
January 19, 6:30 p.m. -- Issues

Trade Measures

The three possibilities are:

A. Seek legislation for a border tax of about 2%

We probably could justify it under GATT rules. (We would get a waiver to exempt imports from developing countries. P)

This would be a permanent tax. Fowler believes it would be an important incentive to exporters. Limiting it to indirect taxes may also limit the ability of Congress to make it higher.

Disadvantages -- Other countries have more of these taxes than we do. Many, including some EEC countries would retaliate. If they did, we would gain little or nothing but would have touched off trouble.

B. Ask for a GATT waiver to apply a border tax of 2% on balance of payments grounds.

The tax would be temporary (e.g., 2 years) and the President would be given the authority to impose it and to suspend it.

We would consult with other governments beforehand to get their support. We would need the approval of two-thirds of the members to get the waiver.

We could ask for legislation to impose the tax at the time we seek the waiver in GATT, or wait until after we get the waiver.

This move also has serious trade policy risks but the surplus countries might find it more difficult to retaliate.

~~CONFIDENTIAL~~

DECLASSIFIED

Authority NLS 96-25 (#13)
JCL/JP NARA. Date 12-16-09

C. No legislation now but begin negotiations with our trade partners to get concessions from them that would be roughly equivalent to a \$500 million improvement in our trade position. We could ask for immediate consultations to lay out the alternatives open to us.

For example, the Europeans could agree to suspend part of ^{their} ~~our~~ border taxes, accelerate Kennedy Round cuts, lower other trade barriers, untie aid, agree to IDA arrangements consistent with balance-of-payments positions.

Our leverage would be the threat of unilateral border tax action and our insistence that they should be doing these things to meet their balance of payments responsibilities as surplus countries.

This would be the best course of action in terms of trade policy and our overall economic and political position in the world.

The difficulty -- prospects are poor that we would get very much this year.

Travel

Suggests we could

The staff work going on (in Ernie Goldstein's work and in McKinney Task Force) *meet* or come close to meeting the target of cutting the travel deficit by \$500 million though primary emphasis on getting more Europeans to come here and on cutting expenditures rather than numbers of U.S. travelers.

You should know that under present estimates the deficit in 1968 will be smaller than in 1967 by \$100-\$300 million without a program. (This is largely due to EXPO.)

Leaving this aside, we could get:

	(\$ million)
1. Lower Air Fares From Europe to U.S.	\$70
2. Increase Special Low Fare Charters From Europe	60
3. Divert U.S. Tourists From Europe to U.S. Through Special Domestic Fares	50

~~CONFIDENTIAL~~

-3-

(\$ million)

4. Fly American (as result President's balance of payments program)	\$50
5. Effect of U.S. Travel Service Program	50
6. Eliminate Gift Parcels	35
7. Voluntary Appeal to Ask Tourists to Cut Expenditures by 20%	<u>50 - 100</u> 365 - 415

Legislation

8. Reduce Duty Free Exemptions	50
9. Ticket Tax (5 %)	50
10. Expenditures Tax (in place of Voluntary Appeal in 7.) 25% tax on all expenditures above \$400	100

W. W. Rostow

~~CONFIDENTIAL~~

ERF:mst

INFORMATION

Friday - January 19, 1968

Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Prime Minister Burnham's Condition

The doctors at Bethesda report that the Prime Minister's throat ailment does not appear to be serious. He will probably stay at the hospital through tomorrow for rest and to complete the regular physical exam.

I attach Prime Minister Burnham's response to your New Year's greeting which was delivered to our Embassy in Georgetown on January 16.

W. W. Rostow

Attachment

Prime Minister Burnham's response to
Presidential New Year's greeting.

Response of Prime Minister Burnham of Guyana,
dated January 16, 1968,
to President's New Year's Greetings

"Dear Mr. President:

I send to you my thanks for the warm and friendly greetings which you extended to me and to the people of Guyana for the New Year.

My country, like yours, is deeply committed to the cause of human freedom and to the maintenance and strengthening of the democratic system. We have pledged ourselves in 1968 to the continued fulfillment of these aims and to maximizing our efforts for the economic development of Guyana.

It is my sincere hope and that of my government that the New Year will be one of even closer cooperation and friendship between our two countries, and that it will bring continued prosperity for all the people of the United States under your able and enlightened presidency.

Sincerely yours,

L. F. S. Burnham
Prime Minister".

INFORMATION

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January 19, 1968

Pres file

Mr. President:

As you know, Bob McNamara has long wanted to split off military aid legislation from economic aid. Katzenbach and Gaud agree on the merits, but are worried about proposing the split this year when it may look as though we are trying to hide MAP in the defense budget to keep it away from people who are worried about arms sales to poor countries.

McNamara and Gaud discussed the split with Doc Morgan a few weeks ago. Morgan was less hostile to the proposal than in previous years, but said only that he would talk it over with his committee members.

In the attached, Rud Poats reports that the Republicans on the HFAC caucused on this question yesterday, and that the only "yes" vote on the McNamara proposal was from H. R. Gross -- the most violent anti-foreign aid man in the House. Gross was quite candid in saying that he would vote for the split because he thought it would kill the AID Bill.

W. W. R.

Attached: ~~memo~~ to Pres from
R. M. Poats dated Jan 18 '68

WWR:EKH:lw

69a

LIMITED OFFICIAL USE

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

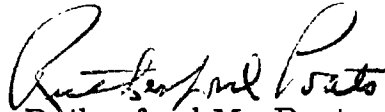
OFFICE OF
THE ADMINISTRATOR

January 18, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: House Foreign Affairs Committee Attitudes toward
Transfer of Major MAP Programs to Defense
Department Budget

I paid a courtesy call today on Congresswoman Bolton, ranking minority member of the Foreign Affairs Committee. She volunteered that she had just come from a meeting of the Republican membership of the Committee, where all except H. R. Gross had expressed strong opposition to transfer of the bulk of the MAP program out of the Foreign Assistance Act, as proposed by Secretary McNamara to Chairman Morgan. Gross explained candidly, she said, that he favored this change because it would deprive the Foreign Assistance Act of supporters interested in military aid and bring about defeat of the aid bill. She agreed with his prediction and said, "Fair Warning!"


Rutherford M. Poats
Acting Administrator

Copies to : Under Secretary Katzenbach
Director, Bureau of the Budget

LIMITED OFFICIAL USE

INFORMATION

20

~~SECRET--SENSITIVE~~
PACKERS

Thursday, January 18, 1968
7:00 p.m.

Pres file

Mr. President:

Herewith we are informed by the Romanian Embassy that our recent guest will arrive, weather permitting, in Hanoi on Monday, Jan. 22. My guess is this: If they are anxious to move forward, we shall get a reply in a week -- just about the beginning of Tet on January 29.

If they are not in a hurry, it will be perhaps two weeks before we hear -- say, February 5.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-199
By ica, NARA Date 12-28-99

W. W. Rostow

~~SECRET--SENSITIVE~~

WWRostow:rla

DEPARTMENT OF STATE

*Rostow**Memorandum of Conversation*DATE: January 18, 1968
Time: 3:00 p.m.
Place: Governor's Office

SUBJECT: Vietnam Peace Talks

PARTICIPANTS: W. Averell Harriman, Ambassador at Large
Daniel I. Davidson, Special Assistant, S/AH
Corneliu Bogdan, Romanian Ambassador

COPIES TO:

Ambassador Bogdan told the Governor that Mr. Macovescu today left for Hanoi and that weather permitting he will arrive in Hanoi on January 22. Bogdan presumed this was Hanoi time. On Tuesday January 23, the Soviet government will be informed by an authorized representative of the Washington talks and of Macovescu's new mission to Hanoi. Ambassador Bogdan did not know who the authorized representative would be but thought it would be "probably at the highest level". When asked what the Russians would be told Bogdan said that he had not been informed exactly but he recalled Macovescu saying they would be given the gist or a summary of the talks.

DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 96-266

By *ics*, NARA Date 9-10-97~~SECRET~~ - ~~NO DIS~~ /PACKERS

Governor Harriman asked if the Ambassador had seen the State of the Union address which the Governor characterized as confirming the San Antonio formula. Bogdan replied that he had and saw nothing new in it. The Governor said that he mentioned the speech because some newspaper commentators said that the U. S. had hardened its stand and that he wanted the Romanians to know that the U.S. government had not changed its position. Ambassador Bogdan recalled that Secretary Rusk had said that what he told the Romanians is what counts and not what was said publicly. Bogdan said the Romanians understand that no advantage is not a condition but a warning.

The Governor stated that he was authorized to inform the Romanians that there had been no change in the San Antonio formula. As the Romanians had been frankly told a bombing pause could not continue if Hanoi took advantage of it but the U.S. was not requiring Hanoi to agree to any conditions in advance.

The Governor referred to the statements by Bo in Paris. Bogdan said that they did not contain anything new and if anything confirmed what the Romanians had told us. Governor Harriman said that we did not want to get it confused with the Romanian message.

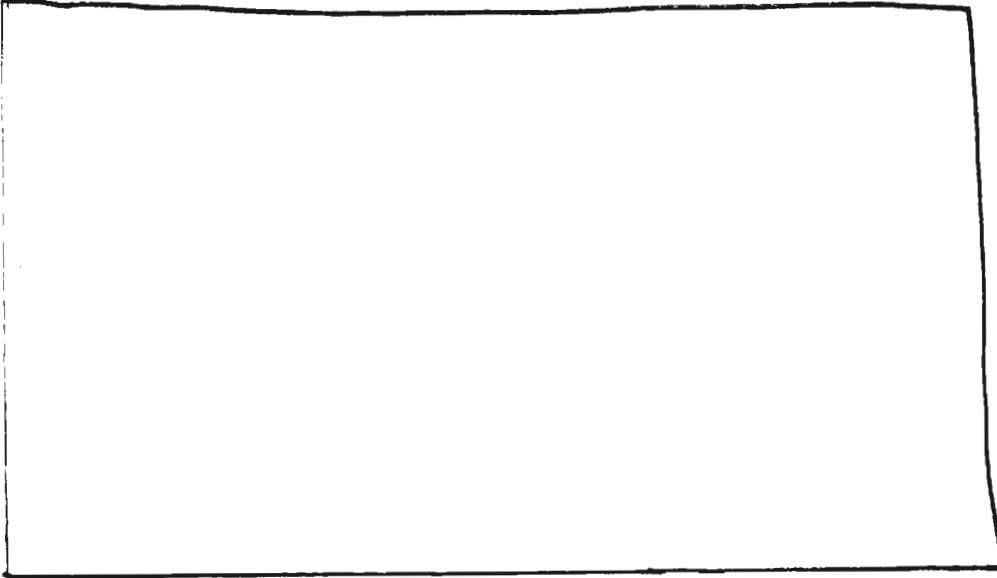
Ambassador Bogdan said that yesterday evening after the State of the Union address Murrey Marder of the Washington Post had called him at home and asked if a high Romanian official was in Washington. Bogdan had said that no such high official was now

here but that the First Deputy Foreign Minister had inspected the Embassy at the beginning of the year. The Ambassador had asked Marder what made him inquire and Marder had replied that there was an item on this in a Washington news letter.

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INFORMATION

~~TOP SECRET CODEWORD~~



W. W. Rostow

~~TOP SECRET~~

SANITIZED
E.O. 13292, Sec. 3.5
NLJ/RAC 03-254
By iss, NARA, Date 6-2-04

WWRostow:rla

Thurs., Jan. 18, 1968
1:30 p. m.

72

Mr. President:

I believe you should read this cry-from-the-heart of Bill Bundy's about the Dedijer case.

The Greene case to which he refers is one where, at your request, we put the problem of action to Nick, who concluded there was nothing effective that we could do under the law.

As you see, Bill wrote this to me; but I'm sure you will not think the worse of him for putting these thoughts on paper. And I shall continue to operate on the principle of no secrets upward.

W. W. R.

Attachment

72a

ASSISTANT SECRETARY OF STATE
WASHINGTON

January 17, 1968

PERSONAL AND EYES ONLY

Dear Walt:

I am writing in this fashion, and with the knowledge solely of the secretary transcribing this, to say to you what I have said through Nick to the Secretary as well.

It concerns the denial of a visa to Dedijer. This came to my attention only today, when I received copies of letters addressed to the Secretary by groups at Harvard and MIT that included virtually all the most solid and respected members of relevant faculties. When I see names like Marty Lipset, Victor Weisskopf, Carl Kaysen, Paul Bator, Sam Huntington, Paul Samuelson, and Arthur Smithies, I tend to read what they have to say. As you must know, many of these men -- notably Sam Huntington, Lipset, and I believe Smithies -- are just about our last bastion in that part of the world.

Apart from the caliber of the protest, and its implications for an early public uproar, I simply cannot feel that refusing Dedijer a visa is consistent with our whole basic policy. For example, we have repeatedly ruled that Felix Greene could stay here as a resident alien, all the time, even though his pamphlet on Vietnam is the merest notch below what was said in Stockholm. Would we in fact exclude Sartre, or even Bertrand Russell himself? However you or others think about this, I for one cannot distinguish the Dedijer case from the Greene case, and I would propose that Dedijer's reservoir of sympathy in responsible quarters far exceeded Greene's.

The Honorable
Walt W. Rostow
The White House

PERSONAL AND EYES ONLY

So this is my personal plea to you to see if this one cannot be re-examined. I just don't think we have a valid line of defense, and I think on every practical ground we will lose enormously if we adhere to the decision.

I know that you realize the viewpoint from which I write this -- which includes, for example, total belief that we acted rightly on the NLF application in New York. But this is a wholly different case.

Yours ever,

Bill

William P. Bundy

SECRET

Thursday, January 18, 1968
11:00 a.m.

MR. PRESIDENT:

Your judgment is needed on the following problem:

1. As you know, it was agreed sometime ago that there would be a 48-hour stand-down for Tet -- January 30.

2. Apparently Generals Westmoreland and Vien, without evidence of consultation with Ambassador Bunker, went to Thieu and, against his better judgment, persuaded him to cut the 48 hours to 36 hours. There are perfectly good military grounds for this, given the behavior of the Viet Cong during the Christmas and New Year's stand-downs.

3. Secretaries Rusk and McNamara believe that it is unwise to cut back from 48 to 36 hours, for two reasons:

-- Hanoi could regard it as our changing rules of the game in the middle of a tense period of communications;

-- We could be criticized further for toughening up our behavior in a delicate, potentially pre-negotiation situation. (There is apparently some criticism of your State of the Union message along these lines.)

4. Therefore, Secretaries Rusk and McNamara would like to go back to Bunker and Westy and reverse the decision, reinstalling the 48-hour Tet truce. Both do this reluctantly out of respect for Westy, and having whipsawed Thieu once already on this matter.

W. W. Rostow

Stay with 36 _____

Back to 48 _____

See me _____

DECLASSIFIED

Authority MLG-CBS 19

By lg/ies, NARA, Date 1-2-92

ACTION

Run file

Thursday, January 18, 1968

Mr. President:

Attached, for your approval, is a draft reply to the telegram Frank O'Connor, President of the New York City Council, sent you concerning the U.S. Government's efforts to aid the victims of the Sicilian earthquake.

W. W. Rostow

Approve _____

Disapprove _____

ERF
ERF:MWG:mst

74a
-

SUGGESTED TELEGRAM TO FRANK D. O'CONNOR

I share your concern for the victims of the recent earthquake disaster in Sicily. I immediately sent a message to President Saragat expressing my sympathy and that of the American people.

The United States Government has responded promptly to the Italian Government's request for assistance in helping the people of Sicily in their moment of need. A U.S. Army medical team has been in Sicily since January 16, flown there by USAF planes which also delivered U.S. donated supplies, trucks, and food to the disaster areas. USAF planes have also airlifted Italian supplies and equipment to the area. The United States Navy's Sixth Fleet in Naples has donated and is airlifting food supplies to Sicily.

Other measures, such as additional medical support, are being considered and I have asked our ambassador in Rome to keep in close touch with the Italian Government to determine how we may be of further assistance.

Private individuals, corporations and charitable organizations in the United States are also mobilizing assistance for the inhabitants of the stricken area.

I assure you that the U.S. Government will continue to respond to the calls for assistance of our Italian friends in this moment of need and I feel sure that Americans everywhere will freely volunteer their assistance.

Sincerely, Lyndon B. Johnson

ef mst
ERF:MWG:mst
1/18/68

~~SECRET~~

Thursday - January 18, 1968

Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Ed Korry Reports on Chile

When Ed Korry called on you before going to Chile, you told him that he is an Ambassador with a built-in "self-starter" who did not need to be pushed from Washington. The attached report demonstrates the accuracy of your remark.

After observing the Chilean scene for three months, he concluded that Frei was being out-maneuvered by the Chilean Communist Party, with potentially serious implications for Chilean democracy and for us. He decided to discuss the situation with Frei, which he did on January 3 with good results.

Ed's analysis runs like this: Since taking office, Frei knowingly played along with the "opening to the left" tactic (i.e., diplomatic and trade relations with Moscow and friendly dialogue with the Chilean Communist Party), of which his Foreign Minister and Ambassador Tomic are leading advocates. He did this to curry Communist support to put through his "Revolution in Liberty" program. In the process he shunned cooperation with democratic forces to the right of the PDC (i.e., the Radical Party) and increasingly blamed them for hindering passage of that program. This alienated the Radicals and blurred the sharp distinction between those who believe in democratic principles and those who do not which emerged so clearly in the 1964 elections and won Frei the presidency. In the ideological confusion, the Chilean Communist Party smartly out-maneuvered Frei by: making a formal alliance with the Radicals; maintaining their coalition relationship with the Socialists; and establishing a working intimacy with key members of Frei's own party. As a result, the Communists were pushing the government into an isolated position in which Frei seemed to be unable to control his party and was forced to lean more heavily on the discredited Right for survival.

Ed thinks our policy has been partially to blame for this state of affairs because we have over-emphasized economic support of Frei's program -- which Ed fully supports -- in the mistaken assumption that economic performance would produce the political results we seek. He thinks the US Ambassador should be providing more political assistance.

A chance trip with Frei on January 3 -- three days before the Christian Democratic National Convention -- gave Korry the opportunity to express his concern to the President. Frei welcomed the discussion and apparently responded to Ed's counsel. At the Convention, Frei had a head-on collision with the wing of his party which wants a further shift to the left and which won control of the party leadership last July. Frei won and forced the radical directorate to resign. He also unequivocally attacked the Communists.

I think Ed's analysis is dead right. The "self-starter" came into play at a critical moment. Time will tell whether Frei will be able to re-establish a clear-cut distinction between the Communists and anti-Communists and win back the confidence of the democratic forces which elected him in 1964. We are fortunate to have Ed in Chile as Frei moves toward the crucial national election of 1970.

W. W. Rostow

Attachment

Report from Ed Korry in Santiago
of January 10. (A-327).

AIRGRAM

POL CHILE-45

75a

FOR RM USE ONLY

RM/R	REP	AF
ARA	EUR	FE
NEA	CU	INR
E	P	IO
L	FBO	AID
AGR	COM	FRB
INT	LAB	TAR
TR	XMB	AIR
ARMY	CIA	NAVY
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PRIORITY

HANDLING INDICATOR

TO Department of State

COPY NO. _____ SERIES B

FROM : American Embassy SANTIAGO

DATE: January 10, 1968

SUBJECT : Enclosing Memorandum of Conversation "Fitting the President for Pants."

REF :

EXDIS

Enclosed is a Memorandum of Conversation between Ambassador Korry and President Frei which is being forwarded to the Department as an item of historical interest.

The conversation was a blunt effort by the Ambassador to influence the President to adopt a less tolerant view of the leftist rebels in his own party, of the Communist party and of the Soviet Union on the eve of Mr. Frei's confrontation with his Christian Democrats at a junta.

The Ambassador acted because of his conviction that the Communists had dangerously out-manuevered the Christian Democrats and Mr. Frei; because of his belief that President Frei had too long tolerated, if not supported, the PDC tactic of an "opening to the left" towards the Communists; and because of his persuasion that democratic forces in Chile might be severely weakened unless the Chilean President demarcated more clearly -- and did so now -- the line between Communist and anti-Communists in Chile.

The subsequent speech by the President on January 6th (three days later) to the Junta Nacional of the Christian Democratic Party appeared to achieve U. S. purposes. Mr. Frei did for the first time in public confront his rivals in the party and did force their withdrawal

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FOR DEPT. USE ONLY

☒ In ☐ Out

FORM 4-62 DS-323

Drafted by:

EXEC:TFriedman/flb 1/9/68

Contents and Classification Approved by:

AMB:EMKorry

Clearances:

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 95-87

By *[Signature]*, NARA, Date 4/23/96

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from pre-eminent roles; Mr. Frei for the first time since taking office attacked the Communists unequivocally in the same terms as in his electoral campaign.

As predicted by officers of the Embassy subsequent to the Ambassador's conversation and prior to the President's speech, Mr. Frei still has a very lively interest in and respect for the views of the representative of the USG; they, unlike the Ambassador, predicted accurately the impact on the President of the Ambassador's arguments.

KORRY

Handwritten signature or initials, possibly 'K' or 'R', with a flourish underneath.

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American Embassy
Santiago, Chile

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EXDIS

MEMORANDUM OF CONVERSATION

SUBJECT: Fitting the President for Pants

PARTICIPANTS: President Eduardo Frei
Minister Sergio Ossa, Minister of Public Works
Minister Juan de Dios Carmona, Minister of Defense

Ambassador Edward M. Korry

PLACE: Aboard Presidential Aircraft Enroute to Concepción

DATE: January 3, 1968

1. While awaiting the arrival of the President at the airport, I had been discussing with Carmona the political situation in Chile. I asked Carmona if he had seen the article in Time magazine (January 8) which I had just acquired and which reported gloomily on Frei's and the PDC's prospects. I told Carmona the USG admired the purposefulness with which President Frei and the GOC pursued its social and economic goals; however, I had considerable difficulty in understanding their political tactics. Perhaps it was my newness to the area but many of the attitudes of the GOC and of the PDC appeared to me to be facilitating the objectives of the Communist Party and of the Soviet Union. For that reason, I could not share the optimism expressed by the President and his pre-New Year's press conference a few nights earlier. Carmona asked if I would like him to convey these sentiments to the President. I thanked him for his interest, but said I would prefer to tell the President directly and would seek to do so during the pending journey.

2. At that moment the President arrived. He inquired as to the subject of our talk. (Ossa also joined the discussion in the President's compartment of the plane.) The President asked what I thought of his press conference. It was a polished performance which had incorporated the best of Washington and Paris styles, I thought. He asked in what way was it different from JFK's. I noted that in the case of our presidents, there was no prior submission of questions. Frei appeared a little nettled by this statement of fact and expressed at length that he did not have the kind of human

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E.O. 12958, Sec. 3.6

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By cbm, NARA Date 3-30-01

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resources available at the Moneda which would facilitate his detailed replies in a grueling spontaneous press conference. However, he was extremely pleased by the impression created by his conference, emphasizing that more than 80% of all Santiago potential viewers had seen the TV cast. This figure was considerable higher than, for example, the polled audience for his two part TV special on two nights in late November. Thus, he concluded, the public preferred the give-and-take format of a press conference to a cut-and-dried discourse.

3. When the President asked what else I had thought about the press conference, I repeated with considerable detail what I said to Carmona (paragraph #1). Underlining that whatever I said was personal and tentative in view of the short time I had been in Chile, I remarked that it was possible that the situation in Chile was changing so fast and favorably for the Communists and that Soviet needs in a global framework were evolving as well in such a concentric fashion, that it was possible that Chile would no longer be regarded by Moscow as a routine long-term target of opportunity; it might now become one of more immediate and more propitious interest. To the long term, general USSR objective of diminishing U. S. influence and of establishing a Soviet position could now be added the fundamental difference between Moscow and Havana tactics, the Soviet desire to impose its discipline not only on Mao but Castro and the rest of the communist world, and the surprising ease with which the communists and their allies were making headway in Chile. All of this, to me, created avenues of opportunity for the Soviets and their unfailingly loyal instruments, the PCCh.

4. The Communist Party of Chile was not only the most intelligently led of all communist parties in the hemisphere, but was probably the most effective political entity in Chile. The Soviets might well decide that for a fairly modest investment of \$20 to \$30 million, well-placed and executed with energy and skill, could in the present conjuncture of Chilean and world events provide a variety of dividends in the very short-term. By demonstrating for example, that a copper processing plant could be provided quickly with full Chilean ownership and could be acquired via very concessional terms, the Soviets would be reinforcing the main economic argument pushed by the Communists, the Radicals, the Socialists and even a part of the PDC. These groups argued that there was a real alternative to the present structure of Chilean society, to the importance of foreign investment and to the function of private Chilean enterprise. At a time when the Popular Front electoral tactic within Chile was gaining momentum such a ploy could spark a mutually-beneficial interaction.

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5. Whether the Soviets did or did not, I had the uneasy impression that the PDC itself had helped most to smooth the path for the advance of the Communist Party's goals. High personalities in the PDC had argued in Washington, in Paris and throughout Chile that some kind of broad popular movement -- whether a formal political alliance or informal understanding -- was needed in Chile to assure the execution of PDC goals. They had catered to more neutralist, more socialist goals. I wanted to emphasize my conviction that some who espoused these views believed they were being ultra-clever in outmaneuvering the communists but were not in my judgment involved in seeking to impose a made-in-Moscow program. Nonetheless, all involved in this amateur undertaking had contributed greatly to the erosion if not destruction of the fundamental psychological barrier separating those in Chile who believed in democratic principles, parties and processes from those who did not. It was one thing for a Foreign Minister to seek to cater or to emulate de Gaulle while in Paris; it was another thing to forget that de Gaulle, whatever else his objectives, never lowered the barrier between the French people and the Communist Party of France -- that is, de Gaulle always referred to them as outsiders who could not be accepted in the normal framework of political life in France and he distinguished between internal and external neutralism. But this distinction had been involuntarily or deliberately removed from Chile by the PDC in the past two to three years; its removal had enabled the Communist Party to arrive at very advantageous tactical position: -- a formal alliance with the Radicals, maintenance of the FRAP relationship with the Socialists, and, at the very least, a working intimacy with members of the PDC's directive. The Communists were pushing the government into an isolated position in which Frei seemed to be unable to control his own party and was forced to rely on the support of the discredited Right for survival. Frankly, I had suggested that Washington ask Ambassador Tomic why we or anyone should reject a PR alliance with the Communist Party when he had been urging U. S. understanding for a PDC alliance of some kind with the Communist Party. If both the PDC and the PR were democratic parties, why would it be intellectually more acceptable to anyone to favor one rather than the other entering an alliance with a party whose only objective and role was to implement faithfully and effectively Soviet policy in Chile and in Latin America.

6. The President interrupted at various stages and the following are some of his comments:

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a. Whether the U. S. agreed or disagreed, he ~~was~~ philosophically an anti-communist because he could never accept anti-democratic principles. If Valdes had said such nonsense in Paris, or if Tomic had made such an

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absurd argument in Washington, then we had every right to ask such questions since it was an untenable argument and he knew it.

b. My analysis of the situation was right as it related to the Communists and to the Soviets. The Soviet Ambassador was indeed now pushing very hard the idea of a Soviet copper processing mill which would be paid for by Chilean exports of copper. No GOC could refuse such an offer. Moreover, whereas the communists in Congress for the first two years of the PDC administration had been rather halfhearted in their opposition to his Government and had even cooperated with it at times, now they were the spearhead of the anti-government forces and totally disregarded everything except their desire to discredit and destroy Frei.

c. It was true that certain members of the PDC had close relations with the Communist Party and had no real interest in the objectives of the PDC. He hoped to deal with them in the coming junta (two days hence).

d. Perhaps there was some merit to my suggestion that the GOC seek to extract a price from Moscow for any economic agreement -- for example to get Moscow to persuade the Chilean Communists to reduce the number of politically-inspired work stoppages in the coming year.

e. The Radical Party was a democratic party. It no longer had a philosophy, but it had a tactic. Many of the Radical leaders could be bought. Some had indeed asked to be bought. Exceptions to this opportunism were Baltra and Duran. But some -- Miranda, Morales and others -- were for sale to those who had the stomach to buy. He didn't. (A suggestion?)

f. If it were true, as it probably was, that the Soviets might be assigning a higher priority to the Chilean opportunities than Chile would be of greater importance in the struggle for the minds of men in Latin America than even Cuba. While he was not making any formal or even informal proposal, some time between 1969 and 1970 it might well be worth say \$30 to \$40 million for the USG as an investment in Chile to avoid losing here what had been lost in Cuba where it was costing the Soviet Union almost \$400 million a year. He meant aid in a form that could be of psychological and economic benefit.

g. He had just received the most detailed public opinion survey ever made in Chile from Mario Hamuy. Among other things, it had demonstrated

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that 10% of the Chilean public rated the President as "excellent" and some 60% had rated him either "good" or "very good" in performance. The survey also had brought out that the wage readjustment proposal was extremely unpopular. It showed that the PDC had slid considerably in the last three years to a level of 41% (sic!) of the country while the Communists had gained 4%, the Socialists 2%, and the Radicals had slipped "several points." (The President obviously believed these figures; I refrained from pointing out that a similar survey by the same pollster proved equally erroneous at the time of the municipal elections.)

7. Comment: In politics, opportunity must be swooped upon like a hawk for results are obtained by exploiting opportunities.

The conjuncture of events of the past two years in Chile has, in my inexperienced view, presented President Frei with a unique, and most likely, a final opportunity, to advance his and our interests through a very gloomy situation. This being my conviction, I welcomed the fortuitous occasion of an innocuous plane-ride to urge my captive VIP to spread his own wings.

The urgency for decisive action by the President is created by the imminence of the Christian Democratic Party conclave at the end of the week. This party junta will, in effect, decide who is to run Chile for at least the next year, how it is to be run, and in which direction. As Frei told the nation only a few days earlier, the country cannot be led by two heads.

Intervention by the U. S. Ambassador at this stage was particularly needed, I felt, because of the widespread reports that once again, the President will shy from an open test of strength with his party and other opponents and will opt, however reluctantly, for still another of the political paperings-over for which he has a predilection. Equally important is that the congruence of problems offers, in my view, a particularly propitious occasion to persuade Frei to stabilize Chilean politics if not its economy.

It seems to this newcomer that the USG has skillfully evolved an AID program to Chile of innovation and of sophistication. It both reinforces and influences the Frei Administration's goals of stabilization within the framework of a "Revolution in Liberty." In Chile, there is no doubt that the U. S. is identified with progressive social and economic goals.

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It is this identification with Alliance for Progress targets that has cost the U. S. its political support of its more traditional friends in Chile -- the landlords, the empresarios, and the political extension of these traditional forces. While this evolution should not be lamented, it is regrettable that the PDC (as distinct from the GOC) and that other Center-left force, the Radicals, have not filled the vacuum but have also moved into positions of official enmity on almost any issue of consequence to the U. S. In few other places in the non-communist world is anti-Americanism so impersonally institutionalized. While there are historical and other reasons to explain this phenomenon, I am convinced that both we and President Frei are not without blame and that both of us lose effectiveness in our shared goals in Chile and in Latin America.

In our identification of the U. S. with the Frei program of Revolution in Liberty, perhaps we have tended to be over-tolerant in political terms and over-reliant on economic measures. We have, happily, laid down very tough criteria for our aid money. We have done so because the GOC goals are the right ones, which they most assuredly are. Unstated, I suppose, is the parallel assumption that progress towards them will also improve the political situation. Hence our "intervention" is directed to the "safer" economic sphere.

To idealize is to over-estimate. To state the Chilean case in terms of being the one and only alternative to Castro in Latin America is to over-gamble; to remain "a part" of the cabinet of a President entering his final three years of the Presidency is to over-neutralize U. S. influence. It strikes this observer that there are, however, opportunities for utilizing U. S. influence subtly and effectively to protect and to promote the "Revolution in Liberty."

In the past year, Frei has misjudged almost every significant political event in Chile. He appears to be impressed by political polls reporting unvaryingly his own popularity. He tends to blame political setbacks uniquely on the incapacities of his associates. He has not yet related either in private or in public, to the best of my knowledge, his political role to the political results of the PDC. This gap must be bridged by the U. S.

The going was rough in 1967 for Mr. Frei, not only, and perhaps not even principally, because of the inevitable slowing of the "Revolution" and of economic gains. Politics is Mr. Frei's profession and it was in that sector that he appears to have been so unprepared for the unsettling happenings of the past year. He risked his prestige on the municipal elections and lost; he fumbled away two senatorial by-elections; he did nothing effective (if anything at all) to counter the prevailing view of

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his party that the country was "moving inexorably to the left" and that the GOC and the PDC had to move with it. Rather, he put his effort into the strengthening of relations with the Soviet Union and other communist countries; he tolerated the establishment of LASO offices in Chile; and above all, in the view of this novitiate, he was maneuvered into facilitating the strategy of the Chilean Communist Party.

Frei is too well-informed, too much a veteran of the political struggles of his Congress and his party, too knowledgeable of his PDC associates, to be ignorant of either the spirit or letter of the "opening to the left" tactic as practiced by, say, Tomic or Valdes. He accepted it; he supported it; indeed, he catered to it through his actions as Chief of State in dealing with the Soviets and as head of party in maintaining the Chilean Right as the national public culprit. He did so, in my judgement, because he was convinced, as have been many politicians in similar circumstances in other countries, that implementation of his program took the top priority.

Frei knows (as he said in our talk in the Moneda Dec. 19) that it is the Right of Center that elected him and will elect the next PDC President. However, he calculated that the acquiescence of the Left was indispensable to the attainment of his electoral pledges. Only with the eventual support of the workers, Tomic, Valdes and others have argued, can the PDC gain an electoral momentum for the future and their promised land of "communitarianism." Frei unquestionably approved the tactic of the opening to the left. His comment, reported in this despatch -- that after two years of "half-hearted" opposition (and the implication of friendly informal relations) it was a surprise to have the Communists emerge into such open hostility -- is indicative of his past naiveté.

I sense (and no more than that) that Frei was a party to the Tomic-Valdes tactic -- that he shared the conviction of these two political mini-squirts that they could outmaneuver the Communists. Valdes and Frei are also persuaded that the U. S. "would and should understand" this maneuver in our shared interest of executing the PDC's Revolution. For his part, President Frei has convinced himself that the "independent" and rightist voters of Chile who elected him in 1964 will patiently and tolerantly be on tap for the PDC in 1969 and 1970 whatever mixture is concocted with the Communists in the interim. Whether he has given much thought to U. S. options is unknown to me; perhaps he has taken for granted our sympathy and inaction at this stage.

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What is known is that he has under-estimated/Chilean CP. They have exploited every opportunity to expand the Marxist bridgehead in the PDC; they have played turnaround with the Tomic-Valdes tactic and used it to entice the Radicals into the kind of opportunistic alliance the PDCers were relishing for themselves; they have maintained their dialogues with both factions of the Socialists; and they have seized the unexpected fat issue of the Frei wage readjustment package to consolidate these gains.

These are not felicitous pointers to the elections of 1969 and 1970. Nor are they encouraging for U.S. interests. For a President entering the last half of an un-extendable term, for a party which has naively and arrogantly assumed its continuation in office for a decade, and for a friendly power (the U.S.) with immediate tangible interests as well as long term ones, the time for a clearing of illusions by the U.S. representative was, to say the least, opportune.

My use of the Soviet Union to launch this discussion was of Byzantine inspiration. It provided a facile explanation to Frei for the "switch" in CP tactics. He readily accepted the notion that Chile is so important that the USSR would (as it might) see Chile as a counter-poise to Castro. If Washington did, Frei could reason, then why not Moscow. The Soviet bogey also had the added advantage of furnishing a handle on which to hang warnings against expansion of Chilean-Soviet ties and of reinforcing recognition of what unfortunately is often pooh-poohed here, the direct link between the CP and its Kremlin patron.

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AMB:EMKorry/flb 1/3/68

INFORMATION

Thursday - January 18, 1968

Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: New Year's Message from Honduran President

President Lopez of Honduras sends the following reply to your New Year's message through Ambassador Jova:

"Dear Mr. President:

I greatly appreciate your cordial New Year's message, abounding in good wishes for my compatriots and myself. I trust, as you express it, that the New Year will bring excellent opportunities for closer cooperation between our two countries with respect to the Alliance for Progress and I also firmly believe that in 1968 Honduras and the other countries of Central America will achieve a better standard of living for their peoples. I reiterate my best wishes for a happy and prosperous New Year for the American people and for Your Excellency whose always devoted friend I am honored to be."

W. W. Rostow

(reference: Tegucigalpa's Embtel 1145, 1/17/68).

INFORMATION

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Wednesday, January 17, 1968
6:50 p.m.

Mr. President:

Herewith Amb. Bunker's weekly.
It gives a good feel for both problem
areas and elements of progress in
Vietnamese political life.

Key passages are marked.

W. W. Rostow

Saigon 16225

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WWRostow:rla

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E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By rs, NARA, Date 1-2-92

Wednesday, January 17, 1968

FOR THE PRESIDENT FROM BUNKER (Saigon 16225)

Herewith my thirty-fifth weekly message:

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-266
By isa, NARA Date 9-10-97

A. General

I indicated in my last weekly message that I would be sending my assessment of problems and prospects for 1968 in my next message. I have now deferred this for a week in order to assure that a more careful and comprehensive analysis can be prepared. The following report, therefore, covers normal developments of the past ten days.

Vietnam is now entering its annual pre-Tet lull when most activities are either slowed or halted altogether in favor of preparations for the great annual Tet holiday, which is a celebration which resembles our Christmas, New Year's, and Thanksgiving all rolled into one.

Indeed, the approaching Tet season is the official explanation of the reason given for calling a halt to the conflict between the government and the labor union which arose because of the demands of the employees of the former French-owned power company for pay increases. The strike had already spread to other segments of the work force. Although there were other compelling reasons for calling a halt to the conflict between the government and the labor union, following a meeting of labor leaders and government officials which lasted until 3 in the morning; the labor union yesterday issued a communique stopping all strikes in the interest of not inconveniencing the people before the Tet holiday.

If the Tet spirit helped to smooth over the clash between the labor union and the government, it has not yet allayed the wide-spread concern about the possibility that the U. S. will make a deal with Hanoi or the National Liberation Front which will ultimately result in a Communist takeover of South Vietnam. The Trinh statement on negotiations set off a wave of speculation that continues to touch all facets of Vietnamese political life. The Senate discussed the question of the Vietnamese Government position with regard to the National Liberation Front on January 3, and most speakers stressed their belief that coalition government is a Communist tactic aimed at accomplishing by political means what they have failed to do by military action. The Chairman of the Senate as well as a number of other Senators and Lower House Deputies have expressed their deep concern to us privately. Some military leaders have gone so far as to talk privately of a coup if a coalition government seems imminent. Even militant Buddhist leaders and "struggle" elements have expressed such fears and counseled against any dealings with the National Liberation Front which will give the Front any status other than that of

Hanoi's instrument. These fears have been echoed and agitated by the press. For six weeks, editorial comment has been dominated by such things as the possibility of U. S. recognition of the National Liberation Front and the bogey of coalition government.

President Thieu has responded to these anxieties by a series of statements designed to show that he is determined to oppose and prevent any policy moves from any quarter which will result in a Communist takeover here. On January 5, he told journalists that he will crush all peace moves which favor the formation of coalition government. He made several similar statements in the following days, and on January 15 made a major speech in which he set out the government position on the peace issue. He warned against a bombing pause without any reciprocal action by the Communists, and he said that the Communists are trying to get the allies to negotiate with the National Liberation Front in order to "obtain acceptance of a 'coalition government' in which the Communist elements, as Trojan horses, will gradually take over the whole of South Vietnam."

I think that Thieu's remarks reflect his own general thinking, though he is personally more flexible than the uncompromising tone of his speech might seem to indicate. For example, he repeated to me recently what he had said as long ago as last August that he could and was not unwilling to probe the National Liberation Front but that this must be done secretly and that he could do nothing unless and until public speculation and talk subsided. But whatever his personal view of these matters, the speech certainly reflects his reading of Vietnamese political realities. Thieu clearly does not think that he can take any other position publicly without risking loss of support from both military and civilian leaders.

I expect that the Secretary's very good statement of January 15 will help to reduce the fears that we are going to sell out South Vietnam, and in turn that should have such reactions as Thieu's January speech less necessary. In fact, Thieu yesterday told me that the agitation and the fears which had been sweeping the country were like a wave. The crest had been reached and it was now subsiding. The problem of handling Vietnamese opinion will continue to be with us, however, all the more so if Hanoi in fact proves to have any sincere intention of seeking an acceptable solution to this conflict.

Concentrating as they are on the possibilities of negotiations with Hanoi and the National Liberation Front, most Vietnamese leaders have had little to say about the Bowles mission to Cambodia and the resulting communique. Comment has been mildly favorable for the most part, though I think no one really expects much in the way of concrete results. In his January 15 speech, Thieu restated the government's position on the Cambodian border question in rather harsh terms. The tone of his remarks unfortunately reflects the continuing antipathy which most Vietnamese leaders feel for Sihanouk personally as well as Thieu's understandable anger over the great assistance which Cambodian policies have given to the enemies of a free South Vietnam. I tried to get Thieu to eliminate one paragraph referring to Sihanouk personally but he reacted rather strongly and said that while obviously Sihanouk did not have to talk with the Vietnamese, the least he could do was to be correct. Thieu and Ky, however, in private conversations with Phil Habib and me, have agreed that the Bowles mission was a useful exercise and that Sihanouk's

intentions should now be tested more concretely.

Priority Programs

1. Military Assistance Command in Vietnam has reported to me that the Joint General Staff has published implementation instructions for the reorganization of the Republic of Vietnam Armed Forces, effective as of January 1, 1968. The instructions encompass those reorganization measures developed jointly by the Military Assistance Command in Vietnam and the Joint General Staff. Efforts are also going forward to reorganize and improve Republic of Vietnam Armed Forces logistics. During the past week a meeting was held between interested U. S. and Republic of Vietnam Armed Forces staff and command agencies on a port of Saigon general cargo agreement. The first meeting of the joint Republic of Vietnam Armed Forces/Military Assistance Command in Vietnam study group on the reorganization of the Army of the Republic of Vietnam Division direct support system was held on January 10, 1968.

As regards efforts to improve morale, a new food allowance rate for Regular and Regional Forces enlisted personnel is now in effect. This increase includes a standard daily food allowance which varies from 36.50-43.00 Vietnamese dollars. This represents a substantial increase over the old food allowance which was 26.50-33.00 Vietnamese dollars, depending on location.

2. President Thieu told me January 11 that the new training program for Province Chiefs and District Chiefs will be opened on February 2. Some 150 individuals have been selected to attend the course, which is to be held in Saigon rather than Vung Tau. He plans to install the new Province and District Chiefs on March 1. Those present Province and District Chiefs who are to be retained in their offices will be put through the same course after the first group completes its training. In this connection, it is of some interest that the Commander of the Third Corps, General Khang, told an Embassy officer recently that he expects up to half of the Province Chiefs in his corps will be replaced when the first batch of trainees are ready for assignment.

Other reports on efforts to improve the civil administration include the following:

In the process of restoring village autonomy and the development of local government, training courses were established last year for village administrative committees, hamlet management boards, and the elected village councilmen. By August, all but three provinces had courses underway; by October, all but one (Pleiku). The number of individuals trained by December 31 was 15,500. While this was only two-thirds of an overambitious target figure, it seems to me a highly creditable performance, especially in view of the fact that election administration in September and October interfered with the training. While there remains room for improvement in materials and methods of instruction, the impact of the training on local administration is already evident. One of the favorable aspects is a general willingness by Vietnamese to evaluate their own programs and strive

for improvement. Village and hamlet officials' training is expected to increase in 1968 and to continue indefinitely. This program will be more productive once the training of district and province officials is given comparable attention.

A three-day executive development seminar for selected higher level officials of the Government of Vietnam starts on January 17. This will be inaugurated by the Prime Minister, who also plans to participate in the ensuing proceedings.

Attention to administrative training for local government improvement continues with two-day seminars in two of the regions: In the Second Corps, the members are mainly Government of Vietnam officials including Province Chiefs and in Region IV, American advisory personnel concerned with local government problems.

Dr. Bong, Chairman of the Prime Minister's Committee on Administrative Improvement and Director of the National Institute of Administration, agreed to assume leadership of management surveys of provincial operations. In making a pilot study of a selected province, Dr. Bong will ask each of the Ministries of Interior, Education, Public Works, Agriculture, and Labor to provide a representative for a review team which would also include advisors from U. S. AID and Civil Operations for Revolutionary Development.

In the city of Can Tho, planning efforts are moving ahead. A special committee has developed a suggested 5-year plan program for the city development. Our regional staff is participating in trying to develop the implementation of some of these plans, and an urban planning specialist recently has been assigned to work with local officials in moving ahead with "impact" actions. If good results are obtained, this effort may well prove to be a useful pilot project for other Vietnamese cities outside Saigon.

B. Political

The new budget will be presented to the legislature by President Thieu before Tet, and that will be the first major business to be undertaken by the new Vietnamese Assembly. However, the Lower House has already debated the mobilization decree and adopted a resolution on it. The resolution affirms the need for mobilization but asserts the intention of the Lower House to draft its own mobilization law on an urgent basis. The legislature also continues to organize itself, with election of officers in the Lower House taking place today. I have just learned that the Lower House has elected Nguyen Ba Luong as Chairman. Luong is a member of the pro-government democratic bloc, and can be regarded as a government supporter. He was a member of the constituent assembly, where he was the dean, and had previously served as Chairman of the Phuoc Long Provincial Council. We do not expect him to be a particularly strong leader. Luong got 69 votes today, his nearest rival 41. The Senate announced its committee memberships January 2 and the Lower House has now completed its rules.

Senator Nguyen Van Ngai, Chairman of the Economic Committee, has also taken an interest in investigating the "corruption surrounding the purchase of Thai rice". Ngai is looking into the excessive freight charges on which we are asking a refund from the Government of Vietnam, and I anticipate that this matter could be used as raw material for speeches either against the government or possibly against some aspects of the American AID effort.

On January 6, the daily "Song" was closed for 30 days because it "indirectly espoused the idea of a coalition government", and because it published "ideas completely compatible with the propaganda line of the North Vietnam Communists and the National Liberation Front". "Song" tended to be very irresponsible indeed in its editorial comment, and the press generally shed few tears over its punishment. However, the closure was followed by a January 8 announcement that warnings will henceforth be issued to newspapers which print false news. After three such warnings, the offending papers will be closed. This seems to confirm some recent CIA reports that Thieu wants to tighten the reins on the press.

As I noted above, the labor union strike has at least been temporarily halted as the result of an agreement between the Ministry of Labor and the labor union leaders. This is a fortunate development, as the strike was spreading, the government had arrested six strike leaders while they were in the Ministry of Labor to negotiate, and it appeared that a very difficult confrontation between the government and organized labor was in the offing. Both sides have now made concessions, and although the arrested labor leaders are still being held, I understand that most of them will be released. We may be hearing more of this general problem after Tet, however. I do not think the government distinguished itself in its first major test of handling labor relations.

Although political activity is muted now as we approach Tet, various political groups continue to maneuver in an effort to set up blocs in the legislature and move towards the formation of new political parties outside the assembly. Of some interest in this connection are recent efforts by Senator Tran Van Don and his colleagues to win the backing of both the An Quang militant Buddhists and the Tam Chau moderates. Don has tried to convey the impression that he has successfully brought the Buddhist militants and moderates back together; Thich Tam Giac, a moderate leader, and Thich Thien Minh, a former struggle leader, appeared publicly with Don when he made the claim at a large reception in his home. In fact, however, Don and his Senate colleagues, Dang Van Sung and Ton That Dinh, do not seem at this time to have had any real success either in uniting the Buddhists or in bringing Buddhist organizations into their front.

C. Pacification

An unfortunate development has been the decision of General Thang to step down from the key job of managing the Regional and Popular Forces and Revolutionary Development teams. He insisted that for his new role to be successful, Thieu must

remove the poorest corps commanders and back the new Republic of Vietnam Armed Forces reorganization. Thang has felt frustrated and submitted his resignation. General Westmoreland has suggested to Thieu that he appoint Thang Fourth Corps Commander, and I believe Thieu is inclined to do this. He would do a fine job and in a highly important area where approximately 40 percent of the people live and which is its economic backbone. I am sorry that Thang has taken this step. He has resigned or threatened to resign several times before. He is dynamic and wants to push ahead, which we do also, and gets impatient when orders are not willing to move at his pace or fall in with his plans. In my opinion, he would have been well advised to have exercised more patience and to have stayed on his former position. He let it be known quite clearly that he wanted no intercession on our part in his behalf. His rumored replacement, the present Inspector General, General La, is not of Thang's caliber, but General Westmoreland believes that he will be amenable to our guidance.

On the other hand, substantial increases in the assets devoted to pacification provide a stronger base from which to launch the 1968 program. For example, we are counting on an increase of about 48,000 Region and Popular Forces effective during 1968. Police strength grew from 61,000 to 73,000 during 1967. The number of Revolutionary Development teams of all types grew from 445 to 693, an increase of over 50 percent. Also, the Government of Vietnam has allocated substantially greater piaster funds to pacification type programs for 1968. All this reinforces the trend toward greater Government of Vietnam attention to pacification. What is lacking at this point on the Government of Vietnam side is less resources than leadership.

D. Economic

The Saigon Retail Price Index now stands at 308, which is down slightly from the 310 level reported last month. Both the price of gold and the Import Price Index registered small declines last week, with gold falling from 218 to 214 and the Import Index moving down from 233 to 224. As Tet approaches, we normally expect inflationary pressures to increase, so the steadiness of prices at this time is particularly encouraging.

For the first time in at least a decade, the Government of Vietnam assumed over one-half of its total annual import financing. Fifty-five percent of the total import licensing in CY 1967 was Government of Vietnam-financed, while the remaining forty-five percent was financed under the Commodity Import Program and Food for Freedom Title I Program. This is made possible, however, by greatly increased Government of Vietnam foreign exchange revenues as a result of free world forces expenditures in Vietnam, rather than revenue from Government of Vietnam exports.

Since its inception in May of 1966, the plant and seed multiplication branch of the Office of Agriculture has imported and distributed more than 150 different varieties and strains of crop plants in Vietnam. Most of these were completely new to Vietnam or were judged to be an improvement upon Vietnamese types. Some of the more important imports were grain sorghums, sweet and field corn, velvet and mung beans, muskmelons and watermelons. Most of the seeds went to three general experiment stations where they are undergoing adaptability tests. Grain sorghums seem particularly promising at this time, as they can be an extremely productive source of animal feeds, badly needed in Vietnam.

Here is a story about a tractor which illustrates a number of points and which I think you will find interesting:

On December 19, a Fiat 612 Model tractor (a medium size, heavy-duty farm tractor) was observed on Nguyen Thuc Thong Street. The tractor was in the possession of two farmers from the village of My Phuoc in An Giang Province. They planned to drive the tractor to their village, about 170 kilometers from Saigon. The two men further stated that they were part of a family group which purchased the tractor to do custom plowing for hire. The group expected to be able to use the tractor to plow at least 300 hectares every season. They stated that this would be the third large Fiat tractor in An Giang and they ordered it after seeing the others. The tractor was ordered from the Randon Company on Ham Nghai Street. The delivery time was three months and the entire purchase price of 550,000 VN \$ had to be paid before they could take delivery.

These farmers were not sophisticated individuals, but there was no doubt in their minds as to the profitability of the tractor. The entrepreneurial spirit is not lacking -- the farmers saw a chance to profit by the application of new (to them) technology and seized it, and a 550,000 piaster capital investment was not an insurmountable obstacle to them.

This is by no means an isolated incident. Tractor sales have been increasing steadily since 1965 in the approximate progression of 500, 800, and an expected 1,300 in 1967-68.

Small Japanese hand cultivators (two-wheeled tractors) also have been coming into Vietnam in increasing numbers since the liberalization of import regulations late in 1966. Several months ago we heard that 700 Kubota cultivators were expected and that 300 of them had arrived. All these signs tend to confirm that there is an active, growing market for agricultural machinery in Vietnam, and to demonstrate the continuing impact and importance of import liberalization to agricultural development here.

E. Chieu Hoi

During the period ending January 7, there were 466 Chieu Hoi returnees. This compares with 437 for the same period last year. The total for this period includes

131 armed Cambodian dissidents; however, on January 8, the Viet Cong overran a Chieu Hoi center in Hau Nghis Province and killed three returnees.

F. Vietnamese Killed

In the week ending January 13, the Viet Cong killed 171 Vietnamese civilians, wounded 402, and kidnapped 125. During the same period, the enemy killed 263 Vietnamese military personnel.

Since the beginning of this year through this reporting period, the enemy has killed 223 civilians, wounded 644, and kidnapped 227.

ACTION

78

Pres file

Wednesday, January 17, 1968
5:00 p.m.

Mr. President:

In light of the attached decision, do I understand that we should instruct the Defense Department to allocate the required funds and staff?

In discussing this matter, they plead poverty, but I suspect Bob could find the money if you wished him to.

W. W. Rostow

Defense should finance _____

No _____

See me _____

WWRostow:rlh

Tuesday, January 16, 1968 - 6:30 p.m.
Rec'd 7:00p

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Distinguished citizen visitor groups to Vietnam

When Amb. Bunker was here, you directed us to encourage the following groups to visit Vietnam: legislators, educators, and clergy.

Bunker recognizes how helpful such visits can be. He wishes, however, to keep such visits to one major group per month. Otherwise the VIP's cannot be given the concentration that assures good results. Also, he is concerned that too much time spent with distinguished American visitors saps the Vietnamese ability to get their jobs done.

If given the resources, the Defense Department Public Affairs Office would be able to organize government-sponsored and paid-for tours for distinguished citizens. Fifteen visits per annum (25 to 30 persons per group) will cost about \$500,000, and require a staff of about 15 people. Neither the money nor the people are available without a high-level instruction that the necessary resources be diverted to such a program.

There may be a better way to accomplish our purpose, using the pattern of J. Warren McClure's Vermont group. McClure is prepared to stimulate similar group visits on a state basis. They pay their own way and are not, therefore, a claim on public funds. Moreover, they initiate the visits themselves, and the entire proceeding is therefore free of the stigma of government sponsorship and of "junketry." Finally, as this election-year proceeds, government-sponsored tours are almost certain to become the focus of partisan political attack. The McClure-type visits should be immune from such attacks.

On McClure-type visits we will not be able to select the visitors as directly as we could on government-paid tours. This disadvantage, however, may be more apparent than real. I believe we could work through the Douglas Committee to insure that the groups are composed of individuals basically sympathetic to the national policy.

I recommend that we hold off on the government-sponsored tours and, instead, work with McClure and the Douglas Committee to stimulate visits of self-financed state groups on the McClure pattern -- at a rate acceptable to Amb. Bunker.

Arrange McClure-type visits _____

W. Rostow

Arrange government-sponsored visits _____

Go ahead with both types of visits _____

See me _____

Per file
79

Wednesday, January 17, 1968
3:40 p. m.

MR. PRESIDENT:

I have just informed Jim Jones of the following after talking with Butch Fisher:

1. He will stand by until 8:00 p. m. our time in case the Soviets deliver a response on their own initiative.
2. He does not feel that pressing them would accelerate matters; and he fears that if he explained why he was pressing them they would perceive a bargaining advantage and give him an answer we would not like.
3. But he is prepared to go with the following language:

On the basis of a communication from Ambassador Fisher in Geneva today, I am encouraged to believe that a draft treaty can be laid before the conference there in the near future. Therefore, I hope to be able to present that treaty to the Senate this year for its approval.

W. W. R.

cc Jim Jones

WWR:mz

80

Pres file

January 17, 1968 -- 3:00 p. m.

Mr. President:

With respect to:

1. The Pope. Sec. Rusk believes the following language to be fine:

"I had very productive talks with His Holiness the Pope in December; and I share his hope, expressed today, that both sides will extend themselves in an effort to bring about an end to war in Vietnam."

2. With respect to NPT. Fisher is on the telephone and will get word to us if anything breaks. Sec. Rusk understands your desire for stronger language; but he is anxious to protect you from the possibility the Russians may turn up tomorrow morning dragging their feet. To play it safe, he doesn't believe you should go beyond his proposed sentence; or leave the sentence out. His sentence was:

"On the basis of recent information from Geneva, I am encouraged to believe that a draft treaty can be laid before the conference there in the very near future. Therefore, I hope to be able to present that treaty to the Senate this year for its approval."

W. W. Rostow

~~SECRET/NO DIS/SENSITIVE/PENNSYLVANIA~~

Wednesday, January 17, 1968 -- 10:10 a.m.

Mr. President:

Pres. file

Herewith via the old PENNSYLVANIA channel (Bo to Marcovich to Kissinger to Ben Read) we learn the following in response to the San Antonio formula (para 4): by "an appropriate time" Hanoi means conversations would begin "just as soon as it will be established that the cessation is effective."

This question is, of course, being put via the Rumanian channel. It will be interesting to compare the result.

Behind the language here is an important, unclear question: Would they sit still for intensive unarmed reconnaissance? Unless settled beforehand, that issue could hold things up for some time. We, of course, could not accept any standdown of recce over North Vietnam.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-199
By isa, NARA Date 12-18-99

W. W. Rostow

WWRostow:rlh

~~SECRET--SENSITIVE~~

81a

~~SECRET/NOBIS PENNSYLVANIA~~

Kissinger/Read Telephone Conversation
7:30 a.m. January 17, 1968

1. At 9:00 p.m. Paris time January 16, Bo called Marcovich and asked him if he could stop by to see Bo at an early time. M went over to see him immediately and had a two hour conversation, which he reported to Kissinger at 5:30 a.m. EST this morning.
2. Bo opened by saying that the breakoff in conversations with M & A last October was occasioned by general conditions and the DRV still held both of them in high personal esteem.
3. Bo called attention to the interview he had given to the French radio and television network earlier in the evening (See page 1 NYT story today by Henry Tanner), and read him the Q and A about Hanoi's commitment to talk an appropriate time after cessation of the bombing.
4. M asked what the DRV meant by "an appropriate time", and Bo replied that conversations would begin "just as soon as it will be established that the cessation is effective."
5. M asked whether it would now be possible for Bo to receive Kissinger, and Bo replied that under existing circumstances any such request would be taken into consideration.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-266
By iss, NARA Date 9-10-97

~~SECRET/NOBIS PENNSYLVANIA~~

Pres. file

Wednesday, January 17, 1967

Mr. President:

At Tab A, Nick Katzenbach recommends that you sign the two letters at Tabs B and C, transmitting to the House and Senate the third annual report on the International Coffee Agreement (Tab D).

This report is required by the International Coffee Agreement Act. If you approve, we need signatures at Tabs B and C. The report was due January 15 but was delayed because of last minute changes.

W. W. Rostow

MWg
MWG:em

204
82a

DEPARTMENT OF STATE
WASHINGTON

January 13, 1968

MEMORANDUM FOR THE PRESIDENT

Subject: The President's Third Annual Report
to the Congress on the International
Coffee Agreement

Recommendation:

That you transmit the annual report on the International Coffee Agreement to Congress.

Approved _____ Disapproved _____

Discussion:

Section 5 of the International Coffee Agreement Act of 1965 (P.L. 89-23) requires the President to submit an annual report on the operations of the Agreement. Executive Order 11229 reserves to the President the functions conferred upon him by Section 5 of the Act.

Enclosed are a draft Presidential Report to the Congress, and draft letters of transmittal. They have been cleared by the Departments of Agriculture and Commerce.

The report reflects the successful operation of the Agreement over the past year. It also describes recent improvements in the Agreement and outlines current

negotiations aimed at extending it beyond the present September 30, 1968, expiration date.


Acting Secretary

Enclosures:

1. Letters of Transmittal to Congress
2. Third Annual Report of the President
to the Congress on the International
Coffee Agreement

TO THE CONGRESS OF THE UNITED STATES:

I am transmitting to you my Third Annual Report on the operation of the International Coffee Agreement as required by P. L. 89-23.

During the past year, the 65 member countries of the Agreement representing over 98 percent of the world trade in coffee continued to work together to stabilize coffee prices at levels equitable to both producers and consumers. Controls over export quotas were strengthened. Selective quota adjustments assured consumers of an adequate supply of various types of coffee at reasonable price levels.

The present Agreement expires on September 30 of this year. Negotiations on an extended Agreement are underway with emphasis on production controls and a diversification and development fund. These measures are designed to hasten the day when production is brought into balance with demand and the controls being implemented under the Agreement can be placed on a standby basis.

The International Coffee Agreement continues to be of major benefit to both producers and consumers and merits the further support of the United States.

THE WHITE HOUSE,

*1. Rostow
2. Pres file*

Wednesday, January 17, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Acknowledgements for Christmas Notes

You received Christmas messages from Athenagoras, the Eastern Orthodox Patriarch, and Assadollah Alam, Iranian Minister of Court. You may recall that Alam, who is the Shah's best friend, was here with the Shah last August. Each message is a nice gesture.

I recommend the following replies:

To the Patriarch: "I am grateful for your kind message of greetings to the American people and to myself for Christmas and a peaceful New Year. We return our best wishes for 1968 and share devoutly your strong desire that it will be a year of peace. I send you also my personal greetings and expressions of esteem for the great spiritual role you are assuming on behalf of so many millions of people."

To Alam: "It was most kind of you to send such cordial and thoughtful greetings of the Christmas season. Mrs. Johnson and I thank you and Mrs. Alam for your kindness and return our own best wishes for 1968."

W. W. Rostow

Approve _____

Disapprove _____

Wednesday, January 17, 1968

Pres file

Mr. President:

In the attached memorandum Secretary Rusk recommends you have a brief meeting with NATO Secretary General Manlio Brosio on February 19 or 20.

Brosio has been helpful to us on Cyprus, on the NPT, and on Vietnam. A meeting with him would underscore our continued interest in NATO regardless of recent British defense cuts.

I concur in Secretary Rusk's recommendation.

W. W. Rostow

Arrange appointment with Marvin _____

No _____

See me _____

MW
MWG:em

226
84a
—

THE SECRETARY OF STATE
WASHINGTON

January 16, 1968

MEMORANDUM FOR THE PRESIDENT

Subject: Appointment for Mr. Manlio Brosio,
NATO Secretary General

Recommendation:

I suggest that you receive NATO Secretary General Manlio Brosio for a brief discussion on February 19 or 20.

Approve _____ Disapprove _____

Background:

Brosio provided effective assistance to Mr. Vance's Cyprus mission and would probably play a key role in the event of future difficulties between Greece and Turkey. He has also given forthright, public support to our Vietnam policy, has been helpful in advancing Allied consultations on the Non-Proliferation Treaty, and has been instrumental in maintaining the fabric of the Alliance in the face of France's negative policy. Brosio has a keen personal interest in the defense aspects of the balance of payments situation and a sympathetic understanding of our problem. You last met privately with Brosio in September, 1964.

Dean Rusk

Dean Rusk

85
INFORMATION

P. us file

Tuesday, January 16, 1968 -- 6:50 p.m.

Mr. President:

Sec. Rusk tells me: To his "certain knowledge, George Brown spoke to Henry Brandon about the President's first letter to Prime Minister Wilson on U. K. withdrawal East of Suez."

W. W. Rostow

WWRostow:rla

86

Free file

Tuesday, January 16, 1968 -- 6:45 p.m.

Mr. President:

If your schedule permits, I recommend that you have a meeting with Dr. Chandrasekhar, the Indian Minister of Health and Family Planning. He will be back in Washington this Friday and Saturday before he returns to India.

As I reported to you, he is a lively and articulate man and could give you a vivid picture of what the Indians are doing about population. He has answered a lot of nagging questions at State and AID, and I think you would be pleased with the most American-type Indian I've ever met.

I told him, of course, of your deep concern with his problem. But a personal chat with you would leave no doubt -- either with Chandrasekhar or Madam Gandhi -- how serious we are. (A meeting with Chandrasekhar would be particularly appropriate if you decide to include population in the State of the Union message.)

State and AID have strongly urged that you see this man.

W. W. Rostow

O.K., set up meeting for Friday or Saturday_____

No meeting_____

See me_____

RPM:WWRostow:rla

87
Tuesday, January 16, 1968 - 6:30 p.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Distinguished citizen visitor groups to Vietnam *Pur file*

When Amb. Bunker was here, you directed us to encourage the following groups to visit Vietnam: legislators, educators, and clergy.

Bunker recognizes how helpful such visits can be. He wishes, however, to keep such visits to one major group per month. Otherwise the VIP's cannot be given the concentration that assures good results. Also, he is concerned that too much time spent with distinguished American visitors saps the Vietnamese ability to get their jobs done.

If given the resources, the Defense Department Public Affairs Office would be able to organize government-sponsored and paid-for tours for distinguished citizens. Fifteen visits per annum (25 to 30 persons per group) will cost about \$500,000, and require a staff of about 15 people. Neither the money nor the people are available without a high-level instruction that the necessary resources be diverted to such a program.

There may be a better way to accomplish our purpose, using the pattern of J. Warren McClure's Vermont group. McClure is prepared to stimulate similar group visits on a state basis. They pay their own way and are not, therefore, a claim on public funds. Moreover, they initiate the visits themselves, and the entire proceeding is therefore free of the stigma of government sponsorship and of "junketry." Finally, as this election year proceeds, government-sponsored tours are almost certain to become the focus of partisan political attack. The McClure-type visits should be immune from such attacks.

On McClure-type visits we will not be able to select the visitors as directly as we could on government-paid tours. This disadvantage, however, may be more apparent than real. I believe we could work through the Douglas Committee to insure that the groups are composed of individuals basically sympathetic to the national policy.

I recommend that we hold off on the government-sponsored tours and, instead, work with McClure and the Douglas Committee to stimulate visits of self-financed state groups on the McClure pattern -- at a rate acceptable to Amb. Bunker.

Arrange McClure-type visits _____

W. W. Rostow

Arrange government-sponsored visits _____

Go ahead with both types of visits _____

See me _____

INFORMATION~~CONFIDENTIAL~~

Tuesday, January 16, 1968
6:20 p.m.

Pres file

Mr. President:

You may be interested in
Bob Komer's report of Sen. Kennedy's
exploring the refugee problem.

W. W. Rostow

Salgen 15890

~~CONFIDENTIAL~~

WWRostow:rla

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1980
By kg, NARA, Date 1-2-92

Saturday January 13, 1968

88a

FOR THE PRESIDENT

TEXT OF CABLE FROM AMBASSADOR KOMER (SAIGON 15890)

Here is a preliminary readout on Senator Kennedy's visit of January 1-12. Besides discussions in Saigon on both civilian casualties and refugees, he visited each corps headquarters and many hospitals and refugee camps. This message will cover primarily refugees. A separate telegram will cover civilian casualties.

Mission based discussions on the outline of the refugee situation I used at my backgrounder for the press on December 28 as previously reported. Only time will tell whether our initial impressions are valid, but the Senator left saying that he recognized the substantial improvement in the Government of Vietnam/United States refugee effort, though conditions in many individual camps were atrocious. The Kennedy group:

A. Was pleased with the full mission cooperation they received and felt that with minor exceptions no attempt was made to steer them or gloss over problems.

B. Felt that, while much can be done to improve refugee care and management, this area is in better shape than the Senator expected to find it. Dropped the argument that U. S. should take over program.

C. Seemed convinced that, contrary to pre-arrival opinion, we have indeed given top priority to refugees.

The group's prime focus was on generation of both refugees and casualties. While obviously finding that control and coordination of military operations and particularly bombing and artillery fire was better than expected, they still believe that our "method of conducting the war" is creating refugees and civilian casualties. We sought to explain why, stressing that if in many cases we don't relocate people this necessarily increases civilian (and U.S.) casualties.

The mission reported that new refugees, as estimated by the Government of Vietnam, declined from 942,231 in 1966 to 436,108 in 1967. In November, 1967, for the first time the number of refugees was exceeded by refugees reestablished. This trend is expected to continue in 1968 and the number of temporary refugees should continue to decline in 1968. The Kennedy group questioned the accuracy, but we pointed out that accuracy of figures has been improving.

The Senator also stressed his concern over potential generation of new refugees in 1968, particularly in the Fourth Corps. We gave our estimate of 340,000 based on best judgments by senior military advisors (First Corps -- 85,000; Second

CONFIDENTIAL/LIMDIS

DECLASSIFIED
E.O. 12356, Sec. 3.4
BY State/Hr 7/3/79
By gn, NARA, Date 4/23/96

Corps -- 65,000; Third Corps -- 50,000; Fourth Corps -- 140,000). We expect a decline in new refugees in 1968 because major military operations are expected to be largely outside populous zones in 1968 along the DMZ and borders. General Westmoreland and I stressed that operations in the Delta in 1968 will not be comparable to those in the First Corps in 1967 and are not expected to lead to large increases in refugee inflow. We also noted that displaced persons in the Delta are much more likely to be cared for by their families and to relocate themselves quickly. We reassured the Senator that no large increase is expected quickly. We reassured the Senator that no large increase is expected in U. S. troops operating in the Delta. We stressed the increase in Ministries of Social Welfare and Refugees, Civil Operations for Revolutionary Development, and Volunteer Agencies staff, development of Ministries of Social Welfare and Refugees Mobile Teams, and the major contribution of civil affairs companies and civic advisory teams. The total refugee program resources of counterpart and dollar aid in 1968 is estimated at \$62 million. When Senator Kennedy questioned the priority attached to refugees by the U. S. mission, we noted that the refugee program has been since last June in highest Civil Operations for Revolutionary Development category, along with seven other takeoff projects. He appeared to accept that equating refugees to this priority level was evidence of mission concern. However, he seemed convinced that despite increased support we were not insuring enough commodities and funds getting to the refugee families.

After Senator Kennedy paid an unaccompanied call on the Minister of Refugees and Social Welfare, the latter reported that he was very pleased with the meeting:

A. In response to the Senator's query if there was anything more the U. S. could do to assist the Government of Vietnam, the Minister responded that the U. S. had been more than generous and that most of what must be done now must be the responsibility of Vietnamese.

B. Que noted the importance of the mobile team program which is jeopardized by the draft and for which Que is requesting deferment. Que accepted with thanks the Senator's offer to make this point with the Government of Vietnam.

C. Que noted past inadequacies on advance coordination on refugee generation resulting from allied military operations no longer constituted a problem.

D. Que paid tribute to the work of the Volunteer Agencies.

In meeting with the press, Senator Kennedy noted "some improvement" in the refugee program and mentioned, as an example, the increased number of personnel allotted to the program by AID and the Government of Vietnam. In his January 1 press background, he observed that Komer was placing a great deal of emphasis on the refugee problem and that there were signs of progress such as increased personnel. An AP report, datelined January 5 from the First Corps, quotes the Senator as saying "I have seen a significant difference since 1965", and "I think there has been a definite swing up, an improvement." However, the Senator has consistently indicated he is withholding his overall views on the program until he has an opportunity to present them to the Senate.

CONFIDENTIAL/LIMDIS

In the First Corps, Kennedy visited Thuong Duc District (refugee camps and civic action projects); Dai Loc District (Third Marine Amphibious Force briefing, visit to refugee camps, visit to Cap Tea in nearby village); Dong Giang refugee camp, East Danang; to Civil Operations for Revolutionary Development office and 15-minute discussion with Blaine Revis; Acting Chief, Refugee Division; Tam Ky (temporary reception camp); Binh Son District, Quang Ngai Province (Son Tra relocation site); Quang Ngai city (Nghia Hanh refugee camp, Cao Dai refugee camp). Civil Operations for Revolutionary Development reports that Kennedy aides arranged itinerary to highlight preconceived biases, to have discussions with persons who would stress the negative features of our presence in Vietnam; that virtually no effort was made to obtain a balanced assessment; that a Cam Lo resettlement project visit was rejected by Kennedy aides as "showcase" of little importance. In sum, Civil Operations for Revolutionary Development viewed the Kennedy visit as stage-managed by the staffers for political purposes.

In the Second Corps, the delegation visited refugee camps in Qui Nhon (where Kennedy expressed satisfaction with the activity of residents of Cathedral Camp, but dissatisfaction with the general rate of progress in improving camp conditions); Binh Dinh Province (Vinh Thanh Camp, where Kennedy seemed displeased by conditions; Phyl Phong Camp, where Kennedy seemed impressed by conditions and activities of residents working on construction of houses); Pleiku Province (Edap Enang Camp, where Kennedy seemed satisfied with general conditions; but criticized the inadequacy of wells, inactivity of residents, and general concept of mass move of Montagnards to relocation site); Chop Chai Camp in Phu Yen where the Senator criticized the shortage of roofing for new houses (Civil Operations for Revolutionary Development/Regional Forces have determined that there is roofing available -- 30,000 sheets -- at Nha Trang; is arranging immediate delivery); Cam Ranh City (Bai Giang Hamlet, where Kennedy was most impressed with general conditions; Tan Thanh Camp at Cam Ranh Bay, where Kennedy was also favorably impressed). The Corps' general impression that Kennedy will emphasize the need for stricter control of artillery and fire support to reduce the numbers of refugees, and even greater attention to refugee relief and rehabilitation efforts.

In the Third Corps, Kennedy toured four provinces, visiting six refugee camps. The Senator's questions focused on the generation of refugees, care and treatment of refugees, civilian casualties. The general impression gained by the Department of Civil Operations for Revolutionary Development of the Senator's views were: The U. S. has not assumed sufficient responsibility for refugee and civilian casualty problem; the Government of Vietnam compounds the refugee problem by treating refugees as liabilities rather than as assets.

In the Fourth Corps, the delegation visited refugee camps in An Giang, Sadec, Kien Hoa, Vinh Binh, and Dinh Tuong Provinces; concentrated on questioning refugees on why they had fled homes and if they had received payments. The Senator visited the refugee camp Thanh-Phu, observed that it was the worst of the

Fourth Corps and calls for immediate attention. The Province team has been urging a move to a resettlement area. The Fourth Corps reports that Dr. Que visited Thanh-Phu January 9 and vowed to do whatever was necessary to move residents to a new location. In the meantime, there will be increased distribution of food and commodities. The party visited Dong Tam Mobile Riverine Force Base Fire Control Center with General Fulton and raised many pointed questions on procedures for clearing targets of possible damage to population. The party seemed of the impression that many refugees were created by bombing and artillery; that fire is subject to close scrutiny; that while the refugee program improved in the last two years, much remains to be done.

In final discussions with Ambassador Bunker, General Westmoreland and I, Senator Kennedy appeared to be reasonably satisfied with the increased effort to cope with the still acute refugee problem, though still concerned lest there be needless generation of new refugees. He was less satisfied with the civilian casualty program (though granting progress), and felt official figures on the percentage of such casualties in the hospitals were too low. But his chief pre-occupation was with corruption in general. (Perhaps arising from his Saigon contacts with the press and politicians.) We granted the seriousness of the problem but stressed corrective actions are underway. We suggested he mention the corruption problem to Thieu, which he did. All in all, we hope that he came, saw, and was partially conquered. But only time will tell.

89
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Tuesday, January 16, 1968
5:50 p. m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Don't Mourn, Organize

You should know that, unless you direct to the contrary, I am stimulating staff work in the government on how nations in the Middle East and in Southeast Asia can fill the gap left by the British, with our encouragement.

In the Middle East the idea is already forming up in the minds of the governments of Iran and Saudi Arabia. They are both rich and increasingly confident. In protecting Saudi Arabia, they have the great advantage of not being former colonial powers. On the other hand, while they represent good raw material for the future, they are uncertain as to how to proceed. We shall have to move carefully, but we might give them both encouragement and sell them arms.

Southeast Asia. By 1971, hopefully, Vietnam will be over. There should be a margin of military resources in Australia and elsewhere which might be put to task of general defense. By that time also, Indonesia should be finding its feet economically and Japan should have come some distance forward in defining its security role in Asia. I conclude that, so far as east of Suez is concerned, the problem of British withdrawal is, potentially, a question of psychological shock -- in the area and in the United States. We can cushion the shock in the U. S. Congress and stabilize the affected area if we start working right now with the nations of the regions to fill the '71 gap.

W. W. R.

90

Tuesday, Jan. 16, 1967
5:45 p. m.

Mr. President:

Herewith the text of Prime Minister Wilson's
announcement of his austerity program.

W. W. R.

Attachment

90a

TEXT OF PRIME MINISTER'S STATEMENT

ITEM: PM ON EXPENDITURE CUTS.

THE FOLLOWING IS THE TEXT OF THE STATEMENT MADE IN THE HOUSE OF COMMONS BY THE PRIME MINISTER ON TUESDAY, 16TH JANUARY, 1968, ON REDUCTIONS IN PUBLIC EXPENDITURE. A TABLE IS APPENDED TO THE STATEMENT SUMMARISING THE EFFECT OF THE PROPOSALS ANNOUNCED BY THE PRIME MINISTER.

1. ON 18TH DECEMBER I INFORMED THE HOUSE THAT THE GOVERNMENT WAS ENGAGED IN A MAJOR REVIEW OF EVERY FIELD OF PUBLIC EXPENDITURE AS ONE OF THE MEASURES NECESSARY TO ACHIEVE A PROGRESSIVE AND MASSIVE SHIFT OF RESOURCES FROM HOME CONSUMPTION, PUBLIC AND PRIVATE, TO THE REQUIREMENTS OF EXPORTS, IMPORT REPLACEMENT AND PRODUCTIVE INVESTMENT.

/2.

CHANCERY GENERAL
Chancery Action

2. THIS REVIEW HAS NOW BEEN COMPLETED. OUR PURPOSE IN THIS REVIEW IS TO MAKE DEVALUATION WORK. BECAUSE UNTIL WE DO, UNTIL WE ARE EARNING, YEAR IN YEAR OUT, A SUBSTANTIAL SURPLUS ON OUR OVERSEAS PAYMENTS, WE ARE UNABLE INTERNALLY OR EXTERNALLY TO DO ALL THE THINGS WHICH AS A NATION WE WOULD LIKE TO DO. BUT WHAT THIS MEANS FOR THE IMMEDIATE FUTURE IS TO ENSURE THAT WE CUT DOWN OUR DEMANDS AND OUR AMBITIONS AT HOME AND ABROAD WITHIN THE LIMITS OF WHAT WE CAN CURRENTLY EARN. AT HOME IT MEANS CUTTING BACK ON EXCESSIVE DEMANDS BOTH AS INDIVIDUALS AND AS A COMMUNITY. ABROAD IT MEANS REASSESSING OUR ROLE IN THE WORLD AND REALISTICALLY LIMITING OUR COMMITMENTS AND OUTGOINGS TO OUR TRUE CAPACITIES. ON THIS BASIS, PROVIDED OUR RECOVERY IS SOUNDLY BASED AND LASTING, WE CAN GO FORWARD. THE REVIEW WE HAVE UNDERTAKEN, COVERING AS IT DOES OUR AMBITIONS AND EXPENDITURE AT HOME, AND OUR COMMITMENTS AND DEPLOYMENT ABROAD, IS AN ESSENTIAL STEP TOWARDS MAKING THESE PRINCIPLES A REALITY.

3. OUR IMMEDIATE OBJECTIVE, FIRST IS TO RELEASE RESOURCES FROM HOME USE, IN ORDER TO REINFORCE THE BALANCE OF TRADE, AND TO DO THIS IN A WAY WHICH REALISES EVERY PRACTICABLE OPPORTUNITY TO REDUCE GOVERNMENT EXPENDITURE OVERSEAS. SECOND, IT IS TO ENSURE THAT, AS THE ECONOMY MOVES INTO EXPANSION, LED BY THE PRIORITY AREAS I HAVE MENTIONED -- EXPORTS, IMPORT REPLACEMENT, AND INVESTMENT -- THE TOTAL LEVEL OF DEMAND, PUBLIC AND PRIVATE, IS KEPT IN LINE WITH WHAT THE PRODUCTIVE MACHINE CAN MAKE AVAILABLE WITHOUT LURCHING INTO INFLATION AND EXCESSIVE STRAIN ON OUR NATIONAL RESOURCES. THIRD, AND IMMEDIATELY, AT A TIME WHEN UNEMPLOYMENT, CONTRARY TO WIDESPREAD EXPECTATION SIX MONTHS AGO, IS FALLING -- SEASONAL FACTORS APART -- AND DEMAND FOR LABOUR INCREASING, IT IS TO ENSURE THAT THE GROWING CONSUMER-EXPANSION NOW UNDER WAY, GIVES WAY TO AN EXPORT-LED EXPANSION.

4. OUR AIM IS NOT DEFLATION, BUT EXPANSION, BASED ON THE GROWING USE OF OUR RESOURCES AT AN ORDERED PACE SO THAT THE BUILD-UP OF EXPORTS AND THE OTHER PRIORITY CATEGORIES, DOES NOT LEAD TO UNDUE PRESSURE ON THOSE RESOURCES. A HIGHER PROPORTION OF OUR GROWING NATIONAL PRODUCTION MUST BE SHIFTED DECISIVELY FOR THE BENEFIT OF THE BALANCE OF PAYMENTS AND INVESTMENT AND A SMALLER PROPORTION WILL BE LEFT THEREFORE FOR RISING CONSUMER DEMAND AND GOVERNMENT EXPENDITURE.

5. FROM EVERY POINT OF VIEW IT WOULD BE WRONG TO SEEK TO ACHIEVE THE NECESSARY REDUCTION IN DEMAND SOLELY BY RESTRAINING THE GROWTH OF PERSONAL CONSUMPTION -- THOUGH PERSONAL CONSUMPTION MUST BE SHARPLY RESTRAINED. BUT PUBLIC EXPENDITURE ALSO MUST MAKE ITS FULL CONTRIBUTION., INDEED IF THE RATE OF INCREASE OF PUBLIC EXPENDITURE WERE NOT SEVERELY RESTRAINED IN THE YEARS IMMEDIATELY AHEAD, UNACCEPTABLE BURDENS ON THE PERSONAL CONSUMPTION OF THE ORDINARY FAMILY, WOULD BE REQUIRED.

6. MY STATEMENT THIS AFTERNOON RELATES TO PUBLIC EXPENDITURE. THE MEASURES WILL BE PROGRESSIVELY REINFORCED, AS I INDICATED ON 18TH DECEMBER, BY ALL APPROPRIATE FURTHER MEASURES BUDGETARY AND NON-BUDGETARY TO HOLD BACK PRIVATE CONSUMPTION.

7. THESE MEASURES FOLLOW THE STEPS ANNOUNCED AT THE TIME OF DEVALUATION, AIMED AT RESTRAINING BOTH PRIVATE AND PUBLIC CONSUMPTION, AND ARE ADDITIONAL TO THE CUTS IN DEFENCE EXPENDITURE, THE 70 MILLION STERLING CUT IN THE INVESTMENT PROGRAMMES OF THE NATIONALISED INDUSTRIES, THE PROSPECTIVE CHANGES IN TAXATION, THE HIRE PURCHASE RESTRICTIONS, BANK RATE AND THE TIGHTENING OF BANK LENDING.

8. THESE MEASURES ACCORD FULLY WITH THE POLICIES WHICH WE HAVE PURSUED IN THE DEFENCE OF THE OLD PARITY -- THE RESTRUCTURING OF INDUSTRY, THE STIMULATION OF INVESTMENT, TECHNOLOGICAL ASSISTANCE TO INDUSTRY, AN INTENSIFIED ATTACK ON THE PROBLEMS OF THE DEVELOPMENT AREAS, AND A POLICY OF SEVERE RESTRAINT IN PRICES AND INCOMES. CONCEIVED AS THEY WERE IN THE PRE-DEVALUATION PERIOD THESE POLICIES ACHIEVED A GREAT DEAL OF WHAT THEY SET OUT TO DO: THEY WILL BE NEEDED IN FULL MEASURE IN THE NEW SITUATION WE NOW FACE. FOR WHATEVER HAS TO BE DONE BY REDUCTIONS IN THE GROWTH OF PUBLIC EXPENDITURE AND IN RESTRAINING PRIVATE EXPENDITURE, SO THAT WE DO NOT SPEND BEFORE WE EARN, THE SOLUTION OF OUR PROBLEMS WILL BASICALLY COME FROM CHANGES IN INDUSTRY AND INDUSTRIAL ATTITUDES WHICH ARE CONCENTRATED ON INCREASING WHAT AS A NATION WE EARN, AT HOME AND ABROAD.

9. THE MEASURES I SHALL ANNOUNCE FOLLOW A DETAILED AND SEARCHING REVIEW OF POLICY BY THE GOVERNMENT IN EVERY MAJOR FIELD OF EXPENDITURE, WITH NO EXCEPTIONS, ON THE BASIS THAT NO SPENDING PROGRAMME COULD BE SACROSANCT. AND I REPEAT, ALL THESE ARE IN ADDITION TO THE MEASURES ANNOUNCED BY MY RIGHT HON. FRIEND THE HOME SECRETARY ON 20TH NOVEMBER.

10. THE HOUSE WILL BE AWARE, FROM LONG EXPERIENCE, THAT THE EXPENDITURE OF ANY GIVEN YEAR IS TO A VERY LARGE EXTENT COMMITTED BY DECISIONS TAKEN TWO AND THREE YEARS BEFORE, PARTICULARLY WHERE MAJOR WORKS SUCH AS ROADS, HOSPITALS AND SCHOOLS, AND MANY ITEMS OF DEFENCE PRODUCTION ARE INVOLVED. BECAUSE OF THIS TIME-LAG, AND THE DIFFICULTY OF MAKING AN IMPACT ON MANY CONTINUING PROJECTS, WE HAVE CONCENTRATED ON EXPENDITURE IN THE FINANCIAL YEAR 1969-70, THOUGH IN SOME CASES, PARTICULARLY DEFENCE, THE FULL SAVING RESULTING FROM OUR DECISIONS WILL NOT BE SEEN UNTIL 1970-71 OR EVEN LATER. AT THE SAME TIME, SUBSTANTIAL

REDUCTIONS IN EXPENDITURE IN 1968-69 WILL BE ACHIEVED. I MUST HOWEVER TELL THE HOUSE THAT SO GREAT IS THE PROPORTION OF EXPENDITURE GOVERNED BY PROGRAMME DECISIONS TAKEN TWO, THREE AND MORE YEARS AGO, THAT THERE WILL STILL BE A CONSIDERABLE RISE IN PUBLIC EXPENDITURE IN 1968-69 COMPARED WITH 1967-68, AND A FURTHER SMALL RISE IN 1969-70.

11. I BEGIN WITH DEFENCE EXPENDITURE, THE WHOLE OF WHICH HAS BEEN REVIEWED AGAINST THE BACKGROUND OF OUR COMMITMENTS AND ALLIANCES. OUR DECISIONS HAVE BEEN BASED ON TWO MAIN PRINCIPLES. FIRST, THE HOUSE WILL RECOGNISE THAT IT IS NOT ONLY IN OUR OWN INTERESTS BUT IN THOSE OF OUR FRIENDS AND ALLIES FOR THIS COUNTRY TO STRENGTHEN ITS ECONOMIC BASE QUICKLY AND DECISIVELY. THERE IS NO MILITARY STRENGTH WHETHER FOR BRITAIN OR FOR OUR ALLIANCES EXCEPT ON THE BASIS OF ECONOMIC STRENGTH., AND IT IS ON THIS BASIS THAT WE BEST ENSURE THE SECURITY OF THIS COUNTRY. WE THEREFORE INTEND TO MAKE TO THE ALLIANCES OF WHICH WE ARE MEMBERS A CONTRIBUTION RELATED TO OUR ECONOMIC CAPABILITY WHILE RECOGNISING THAT OUR SECURITY LIES FUNDAMENTALLY IN EUROPE AND MUST BE BASED ON THE NORTH ATLANTIC ALLIANCE. SECOND, REDUCTIONS IN CAPABILITY, WHETHER IN TERMS OF MANPOWER OR EQUIPMENT, MUST FOLLOW AND BE BASED ON A REVIEW OF THE COMMITMENTS THE SERVICES ARE REQUIRED TO UNDERTAKE. DEFENCE MUST BE RELATED TO THE REQUIREMENTS OF FOREIGN POLICY, BUT IT MUST NOT BE ASKED IN THE NAME OF FOREIGN POLICY TO UNDERTAKE COMMITMENTS BEYOND ITS CAPABILITY. MAJOR FOREIGN POLICY DECISIONS THEREFORE ARE A PRIOR REQUIREMENT OF ECONOMIES IN DEFENCE EXPENDITURE. AND IN TAKING THESE DECISIONS WE HAVE TO COME TO TERMS WITH OUR ROLE IN THE WORLD. IT IS NOT ONLY AT HOME THAT, THESE PAST YEARS, WE HAVE BEEN LIVING BEYOND OUR MEANS. GIVEN THE RIGHT DECISIONS, ABOVE ALL GIVEN THE FULL ASSERTION OF OUR ECONOMIC STRENGTH, OUR REAL INFLUENCE AND POWER FOR PEACE WILL BE STRENGTHENED BY REALISTIC PRIORITIES.

12. WE HAVE ACCORDINGLY DECIDED TO ACCELERATE THE WITHDRAWAL OF OUR FORCES FROM THEIR STATIONS IN THE FAR EAST WHICH WAS ANNOUNCED IN THE SUPPLEMENTARY STATEMENT ON DEFENCE POLICY OF JULY 1967 (CMND. 3357) AND TO WITHDRAW THEM BY THE END OF 1971. WE HAVE ALSO DECIDED TO WITHDRAW OUR FORCES FROM THE PERSIAN GULF BY THE SAME DATE. THE BROAD EFFECT IS THAT, APART FROM OUR REMAINING DEPENDENCEIS AND CERTAIN OTHER NECESSARY EXCEPTIONS, WE SHALL BY THAT DATE NOT BE MAINTAINING MILITARY BASES OUTSIDE EUROPE AND THE MEDITERRANEAN.

13. AGAIN BY THAT DATE WE SHALL HAVE WITHDRAWN OUR FORCES FROM MALAYSIA AND SINGAPORE. WE HAVE TOLD BOTH GOVERNMENTS THAT WE DO NOT THEREAFTER PLAN TO RETAIN A SPECIAL MILITARY CAPABILITY FOR USE IN THE AREA. BUT WE HAVE ASSURED THEM BOTH, AND OUR OTHER COMMONWEALTH PARTNERS AND ALLIES CONCERNED, THAT WE SHALL RETAIN A GENERAL CAPABILITY BASED IN EUROPE (INCLUDING THE UNITED KINGDOM) WHICH CAN BE DEPLOYED OVERSEAS AS, IN OUR JUDGMENT, CIRCUMSTANCES DEMAND, INCLUDING SUPPORT FOR UNITED NATIONS OPERATIONS. DURING HIS RECENT VISIT TO KUALA LUMPUR MY RIGHT HON FRIEND THE COMMONWEALTH SECRETARY TOLD THE GOVERNMENT OF MALAYSIA THAT WE WISH TO REACH A NEW UNDERSTANDING WITH THEM ABOUT THE ANGLO-MALAYSIAN DEFENCE AGREEMENT SO AS TO MAKE IT FIT THE CHANGED CONDITIONS. AS THE HOUSE KNOWS, THE AGREEMENT CONTAINS PROVISIONS FOR A REVIEW OF THIS NATURE. HE ALSO ASSURED THE OTHER COMMONWEALTH GOVERNMENTS CONCERNED OF BRITAIN'S CONTINUED INTEREST IN THE MAINTENANCE OF SECURITY IN SOUTH -EAST ASIA, WITH THE FORCES WHICH WILL BE AVAILABLE HERE. MEANWHILE IF OUR COMMONWEALTH PARTNERS SO DESIRE AND MUTUALLY SATISFACTORY ARRANGEMENTS CAN BE MADE WE WOULD BE PREPARED TO ASSIST THEM IN ESTABLISHING A FUTURE JOINT AIR DEFENCE SYSTEM FOR MALAYSIA AND SINGAPORE AND IN TRAINING PERSONNEL TO OPERATE IT. WE HAVE INFORMED THE GOVERNMENTS OF MALAYSIA AND SINGAPORE THAT WE WILL DISCUSS WITH THEM THE AID IMPLICATIONS OF OUR ACCELERATED WITHDRAWAL. WE SHALL AMEND OUR FORCE DECLARATIONS TO SEATO AS OUR FORCES IN THE AREA ARE RUN DOWN.

14. WE SHALL MAKE AN EARLY REDUCTION IN THE NUMBER OF AIRCRAFT BASED IN CYPRUS WHILE MAINTAINING OUR MEMBERSHIP OF CENTO.

15. ON THE GULF WE HAVE INDICATED TO THE GOVERNMENTS CONCERNED THAT OUR BASIC INTEREST IN THE PROSPERITY AND SECURITY OF THE AREA REMAINS: AND, AS I HAVE SAID, THE CAPABILITY WE SHALL BE MAINTAINING HERE WILL BE AVAILABLE FOR DEPLOYMENT WHEREVER IN OUR JUDGMENT THIS IS RIGHT HAVING REGARD TO THE FORCES AVAILABLE.

16. AS THE HOUSE ALREADY KNOWS, MY RIGHT HON. FRIEND THE FOREIGN SECRETARY HAS VISITED WASHINGTON TO DISCUSS OUR INTENTIONS WITH THE UNITED STATES ADMINISTRATION. AND MY RIGHT HON. FRIEND THE COMMONWEALTH SECRETARY HAS PAID SPECIAL VISITS TO THE FOUR COMMONWEALTH COUNTRIES CONCERNED WITH FAR EAST DEFENCE SO AS TO DISCUSS WITH THEIR PRIME MINISTERS THE INTENDED CHANGES IN OUR POLITICAL COMMITMENTS AND CONSEQUENT MILITARY DISPOSITIONS AND THE CONSEQUENCES FLOWING FROM THEM. MY RIGHT HON. FRIEND THE MINISTER OF STATE, FOREIGN OFFICE, HAS PAID A SPECIAL VISIT TO THE STATES OF THE GULF FOR A SIMILAR PURPOSE. OTHER GOVERNMENTS AND ORGANISATIONS CONCERNED HAVE ALREADY BEEN MADE FULLY AWARE OF OUR DECISIONS. THESE DECISIONS WERE TAKEN IN THE KNOWLEDGE, AND IN THE LIGHT, OF THE VIEWS OF OUR COMMONWEALTH PARTNERS AND OF OUR ALLIES DIRECTLY CONCERNED.

17. WE RECOGNISE THE DEEP FEELINGS AND ANXIETIES OF OUR ALLIES AND COMMONWEALTH PARTNERS. WE RECOGNISE TOO THAT THESE CHANGES INVOLVE RISKS, BUT IN THE CIRCUMSTANCES WE BELIEVE THEY ARE RISKS THAT MUST BE ACCEPTED. WE ARE DETERMINED THAT OUR COMMITMENTS, AND THE CAPACITIES OF OUR FORCES TO UNDERTAKE THEM, SHOULD MATCH AND BALANCE EACH OTHER.

18. THESE DECISIONS WILL ENTAIL MAJOR CHANGES IN THE ROLE, SIZE AND SHAPE OF THE FORCES, IN THE NATURE AND SCALE OF THE EQUIPMENT WHICH THEY WILL REQUIRE AND IN THE SUPPORTING FACILITIES WHICH ARE NECESSARY. TIME WILL BE NEEDED TO WORK OUT THE PRECISE IMPLICATIONS: THESE WILL BE EMBODIED IN A WHITE PAPER TO BE PUBLISHED AND, IF THE HOUSE SO WISHES, DEBATED LATER IN THE YEAR. NEVERTHELESS, I CAN NOW GIVE SOME SPECIFIC ILLUSTRATIONS OF THE EFFECTS OF OUR DECISIONS IN ADVANCE OF THE FURTHER DETAILED WORK.

19. MANPOWER. CMND. 3357 ENVISAGED WITHDRAWAL FROM CERTAIN EAST OF SUEZ STATIONS BY THE MID-1970S, AND PLANNED FOR A REDUCTION BY ROUGHLY THE SAME DATE IN THE ESTABLISHMENT OF THE SERVICES OF 75,000 UNIFORMED MANPOWER, AND 80,000 CIVILIANS. AS A RESULT OF OUR DECISIONS, AND OF OTHERS THAT WILL BE REDUCED BY THE END OF 1971 WELL BELOW THE LEVELS FORECAST LAST JULY IN CMND 3357. WE WOULD EXPECT THAT, WITHIN ABOUT FIVE YEARS OR SO FROM NOW, WE SHALL HAVE REDUCED THE TOTAL SIZE OF THE FORCES BELOW THE LONG-TERM STRENGTHS WE HAD PREVIOUSLY PLANNED. THUS THE EVENTUAL SAVING IN SERVICE MANPOWER WILL BE GREATER THAN THE TOTAL REDUCTION OF ABOUT 75,000 FORECAST PREVIOUSLY FOR THE MID-1970S AND WE SHALL ACHIEVE IT EARLIER. WE SHALL ALSO BE REDUCING CIVILIAN MANPOWER AT A FASTER RATE OVER THE SAME PERIOD, AND OUR AIM WILL BE TO INCREASE THE FORECAST REDUCTION OF 80,000 CIVILIANS AND TO ACHIEVE THIS SIGNIFICANTLY EARLIER THAN PREVIOUSLY PLANNED.

20. THE NAVY. THE AIRCRAFT CARRIER FORCE WILL BE PHASED OUT AS SOON AS OUR WITHDRAWAL FROM MALAYSIA, SINGAPORE AND THE GULF HAS BEEN COMPLETED. THERE WILL ALSO BE REDUCTIONS IN THE RATE OF NEW NAVAL CONSTRUCTION, FOR EXAMPLE IN THE NUCLEAR-POWERED HUNTER/KILLER SUBMARINES.

21. THE ARMY. THERE WILL BE CONSIDERABLE INCREASE IN THE RATE OF RUNDOWN OF THE ARMY AND IN THE DISBANDMENT OR AMALGAMATION OF MAJOR UNITS. AS A RESULT OF OUR ACCELERATED WITHDRAWAL FROM SINGAPORE AND MALAYSIA, THE RUNDOWN OF THE BRIGADE OF GURKHAS TO 10,000 BY THE END OF 1969 WILL CONTINUE AT THE SAME RATE UNTIL 1971 BRINGING THE TOTAL STRENGTH OF THE BRIGADE TO 6,000. THE FUTURE OF THE BRIGADE AFTER 1971 WILL DEPEND ON DEVELOPMENTS OBTAINING AT THAT TIME: THERE IS NO QUESTION OF REDUCING THE STRENGTH OR EFFECTIVENESS OF THE HONG KONG GARRISON. THERE WILL ALSO BE SUBSTANTIAL SAVINGS ON ARMY EQUIPMENT AND STOCKS AND MANY OF THESE WILL BE ACHIEVED BETWEEN 1969-70 AND 1972-73.

22. THE ROYAL AIR FORCE. WE HAVE DECIDED TO CANCEL THE ORDER FOR 50 F-111 AIRCRAFT. FURTHER STUDY IS BEING GIVEN TO THE CONSEQUENCES OF THIS DECISION ON THE FUTURE EQUIPMENT OF THE ROYAL AIR FORCE. LEAVING OUT OF ACCOUNT THE RESULTS OF THIS STUDY, THE CANCELLATION OF THE F-111 IS ESTIMATED TO YIELD TOTAL SAVINGS ON THE DEFENCE BUDGET OF ABOUT \$400 MILLION BETWEEN NOW AND 1977-78. THIS FIGURE ALLOWS FOR LIKELY CANCELLATION CHARGES. THE SAVING IN DOLLAR EXPENDITURE OVER THE PERIOD, AGAIN ALLOWING FOR LIKELY CANCELLATION CHARGES, WILL BE WELL OVER 700 MILLION DOLLARS. BECAUSE OF THE CREDIT ARRANGEMENTS, THESE SAVINGS WILL MATURE OVER A PERIOD OF YEARS. WE ARE DISCUSSING WITH THE UNITED STATES GOVERNMENT FUTURE ARRANGEMENTS FOR OFFSET ORDERS AND CREDIT FOR THE PHANTOM AND HERCULES AIRCRAFT. THE REDUCTION IN OUR OVERSEAS COMMITMENTS WILL MAKE IT POSSIBLE TO CUT DOWN THE TRANSPORT FORCE.

23. SUPPORT FACILITIES. THE MORE RAPID WITHDRAWAL OF OUR FORCES FROM OUTSIDE EUROPE AND THE CHANGES WE INTEND TO MAKE IN THEIR ROLE AND EQUIPMENT WILL IMPOSE A MASSIVE TASK ON THOSE RESPONSIBLE FOR PROVIDING THE MOST EFFICIENT AND ECONOMICAL LOGISTIC SUPPORT FOR THE THREE SERVICES. VERY SUBSTANTIAL SAVINGS IN BASE FACILITIES STAFF OVERSEAS WILL FOLLOW AS A CONSEQUENCE OF WITHDRAWAL. THE RUNDOWN IN THE FORCES WILL BE INCREASINGLY REFLECTED IN REDUCED SUPPORT FACILITIES, SUCH AS TRAINING ESTABLISHMENTS IN THIS COUNTRY, BUT IT IS TOO EARLY YET TO INDICATE THE EXTENT OF THE TOTAL REDUCTION OF THE UNITED KINGDOM BASE AS A WHOLE. IN SPITE OF THE EXTRA PLANNING LOAD PLACED UPON IT, WE SHALL ENERGETICALLY CONTINUE THE PROCESS OF CUTTING THE SIZE OF THE MINISTRY OF DEFENCE.

24. FINANCIAL EFFECTS. THE FINANCIAL EFFECTS OF POLICY CHANGES ON THIS SCALE WILL INEVITABLY TAKE TIME TO WORK THEMSELVES THROUGH. THE IMMEDIATE EFFECT WILL NOT BE TO REDUCE THE LEVEL OF DEFENCE EXPENDITURE: INDEED, IN 1968-69 - WHEN WE HAVE ALREADY MADE A SAVING OF #110 MILLION - THE LEVEL WILL BE INCREASED THROUGH CANCELLATION PAYMENTS AND OTHER TRANSITIONAL COSTS. THESE ARE EXPECTED TO BE RELATIVELY MODEST THEREAFTER. FROM 1969-70 ONWARDS, ACCORDINGLY, THERE WILL BE AN INCREASING RELIEF TO THE BUDGET, ACCOMPANIED BY A RELEASE OF VALUABLE RESOURCES FOR CIVIL PRODUCTION. THE SCALE OF WHAT IS INVOLVED FOR THE ECONOMY CAN BE MEASURED BY MY EXPECTATION THAT IN 1969-70 THE DEFENCE BUDGET WHICH WAS PLANNED TO COME DOWN TO #1,970 MILLION AT 1964 PRICES AS A RESULT OF THE NOVEMBER DEVALUATION ECONOMIES WILL BE REDUCED TO ABOUT #1,860 MILLION AT 1964 PRICES, THAT IS A CUT OF #110 MILLION. BY 1972-73 THE DEFENCE BUDGET IS EXPECTED TO BE BETWEEN #1,600 MILLION AND #1,650 MILLION, AT 1964 PRICES, A FURTHER REDUCTION OF #210 MILLION TO #260 MILLION.

25. THE GOVERNMENT ARE VERY CONSCIOUS OF THE EFFECT THAT THESE FURTHER CUTS WILL HAVE ON THE SERVICES AND OF THE UPHEAVALS THEY WILL CAUSE.

NEVERTHELESS, THEY ARE NECESSARY IN THE NATIONAL INTEREST SO THAT WE CAN RESTORE THE STRENGTH OF OUR ECONOMY. THE ACCELERATED RATE OF RUNDOWN IN THE SERVICES, AND IN THE CIVILIANS ASSOCIATED WITH THEM, IS BOUND TO CUT SHORT THE CAREERS OF SOME WHO WOULD OTHERWISE HAVE EXPECTED TO SERVE FOR SOME YEARS TO COME. THERE WILL INEVITABLY BE A CONSIDERABLE AMOUNT OF DISRUPTION IN ALL THREE SERVICES AND ONE OF THE MAJOR PROBLEMS WILL BE TO ARRANGE THIS VERY LARGE REORGANISATION SO THAT HARDSHIP TO INDIVIDUALS IS MINIMISED AND AT THE SAME TIME EFFICIENCY IS MAINTAINED. THE GOVERNMENT INTENDS TO ENSURE THAT AT THE END OF THIS PROCESS THE SERVICES REMAIN COHESIVE AND VIABLE AND STILL OFFER A GOOD CAREER TO THOSE WHO SERVE IN THEM.

26. THE FUTURE OF THE SERVICES WILL THEN LIE MAINLY IN EUROPE. BUT WE STILL FACE THE PROBLEM OF THE HEAVY CONTINUING COST IN FOREIGN EXCHANGE OF STATIONING OUR TROOPS IN GERMANY. AS THE HOUSE KNOWS, THERE HAVE ALREADY BEEN INFORMAL PRELIMINARY TALKS IN BONN ABOUT WAYS AND MEANS OF MEETING THIS AFTER THE CURRENT ANGLO-GERMAN OFFSET AGREEMENT EXPIRES ON 31ST MARCH NEXT. WE ARE NOW READY FOR FORMAL NEGOTIATIONS AT MINISTERIAL LEVEL. WE HAVE PROPOSED TO THE FEDERAL GERMAN GOVERNMENT THAT THE TALKS SHOULD START EARLY IN FEBRUARY.

27. NOW I TURN TO CIVIL PUBLIC EXPENDITURE. NO REVIEW OF PLANNED EXPENDITURE PROGRAMMES WOULD BE REALISTIC, OR ADEQUATE FOR THE TASK WE HAVE SET OURSELVES AS A NATION, WHICH FAILED TO GO DEEPLY INTO EVERY ASPECT OF HOME EXPENDITURE. THIS WE HAVE DONE, OUR DECISIONS REFLECT THE NATIONAL PRIORITIES WE HAVE APPLIED AND WHICH WE COMMEND TO THE HOUSE. IN ALMOST EVERY MAJOR AREA OF EXPENDITURE ECONOMIES HAVE BEEN MADE IN THE RISING PROGRAMMES WHICH WE HAD BEFORE US. WITHIN EACH MAJOR AREA WE HAVE OF COURSE BEEN HIGHLY SELECTIVE IN THE CUTS WE HAVE MADE. OUR OBJECTIVE, AS I STATED A MONTH AGO, IS TO PRODUCE A TOTAL OF ECONOMIES WHICH IS COHERENT, CREDIBLE - AND FAIR.

28. SOCIAL SECURITY. I BEGIN WITH SOCIAL SECURITY. EXPENDITURE THIS YEAR, 1967-68 IS TWOTHOUSAND NINEHUNDRED AND NINE MILLION POUNDS STERLING , AN INCREASE AT CURRENT PRICES OF 48 PER CENT SINCE 1963-64. LAST YEAR THE HOUSE APPROVED A GENERAL UPDATING OF NATIONAL INSURANCE AND OTHER BENEFITS, WHICH TOOK EFFECT LAST AUTUMN. IN OUR FORWARD PLANNING WE DO NOT ENVISAGE THAT A FURTHER GENERAL UPDATING CAN BE UNDERTAKEN BEFORE AT LEAST THE AUTUMN OF 1969.

29. SIR, IN THE STATEMENT MADE BY MY RIGHT HON. FRIEND THE HOME SECRETARY ON 29TH NOVEMBER, AN ASSURANCE WAS GIVEN THAT THE MOST VULNERABLE CLASSES OF THE COMMUNITY WILL BE PROTECTED AGAINST HARD-SHIP RESULTING FROM THOSE PRICE INCREASES WHICH MUST RESULT FROM THE EFFECT OF DEVALUATION ON IMPORT COSTS. WE SHALL BE WATCHING PRICE RISES VERY CAREFULLY AND WE INTEND IN THE LIGHT OF THIS TO RAISE SUPPLEMENTARY BENEFITS IN THE AUTUMN OF THIS YEAR.

30. IT HAS ALREADY BEEN DECIDED THAT FAMILY ALLOWANCES WILL GO UP BY 7S. IN APRIL. BUT IT IS ESSENTIAL THAT THIS INCREASE SHOULD BE CONFINED TO FAMILIES MOST IN NEED AND MY RIGHT HON. FRIEND THE CHANCELLOR OF THE EXCHEQUER INTENDS TO RECOVER THE FULL AMOUNT OF THE INCREASE FROM TAXPAYERS AT THE STANDARD RATE AND ABOVE THROUGH THE TAX MACHINERY, TAKING BACK LESSER AMOUNTS FROM THOSE WHO WILL PAY TAX ONLY AT REDUCED RATES. I SHOULD ADD THAT MY RIGHT HON. FRIEND IS EXAMINING THE POSSIBILITY AT A LATER STAGE OF EXTENDING THIS PRINCIPLE OF SELECTIVITY BASED ON TAX ADJUSTMENTS MORE GENERALLY THROUGH THE FAMILY ALLOWANCE SYSTEM, NOT JUST THE 7S INCREASE. TO HELP LESS WELL-OFF FAMILIES GENERALLY WE INTEND TO RAISE THE INCOME LIMITS FOR THE RATE REBATE SCHEME IN THE COMING AUTUMN. THE QUALIFYING LIMIT FOR THE FULL REBATE WILL BE RAISED FOR SINGLE PERSONS FROM EIGHT POUNDS STERLING PER WEEK TO NINE POUNDS STERLING PER WEEK, AND FROM TEN POUNDS STERLING TO ELEVEN POUNDS STERLING FOR MARRIED COUPLES., THE RATE FOR EACH CHILD WILL BE RAISED FROM THIRTY SHILLINGS TO TWO POUNDS STERLING.

31. EDUCATION. NEXT EDUCATION, ONE OF THE BIGGEST AND MOST RAPIDLY EXPANDING EXPENDITURE PROGRAMMES. TOTAL EXPENDITURE IS ESTIMATED THIS YEAR AT ONETHOUSAND NINEHUNDRED AND EIGHTYNINE MILLION POUNDS STERLING, AN INCREASE AT CURRENT PRICES OF 42 PER CENT SINCE 1963-64. HERE AGAIN IT IS A QUESTION OF PRIORITIES. WE HAVE DECIDED WE HAVE NO ALTERNATIVE TO DEFERRING FROM 1971 TO 1973 THE RAISING OF THE SCHOOL LEAVING AGE, A POSTPONEMENT OF TWO YEARS. I NEED NOT TELL THE HOUSE HOW DIFFICULT, INDEED REFUGNANT, THIS DECISION HAS BEEN TO MY RIGHT HON. FRIENDS AND MYSELF.

32. THIS DECISION WILL MEAN A SAVING OF ABOUT THIRTYTHREE MILLION POUNDS STERLING IN 1968-69, AND FORTYEIGHT MILLION POUNDS STERLING IN 1969-70, PRINCIPALLY IN THE SCHOOL BUILDING PROGRAMME. BUT THE BASIC SCHOOL BUILDING PROGRAMMES WILL BE INCREASED BY EXTRA STARTS OF EIGHT MILLION POUNDS STERLING BOTH IN 1968-69 AND IN 1969-70 TO ENSURE THAT COMPREHENSIVE REORGANISATION IS NOT HELD UP, AND TO PROVIDE ADDITIONAL RESOURCES BEYOND THE EXTRA EIGHT MILLION POUNDS STERLING STARTS IN EACH OF THESE YEARS ANNOUNCED BY MY RIGHT HON. FRIEND THE SECRETARY OF STATE TO THE HOUSE LAST YEAR, FOR IMPROVING CONDITIONS IN EDUCATIONAL PRIORITY AREAS.

33. WE PROPOSE TO CEASE TO PROVIDE MILK FREE IN SECONDARY SCHOOLS FROM SEPTEMBER OF THIS YEAR. THIS WILL REQUIRE LEGISLATION.

34. THE CAPITATION GRANTS TO DIRECT GRANT SCHOOLS WILL BE REDUCED.

35. SOME NEW CAPITAL PROJECTS IN THE UNIVERSITIES, COLLEGES OF FURTHER EDUCATION AND ELSEWHERE WILL BE HELD BACK DURING 1968-69. FOLLOWING THE NEXT REVIEW OF STUDENTS' AWARDS, THE INCREASE IN SEPTEMBER WILL ONLY COVER HALF THE RISE IN THE COST OF LIVING SINCE THE LAST REVIEW.

36. THE COMBINED EFFECT OF ALL THESE MEASURES IN THE FIELD OF EDUCATION WILL BE TO MAKE A NET SAVING OF THIRTYNINEMILLION POUNDS STERLING IN 1968-69 AND FIFTYEIGHT MILLION POUNDS STERLING IN 1969-70.

37. HEALTH AND WELFARE. I TURN NEXT TO HEALTH AND WELFARE, WITH A 1967-68 EXPENDITURE OF ONETHOUSAND SIXHUNDRED AND NINETEEN MILLION POUNDS STERLING, AN INCREASE AT CURRENT PRICES OF 45 PER CENT OVER THE PAST FOUR YEARS.

38. IN THE GOVERNMENT'S VIEW THE MOST IMPORTANT WAY OF SUSTAINING AND IMPROVING THE NATIONAL HEALTH SERVICE IS TO PRESS AHEAD WITH THE EXPANDING PROGRAMME OF HOSPITAL BUILDING. WE ARE THEREFORE PROPOSING NO REDUCTIONS IN THIS PROGRAMME WHICH WILL GO AHEAD AS PLANNED.

39. THE GOVERNMENT HAVE , HOWEVER, DECIDED AFTER THE MOST SERIOUS CONSIDERATION AND WITH THE UTMOST RELUCTANCE, TO REINTRODUCE A SYSTEM OF CHARGES FOR PRESCRIPTIONS ISSUED UNDER THE NATIONAL HEALTH SERVICE, AT THE RATE OF 2S. 6D. PER ITEM.

40. MY RIGHT HON. FRIEND WILL IMMEDIATELY ENTER INTO DISCUSSIONS WITH THE MEDICAL PROFESSION WITH A VIEW TO INTRODUCING AS SOON AS POSSIBLE A SYSTEM OF EXEMPTION FOR PARTICULAR CATEGORIES OF PATIENTS. THOSE WE HAVE IN MIND ARE THE ELDERLY, OVER SIXTYFIVE, CHILDREN UP TO FIFTEEN, EXPECTANT AND NURSING MOTHERS AND THE CHRONIC SICK. WHILE THE PROCEDURE FOR DEALING WITH THESE PROPOSED EXEMPTIONS IS BEING NEGOTIATED, REGULATIONS WILL BE MADE TO BRING THESE CHARGES INTO OPERATION IN THE SPRING WHICH IS THE EARLIEST THAT ARRANGEMENTS CAN BE MADE TO INTRODUCE SIMULTANEOUSLY REFUND OF CHARGES TO THOSE IN NEED ON THE PRE-NINETEENSIXTYFIVE BASIS, NAMELY THOSE ON SUPPLEMENTARY BENEFITS, THOSE WITH THE STANDARD OF LIVING BROADLY AT OR BELOW SUPPLEMENTARY BENEFIT LEVELS AND WAR PENSIONERS IN RESPECT OF DISABILITIES. THE SCHEME AS INITIALLY INTRODUCED WOULD SAVE ABOUT STERLING FIFTY MILLION IN A FULL YEAR. BUT THE FURTHER EXEMPTIONS WHICH WE REGARD AS FAIR AND NECESSARY, WOULD REDUCE THIS SAVING TO ABOUT STERLING TWENTYFIVE MILLION, AND WE PROPOSE TO MAKE THIS GOOD BY INCREASING THE NATIONAL HEALTH SERVICE EMPLOYEES' CONTRIBUTION BY SIXPENCE AS SOON AS POSSIBLE.

41. THE MAXIMUM CHARGE FOR DENTAL TREATMENT WHICH HAS NOT BEEN CHANGED SINCE 1952 WILL BE INCREASED FROM ONE POUND STERLING TO THIRTYSHILLINGS. AND THIS WILL YIELD A FURTHER STERLING ONE AND ONE-HALF MILLION. AS THE HOUSE KNOWS CHILDREN AND YOUNG PEOPLE UP TO TWENTYONE AND EXPECTANT AND NURSING MOTHERS RECEIVE FREE TREATMENT AND PEOPLE RECEIVING SUPPLEMENTARY BENEFITS HAVE THE CHARGES MET FOR THEM. THESE ARRANGEMENTS WILL CONTINUE. IN ADDITION SOME REDUCTIONS IN THE PLANNED GROWTH OF LOCAL HEALTH AND WELFARE CAPITAL EXPENDITURE ARE BEING MADE AVERAGING STERLING FIVE MILLION A YEAR OVER THE THREE YEARS NINETEENSIXTYEIGHT-SIXTYNINE TO NINETEENSEVENTY-SEVENTYONE.

42. I HAVE REFERRED TO THE NATIONAL HEALTH SERVICE STAMP. THE HOUSE OUGHT TO KNOW THAT QUITE APART FROM THE EXPENDITURE REVIEW, AND FOR QUITE OTHER REASONS, A FURTHER SHILLING, SIXPENCE FOR EMPLOYEES, SIXPENCE FOR EMPLOYERS, WILL BE NEEDED TO PREVENT THE NATIONAL INSURANCE FUND FROM GOING INTO DEFICIT. THIS WILL BE DONE AT THE SAME TIME AS THE SIXPENCE INCREASE IN THE NATIONAL HEALTH SERVICE CONTRIBUTION WHICH IS COLLECTED ON THE SAME STAMP.

43. HOME DEPARTMENT SERVICES. NOW I TURN TO HOME DEPARTMENT SERVICES, INCLUDING HOME DEFENCE. WE HAVE DECIDED TO REDUCE HOME DEFENCE - CIVIL DEFENCE- TO A CARE AND MAINTENANCE BASIS, WITH A SAVING OF ABOUT STERLING FOURTEEN MILLION IN NINETEENSIXTYEIGHT-SIXTYNINE, AND STERLING TWENTY MILLION IN NINETEENSIXTYNINE-SEVENTY AND IN SUBSEQUENT YEARS. THIS WILL INVOLVE THE DISBANDMENT OF THE CIVIL DEFENCE CORPS, THE AUXILIARY FIRE SERVICE AND THE TERRITORIAL AND ARMY VOLUNTEER RESERVE CATEGORY III.

THE GOVERNMENT PROPOSE TO RESTRAIN THE GROWTH OF EXPENDITURE ON OTHER HOME DEPARTMENT SERVICES BY STERLING SIX MILLION IN NINETEENSIXTYEIGHT-SIXTYNINE AND STERLING TWELVE MILLION IN NINETEENSIXTYNINE-SEVENTY.

44. HOUSING EXPENDITURE IN THE PUBLIC SECTOR IN NINETEENSIXTYSEVEN-SIXTYEIGHT IS STERLING XONETHOUSANDANDEIGHTEEN MILLION. THE GOVERNMENT HAVE DECIDED TO REDUCE PLANNED APPROVALS OF NEW HOUSES BY FIFTEENTHOUSAND IN ENGLAND AND WALES AND ONETHOUS-ANDFIVEHUNDRED IN SCOTLAND IN BOTH NINETEENSIXTYEIGHT AND NINETEENSIXTYNIN, SAVING IN TERMS OF PUBLIC EXPENDITURE STERLING TWENTYSEVEN MILLION IN NINETEENSIXTYEIGHT- SIXTYNINE AND STERLING FIFTYFIVE MILLION IN NINETEENSIXTYNINE-SEVENTY. BUT EVEN WITH THESE WITHHOLDINGS, WE SHALL BE ABLE TO MAINTAIN THE MOMENTUM OF THE PROGRAMMES FOR SLUM CLEARANCE FND FOR THE RELIEF OF SERIOUS LOCAL HOUSING SHORTAGES. OUR MEASURES WILL SAFEGUARD THE HOUSING PRIORITY AREAS.

45. TRANSPORT

NEXT, ROADS. THE ESTIMATED EXPENDITURE IN NINETEENSIXTYSEVEN-SIXTYEIGHT IS STERLING FIVEHUNDREDANDSIXTY MILLION, AN INCREASE OOF FIFTYTWO PER CENT AT CURRENT PRICES, COMPARED WITH NINETEENSIXTY-THREE-SIXTYFOUR. OF THE PRESENT PROGRAMME STERLING THREEHUNDRED MILLION IS ON THE MAJOR ROAD PROGRAMME OF MY RIGHT HON. FRIENDS., AND THE REMAINDER , NEARLY ALL LOCAL AUTHORITYEXPEDDITURE INCLUDES ABOUT STERLING TWOHUNDRED MILLION ON ROAD MAINTENANCE. THE GOVERNMENT HAVE DECIDED THAT, OVERALL, EXPENDITURE ON ROADS SHOULD BE REDUCED SO AS TO PRODUCE SAVINGS OF STERLING FIFTYTHREE *£69 mil. in 1969-70. Of this, local authorities will be asked to find* MILLION IN NINETEENSIXTYEIGHT-SIXTYNINE AND STERLING SEVENTYFIVE MILLION OVER THE TWO YEARS OUT OF THEIR EXPENDITURE ON THE MAINTENANCE AND IMPROVEMENT OF THEIR RODS., AND THE PLANNED GROWTH OF EXPENDITURE ON MAJOR ROADS, INCLUDING TRUNK ROAD MAINTENANCE, WILL BE CUT BY STERLING EIGHTEEN MILLION IN THE FIRST YEAR AND STERLING TWENTYNINE MILLION IN THE SECOND.

46. AT THE SAME TIME EXPENDITURE ON THE NEW FORMS OF ASSISTANCE TO PUBLIC PASSENGER TRANSPORT, PROVIDED FOR IN THE TRANSPORT BILL, IS BEING LIMITED TO STERLING TEN MILLION IN NINETEENSIXTYEIGHT-SIXTYNINE AND STERLING TWENTY MILLION IN NINETEENSIXTYNINE-SEVENTY.

47. INDUSTRY.

THE GOVERNMENT WILL CONTINUE TO GIVE SPECIAL PRIORITY TO THE REGENERATION OF THE DEVELOPMENT AREAS, AND WILL CONTINUE ITS PROGRAMMES OF FINANCIAL ASSISTANCE. IT WILL DIRECT THIS ASSISTANCE TOWARD ACTIVITY WHICH WILL CONTRIBUTE MOST TO THE ECONOMIC STRENGTH OF THE AREAS AND TO THE GOVERNMENT'S GENERAL OBJECTIVES.

48. IN THE MINISTRY OF TECHNOLOGY'S INDUSTRIAL PROGRAMME THERE WILL BE A CAREFUL SELECTION OF PRIORITIES. THE REORGANISATION OF THE SHIPBUILDING INDUSTRY WILL CONTINUE, THE WORK OF THE NATIONAL RESEARCH DEVELOPMENT CORPORATION WILL BE FULLY MAINTAINED AND PROGRAMMES WILL GO AHEAD FOR OTHER INDUSTRIES INCLUDING COMPUTERS, ELECTRONICS AND MACHINE TOOLS. INDUSTRIAL RESEARCH IN THE MINISTRY OF TECHNOLOGY'S CIVIL ESTABLISHMENTS WILL BE KEPT WITHIN PRESENT LIMITS, AND THERE WILL BE SAVINGS CONCENTRATED IN THE NUCLEAR RESEARCH AND DEVELOPMENT PROGRAMME OF THE ATOMIC ENERGY AUTHORITY. THERE WILL ALSO BE A FURTHER CUT IN THE MINISTRY'S DEFENCE RESEARCH PROGRAMME IN NINETEENSIXTYEIGHT-SIXTYNINE, PART OF WHICH WILL BE CARRIED BY AVIATION ESTABLISHMENTS. THE SAVING ON PLANNED EXPENDITURE FROM ALL THESE MEASURES WILL BE STERLING THIRTEEN MILLION IN NINETEENSIXTYEIGHT-SIXTYNINE AND STERLING FIFTEEN MILLION IN NINETEENSIXTYNINE-SEVENTY, INCLUDING THE SAVINGS BY THE ATOMIC ENERGY AUTHORITY WHICH WERE FORESHADOWED BY PREVIOUS ANNOUNCEMENTS.

49. ON INVESTMENT GRANTS, WHERE IN THE CURRENT YEAR THE BOARD OF TRADE HAVE PAID GRANTS ON FIVE QUARTERS OF INVESTMENT IN ORDER TO SHORTEN THE PERIOD BETWEEN THE INCURRING OF EXPENDITURE AND THE PAYMENT OF GRANT, THE GOVERNMENT CONSIDER THAT ANY FURTHER SHORTENING OF THIS PERIOD MUST WAIT FOR THE TIME BEING. IT THEREFORE INTENDS THAT IN NINETEENSIXTYEIGHT-SIXTYNINE GRANTS WILL BE PAID IN RESPECT OF FOUR QUARTERS' PAST INVESTMENT, SO THAT THE AVERAGE TIME BETWEEN INVESTMENT AND PAYMENT WILL REMAIN AT THE TWELVE MONTHS WHICH IT HAS ALREADY REACHED. THIS COMPARES WITH THE INTERVAL OF ABOUT EIGHTEEN MONTHS BETWEEN THE INCURRING OF EXPENDITURE AND THE RECEIPT OF INVESTMENT ALLOWANCES. IT WILL REDUCE PAYMENTS IN NINETEENSIXTYEIGHT-SIXTYNINE BY STERLING EIGHTY MILLION BELOW WHAT THEY WOULD HAVE BEEN HAD THERE BEEN A FURTHER ACCELERATION. DECISIONS ABOUT NINETEENSIXTYNINE-SEVENTY WILL BE TAKEN IN THE LIGHT OF CIRCUMSTANCES NEARER THE TIME.

50.

LOCAL AUTHORITIES.

THE HOUSE WILL BE WELL AWARE THAT A SUBSTANTIAL AREA OF PUBLIC EXPENDITURE LIES WITHIN THE CONTROL OF LOCAL AUTHORITIES, WHOSE EXPENDITURE HAS RISEN BY STERLING ONE THOUSAND THREE HUNDRED AND EIGHT MILLION OR FORTY SIX PER CENT AT CURRENT PRICES OVER THE PAST FOUR YEARS. A CONSIDERABLE PART, THOUGH BY NO MEANS THE WHOLE OF LOCAL AUTHORITY EXPENDITURE, IS IN RESPONSE TO NATIONAL PROGRAMMES ENDORSED BY THIS HOUSE BY STATUTORY OR OTHER PROVISION. MUCH OF IT IS, HOWEVER, SUBJECT BY VARIOUS MEANS, INDIRECT AND DIRECT, TO A MEASURE OF GOVERNMENT CONTROL OR INFLUENCE, AND SOME OF IT WILL BE AFFECTED BY THE MEASURES I HAVE ANNOUNCED.

BUT IT IS VITAL THAT LOCAL AUTHORITIES, NO LESS THAN CENTRAL GOVERNMENT, MAKE THEIR FULL CONTRIBUTION TO RESTRAINT IN THEIR PROGRAMMES, THE RELEASE OF RESOURCES FOR THE REINFORCEMENT OF OUR TRADE BALANCE AND THE AVOIDANCE OF INFLATION.

51. TAKING LOCAL AUTHORITY EXPENDITURE AS A WHOLE, THE GOVERNMENT EXPECTS THAT IN 1969-70 LOCAL AUTHORITIES AS A WHOLE WILL RESTRAIN THE LEVEL OF THEIR EXPENDITURE SO THAT IT DOES NOT IN TOTAL EXCEED A FIGURE IN THE REGION OF 3 PER CENT IN REAL TERMS ABOVE WHAT HAS ALREADY BEEN AGREED FOR PURPOSES OF THE EXCHEQUER CONTRIBUTION IN 1968-69: AND THE GOVERNMENT WILL PROPOSE RATE SUPPORT GRANT FOR 1969-70 ON THIS BASIS WHEN THE TIME COMES. AS REGARDS 1968-69, THE GOVERNMENT WILL EXPECT LOCAL AUTHORITIES TO ABSORB ANY INCREASES IN COST WHICH THEY CANNOT AVOID BY MAKING SAVINGS ELSEWHERE. FULL DETAILS FOR ENGLAND AND WALES AND FOR SCOTLAND, WHERE SPECIAL PROBLEMS ARISE, WILL BE WORKED OUT WITH THE LOCAL AUTHORITIES AND THE HOUSE WILL BE KEPT INFORMED.

52. NORTHERN IRELAND. AS REGARDS NORTHERN IRELAND, IT SHOULD BE POSSIBLE TO REALISE SUBSTANTIAL SAVINGS IN PUBLIC EXPENDITURE THERE, BROADLY COMPARABLE TO THOSE IN GREAT BRITAIN. DISCUSSIONS WITH NORTHERN IRELAND MINISTERS HAVE ALREADY STARTED.

53. SPECIAL MEASURES MUST BE TAKEN TO ARREST THE GROWTH IN THE NUMBER OF PEOPLE EMPLOYED IN PUBLIC SERVICE. GOVERNMENT DEPARTMENTS WILL, UNDER THE GUIDANCE OF THE TREASURY, PLAN THEIR STAFFING SO THAT OVER THE YEAR 1968-69 THERE IS NO FURTHER NET INCREASE IN THE NUMBER OF CIVIL SERVANTS AS A WHOLE. THIS IS ESTIMATED TO SAVE STERLINGPOUNDS 15MILLION. THE ECONOMIES WHICH WE ARE ASKING LOCAL AUTHORITIES TO MAKE, NOTABLY IN SERVICES ASSISTED BY THE RATE SUPPORT GRANT, SHOULD PRODUCE SIMILAR RESULTS FOR LOCAL GOVERNMENT STAFFS.

54. SIR, TO AVOID UNDULY WEARYING THE HOUSE I HAVE GIVEN THE FACTS ONLY ABOUT THE MAIN EXPENDITURE PROGRAMMES OF ANY SIZE. IN ADDITION THERE ARE OTHER REDUCTIONS TOTALLING STERLING POUNDS 28MILLION IN 1968-69 AND STERLING POUNDS 41MILLION IN 1969-70. THESE COME MAINLY FROM ENVIRONMENTAL SERVICES. THERE MAY WELL BE OTHER SAVINGS AS THE CONSEQUENCES OF THESE MAJOR DECISIONS WORK THROUGH THE WHOLE FIELD OF PUBLIC EXPENDITURE.

55. SUMMARY. THE RESULTS OF ALL THE CHANGES I HAVE ANNOUNCED WILL BE TO REDUCE PLANNED EXPENDITURE IN 1968-69 BY STERLING POUNDS 300MILLION, PLUS, OF COURSE, AN ADDITIONAL STERLING POUNDS 25MILLION INCOME FROM THE N.H.S. CONTRIBUTION, AND IN 1969-70 BY STERLING POUNDS 416MILLION, AGAIN PLUS THE CONTRIBUTION. THIS IMPLIES AN AVERAGE ANNUAL RISE IN PUBLIC EXPENDITURE IN THE PERIOD 1967-68 TO 1969-70 OF 2.8 PER CENT. I AM CIRCULATING IN THE OFFICIAL REPORT A TABLE SHOWING PUBLIC EXPENDITURE IN 1968-69 AND 1969-70 AS FORECAST BEFORE THE REDUCTIONS, AND THE DETAILS OF THE REDUCTIONS THEMSELVES.

56. I MUST AGAIN REMIND THE HOUSE OF THE SEVERE LIMITATIONS WITHIN WHICH ANY EXPENDITURE REVIEW MUST OPERATE, PARTICULARLY SO FAR AS THE PERIOD IMMEDIATELY AHEAD OF THE REVIEW IS CONCERNED. IN MANY OF THE CONTINUING PROGRAMMES, PARTICULARLY WHERE MAJOR AND LENGTHY CAPITAL PROJECTS ARE CONCERNED, CUTS WHICH ACT QUICKLY CAN BE ACHIEVED ONLY WITH GREAT DISRUPTION AND GREAT DIS-ECONOMY.

SOME OF THE GOVERNMENT'S DECISIONS WILL HAVE AN IMMEDIATE AND MAJOR IMPACT ON EXPENDITURE IN 1968-69 AND SUBSEQUENTLY, OTHERS WILL HAVE A MORE LIMITED EFFECT IN 1968-69, AND A GROWING IMPACT ON 1969-70 WHEN A DECISIVE SWITCH OF RESOURCES WILL BE NEEDED. IN DEFENCE LARGE-SCALE SAVINGS WILL BE ACHIEVED ONLY IN 1970-71 AND LATER YEARS. BUT IN THIS CASE, IF THE DECISIONS ARE NOT TAKEN NOW, THEY WILL NOT MAKE ANY IMPACT UNTIL WELL INTO THE 1970S, AND PARLIAMENT IN 1970, 1971 AND LATER YEARS WILL BE IMPOTENT TO SECURE MAJOR SAVINGS IN THOSE PROGRAMMES.

57. FINALLY, MR. SPEAKER, I REPEAT THAT THE REVIEW WHOSE CONCLUSIONS I HAVE ANNOUNCED TO-DAY IS ONLY PART OF A CONTINUING PROCESS WHICH WILL DOMINATE NATIONAL FINANCIAL AND ECONOMIC MANAGEMENT FOR THE NEXT TWO YEARS. OTHER MEASURES INCLUDING BUDGETARY DECISIONS WILL BE REQUIRED.

58. BUT IN A WIDER SENCE, NO MEASURES OF A PURELY FINANCIAL CHARACTER, HOWEVER NECESSARY, CAN BY THEMSELVES SOLVE OUR PROBLEMS, AND ENSURE THAT THE OPPORTUNITIES PRESENTED TO US BY THE DECISION TO DEVALUE ARE FULLY REALISED.

59. I MUST AGAIN EMPHASISE THE PARAMOUNT IMPORTANCE OF PRICES AND INCOMES POLICY. THE MEASURES WE HAVE DECIDED ON AND THOSE WHICH WILL BE ANNOUNCED IN SUCCEEDING MONTHS WILL BE ADEQUATE IF AND ONLY IF THE COMPETITIVE ADVANTAGES WE HAVE GAINED ARE NOT DISSIPATED IN INCREASES IN INCOMES OVER AND ABOVE THE VERY LIMITED FIGURES THE COUNTRY CAN AFFORD. IT IS THIS WHICH MUST GUIDE US-NOT WHAT THE COUNTRY OR INDIVIDUAL SECTIONAL INTERESTS WOULD LIKE OR WOULD SEEK TO EXTRACT, BUT WHAT WE ARE EARNING.

60. BUT, SIR, SUCCESS IN SECURING THE MASSIVE SHIFT WE NEED TO GET FROM HOME CONSUMPTION TO THE PRIORITY AREAS OF EXPORTS AND IMPORTS SAVING DEPENDS ABOVE ALL ON THE RESPONSE OF INDUSTRY, AT ALL LEVELS, TO THE CHALLENGE OF WINNABLE EXPORT MARKETS, IMPORT REPLACEMENT AND PRODUCTIVE INVESTMENT.

61. TO THE EFFORTS OF THOSE IN INDUSTRY WHO ARE RESPONDING TO THE CHALLENGE AND OPPORTUNITY WHICH THE NEW SITUATION HAS CREATED, THE MEASURES I HAVE ANNOUNCED, CUTTING DEEP, COMPREHENSIVE, BUT-THE GOVERNMENT BELIEVES-BALANCED AND FAIR, PROVIDE ESSENTIAL HELP AND BACKING. WHAT THESE MEASURES CAN NOT DO IS TO PROVIDE A SUBSTITUTE FOR THE EFFORTS THAT NOW HAVE TO BE MADE BY ALL IN INDUSTRY, INDEED BY THE WHOLE NATION.

62. WHENEVER IN THE PAST THIS NATION HAS SET OUT TO ACHIEVE THE DOMESTIC OBJECTIVES IT HAS SET ITSELF, WE HAVE BEEN FRUSTRATED BY AN ENDEMIC IMBALANCE WITHIN THE ECONOMY. IF WE REFUSE TO ABANDON THESE OBJECTIVES-AND WE DO REFUSE-THEN THE COURSE WE MUST TAKE, HOWEVER GREAT THE TEMPORARY COST, IS TO REMOVE THAT PROBLEM ONCE AND FOR ALL.

CORRECTION CORRECTION IN PARA 19. MANPOWER.

SIXTH LINE COMMENCING DECISIONS, AND OF ETC
PSE READ "DECISIONS, AND OF OTHERS THAT WILL RESULT FROM THE
FURTHER PLANNING WHICH IS NOW STARTING, THE ACTIVE STRENGTH OF
THE FORCES' WILL BE REDUCED BY THE END ETC ETC"

Tuesday, January 16, 1968
5:15 p. m.

91

Pres file

MR. PRESIDENT:

I still haven't found the newspaper story on the letter to Wilson; but I now recall a story about a London Sunday Times article in the vein you described to me on the phone.

This would almost certainly be Henry Brandon; and he came in last Friday, January 12, at 3 p. m.

The interview went as follows:

He asked: How did the President feel about the decisions of which George Brown informed Dean Rusk?

I said: The President was at the Ranch and I did not know.

He said: Come off it. I have talked with Brown. I know the President has written to Wilson. What did he say?

I said: I've never discussed a communication between the President and the Prime Minister; and I don't intend to begin now.

He said: Would it be fair to say that he will understand Wilson's political problem more sympathetically than Rusk did in his interview with Brown?

I said: "Henry, the President is in Texas. I have not discussed the matter with him."

After trying a few more times, he then said: "How do you feel about these decisions?"

I said: "Not for attribution -- sad."

My guess at the time was that he had gotten a lead from George Brown and was trying to work it into a confirmed story.

He talked, so far as I knew, to no one else at the White House -- at least not on my staff.

W. W. R.

ACTION

92

Tuesday, January 16, 1968
2:30 p.m.

Mr. President:

Herewith a draft response to
Mrs. Norman Chandler who,
apparently, was much moved by
her trip to Vietnam.

W. W. Rostow

[Handwritten signature]
2 files

WWRostow:rla

January 16, 1968

Dear Mrs. Chandler:

Your letter of January 8 was a source of strength and comfort. It means a good deal that someone of your wisdom and experience should react in this constructive and supportive way to the realities of Vietnam.

We are all in your debt for making the journey.

Sincerely,

15/ Lyndon B. Johnson

Mrs. Norman Chandler
Times Mirror Square
Los Angeles, California 90053

*My best to Alis and do come in to
see me when you are this way —
L*

LBJ:WWRostow:rlh

926

MRS. NORMAN CHANDLER

January
Eighth
1968

My dear Mr. President:

I am indebted to you for giving me one of the most interesting and informative experiences of my adult life. The trip to Vietnam in November, 1967, and a visit to Russia in October, 1955, stand as these two high points.

My distaff companions Eugenie Anderson and Anna Strauss were a joy making it a most compatible threesome. Charlotte Hubbard who shared with us many of the travels within Vietnam made a happy and broadening addition.

Everyone from Ambassador Bunker down and in each area of our United States services -- both military and civilian -- was gracious and attentive. As distaff visitors, guests of The President, we experienced the broadest possible exposure to the total complexities of Vietnam and the involvement of the United States.

As a result I feel that I learned and saw so very much and returned home really knowing so very little. I am neither "Hawk" nor "Dove." But this I do know that you are handling in a highly skillful manner probably the most delicate explosive tinderbox ever on the doorstep of our nation and its President.

As a woman -- as a citizen of the United States, I express the deepest gratitude for your invitation extended to me to see Vietnam. How I happened to be one of the fortunate distaff three remains a mystery. But I accept my blessings as they come and with gratitude and humility.

I am warmly yours,



The President
The White House
Washington, D. C.

SANITIZED

E.O. 12958, Sec. 3.6

NLJ 01-22

By Sj, NARA Date 4-22-01

Tuesday, Jan. 16, 1968
12:20 p. m.

~~SECRET~~

Mr. President:

Herewith reports on Israeli missile and nuclear weapons development.

3.4 (b)(1)(6)

Pres file

They are quite pregnant.

The issue will come to a head with the emergence of an agreed NPT draft.

As with the Indians, the critical question will be: if we sign an NPT, who will guarantee our security for the long pull?

W. W. R.

~~SECRET~~ attachment (log 219)

WWR:mz

INFORMATION~~SECRET--SENSITIVE--RAMS~~*Pres file*

Tuesday, January 16, 1968 -- 12:20 p.m.

Mr. President:

Herewith the French in Hanoi get from the North Vietnamese the following answers to questions put:

-- Conversations will begin after a "proper" time, once bombing ceases;

-- The first meeting will discuss: the site for further conversations; the level at which conversations will be held; subjects for the agenda.

I understand Sec. Rusk may wish to discuss this at lunch today.

W. W. Rostow

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-199
By isa, NARA Date 12-19-99

Paris 9096

~~SECRET--SENSITIVE~~

WWRostow:rla



Department of State

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TELEGRAM

~~SECRET~~

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DECLASSIFIED

E.O. 12958, Sec. 3.6

NLI 96-266

By us, NARA Date 9-10-97

~~SECRET~~ PARIS 9096

NODIS RAMS

Rattow

SUBJ: MANAC'H FURTHER CLARIFIES TRINH DECLARATION

1. AT MANAC'H'S REQUEST, EMBOFF (FUNKHOUSER AND DEAN) CALLED ON HIM AFTERNOON JAN 15. MANAC'H SAID THAT PURPOSE OF HIS ASKING EMBOFFS TO SEE HIM WAS TO INFORM USG OF CABLE QUAI HAD RECEIVED SAME DAY FROM HANOI ON DE QUIREILLE'S JAN 13 MEETING WITH DIRECTOR EUROPEAN AFFAIRS OF GDRV'S FOREIGN OFFICE AND WHICH APPEARED TO GIVE SOME CLARIFICATION TO QUESTIONS US IS ASKING HANOI. MANAC'H STRESSED THAT HE IS PASSING ON THIS INFORMATION WITH COUVE'S EXPLICIT CONSENT AND THEN GAVE EMBOFFS OPPORTUNITY TO COPY VERBATUM, TEXT OF DE QUIRIELLE'S TELEGRAM. FOLLOWING IS OUR TRANSLATION OF

PAGE 2 RUFNCR 9096 ~~SECRET~~

THIS TELEGRAM FROM HANOI DATED JAN 13 AND SIGNED DE QUIRIELLE.

BEGIN TRANSLATION

2. THE DIRECTOR FOR EUROPE (HA) SUMMONED ME SATURDAY AFTERNOON JAN 13, TO MAKE FOLLOWING STATEMENT TO ME:

" ON DECEMBER 29, 1967 ON THE OCCASION OF A RECEPTION FOR A MONGOLIAN DELEGATION IN HANOI, THE MINISTER OF FOREIGN AFFAIRS MADE A STATEMENT WHOSE PURPOSE WAS TO CLARIFY THE DECLARATION HE HAD MADE ON JANUARY 28 LAST.

"THIS DECLARATION HAS RECEIVED THE WARM AND VIGOROUS SUPPORT OF GOVERNMENTS AND PEOPLE FAVORING PEACE IN THE WORLD; BUT UNTIL NOW, THE US CONTINUES ITS ESCALATION AND SAVAGE ATTACKS AGAINST THE DRVN.

" ON JAN 4, 1968 THE AMERICAN SECRETARY OF STATE TOOK UP AGAIN THE ASSERTIONS MADE BY PRESIDENT JOHNSON IN SAN ANTONIO, SHOWING THAT THE US STICKS TO ITS POSITION ON THE QUESTION OF UNCONDITIONAL

~~SECRET~~

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-2- 9096 FROM PARIS, JANUARY 15, 1968 (NODIS)

PAGE 3 RUFNCR 9096 ~~SECRET~~

CESSATION OF BOMBING. BUT, BY ACTING IN THIS MANNER THE US ONLY PERMITS WORLD PUBLIC OPINION TO ASCERTAIN THE FOLLOWING TRUTH: THEIR PEACE TALK IS FALLACIOUS, AND THE ATTITUDE TO THE DRVN IS JUST.

THE DECLARATION OF DECEMBER 29 OF MR. TRINH HAS PERMITTED THE DRVN TO WIN OVER TO ITS CAUSE WORLD PUBLIC OPINION WHICH IS PUTTING PRESSURE ON THE US TO CEASE THE BOMBINGS AND OTHER ACTS OF WAR AGAINST NORTH VIETNAM AND TO DEMAND A REPLY TO THE JANUARY 28 DECLARATION. THE DECEMBER 29 DECLARATION HAS ALSO CONTRIBUTED TO FURTHER ACCENTUATING THE ISOLATION OF THE US. THE US IS AT THE PRESENT TIME UNEASY AND EMBARRASSED IN THE FACE OF THIS SITUATION. BUT IN SPITE OF THAT, US CONTINUES ITS WAR OF ESCALATION.

LATELY, AFTER HAVING TAKEN COGNIZANCE OF THE DECEMBER 29 DECLARATION OF MR. TRINH, A CERTAIN NUMBER OF COUNTRIES HAVE ASKED US FOR PRECISIONS ON THIS SUBJECT:

1. IS THERE A DIFFERENCE BETWEEN THE DECLARATION OF DECEMBER 29, 1967 AND THAT OF JANUARY 28, 1967?

PAGE 4 RUFNCR 9096 ~~SECRET~~

2. AFTER THE CESSATION OF BOMBINGS, AFTER WHAT PERIOD OF DELAY CAN CONVERSATIONS TAKE PLACE? WHERE CAN THESE CONVERSATIONS BE HELD, AT WHAT LEVEL, AND WHAT PROBLEMS WILL BE PLACED ON THE AGENDA?

"IN REPLY TO THESE QUESTIONS WE REAFFIRM OUR POSITION AS SET FORTH IN THE TWO ABOVE CITED DECLARATIONS AND WE ADD THE FOLLOWING PRECISIONS:

1. THE DECLARATION OF DECEMBER 29 IS OF SUCH A NATURE AS TO CLARIFY THAT OF JANUARY 28.

2. THE CONVERSATIONS WILL BEGIN AFTER A PROPER (CONVENABLE) TIME FOLLOWING THE UNCONDITIONAL CESSATION OF BOMBINGS AND ALL OTHER ACTS OF WAR AGAINST THE DRVN.

3. AFTER THE UNCONDITIONAL CESSATION OF BOMBINGS AND ALL OTHER ACTS OF WAR AGAINST THE DRVN, THERE WILL BE A MEETING BETWEEN THE TWO PARTIES TO PERMIT THE DISCUSSION

~~SECRET~~

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-3- 9096 FROM PARIS, JANUARY 15, 1968 (NODIS)

PAGE 5 RUFNCR 9096 ~~SECRET~~

OF THE FOLLOWING QUESTIONS:

- A. THE CHOICE OF A SITE FOR THE CONVERSATIONS.
- B. AT WHAT LEVEL THE CONVERSATIONS WILL BE HELD.
- C. THE PROBLEMS TO BE PLACED ON THE AGENDA.

THIS DECLARATION IS NOT INTENDED TO BE PUBLISHED BUT TO INFORM THE FRENCH GOVERNMENT AND TO FURNISH IT WITH CLARIFICATIONS ON OUR POSITION. WE HOPE THAT THE GOVERNMENTS AND PEOPLES FAVORABLE TO PEACE IN THE WORLD WILL APPROVE US AND WILL SUPPORT US MORE VIGOROUSLY.

END TRANSLATION.

3. IN DISCUSSING DE QUIRIELLE'S TELEGRAM, MANAC'H MADE FOLLOWING POINTS: (A) BY DRV OFFICIAL STATING THAT CONVERSATIONS WILL BEGIN AFTER A PROPER TIME, HE BELIEVES HANOI MEANS THAT DELAY MUST LAST LONG ENOUGH TO PERMIT HANOI TO ASCERTAIN THAT BOMBINGS HAVE ACTUALLY STOPPED; (2) MANAC'H DID NOT EXCLUDE POSSIBILITY THAT CERTAIN OTHER NATIONS HAVE BEEN INFORMED BY HANOI OF ABOVE CITED POSITION, AND (C) THAT TEXT OF ABOVE DECLARATION MAY BE PUBLISHED ON DAY

PAGE 6 RUFNCR 9096 ~~SECRET~~

BY HANOI; IF SO, HE DID NOT KNOW WHEN THIS WOULD TAKE PLACE; HE MERELY STATED IT MIGHT HAPPEN THIS WEEK, NEXT WEEK, NEXT MONTH OR NEVER. IN CONVEYING MESSAGE TO DE QUIRIELLE, GDRV OFFICIAL IMPOSED NO RESTRICTIONS ON FRENCH IN ITS USE INDICATING THAT FRENCH COULD DO WITH IT WHATEVER THEY THOUGHT BEST. THIS MANAC'H CHOSE TO INTERPRET AS MEANING GDRV NOT AVERSE FRENCH PASSING ON MESSAGE TO US. IN THIS CONNECTION MANAC'H MENTIONED THAT DRV DELEGATE GENERAL MAI VAN BO KNOWS MANAC'H'S CLOSE CONTACTS WITH US OFFICIALS AND THAT BO IS AWARE THAT IF MANAC'H CONSIDERS A BIT OF INFORMATION TO BE USEFUL HE WILL PASS IT ON TO INTERESTED PARTY IN EFFORT HELP FIND SOLUTION TO CONFLICT.

GP-1 WALLNER

BT

~~SECRET~~

THE WHITE HOUSE
WASHINGTON

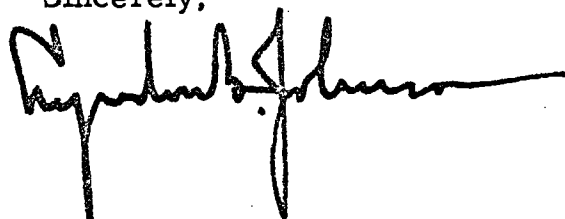
January 16, 1968

Dear Mrs. Chandler:

Your letter of January 8 was a source of strength and comfort. It means a good deal that someone of your wisdom and experience should react in this constructive and supportive way to the realities of Vietnam.

We are all in your debt for making the journey.

Sincerely,



Mrs. Norman Chandler
Times Mirror Square
Los Angeles, California 90053

My love to Otis and do come in to
see me when you are this way —
C

THE WHITE HOUSE

WASHINGTON

INFORMATION 96

~~CONFIDENTIAL~~

Tuesday - January 16, 1968

Mr. President:

We have just received a CRITIC message from our Embassy in Guatemala reporting that Colonel John D. Webber, Jr., Commander of the MILGROUP, was assassinated by unknown assailants at 11:55 a.m. local time. Subsequent reports [redacted] 25X1 [redacted] indicate that Navy Commander Ernest Munro was also killed and two enlisted men travelling in the car with them seriously wounded.

The Embassy suspects the assailants were members of the Communist guerrilla organization FAR.

→ Covey Oliver, who is in Panama and was scheduled to fly this morning to Guatemala, has held up his departure pending clarification of the circumstances of the assassination.

W. W. Rostow

SANITIZED

E.O. 12958, Sec. 3.6

NLJ 96-199

By is, NARA Date 1-5-00

THE WHITE HOUSE

~~SECRET~~ *PS*

WASHINGTON

INFORMATION

Tuesday - January 16, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Dominican Situation

SANITIZED

93-341

Cb

4-12-95

The IRG for Latin America met with Ambassador Crimmins yesterday to review the Dominican situation and decide what additional steps should be taken to bolster Balaguer.

Ambassador Crimmins expressed some surprise that his recent report had been viewed as sounding a note of alarm over political trends. The message he wished to convey was one of continuing concern over the efforts of the opposition to undermine Balaguer, brought into sharper focus by the proximity of the May municipal election. There is no immediate threat to Balaguer's position, but we must remain alert to dangers and the need to bolster him wherever possible.

Crimmins reported that last Friday before leaving the DR, he asked President Balaguer for his assessment. Balaguer said he was not concerned about the situation and thought it was essentially normal for the Dominican Republic as it approached an important election. Crimmins thought this estimate a little too sanguine.

When asked about prospects for Balaguer's winning the election, Crimmins observed that the outcome of the municipal elections was not much in doubt. Balaguer's Reformist Party (PR) has the best political organization and with a little bit of effort he can win.

The IRG agreed to explore these courses of action to bolster Balaguer:

Economic

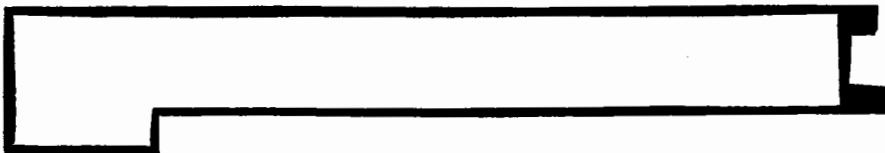
1. Speed negotiation of the \$30 million SA-PL 480 package for CY 1968 and advance our paperwork on disbursement so that money can flow promptly after signing of the new agreement.
2. Press for rapid IDB and AID processing of the politically important Taveras Dam loan so that it could be signed by February 27, the Dominican Independence Day. (IDB President Felipe Herrera has expressed an interest in going to the DR for the signing ceremony.)

3. Recommend that you again make a special allocation to the DR of the Puerto Rico and domestic sugar shortfalls and announce this in advance of the May 16 elections.
4. Amend the USDA letters of reimbursement to allow wheat to flow uninterrupted to the DR while PL 480 negotiations are underway.
5. Check to see how we might help the Canadian Falcon Bridge Co. secure the financing for its \$150 million investment in Dominican nickel so that the announcement can be made prior to the elections.
6. Encourage Balaguer to decide on the bids already presented by ESSO and SHELL for building a refinery in the DR to pave the way for the announcement of another major investment.

Political-Military

1. Arrange a series of visits to the DR over the next four months to demonstrate confidence in and support for Balaguer, e.g.:
 - IDB President Herrera for the Taveras Dam loan signing;
 - New OAS Secretary General, after he is elected;
 - President Leoni, either on his way to or from the US, should he accept the invitation you made at Punta del Este;
 - Ships of countries participating in the Caribbean naval exercise "Springboard" (Canada, Ecuador, Colombia and possibly Venezuela, but not US or Brazil because of IAPF connotations).
2. Crimmins to review programmed levels of military and police equipment to determine whether the items are best designed to help satisfy the more urgent needs of the security forces and yet be consistent with our plans for modernization and reduction of force levels.

3.



1.3(a)(4)

4. Hold the line on issuance of visas to notorious Trujullistas whose presence here would be prejudicial to our interests in the DR.



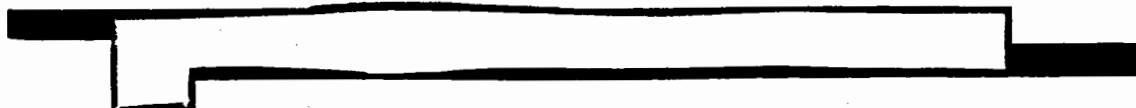
1.3(a)(4)



1.3(a)(4)



1.3(a)(4)



1.3(a)(4)



1.3(a)(4)

With alertness to the situation, the foregoing medicine and a little luck, Balaguer should be able to weather this rise in the fever chart unless he precipitates complications with decisions beyond our control.

W. A. Rostow
W. A. Rostow

~~SECRET~~

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Lunch Meeting With the President
Tuesday, January 16, 1968 -- 1:00 p.m.

AGENDA

1. State of the Union Passages. (Sec. Rusk and Sec. McNamara)
 - Vietnam negotiations
 - U.K. withdrawal East of Suez
 - Other
2. Haiphong 5-Mile Bombing Circle. (Sec. Rusk, Sec. McNamara, and Gen. Wheeler)

We promised the traveler two five-mile circles. When should the Haiphong circle be applied?
3. Additional Targets. (Sec. Rusk, Sec. McNamara, and Gen. Wheeler)

The JCS may have some additional targets to add.
4. Khe Sanh. (Gen Wheeler)

Present state of enemy dispositions and U.S. contingency plans.
5. Personnel. (Sec. Rusk may wish to raise some problems privately.)
6. Other.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-189
By is, NARA Date 3-24-97

W. W. Rostow

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